

OKALOOSA GAS DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

**OKALOOSA GAS DISTRICT
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SEPTEMBER 30, 2024**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Okaloosa Gas District

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Okaloosa Gas District (the District) as of and for the year ended September 30, 2024, 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, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the net pension and total OPEB liabilities and contributions, 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 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 schedule of expenditures of state financial assistance and the budgetary comparison information 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. Except for the portion labeled "unaudited", 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, except for the portion labeled "unaudited", the schedule of expenditures of state financial assistance and the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or 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.



Destin, Florida
April 25, 2025

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

As management of the Okaloosa Gas District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by approximately \$112.2 million (net position), which represents an increase of \$17.4 million from the prior year.
- Of the \$112.2 million of net position on September 30, 2024, \$72.3 million represents investments in capital assets (e.g. land, construction in process, infrastructure, and equipment) less any related debt used to acquire these assets that is still outstanding, \$4.8 million is restricted for specific purposes, and \$35.1 million is unrestricted and may be used to meet the District's ongoing obligations to customers and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis, basic financial statements, other supplementary information, and the compliance section. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer both short and long-term financial information about its activities.

The statement of net position presents information on all the District's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, with the difference between the two groups reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered its costs through user fees and other charges, profitability, and credit worthiness. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts, cash payments and net changes in cash resulting from operations, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balances during the reporting period?

The basic financial statements are found on pages 14-18 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the basic financial statements. The notes to the financial statements begin on page 19 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to employees. The required supplementary information is found on pages 44-48 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112.2 million (net position) as of September 30, 2024, as reported in Table 1.

By far, the largest portion of the District's net position, \$72.3 million (or 64.5%), reflects its investment in capital assets (e.g., land, construction in process, infrastructure, and equipment) less any related debt used to acquire these assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

**TABLE 1
OKALOOSA GAS DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2024 AND 2023**

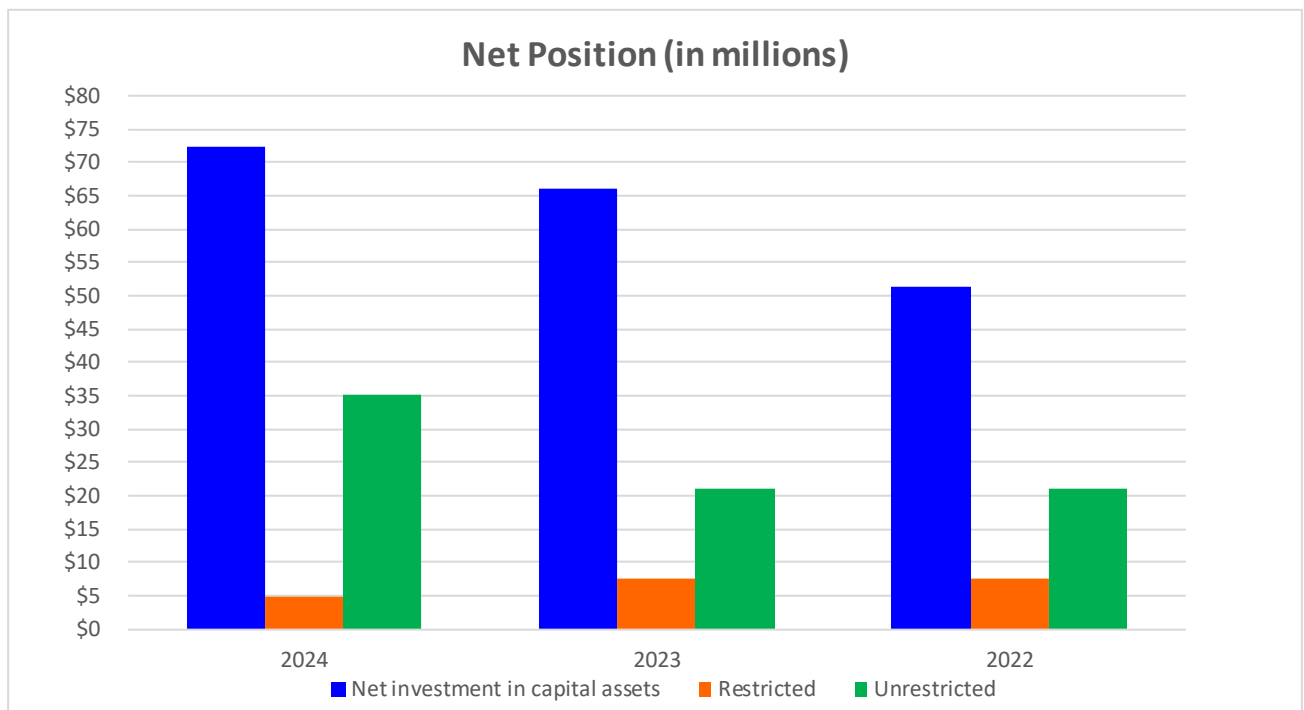
	<u>2024</u>	<u>2023</u>	<u>Difference</u>
Current assets	\$ 138,973,402	\$ 40,060,970	\$ 98,912,432
Capital assets, net	117,203,661	77,333,845	39,869,816
TOTAL ASSETS	<u>256,177,063</u>	<u>117,394,815</u>	<u>138,782,248</u>
Deferred outflows related to pensions	198,663	172,905	25,758
Deferred outflows related to OPEB	1,547,041	1,399,135	147,906
Deferred charges on refunding	77,718	57,078	20,640
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,823,422</u>	<u>1,629,118</u>	<u>194,304</u>
Other liabilities	19,472,729	7,172,715	12,300,014
Long-term liabilities	124,596,624	15,753,462	108,843,162
TOTAL LIABILITIES	<u>144,069,353</u>	<u>22,926,177</u>	<u>121,143,176</u>
Deferred inflows related to pensions	361,958	441,478	(79,520)
Deferred inflows related to OPEB	1,390,043	899,986	490,057
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,752,001</u>	<u>1,341,464</u>	<u>410,537</u>
Net position			
Net investment in capital assets	72,341,930	66,202,118	6,139,812
Restricted	4,770,782	7,570,596	(2,799,814)
Unrestricted	35,066,419	20,983,578	14,082,841
TOTAL NET POSITION	<u>\$ 112,179,131</u>	<u>\$ 94,756,292</u>	<u>\$ 17,422,839</u>

An additional portion of the District's net position, \$4.8 million, represents resources that are restricted for specific purposes by restrictive debt covenants. The remaining balance of unrestricted net position of \$35.1 million, may be used to meet the District's ongoing obligations to customers and creditors.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

The District's total net position increased by \$17.4 million during the current fiscal year. The District's total assets increased by \$138.8 million (or 118.2%) from the prior fiscal year, while total liabilities increased by \$121.1 million (or 528.4%). These significant increases are the result of issuing new debt to finance the costs of constructing a new administrative campus in Valparaiso and to refund two previous debt issuances.

Unrestricted net position increased by 14.1 million (or 67.1%) from the previous year. This increase is attributable to various factors, including a \$4.6 million increase in operating income and a \$2.7 million increase in interest and investment income. The increase in net position provides greater flexibility for the District in determining how to use its resources.



**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Table 2 shows comparative revenue and expense data.

**TABLE 2
OKALOOSA GAS DISTRICT
STATEMENTS OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

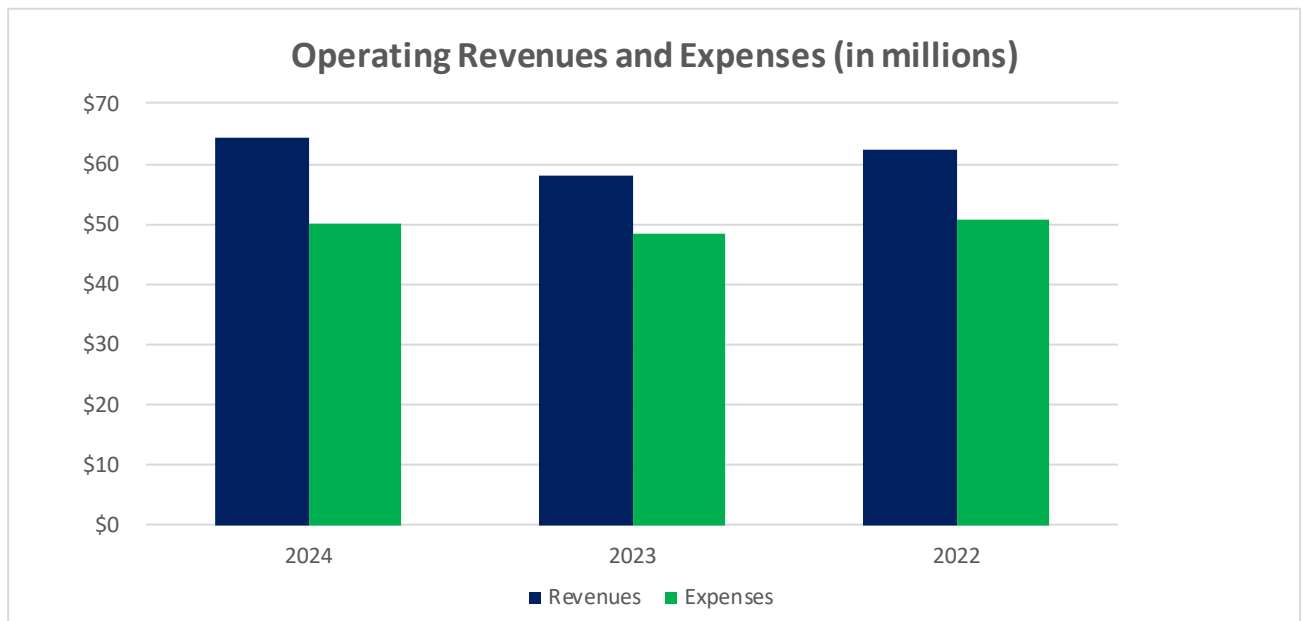
	<u>2024</u>	<u>2023</u>	<u>Difference</u>
OPERATING REVENUES			
Charges for services	\$ 64,154,911	\$ 57,894,155	\$ 6,260,756
Other	100,647	198,495	(97,848)
TOTAL OPERATING REVENUES	<u>64,255,558</u>	<u>58,092,650</u>	<u>6,162,908</u>
OPERATING EXPENSES			
Cost of gas sold	16,807,985	18,460,283	(1,652,298)
Personnel	16,947,661	16,137,476	810,185
Operations and maintenance	11,998,270	9,769,977	2,228,293
Depreciation and amortization	4,379,537	4,191,370	188,167
TOTAL OPERATING EXPENSES	<u>50,133,453</u>	<u>48,559,106</u>	<u>1,574,347</u>
OPERATING INCOME	14,122,105	9,533,544	4,588,561
NONOPERATING REVENUES (EXPENSES)			
Interest and investment income	3,288,148	623,204	2,664,944
Interest expense	(2,034,283)	(450,777)	(1,583,506)
Other nonoperating revenue, net	383,499	259,159	124,340
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,637,364</u>	<u>431,586</u>	<u>1,205,778</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,663,370</u>	<u>736,431</u>	<u>926,939</u>
INCREASE IN NET POSITION	17,422,839	10,701,561	6,721,278
NET POSITION, BEGINNING	<u>94,756,292</u>	<u>84,054,731</u>	<u>10,701,561</u>
NET POSITION, ENDING	<u>\$ 112,179,131</u>	<u>\$ 94,756,292</u>	<u>\$ 17,422,839</u>

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Key elements of the increase in net position for the fiscal year ended September 30, 2024, are as follows:

- Revenues from natural gas service charges increased approximately \$6.3 million (or 10.8%). This increase was the function of two factors. First, there was an 8.1% increase in dekatherms (dth) of natural gas billed to customers (consumption). Residential consumption increased 12.5% while commercial consumption increased 7.2%. The increase in consumption was in part due to cooler weather during fiscal year 2024 as there was an 11.7% increase in heating degree days from the prior fiscal year. Second, there was a 3.3% increase in the number of residential customers billed for natural gas, which is a result of expanding the District's service territory as well as customer conversions from electricity. The District anticipates this trend to continue due to the desirability of living in Northwest Florida and partnerships with large homebuilders.
- The District's cost of gas resold to customers decreased \$1.7 million (or 9.0%). The District's weighted average cost of gas has a strong direct correlation to the monthly U.S. Natural Gas Citygate Price, which is the price that a distributing gas utility receives gas from a natural gas pipeline company or transmission system. The U.S. Natural Gas Citygate Price decreased 27.8%, on average, from the previous fiscal year. The District prepays for a portion of its natural gas resold to customers to hedge against unexpected price increases, which is why the decrease in the District's cost of gas was less than the decrease in the U.S. Citygate market prices for natural gas.
- Interest and investment income increased \$2.7 million (or 427.6%) from the prior year. This increase was driven by a substantial increase in the average balance of cash and investments throughout fiscal year 2024 stemming from the issuance of new debt as well as an increase in the market interest rates.
- Interest expense increased \$1.6 million (or 351.3%) as a result of an increase in the average balance of long-term debt and the related debt service requirements for the revenue bonds issued during fiscal year 2024.
- Capital grants and contributions increased \$927 thousand (or 125.9%). This increase was primarily attributable to the District being awarded two grants totaling \$5.8 million from the Florida Department of Commerce to construct natural gas main extensions to serve the communities of Niceville, Freeport, Laurel Hill, and Paxton. The work on both grant projects commenced during fiscal year 2024, and the projects were in progress as of September 30, 2024.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2024, was \$117.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in process, utility plant and improvements, machinery and equipment, and subscription assets. The total increase in the District's investment in capital assets for the current fiscal year was approximately \$39.9 million (or 51.6%). Highlights are summarized as follows and in Table 3 on the next page.

- Capital assets outdated, unserviceable and no longer used are systematically disposed of on an annual basis. The net carrying value of fiscal year 2024 disposals was \$64 thousand.
- New mains and service lines were installed at a cost of \$5.4 million.
- The District partially financed the acquisition of software subscription assets of \$806 thousand.
- Costs of \$34.9 million were incurred for the new administrative campus project, which is still in progress at the balance sheet date.

Capital asset additions for the year ended September 30, 2024, were offset by depreciation and amortization expense of \$4.4 million.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

**TABLE 3
OKALOOSA GAS DISTRICT
CAPITAL ASSETS (NET OF DEPRECIATION)
AS OF SEPTEMBER 30, 2024 AND 2023**

	2024	2023	Difference
Land	\$ 10,056,876	\$ 10,050,119	\$ 6,757
Construction in progress	38,950,887	2,612,797	36,338,090
Transmission plant	6,707,658	7,201,433	(493,775)
Distribution plant	57,068,501	54,165,543	2,902,958
Structures and improvements	407,947	460,814	(52,867)
Office furniture and equipment	39,443	52,122	(12,679)
Transportation equipment	1,755,310	1,194,230	561,080
Computer equipment	155,574	126,288	29,286
Shop equipment	3,277	5,535	(2,258)
Tools and work equipment	1,344,652	1,464,964	(120,312)
Subscription assets	713,536	-	713,536
TOTAL	\$ 117,203,661	\$ 77,333,845	\$ 39,869,816

Additional information on capital assets can be found in Note 6 of the financial statements.

Long-Term Debt

As of September 30, 2024, the District had long-term debt outstanding of \$119.7 million, which represents an increase of \$108.5 million from the prior fiscal year. The last payment on the debt is due in fiscal year 2045. The maximum debt service in any one year on the debt is \$8.9 million in fiscal year 2028. The District's outstanding long-term debt is summarized in Table 4 on the next page.

**TABLE 4
OKALOOSA GAS DISTRICT
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2024 AND 2023**

	2024	2023	Difference
Revenue note	\$ -	\$ 4,916,805	\$ (4,916,805)
Revenue bonds, net	119,013,888	6,272,000	112,741,888
Subscription liabilities	640,055	-	640,055
TOTAL	\$ 119,653,943	\$ 11,188,805	\$ 108,465,138

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Additional information on long-term debt can be found in Note 11 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Despite continued inflation and increases in residential construction costs, the District anticipates continued growth in customers and consumption due to the demand for the efficiency and affordability of natural gas. The District maintains strong relationships with national home builders and contractors to ensure customers are able to enjoy the benefits of natural gas at home, work, and play. The District provides military installations and municipalities in the service territory with natural gas to fuel their operations.

Natural gas commodity costs are the largest single expense incurred by the District. Due to the impact of world events and weather on the price of natural gas, the District actively monitors prices and supply volume, purchases hedges, and participates in gas prepay transactions to obtain the best value for customers.

The District has begun a project to replace aging facilities that will enhance the ability to provide natural gas and other customer services as well as train and retain the workforce. In addition, the District commenced construction on a new administrative campus that will serve as the District's headquarters during the year ended September 30, 2024. The \$100 million project is primarily being financed by proceeds received from the issuance of revenue bonds in May 2024.

These indicators as well as others were taken into account when preparing the District's budget for fiscal year 2025.

**OKALOOSA GAS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

The District utilizes the services of a rate consultant to assist with natural gas rate projections. Although the District's Board of Directors (the Board) approves rates on an annual basis, five-year rate projections are developed and provided to the Board as part of the District's budgeting process. The District sets rates to ensure compliance with debt covenants, meet operating and personnel needs, and provide funding for planned growth and ongoing improvements to infrastructure. The Board approved a 5% increase in rates for natural gas distribution for fiscal year 2025. Natural gas sales, net of the cost of gas, are conservatively budgeted to increase 1.6% for the fiscal year ending September 30, 2025. Personnel costs are expected to increase 20.2% due to annual wage increases and rising costs of employee benefits, most notably health insurance costs and retirement benefits. Natural gas commodity costs are budgeted to increase 13.4% based on market estimates for future pricing available during the budget process.

The District's fiscal year 2025 budget provides for total appropriations of \$69.3 million, including capital acquisitions and principal payments on long-term debt, which is an increase of \$1.8 million (or 2.7%) from the final fiscal year 2024 budget.

CONTACTING THE DISTRICT

This financial report is designed to provide a general overview of the District's finances and to demonstrate its accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Accounting and Finance Department, 364 Valparaiso Pkwy, Valparaiso, FL 32580. Additional information can also be found online at www.okaloosagas.com.

**OKALOOSA GAS DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

ASSETS

Current assets	
Cash and cash equivalents	\$ 15,250,180
Investments	16,437,913
Receivables	
Accounts, net	4,658,371
Merchandise contracts	518,162
Other	144,448
Due from other governments	821,897
Inventory	6,534,283
Prepaid items	723,471
Other assets	100,683
Cash and cash equivalents – restricted	<u>93,783,994</u>
Total current assets	138,973,402
Capital assets, net	
Non-depreciable	49,007,763
Depreciable, net	<u>68,195,898</u>
Total capital assets	<u>117,203,661</u>
TOTAL ASSETS	<u>256,177,063</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,823,422</u>

See notes to the financial statements.

**OKALOOSA GAS DISTRICT
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2024**

LIABILITIES

Current liabilities	
Accounts payable	\$ 11,974,603
Retainage payable	2,078,313
Due to other governments	78,676
Accrued liabilities	
Compensated absences	181,194
Payroll	1,006,134
Other	361,461
Purchased gas adjustment	1,413,523
Unearned revenues	463,651
Subscription liabilities	138,157
Payable from restricted assets	
Customer deposits	1,777,017
Total current liabilities	<u>19,472,729</u>
Non-current liabilities	
Accrued compensated absences	884,650
Revenue bonds payable, net	119,013,888
Subscription liabilities	501,898
Total OPEB liability	3,270,098
Net pension liability	912,207
Other non-current liabilities	13,883
Total non-current liabilities	<u>124,596,624</u>
TOTAL LIABILITIES	<u>144,069,353</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,752,001</u>
NET POSITION	
Net investment in capital assets	72,341,930
Restricted for:	
Capital expansion	2,018,512
Operations and maintenance	2,752,270
Unrestricted	35,066,419
TOTAL NET POSITION	<u>\$ 112,179,131</u>

See notes to the financial statements.

**OKALOOSA GAS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

OPERATING REVENUES

Charges for services	
Gas sales, including sales to other utilities	\$ 60,350,193
Appliance sales and installation revenues	2,441,863
Service charges	913,847
Late charges	449,008
Other operating revenues	100,647

TOTAL OPERATING REVENUES 64,255,558

OPERATING EXPENSES

Cost of gas sold	16,807,985
Personnel	16,947,661
Operations and maintenance	11,998,270
Depreciation and amortization	4,379,537

TOTAL OPERATING EXPENSES 50,133,453

Operating income 14,122,105

NONOPERATING REVENUES (EXPENSES)

Interest and investment income	3,288,148
Interest expense	(2,034,283)
Loss on disposal of capital assets	(22,037)
Other nonoperating revenues	405,536

TOTAL NONOPERATING REVENUES (EXPENSES) 1,637,364

Income before capital grants and contributions 15,759,469

Capital grants 821,897

Capital contributions 841,473

CHANGE IN NET POSITION 17,422,839

NET POSITION AT BEGINNING OF YEAR 94,756,292

NET POSITION AT END OF YEAR \$ 112,179,131

See notes to the financial statements.

**OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 63,877,736
Payments to suppliers	(19,408,660)
Payments to employees	(17,147,120)
Miscellaneous income	405,536

Net cash provided by operating activities	27,727,492
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisitions of capital assets	(43,519,653)
Proceeds from sale of capital assets	42,294
Proceeds from capital contributions	1,179,298
Principal payments received on note receivable	46,666
Proceeds from issuance of revenue bonds	119,215,794
Principal paid on revenue note	(4,916,805)
Principal paid on revenue bonds	(6,272,000)
Principal paid on subscription liabilities	(153,976)
Interest paid on notes and bonds payable	(2,243,800)

Net cash provided by capital and related financing activities	63,377,818
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on deposits	2,563,108
Purchases of investments	(20,020,717)
Proceeds from sales and maturities of investments	19,959,000

Net cash provided by investing activities	2,501,391
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NET INCREASE IN CASH AND CASH EQUIVALENTS	93,606,701
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,427,473
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 109,034,174
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CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF

Cash and cash equivalents – unrestricted	\$ 15,250,180
Cash and cash equivalents – restricted	93,783,994

Total cash and cash equivalents	\$ 109,034,174
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See notes to the financial statements.

**OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS
FROM OPERATING ACTIVITIES**

Operating income	\$ 14,122,105
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	4,379,537
Miscellaneous revenue	405,536
(Increase) decrease in assets	
Accounts receivable	(561,010)
Merchandise contracts receivable	(141,562)
Other receivables	(59,833)
Inventory	(2,962,195)
Prepaid items	(34,014)
Other assets	14,871
Increase in OPEB and pension related deferred outflows of resources	(173,664)
Increase (decrease) in liabilities:	
Accounts payable and retainage payable	12,350,968
Due to other governments	14,978
Compensated absences	118,940
Accrued payroll	96,610
Other accrued liabilities	28,079
Purchased gas adjustment	285,748
Customer deposits	98,835
Total OPEB liability	(642,675)
Net pension liability	(24,299)
Increase in OPEB and pension related deferred inflows of resources	410,537
Net cash provided by operating activities	\$ 27,727,492

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
FINANCING ACTIVITIES**

Capital grants receivable	\$ 821,897
Financed portion of subscription assets	\$ 794,031

See notes to the financial statements.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE DISTRICT

Okaloosa Gas District (the District) was established as an independent special district under Chapter 29334, Laws of Florida, 1953, as amended; for purposes of acquiring, constructing, owning, operating, managing, maintaining, extending, improving, and financing one or more gas distribution systems or gas transmission systems in Northwest Florida. The present charter was originally enacted in June 2000 and was amended in June 2021. The District serves residential, commercial, and military customers throughout Okaloosa, Walton, and Santa Rosa Counties. The District is governed by a Board of Directors, which is comprised of individuals appointed by the member municipalities and counties in the District's service territory. The Directors appointed by the counties represent the non-member municipalities and unincorporated areas.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in the GASB guidance. The District has no component units and is not included as a component unit, for financial reporting purposes, of any county or any other governmental entity.

Measurement Focus and Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Basis of Presentation

The District follows the provisions of various GASB Statements, which establish standards for external financial reporting for all state and local governmental entities, which include presentation of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The District's financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District consist of charges to customers for sales of natural gas and related services and supplies. Operating expenses consist of the cost of sales and service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Regular monthly billings to customers are recognized as revenue during the period for which they are invoiced. Monthly billings are calculated based on usage determined by meter readings performed on a cycle basis. Estimated unbilled revenues are recognized at the end of each fiscal year on a pro rata basis. The unbilled amount is based on the estimated usage of gas between the latest billing date and month-end, plus the proration of the monthly service charge over the billing cycle. Contract sales are recorded as each job is completed.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position

Cash and Cash Equivalents

For the statement of cash flows, the District considers cash on hand, bank deposits, including certificates of deposit, and short-term investments maturing within three months of the purchase date to be cash and cash equivalents.

Deposits and Short-Term Investments

Section 218.415, Florida Statutes, permits the investment of surplus public funds and prescribes the types of investments authorized. The District strictly adheres to the provisions of that statute as well as Chapter 280, Florida Statutes, which requires the District to maintain deposits only with *Qualified Public Depositories*.

Pursuant to Section 218.415, Florida Statutes, the District has an investment policy that allows investment of surplus funds in *Qualified Public Depositories*, money market instruments and mutual funds, U.S. Treasury and U.S. Government agency obligations (including mortgage-backed securities), local government investment pools and other securities that meet minimum ratings thresholds from a nationally recognized credit rating organization.

Receivables

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The District provides for doubtful accounts based on historical experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. The District's allowance for doubtful accounts was \$526,360 at September 30, 2024.

Inventory

Inventory consists primarily of gas line pipes and fixtures, spare parts used to repair gas lines, appliances held for sale and natural gas held in storage by the District's supplier. Inventory is stated at the lower of cost or market. Cost is determined using the average cost method.

Restricted Assets

Certain resources are set aside and classified as restricted assets because their use is limited by applicable debt covenants. Deposits received from customers of the natural gas system are restricted to use as payment of the final customer bill or are returned to the customer upon settlement of the final bill.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Capital Assets

Property, plant, and equipment with an original cost greater than \$1,000 and a useful life of one year or more are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the capital assets, which range from three to ten years for furniture, software, vehicles and equipment; and 25 to 33 years for buildings and system improvements.

Donated capital assets are recorded at their estimated acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. See Note 7 of this report for additional information about deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 of this report for additional information about deferred inflows of resources.

Subscription-Based Information Technology Arrangements (SBITA's)

The District records a subscription asset and a related subscription liability for subscription-based information technology arrangements (SBITA's) at the commencement of the agreement. The subscription liability is measured at the present value of payments expected to be made during the subscription term. The subscription asset is measured at the initial amount of the subscription liability adjusted for any payments made at or before the beginning of the subscription term. The District monitors changes in circumstances that would require remeasurement of subscription assets and liabilities.

Purchased Gas Adjustments

The purchased gas adjustment (PGA) allows the District to recover costs incurred for natural gas purchased on behalf of its customers. The difference between the actual natural gas costs and the costs billed to customers for a given period is deferred as a PGA liability. A liability is recorded when the costs billed to customers exceed the actual natural gas costs. The PGA liability represents over-recovered costs from natural gas customers, and such amounts are expected to be returned to customers in the form of reduced gas commodity costs within one year of the deferral.

Compensated Absences

The District has a policy that establishes annual and sick leave benefits for its employees. Regular, full-time employees accrue 80 hours for sick leave each year to a maximum of 800 hours. Unused sick leave will be paid out to employees upon separation from service at rates ranging from 2.5% to 25.0% of the amount accrued based on the employee's number of service years.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Regular, full-time employees accrue annual leave according to the schedule below. Upon termination of employment or separation from service, employees are paid for all unused annual leave up to the maximum accrual amount.

Years of Service	Annual Hours Accrued	Maximum Hours Accrued
Less than 1	48	48
2 - 6	96	288
7 - 15	120	360
16 - 20	160	480
More than 21	200	500

All annual leave is accrued when earned. Sick leave is accrued based on a ratio of the sum of sick leave paid over the last several years to the total balance of sick leave at the end of each fiscal year. A liability for the accrued amounts of vacation and sick leave is reported in the District's financial statements.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the accompanying financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as they are incurred.

For debt refunding transactions, the difference between the reacquisition price of new debt and the net carrying value of the old debt creates a deferred gain/loss from advance refunding of debt. This difference is classified as a deferred outflow/inflow of resources and is amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The plan is unfunded, so there are no OPEB assets accumulated in a GASB compliant trust to pay for related plan benefits.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension income, information about the fiduciary net position of the Florida Retirement Systems (FRS) and Health Insurance Subsidy (HIS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by FRS. Investments are reported at fair value.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Capital Contributions

Capital contributions consist of reimbursements from governmental units, commercial entities, and other private sources for the costs of constructing, expanding, or relocating natural gas lines or mains.

Net Position

Net position is classified as net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- ◆ *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- ◆ *Restricted* – This component of net position consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- ◆ *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

Estimates

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

Subsequent Events

The District has evaluated events and transactions that occurred between September 30, 2024, and April 25, 2025, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Board of Directors (the Board) approves total budget appropriations only. The Chief Executive Officer (CEO) is authorized to transfer budget amounts between departments and object codes. However, any revisions that alter the total budgeted appropriations must be approved by the Board. Therefore, the level of budgetary responsibility is by total budget amount. For reporting purposes, this level of budgetary control has been expanded to the department level. Formal budgetary comparisons to actual results are employed as a management device during the year. One budget amendment was approved by the Board for fiscal year 2024. All appropriations lapse at the end of the fiscal year, except for appropriations related to multi-year capital projects.

3. DEPOSITS AND INVESTMENTS

Deposits

The investment of surplus funds is governed by Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

The District manages its custodial credit risk by maintaining its deposits with *Qualified Public Depositories* as defined in Chapter 280, Florida Statutes. This statute allows *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a *Qualified Public Depository*, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all *Qualified Public Depositories*. Under this method, all District deposits, including certificates of deposit (CD's), are considered fully insured.

The District maintains a CD, which is reported at amortized cost. As of September 30, 2024, the CD has a carrying value of \$1,193,396. The CD matures in January 2025 and bears interest at 3.75% per annum.

As of September 30, 2024, the value of the District's deposits with financial institutions was \$109,012,662. These deposits were entirely covered by the FDIC or pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Investments

The types of investments that can be made by the District are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The District minimizes interest rate risk by investing operating funds primarily in shorter-term securities.

As of September 30, 2024, the District held the following investments and related maturities:

	Fair Value	INVESTMENT MATURITIES (YEARS)		
		< 1	1-5	> 5
Investments subject to interest rate risk:				
U.S. Treasury bills	\$ 8,278,748	\$ 8,278,748	\$ -	\$ -
U.S. Treasury bonds	8,159,165	-	8,159,165	
	<u>\$ 16,437,913</u>	<u>\$ 8,278,748</u>	<u>\$ 8,159,165</u>	<u>\$ -</u>

4. FAIR VALUE OF INVESTMENTS

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. The District had no Level 2 investments as of September 30, 2024.

Level 3 – Unobservable inputs for an asset. The District had no Level 3 investments as of September 30, 2024.

As of September 30, 2024, the fair value of the District’s investments were \$16,437,913, all of which were classified as Level 1 in accordance with fair value hierarchy.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

5. RECEIVABLES

The District's receivables consisted of the following as of September 30, 2024:

	<u>2024</u>	<u>2023</u>
Accounts receivable – gas customers	\$ 3,739,985	\$ 3,283,167
Unbilled revenues	1,995,525	1,922,990
Customer overpayments and prepayments	(550,779)	(639,624)
Allowance for uncollectible accounts	<u>(526,360)</u>	<u>(469,172)</u>
Accounts receivable – net	4,658,371	4,097,361
Merchandise contracts receivable	518,162	376,600
Other receivables	<u>144,448</u>	<u>84,614</u>
Total	<u>\$ 5,320,981</u>	<u>\$ 4,605,242</u>
Due from other governments	<u>\$ 821,897</u>	<u>\$ -</u>

Due from Other Governments

The amount reported as due from other governments as of September 30, 2024, was comprised of a cost-reimbursement grant with the Florida Department of Commerce.

6. CAPITAL ASSETS

Construction in Progress

In May 2023, the District contracted with an architectural firm to perform the schematic design, prepare construction documents, negotiate with bidders, and oversee the construction progress for a \$100 million project to construct a new campus for its headquarters. The new campus will consist of a new administration building, a warehouse, a fleet maintenance building, and an operations building. The project will be primarily funded by the proceeds from the Series 2024A and 2024B Gas System Revenue Bonds. In September 2023, the District engaged a construction contractor to perform the work for the new campus project.

The following table summarizes the District's contracts for the new campus and the related contract amounts from inception through September 30, 2024.

<u>Scope of Contract</u>	<u>Original Contract</u>	<u>Change Orders</u>	<u>Revised Contract</u>	<u>Costs Incurred ⁽¹⁾</u>
Construction	\$ 108,685,850	\$ (11,387,903)	\$ 97,297,947	\$ 26,554,785
Schematic design	476,133	167,690	643,823	643,805
Construction administration	572,271	209,616	781,887	458,990
Ancillary professional services	<u>1,506,167</u>	<u>532,668</u>	<u>2,038,835</u>	<u>1,934,835</u>
	<u>\$ 111,240,421</u>	<u>\$ (10,477,929)</u>	<u>\$ 100,762,492</u>	<u>\$ 29,592,415</u>

¹⁾ Includes unbilled retainage

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Changes in Capital Assets

The table below summarizes the changes in capital assets for the year ended September 30, 2024:

	Beginning Balance	Increases	Decreases	Adjustments / Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 10,050,119	\$ 6,757	\$ -	\$ -	\$ 10,056,876
Construction in progress	2,612,797	36,868,609	-	(530,519)	38,950,887
Total capital assets not being depreciated	12,662,916	36,875,366	-	(530,519)	49,007,763
Capital assets being depreciated					
Transmission plant	27,622,829	19,349	-	37,649	27,679,827
Distribution plant	99,599,270	5,449,338	(221,261)	545,447	105,372,794
Structures and improvements	4,733,042	9,599	-	-	4,742,641
Office furniture and equipment	475,402	-	-	-	475,402
Transportation equipment	4,197,383	843,828	(363,033)	-	4,678,178
Computer equipment	1,636,642	86,905	-	-	1,723,547
Shop equipment	67,814	-	-	-	67,814
Tools and work equipment	3,440,267	223,268	(12,535)	(53,280)	3,597,720
Communication equipment	23,232	-	-	-	23,232
Subscription assets	-	806,031	-	-	806,031
Total capital assets being depreciated	141,795,881	7,438,318	(596,829)	529,816	149,167,186
Less accumulated depreciation					
Transmission plant	(20,421,396)	(550,773)	-	-	(20,972,169)
Distribution plant	(45,433,727)	(3,028,965)	158,399	-	(48,304,293)
Structures and improvements	(4,272,228)	(62,466)	-	-	(4,334,694)
Office furniture and equipment	(423,280)	(12,679)	-	-	(435,959)
Transportation equipment	(3,003,153)	(282,748)	363,033	-	(2,922,868)
Computer equipment	(1,510,354)	(57,619)	-	-	(1,567,973)
Shop equipment	(62,279)	(2,258)	-	-	(64,537)
Tools and work equipment	(1,975,303)	(289,534)	11,769	-	(2,253,068)
Communication equipment	(23,232)	-	-	-	(23,232)
Subscription assets	-	(92,495)	-	-	(92,495)
Total accumulated depreciation	(77,124,952)	(4,379,537)	533,201	-	(80,971,288)
Total capital assets being depreciated	64,670,929	3,058,781	(63,628)	529,816	68,195,898
Total capital assets, net	\$ 77,333,845	\$ 39,934,147	\$ (63,628)	\$ (703)	\$ 117,203,661

Depreciation and amortization expense was \$4,379,537 for the year ended September 30, 2024.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As of September 30, 2024, the District's deferred outflows of resources and deferred inflows of resources were comprised of the following components:

Deferred outflows of resources

Related to revenue bonds payable	
Deferred loss on advance refunding	\$ 77,718
Related to net pension liability	
Employer contributions subsequent to the measurement date	23,657
Changes in actuarial assumptions	95,293
Differences between actual and expected experience	69,396
Changes in proportionate share of net pension liability	10,317
Related to total OPEB liability	
Changes in actuarial assumptions	1,245,670
Differences between actual and expected experience	301,371
	<hr/>
Total deferred outflows of resources	<u><u>\$ 1,823,422</u></u>

Deferred inflows of resources

Related to net pension liability	
Changes in actuarial assumptions	\$ 29,491
Differences between actual and expected experience	478
Changes in proportionate share of net pension liability	287,826
Differences between actual and expected earnings on investments	44,163
Related to total OPEB liability	
Changes in actuarial assumptions	912,331
Differences between actual and expected experience	477,712
	<hr/>
Total deferred inflows of resources	<u><u>\$ 1,752,001</u></u>

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

8. RETIREMENT PLANS

Defined Contribution Retirement Plan

In 1996, the District implemented the Okaloosa Gas District 401(a) Defined Contribution Pension Plan. The plan provides retirement benefits to substantially all District employees who began their service on or after January 1, 1996. To be eligible for the plan, employees must have completed ninety (90) days of service. All benefits begin vesting after three years of credited service and are fully vested after six years. The District contributes an amount equal to 8% of each eligible employee's compensation. The plan prohibits contributions by employees. The plan participants individually select and make changes in investment options, which are made available by the independent plan administrator. Since participants select the investment fund, or funds, in which their deferred compensation accounts are invested, the District has no liability for investment losses.

The authority for establishing and amending the plan's provisions, including contribution requirements, lies with the Board. The District's contributions to the plan, net of forfeitures, totaled \$751,509 for the fiscal year ended September 30, 2024.

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The assets are held in trust for the employees' benefit. The District's only responsibilities with regard to the plan are to administer authorized payroll deductions. All other administrative requirements are the responsibility of Nationwide Mutual Insurance Group. The Plan participants individually select and make changes in investment options, which are made available by the independent plan administrator. The District's fiduciary responsibility is to administer the plan properly and to ensure the investment alternatives made available are reasonable. Contributions made by plan members during fiscal year 2024 were \$212,574.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM

District employees hired prior to January 1, 1996, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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

Pension Plan

Plan Description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a deferred retirement option program (“DROP”) for eligible employees.

Benefits Provided

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. Regular Class members enrolled before July 1, 2011, who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the pension plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

The employer contribution rates by job class as of July 1st for each of the prior three years were as follows:

	2024	2023	2022
Regular Class:	13.63%	13.57%	11.91%
DROP:	21.13%	21.13%	18.60%

These employer contribution rates include 1.66% for HIS plan subsidies for the periods October 1, 2021 through June 30, 2023. Effective July 1, 2023, the HIS plan subsidy increased to 2.00%. The District's contributions to the pension plan totaled \$97,216, \$81,062, and \$76,281 for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

Pension Liabilities, Pension Income and Deferred Outflows/Inflows of Resources

On September 30, 2024, the District reported a liability of \$663,099 for its proportionate share of the pension plan's net pension liability. The District's proportionate share of the net pension liability was based on the District's share of contributions to the FRS relative to the contributions of all participating governments. For the June 30, 2024, measurement date, the District's proportionate share was 0.001714111%.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

For the fiscal year ended September 30, 2024, the District recognized pension expense of \$20,640. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,991	\$ -
Changes of assumptions	90,884	-
Net difference between projected and actual earnings on pension plan investments	-	44,073
Changes in proportionate share of District's net pension liability contributions and proportionate share of contributions	10,317	169,743
District pension plan contributions subsequent to the measurement date	20,776	-
	\$ 188,968	\$ 213,816

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

A component of deferred outflows of resources related to the pension plan of \$20,776 resulting from the District's 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 September 30, 2025. Other components reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal year ending <u>September 30:</u>	<u>Amount</u>
2025	\$ (87,759)
2026	53,429
2027	(17,085)
2028	(866)
2029	6,657
	\$ (45,624)

Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Payroll growth	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of a 2024 actuarial experience study for the period July 1, 2018 through June 30, 2023.

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

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.30%	3.30%	1.10%
Fixed income	29.00%	5.70%	5.60%	3.90%
Global equity	45.00%	8.60%	7.00%	18.20%
Real estate	12.00%	8.10%	6.80%	16.60%
Private equity	11.00%	12.40%	8.80%	28.40%
Strategic investments	2.00%	6.60%	6.20%	8.70%
Total	<u>100.00%</u>			
Assumed inflation – mean			2.40%	1.50%

(1) As outlined in the pension plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. The pension 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 calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.70%, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
District's proportionate share of the net pension liability	\$ 1,166,367	\$ 663,099	\$ 241,504

Pension Plan Fiduciary Net Position

Detailed information regarding the pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

HIS Plan

Plan Description

The Retiree Health Insurance Subsidy Program (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

Eligible retirees and beneficiaries received a monthly HIS plan payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. The HIS plan contribution was 1.66% of gross compensation through June 30, 2023. Effective July 1, 2023, the contribution rate was increased to 2.00%. The District contributed 100% of its statutorily required contributions for the current and preceding three 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS plan totaled \$13,826, \$11,413 and \$10,864 for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

Pension Liabilities, Pension Income and Deferred Outflows/Inflows of Resources

On September 30, 2024, the District reported a liability of \$249,108 for its proportionate share of the HIS plan's net pension liability. For the June 30, 2024, measurement date, the District's proportionate share was 0.001660612%.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

For the fiscal year ended September 30, 2024, the District recognized a reduction in pension expense of \$39,176. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,405	\$ 478
Changes of assumptions	4,409	29,491
Net difference between projected and actual earnings on pension plan investments	-	90
Changes in proportionate share of District's net pension liability share of contributions	-	118,083
District pension plan contributions subsequent to the measurement date	2,881	-
	\$ 9,695	\$ 148,142

A component of deferred outflows of resources related to the HIS Plan of \$2,881 resulting from the District's 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 September 30, 2025. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal year ending September 30:	Amount
2025	\$ (47,574)
2026	(46,234)
2027	(29,463)
2028	(12,880)
2029	(4,256)
Thereafter	(921)
	\$ (141,328)

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.40%
Payroll growth	3.50%, average, including inflation	
Investment rate of return		3.93%

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

Because the HIS plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2024, valuation were based on certain results of the most recent experience study for the FRS pension plan.

Discount Rate

The discount rate used to measure the total pension liability was 3.93%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate 3.93%, 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 one-percentage point lower one-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(2.93%)	(3.93%)	(4.93%)
District's proportionate share of the net pension liability	\$ 283,577	\$ 249,108	\$ 220,493

Pension Plan Fiduciary Net Position

Detailed information regarding 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.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Pension Expense

For the fiscal year ended September 30, 2024, the District recognized an aggregate reduction in pension expense of \$18,536 on all defined benefit pension plans.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OPEB Plan

Plan Description

The District provides certain continuing health care and life insurance benefits for its retired employees. The plan is a single employer defined benefit OPEB plan administered by the District.

Plan Membership as of September 30, 2024:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	14
Active Plan Members	205
	219
	219

Benefits Provided

Medical benefits are provided through comprehensive plans and are made available to employees upon actual retirement. For employees participating in the FRS pension plan, eligibility is the same as that of the pension plan. For non-FRS pension plan participants, employees are eligible to receive full benefits after 30 years of service or 6 years of service and attained the age of 62.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2023, using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.00%
Discount Rate	4.06%
Initial Trend Rate	6.50%
Ultimate Trend Rate	4.50%
Years to Ultimate	15

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) – (b)
	Balances at September 30, 2023	\$ 3,912,773	\$ -
Changes for the year:			
Service cost	162,731	-	162,731
Interest	182,493	-	182,493
Differences between expected and actual experience	(182,610)	-	(182,610)
Changes of assumptions and other inputs	(99,745)	-	(99,745)
Changes of benefit terms	(374,587)	-	(374,587)
Benefit payments	(330,957)	-	(330,957)
Net changes	(642,675)	-	(642,675)
Balances at September 30, 2024	\$ 3,270,098	\$ -	\$ 3,270,098

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

	1% Decrease	Current	1% Increase
	3.06%	Discount Rate 4.06%	5.06%
Total OPEB liability	\$ 3,401,136	\$ 3,270,098	\$ 3,134,115

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Sensitivity of Total OPEB Liability to Changes in the Healthcare Trend Rate

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.50%-5.50%	4.50%-6.50%	5.50%-7.50%
Total OPEB liability	\$ 3,009,813	\$ 3,270,098	\$ 3,576,864

OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources

For the fiscal year ended September 30, 2024, the District recognized OPEB expense of \$30,433. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 301,371	\$ 477,712
Changes of assumptions	1,245,670	912,331
Total	<u>\$ 1,547,041</u>	<u>\$ 1,390,043</u>

Components of deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year ended September 30:

2025	\$ 59,794
2026	59,794
2027	45,455
2028	(851)
2029	2,686
Thereafter	(9,880)
	<u>\$ 156,998</u>

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

11. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2024, is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Direct placements:</i>					
Revenue Note, Series 2012B	\$ 4,916,805	\$ -	\$ (4,916,805)	\$ -	\$ -
Gas System Refunding					
Revenue Bonds, Series 2014	6,272,000	-	(6,272,000)	-	-
Gas System Revenue Bonds,					
Series 2024A	-	15,155,000	-	15,155,000	-
Gas System Refunding					
Revenue Bonds, Series 2024B	-	93,010,000	-	93,010,000	-
Bond Premium	-	11,050,794	(201,906)	10,848,888	-
Subscription liabilities	-	794,031	(153,976)	640,055	138,157
Compensated absences	946,904	1,022,833	(903,893)	1,065,844	181,194
Total	\$ 12,135,709	\$ 121,032,658	\$ (12,448,580)	\$ 120,719,787	\$ 319,351

Description of Long-Term Debt Outstanding – Direct Placements

In 2012, the District obtained a note payable, Series 2012B, totaling \$17,795,316 from a local financial institution requiring semiannual payments ranging from of \$160,007 to \$951,129, including interest at 2.98%, through maturity in April 2028. The note was secured by pledged revenues derived from the natural gas system. Proceeds were used to refund multiple prior debt issuances. The note was repaid in full in 2024 with the issuance of Gas System Refunding Revenue Bonds, Series 2024B.

In 2014, the District issued \$13,078,000 Gas System Refunding Revenue Bonds, Series 2014, with interest at 2.78% and a maturity date of October 2028. The bonds required annual installments ranging from \$296,771 to \$1,053,495. The bond proceeds were used to finance the cost of capital improvements to the natural gas system as well as to refund a previous bond issuance. The bonds were secured by pledged revenues derived from the natural gas system. The note was repaid in full in 2024 with the issuance of Gas System Refunding Revenue Bonds, Series 2024B.

In 2024, the District issued \$15,155,000 Gas System Revenue Bonds, Series 2024A. The taxable bonds bear interest at an average rate of 5.17% per annum and mature in October 2029. The bonds require annual installments of principal and interest ranging from \$293,417 to \$4,033,284. The bond proceeds were used to finance a portion of the costs related to the construction of the new administrative campus described in Note 6. The bonds are secured by pledged revenues derived from the natural gas system.

In 2024, the District issued \$93,010,000 Gas System Refunding Revenue Bonds, Series 2024B. The tax-exempt bonds bear interest at an average rate of 5.08% per annum and mature in October 2044. The bonds require annual installments of principal and interest ranging from \$1,752,055 to \$8,740,013.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

The bond proceeds were used to finance a portion of the costs related to the construction of the new administrative campus described in Note 6 as well as to refund two outstanding debt issuances. The bonds are secured by pledged revenues derived from the natural gas system.

For the direct placement issuances previously described, there are no significant finance-related consequences in the event of default or termination, and there are no subjective acceleration clauses.

The District has a subscription-based information technology arrangement (SBITA) with a software vendor. The agreement requires annual base subscription payments ranging from \$156,121 to \$189,767 throughout the subscription term which expires in March 2029. The discount rate used to calculate the present value of the subscription payments was 4.04%, which is the District's estimated incremental borrowing rate for vehicles, equipment, and similar assets. The carrying value of the subscription asset is shown in Note 6 to the financial statements. In the event of default (non-payment), the lender may revoke the District's license to the underlying software. The subscription agreement does not contain any subjective acceleration clauses.

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2024, are as follows:

Year Ending September 30	Revenue Bonds		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ -	\$ -	\$ 138,157	\$ 25,771
2026	3,245,000	5,495,297	152,063	20,062
2027	3,415,000	5,320,878	166,951	13,779
2028	3,595,000	5,142,615	182,884	6,883
2029	3,780,000	4,957,472	-	-
2030-2034	21,960,000	21,727,493	-	-
2035-2039	28,030,000	15,658,313	-	-
2040-2044	35,840,000	7,842,574	-	-
2045	8,300,000	435,750	-	-
Total	\$ 108,165,000	\$ 66,580,392	\$ 640,055	\$ 66,495

Pledged Revenues

The District has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2024. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of principal and interest on the debt at year end.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Debt Outstanding	Pledged Revenue Source	Current Year Total Pledged Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Gas System Revenue Bonds, Series 2024A	Gas system net revenues	\$ 22,195,326	\$ 17,300,892	78%	\$ 293,417	2029
Gas System Refunding Revenue Bonds, Series 2024B	Gas system net revenues	\$ 22,195,326	\$ 157,444,500	709%	\$ 1,752,055	2044

The District's outstanding long-term debt contains certain financial and non-financial debt covenants. The District is not aware of any instances of noncompliance with these covenants.

Advance Refunding

The Gas System Refunding Revenue Bonds, Series 2024B were issued to construct a new administrative campus and to advance refund two prior outstanding debt issuances. The bonds were issued at a premium. The advance refunding resulted in an economic loss of \$164,436 and additional cash flow requirements of \$813,233 to service the debt.

The reacquisition price of the old debt exceeded its net carrying amount on the date of the refunding by \$84,334. This difference is reported as a deferred loss on refunding and will be amortized using the straight-line method through October 2028, which was the maturity date of the refunded debt.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the District carries commercial insurance. Settled claims resulting from these risks have not exceeded related insurance coverage in any of the past three fiscal years.

13. COMMITMENTS AND CONTINGENCIES

Litigation Matters

The District is party to various claims and assessments arising from its actions in the course of providing goods and services to customers. The District carries general liability coverage, and management believes its coverage is sufficient to cover all significant losses arising from unsuccessful outcome of any pending and/or threatened litigation.

Natural Gas Supply Contracts

During the normal course of business when favorable market conditions occur, the District may enter into a forward purchase contract by placing a buy order through Radiate Energy, the District's gas supplier. The District will place the order using NYMEX futures pricing for a portion of gas quantities budgeted for future customer demand. The District entered into a prepay arrangement for natural gas with Black Belt Energy (BBE) that is in effect through October 2048. The BBE contract specifies indexed prices for delivered volumes of natural gas during the contract term.

**OKALOOSA GAS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Natural Gas Sales Contracts

The District has entered into an agreement with the United States Government to supply natural gas to Eglin Air Force Base at a fixed commodity price. Beginning in March 2020, the District began providing 244,000 dekatherms (dth) of natural gas annually at a commodity cost per dth of \$4.05. The commodity cost holds at that price through February 2030 and then increases gradually over the remaining term of the agreement to a final-year price of \$8.8812 per dth in February 2043. The District reserves the difference between the purchase and sales price of the gas. Natural gas sales to Eglin Air Force Base were \$4,250,675 for the year ended September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**OKALOOSA GAS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TEN YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.001714111%	0.001678328%	0.001889450%	0.002526920%	0.002920518%	0.003337262%	0.003252068%	0.003432697%	0.003580137%	0.004111411%
District's proportionate share of the net pension liability	\$ 663,099	\$ 668,761	\$ 703,027	\$ 190,880	\$ 1,265,795	\$ 1,149,275	\$ 979,540	\$ 1,015,717	\$ 903,987	\$ 531,044
District's covered payroll	\$ 702,950	\$ 668,087	\$ 682,470	\$ 867,379	\$ 995,219	\$ 1,329,592	\$ 1,393,633	\$ 1,431,505	\$ 1,499,593	\$ 1,576,315
District's proportionate share of the net pension liability as a percentage of its covered payroll	94.33%	100.10%	103.01%	22.01%	127.19%	86.44%	70.29%	70.95%	60.28%	33.69%
Plan fiduciary net position as a percentage of the total pension liability	83.71%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

* Amounts presented for each fiscal year were determined as of June 30th

See independent auditors' report.

**OKALOOSA GAS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TEN YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.001660612%	0.001685913%	0.001872348%	0.002450992%	0.003305229%	0.004126116%	0.004216814%	0.004634046%	0.004934959%	0.005289646%
District's proportionate share of the net pension liability	\$ 249,108	\$ 267,745	\$ 198,312	\$ 300,651	\$ 403,563	\$ 461,671	\$ 446,312	\$ 495,494	\$ 575,149	\$ 539,461
District's covered payroll	\$ 702,950	\$ 668,087	\$ 682,470	\$ 867,379	\$ 995,219	\$ 1,329,592	\$ 1,393,633	\$ 1,431,505	\$ 1,499,593	\$ 1,576,315
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.44%	40.08%	29.06%	34.66%	40.55%	34.72%	32.03%	34.61%	38.35%	34.22%
Plan fiduciary net position as a percentage of the total pension liability	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

* Amounts presented for each fiscal year were determined as of June 30th

See independent auditors' report.

**OKALOOSA GAS DISTRICT
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TEN YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 97,216	\$ 81,062	\$ 76,281	\$ 95,738	\$ 97,268	\$ 100,470	\$ 96,609	\$ 90,726	\$ 86,415	\$ 97,131
Contributions in relation to the contractually required contribution	<u>(97,216)</u>	<u>(81,062)</u>	<u>(76,281)</u>	<u>(95,738)</u>	<u>(97,268)</u>	<u>(100,470)</u>	<u>(96,609)</u>	<u>(90,726)</u>	<u>(86,415)</u>	<u>(97,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 691,300	\$ 655,654	\$ 654,458	\$ 836,566	\$ 1,051,145	\$ 1,324,458	\$ 1,393,976	\$ 1,455,843	\$ 1,495,482	\$ 1,303,976
Contributions as a percentage of covered payroll	14.06%	12.36%	11.66%	11.44%	9.25%	7.59%	6.93%	6.23%	5.78%	7.45%

* Amounts presented in this schedule are for the District's fiscal year rather than the plan's year.

See independent auditors' report.

**OKALOOSA GAS DISTRICT
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TEN YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,826	\$ 11,413	\$ 10,864	\$ 13,887	\$ 17,449	\$ 21,986	\$ 23,140	\$ 24,167	\$ 24,825	\$ 21,646
Contributions in relation to the contractually required contribution	<u>(13,826)</u>	<u>(11,413)</u>	<u>(10,864)</u>	<u>(13,887)</u>	<u>(17,449)</u>	<u>(21,986)</u>	<u>(23,140)</u>	<u>(24,167)</u>	<u>(24,825)</u>	<u>(21,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 691,300	\$ 655,654	\$ 654,458	\$ 836,566	\$ 1,051,145	\$ 1,324,458	\$ 1,393,976	\$ 1,455,843	\$ 1,495,482	\$ 1,303,976
Contributions as a percentage of covered payroll	2.00%	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

* Amounts presented in this schedule are for the District's fiscal year rather than the plan's year.

See independent auditors' report.

OKALOOSA GAS DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
LAST SEVEN YEARS

Reporting Date *	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 162,731	\$ 159,600	\$ 224,755	\$ 189,817	\$ 148,052	\$ 136,434	\$ 134,724
Interest	182,493	181,371	83,292	76,566	134,380	133,425	120,188
Differences between expected and actual experience	(182,610)	-	397,022	-	(474,499)	-	(108,815)
Changes of assumptions and other inputs ¹	(99,745)	(19,489)	59,077	(43,321)	438,524	(40,124)	210,061
Changes of benefit terms	(374,587)	-	-	-	-	-	-
Benefit payments	(330,957)	(422,041)	(356,993)	(389,426)	(437,427)	(446,223)	(457,541)
Other changes	-	-	-	-	(19,364)	(6,586)	490,873
Net change in total OPEB liability	(642,675)	(100,559)	407,153	(166,364)	(210,334)	(223,074)	389,490
Total OPEB liability at beginning of year	3,912,773	4,013,332	3,606,179	3,772,543	3,982,877	4,205,951	3,816,461
Total OPEB liability at end of year	<u>\$ 3,270,098</u>	<u>\$ 3,912,773</u>	<u>\$ 4,013,332</u>	<u>\$ 3,606,179</u>	<u>\$ 3,772,543</u>	<u>\$ 3,982,877</u>	<u>\$ 4,205,951</u>
Covered employee payroll	\$ 12,203,901	\$ 9,685,082	\$ 9,312,281	\$ 9,530,833	\$ 9,279,607	\$ 8,702,574	\$ 7,523,627
District's total OPEB liability as a percentage of covered employee payroll	26.80%	40.40%	43.10%	37.84%	40.65%	45.77%	55.90%

There are no OPEB plan assets accumulated in a GASB compliant trust to pay for related plan benefits.

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

¹ The following discount rates were used for each year:

2024 - 4.06%	2023 - 4.87%	2022 - 4.77%	2021 - 2.43%
2020 - 2.14%	2019 - 3.57%	2018 - 3.35%	

See independent auditors' report.

SUPPLEMENTARY INFORMATION

**OKALOOSA GAS DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	(Unaudited) Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services			
Gas sales, including sales to other utilities			
Residential	\$ 31,985,437	\$ 33,607,172	\$ 1,621,735
Commercial	18,183,923	18,632,577	448,654
Military	6,268,815	5,924,986	(343,829)
Off system utilities	1,153,473	1,295,569	142,096
Off system transportation	-	85,250	85,250
Competitive	918,721	804,639	(114,082)
Total gas sales, including sales to other utilities	58,510,369	60,350,193	1,839,824
Appliance sales and installation revenues	2,441,293	2,441,863	570
Service charges	1,031,928	913,847	(118,081)
Late charges	375,000	449,008	74,008
Other operating revenues	369,240	100,647	(268,593)
TOTAL OPERATING REVENUES	62,727,830	64,255,558	1,527,728
OPERATING EXPENSES			
Cost of gas sold	17,026,934	16,807,985	218,949
Personnel, operations and maintenance			
Executive and risk	2,827,506	2,721,678	105,828
Accounting and finance	3,493,763	3,125,205	368,558
Human resources	999,128	868,067	131,061
Information technology	1,448,322	1,144,746	303,576
Marketing	8,986,745	9,009,515	(22,770)
Operations	9,816,172	9,253,954	562,218
Non departmental	3,474,809	2,822,766	652,043
Total personnel, operations and maintenance	31,046,445	28,945,931	2,100,514
Depreciation	4,470,113	4,379,537	90,576
TOTAL OPERATING EXPENSES	52,543,492	50,133,453	2,410,039
Operating income	10,184,338	14,122,105	3,937,767
NONOPERATING REVENUES (EXPENSES)			
Interest and investment income	988,000	3,288,148	2,300,148
Interest expense	(4,396,474)	(2,034,283)	2,362,191
Loss on disposal of assets	(116,000)	(22,037)	93,963
Other nonoperating revenues, net	229,960	405,536	175,576
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,294,514)	1,637,364	4,931,878
Income before capital grants and contributions	6,889,824	15,759,469	8,869,645
Capital grants	820,000	821,897	1,897
Capital contributions	840,000	841,473	1,473
CHANGE IN NET POSITION	\$ 8,549,824	\$ 17,422,839	\$ 8,873,015

COMPLIANCE SECTION

**OKALOOSA GAS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

State Agency Pass-Through Entity State Project	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Commerce			
Direct projects			
Community Development Projects	40.038	HL236	\$ 820,082
Community Development Projects	40.038	HL237	<u>1,815</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 821,897</u></u>

See notes to the schedule of expenditures of state financial assistance.

**OKALOOSA GAS DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of Okaloosa Gas District (the District) for the year ended September 30, 2024. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the District's operations, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Chapter 10.550, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To the Board of Directors
Okaloosa Gas District

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 Okaloosa Gas District (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2025.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control shown in the accompanying schedule of findings and questioned costs as #2024-001, that we consider to be a significant deficiency.

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*.

Okaloosa Gas District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Destin, Florida
April 25, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Okaloosa Gas District

Report on Compliance for the Major State Project

Opinion on the Major State Project

We have audited the Okaloosa Gas District's (the District) compliance with the types of compliance requirements identified as subject to audit in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on the District's major state project for the year ended September 30, 2024. The District's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major state project for the year ended September 30, 2024.

Basis for Opinion on the Major State Project

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 Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards and Chapter 10.550, *Rules of the Auditor General* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major state project as a whole.

In performing our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain 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 Chapter 10.550, *Rules of the Auditor General*, 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 state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project 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 state project 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Destin, Florida
April 25, 2025

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? _____ Yes _____ X No

• Significant deficiency(ies) identified? _____ X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

State Financial Assistance

Internal control over major project:

• Material weakness(es) identified? _____ Yes _____ X No

• Significant deficiency(ies) identified? _____ Yes _____ X None reported

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

• Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, *Rules of the Auditor General*? _____ Yes _____ X No

Identification of major project:

CSFA No.	Name of State Project
40.038	Community Development Projects

Dollar threshold used to distinguish between type A and type B projects for state financial assistance: \$ 300,000

II. FINANCIAL STATEMENT FINDINGS

2024-001 BANK RECONCILIATIONS

Criteria

Pursuant to Section 218.33(3), Florida Statutes, each local government entity shall establish and maintain controls designed to ensure the reliability of financial records and reports and to promote and encourage compliance with applicable laws, rules, contracts, and grant agreements.

Condition

While testing the operating effectiveness of identified controls for the treasury transaction cycle, auditors noted two months in which the month-end bank reconciliations performed for the primary operating account did not contain clear evidence of review and approval by authorized personnel with the date each activity was performed.

Cause

The District was not following its established procedures requiring individuals that prepare and review bank reconciliations to sign off within the reconciliation spreadsheet upon completion and notate the date the task was performed.

Effect

The identified controls for the treasury transaction cycle were not operating effectively. As bank reconciliations are a crucial component of internal controls over financial reporting, and there were months during the period under audit for which there was not clear documentary evidence of review or the date of preparation, the finding is required to be reported.

Recommendation

We recommend that management adopt a written policy that: 1) requires bank reconciliations to be prepared within a specified number of days after the end of the month; 2) identifies which individuals are responsible for preparing and reviewing bank reconciliations; and 3) establishes a clear audit trail that provides documentary evidence of the personnel that prepared and reviewed the reconciliations along with the date that activity was performed.

Management's Response

Management is in agreement with the finding and has clearly communicated revised policies and procedures to those individuals with a role in the bank reconciliation process.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

There were no findings which were required to be reported in accordance with Chapter 10.557, *Rules of the Auditor General*.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Okaloosa Gas District

We have examined Okaloosa Gas District's (the District) compliance with Section 218.415, Florida Statutes, in regard to investments for the year ended September 30, 2024.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. 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 judgement, including the 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 ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the District complied, in all material respects, with the specified requirements for the year ended September 30, 2024.



Destin, Florida
April 25, 2025

MANAGEMENT LETTER

To the Board of Directors and Management
Okaloosa Gas District

Report on the Financial Statements

We have audited the financial statements of Okaloosa Gas District (the District), as of and for the year ended September 30, 2024, and have issued our report thereon dated April 25, 2025.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have also issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for the Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated April 25, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)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 report. There were no findings and recommendations in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the District has been disclosed in Note 1 to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of 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 other than those reported in the schedule of findings and questioned costs.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the District did not operate within its geographical boundaries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b., *Rules of the Auditor General*, there were no program administrators or third-party administrators for a PACE program operating within the District's geographical boundaries. Therefore, no contact information has been provided for such program administrators or third-party administrators, as there were no applicable PACE programs.

Special District Component Units

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District reported:

- a) The total number of District employees compensated in the last pay period of the District's fiscal year as 207.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 20.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$12,483,968.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$18,448,310.

- e) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project as:

Description	Project Total
Deer Moss Creek PH 11 (23-136)	\$ 334,376
Nicole Forest Dr - Estuary Association (24-031)	\$ 268,278
N Navarre Pkwy Expansion PH 1 (24-067)	\$ 164,972
Red Barn Rd Expansion (24-089)	\$ 66,212
Ashley Plantation Drainage	\$ 225,550
811 Government Ave NE Building (24-134)	\$ 84,643

- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$1,515,000.

The specific information reported in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Additional Matters

Section 10.554(1)(i)3., *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 have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Destin, Florida
 April 25, 2025