



Okaloosa County District School Board

FINANCIAL STATEMENTS

June 30, 2025

Okaloosa County District School Board
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June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board (hereinafter referred to as the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Liza Jackson Preparatory School, Inc., Okaloosa Academy, Inc., and Destin High School, Inc., which represent 99 percent, 76 percent, and 96 percent, respectively, of the assets, net position, and revenue of the aggregate discretely presented component units as of June 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Liza Jackson Preparatory School, Inc., Okaloosa Academy, Inc., and Destin High School, Inc. are based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information (other than MD&A), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Fort Walton Beach, Florida

March 23, 2026

Management's Discussion And Analysis

Okaloosa County District School Board Management's Discussion and Analysis

The management of the Okaloosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2025. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to the financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-25 fiscal year are as follows:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2025, by \$148,093,798 (net position). Of this amount, \$139,330,137 represents a deficit unrestricted net position which has decreased by 1.61 percent from last year's deficit unrestricted net position.
- The District's total net position increased by \$14,427,272 or 10.79 percent, from last fiscal year's unadjusted net position.
- General revenues total \$431,515,734, or 95.23 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$21,662,924, or 4.77 percent of all revenues.
- Expenses total \$438,711,385. Only \$21,622,924 of these expenses were offset by program specific revenues.
- The General Fund unassigned fund balance represents the net current financial resources available for general appropriation by the Board and totals \$15,391,957 at June 30, 2025, or 4.00 percent of the total General Fund expenditures at June 30, 2025, as compared to the 2023-24 fiscal year unassigned fund balance of \$14,821,056.
- General Fund expenditures exceeded revenues by \$80,822,341.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources, the net position, is a measure of the District's financial health. The statement of activities presents information about the change in

Okaloosa County District School Board Management's Discussion and Analysis

the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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

- **Governmental activities** – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents five separate legal entities in this report.
 - The Okaloosa Academy, Inc., the Liza Jackson Preparatory School, Inc., Destin High School, Inc., and the Okaloosa Public School Foundation, Inc. are legally separate organizations, and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.
 - The Okaloosa School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the School Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

Okaloosa County District School Board Management's Discussion and Analysis

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

The governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds, not the District as a whole. The District's major funds this year are the General Fund, the Federal Education Stabilization Fund, the Nonvoted Capital Improvement Fund, and the Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided for the General Fund and major Special Revenue Funds to demonstrate compliance with the budget at the functional level.

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

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses custodial funds to account for resources held for employees in an IRS Section 125 Cafeteria Plan.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's total other postemployment benefits (OPEB) liability and pension liabilities.

Okaloosa County District School Board Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2025, compared to net position as of June 30, 2024:

Net Position, End of Year

	Governmental Activities		
	6/30/2025	6/30/2024	Increase (Decrease)
Current and Other Assets	\$ 327,493,974	\$ 212,501,530	\$ 114,992,444
Capital Assets	389,044,448	271,751,986	117,292,462
Total Assets	716,538,422	484,253,516	232,284,906
Deferred Outflows of Resources	54,048,907	56,061,321	(2,012,414)
Long-term Liabilities	546,356,954	354,188,052	192,168,902
Other Liabilities	34,521,454	29,558,823	4,962,631
Total Liabilities	580,878,408	383,746,875	197,131,533
Deferred Inflows of Resources	41,615,123	22,901,437	18,713,686
Net Investment in Capital Assets	224,555,724	190,619,382	33,936,342
Restricted	62,868,211	84,662,875	(21,794,664)
Unrestricted	(139,330,137)	(141,615,732)	2,285,595
Total Net Position	\$ 148,093,798	\$ 133,666,525	\$ 14,427,273

The largest portion of the District's net position reflects its \$224,555,724 net investment in capital assets (land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; lease assets, subscription-based information technology (SBITA) and computer software; less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position, \$62,868,211, represents resources that are subject to external restrictions on how they may be used. The unrestricted net position, a deficit of \$139,330,137 is the result of having long-term obligations that are greater than currently available resources.

Current and other assets increased from cash with fiscal agent increasing due to new debt issued for construction activity and capital assets increased due to the new construction activity.

Okaloosa County District School Board Management's Discussion and Analysis

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2025, and June 30, 2024, are as follows:

	Governmental Activities		
	<u>6/30/2025</u>	<u>6/30/2024</u>	Increase (Decrease)
Program Revenue:			
Charges for Services	\$ 7,420,438	\$ 7,463,630	\$ (43,192)
Operating Grants and Contributions	11,103,908	11,106,472	(2,564)
Capital Grants and Contributions	3,098,578	2,862,374	236,204
General Revenues:			
Property Taxes Levied for Operational Purposes	118,584,727	116,490,576	2,094,151
Property Taxes Levied for Capital Projects	45,864,253	43,922,449	1,941,804
Local Sales Tax	33,459,430	32,470,992	988,438
Grants and Contributions Not Restricted to Specific Purposes	194,383,938	198,629,494	(4,245,556)
Unrestricted Investment Earnings	13,329,948	11,012,388	2,317,560
Miscellaneous	25,893,438	20,480,358	5,413,080
Total Revenue	453,138,658	444,438,733	8,699,925
Functions/Program Expenses:			
Instruction	218,612,119	240,957,366	(22,345,247)
Pupil Personnel Services	17,027,277	17,789,341	(762,064)
Instructional Media Services	2,047,228	2,148,916	(101,688)
Instruction and Curriculum Development Services	5,477,531	7,812,118	(2,334,587)
Instructional Staff Training	4,608,497	5,144,377	(535,880)
Instruction Related Technology	331,268	450,785	(119,517)
Board of Education	1,103,424	1,314,891	(211,467)
General Administration	1,137,476	1,220,572	(83,096)
School Administration	23,319,044	24,968,631	(1,649,587)
Facilities Acquisition and Construction	43,834,529	45,724,207	(1,889,678)
Fiscal Services	2,505,832	2,693,456	(187,624)
Food Services	15,731,334	14,676,614	1,054,720
Central Services	4,153,531	3,595,548	557,983
Pupil Transportation Services	15,600,396	16,412,852	(812,456)
Operation of Plant	29,547,666	29,996,186	(448,520)
Maintenance of Plant	8,106,566	7,943,572	162,994
Administrative Technology Services	4,450,903	4,514,947	(64,044)
Community Services	18,038,036	17,780,295	257,741
Interest on Long-Term Debt	10,874,956	2,965,873	7,909,083
Unallocated Depreciation Expense	12,203,772	10,775,645	1,428,127
Total Functions/Program Expenses	438,711,385	458,886,192	(20,174,807)
Increase (Decrease) in Net Position	\$ 14,427,273	\$ (14,447,459)	\$ 28,874,732

Okaloosa County District School Board Management's Discussion and Analysis

The largest revenue source is the State of Florida (37.54 percent of total governmental revenues). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula, which is classified as grants and contributions not restricted to specific programs in the operating results shown above. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs represent 42.90 percent of total governmental revenues in the 2024-25 fiscal year. Grants and contributions not restricted to specific programs decreased by \$4,245,556, or 2.14 percent, primarily due to a decrease in Federal Education Stabilization Funds, Federal Impact Aid, and decrease in Triumph Grant revenue this year.

Instruction expenses represent 49.83 percent of total governmental expenses in the 2024-25 fiscal year. Instructional expenses decreased by \$22,345,245.75, or 9.27 percent, from the previous fiscal year primarily due to decreases in pension expenses, health contributions and reduction of teacher positions due to reduced unweighted FTE.

Instructional and Curriculum Development Services decreased by \$2,334,586.50 or 29.88 percent from the previous fiscal year primarily due to decreases in pension expenses, health contributions and reduction of positions and position reclassifications.

Unallocated Interest on Long-Term Debt increased by \$7,909,083.55 or 266.67 percent from the previous fiscal year due to new certificate of participation in 2024-25 for additional school construction.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the 2024-25 fiscal year, the total fund balance is \$72,924,349, an increase of \$799,102 over the 2023-24 fiscal year. Of the total fund balance, \$127,314 is nonspendable, \$6,791,521 is restricted for encumbrances and State required carryover programs, \$50,613,557 is assigned, and \$15,391,957 is unassigned.

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

- Instruction expenditures decreased by \$7,745,028, or 3.67 percent as well as Instruction and Curriculum Development Services decreased \$1,487,406 or 30.47 percent both due to decreases in pension expenses, health contributions and reduction of positions due to reduced unweighted FTE impacts. Additionally, due to the same impacts. Facilities acquisition and construction capital outlay expenditures decreased \$3,718,459.28 or 99.98 percent due to land purchase in prior year using Triumph grant funding. Other capital outlay expenditures increased \$58,343,531 or 1317.33 percent due to new Subscription-based IT arrangements and new district-wide computer seat management five year lease with a five year extension we anticipate utilizing valued over \$61 million for the 10 years that is recognized this year.

Okaloosa County District School Board Management's Discussion and Analysis

The Special Revenue – Federal Education Stabilization Fund accounts for emergency relief to address the impact of COVID-19 and has total revenues and expenditures of \$1,254,234 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Nonvoted Capital Improvement Fund had a total fund balance of \$21,630,848. These funds are restricted, in part, for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$6,944,972 or 24.30 percent from the prior fiscal year primarily due to the expenditures outpacing the revenues as funds are used for various projects. Of the total fund balance, \$3,387,495 has been encumbered for additional various projects. Transfers were made to the debt service funds to cover a portion of principal and interest payments on long-term debt as well as transfers to the general fund to cover plant maintenance and seat management services for instructional related items.

The Capital Projects – Other Fund had a total fund balance of \$163,568,188. These funds must be used for the acquisition, construction, and maintenance of capital assets. The major components of this fund are the half-cent sales tax, the Certificates of Participation, Series 2022A and the new Certificates of Participation, Series 2024. The fund balance increased by \$117,677,417, or 256.43 percent, primarily due to the new certificate of participation obtained during the year. Of the total fund balance, \$5,102,077 has been encumbered for various projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the 2024-25 fiscal year, the District amended its General Fund budget several times primarily for changes in estimated funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance. Actual revenues were not significantly different than final budgeted revenues. Actual expenditures were \$37,527,414, or 10.40 percent, less than final budgeted expenditures primarily due to a conservative approach to discretionary spending throughout the District.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025, is \$389,044,448 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; right-to-use lease assets; SBITAs; and computer software.

Okaloosa County District School Board Management's Discussion and Analysis

The District acquired land for future educational use through an exchange agreement that included the transfer of existing land and a cash payment. The transaction resulted in a recognized gain of approximately \$5.8 million and a new land asset valued at \$7.26 million.

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

Long-term Debt

At June 30, 2025, the District had total long-term debt outstanding of \$251,919,726 composed of \$2,161,000 of bonds payable and \$249,758,726 of certificates of participation payable. During the current fiscal year, the District issued debt totaling \$176,196,323 and retirement of debt was \$19,875,308.

Additional information on the District's long-term debt can be found in Notes III.H through III.K.3 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The School Board of Okaloosa County remains in stable financial condition; however, it continues to face uncertain economic times. The District's operation depends on State revenue sources, primarily FEFP monies administered by the Florida Department of Education under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District receives FEFP monies based on the number of full-time equivalent (FTE) students. The addition of the Family Empowerment Scholarships (FES) has made it harder to estimate the number of students expected for the new year. School districts normally receive FTE information for October and February counts; however, in fiscal year 2024- 2025, the State did not provide a February count. The fiscal year 2024-2025 actual unweighted FTE (UFTE) is based on the October count only. When compared to actual results for fiscal year 2023-2024, fiscal year 2024-2025 experienced a decrease of approximately 510 unweighted FTE (UFTE): a decrease of 318 UFTE for traditional District schools, a decrease of 21 UFTE for online schools, an increase of 8 UFTE for charter schools, and an increase of 841 UFTE to be paid out in Family Empowerment Scholarships (FES).

The American Rescue Plan Act (ARP) ESSER III funding provided approximately \$1.3 million in financial resources beyond the normal federal and state assistance received. These funds were used to enhance the summer school program and provide additional tutoring.

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

Okaloosa County District School Board Management's Discussion and Analysis

School facility hardening continues to be a critical financial need to ensure student safety. As a result, it has become the number one priority for most School Districts, placing a tremendous demand on capital outlay dollars. In addition, the District's capital maintenance requirements are significant since approximately 40 percent of its facilities are more than 50 years old and another 40 percent are more than 40 years old. The voters of Okaloosa County approved the collection of a half-cent sales tax beginning January 2021 for a period of ten years. This has proven invaluable to the District, enabling school facility hardening to be expedited. Utilizing this funding, the District sold Certificates of Participation Series 2022A in fiscal year 2021-2022 in the amount of \$128,996,104 to finance large projects such as cafeteriums, multipurpose rooms, and room additions.

Population growth in the North end of the county has created the need for a new K-8 school, despite the overall reduction of unweighted FTE experienced by traditional schools. The first challenge of funding the school was met by selling Certificates of Participation Series 2024 in the amount of \$176,196,323. The COPs are being funded by Local Capital Improvement 1.500 Mill funding. The next challenge will be funding the additional overhead costs for the school without an additional revenue stream. Students will be moved from other North end schools to the new school which is set to open in fiscal year 2026-2027.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Okaloosa County School District, 202A Highway 85 N, Niceville, Florida 32578 or telephone 850-833-5840.

Basic Financial Statements

Okaloosa County District School Board Statement of Net Position

June 30,

2025

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 153,049,450	\$ 7,228,712
Investments	6,200	2,750,517
Accounts receivable	1,315,980	23,709
Due from other agencies	9,326,298	221,823
Deposits	858,000	500
Cash with fiscal agent	161,720,621	-
Inventory	582,890	-
Prepaid items	634,535	18,980
Capital assets, net	389,044,448	38,216,163
Total assets	716,538,422	48,460,404
Deferred outflows of resources		
Pension	54,048,907	1,612,018
Total deferred outflows of resources	54,048,907	1,612,018
Liabilities		
Salaries and wages payable	4,530,761	380,692
Accounts payable and accrued expenses	4,852,527	272,362
Accrued interest payable	1,958,937	344,109
Due to other agencies	1,371	-
Construction contracts payable	11,590,490	-
Construction contracts retainage payable	2,889,796	-
Estimated unpaid claims-self insurance program	3,626,000	-
Unearned revenues	5,071,572	-
Long-term liabilities:		
Portion due within one year	23,681,376	502,412
Portion due after one year	522,675,578	45,258,643
Total liabilities	580,878,408	46,758,218
Deferred inflows of resources		
Deficit Net Carrying Amount of Debt Refunding	6,503	-
Pension	31,801,467	684,132
Deferred revenue	50,000	-
Other postemployment benefits	9,757,153	-
Total deferred inflows of resources	41,615,123	684,132
Net position		
Net investment in capital assets	224,555,724	(2,697,521)
Restricted for:		
State categorical programs	6,791,521	-
Food service	10,443,720	-
Capital projects	39,065,980	752,779
Debt service	174,821	2,925,189
Other projects	6,392,169	430,609
Unrestricted	(139,330,137)	1,219,016
Total net position	\$ 148,093,798	\$ 2,630,072

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

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

For the year ended June 30,

2025

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Primary government						
Governmental Activities						
Instruction	\$ 218,612,119	\$ 3,082,749	\$ -	\$ -	\$ (215,529,370)	\$ -
Pupil personnel services	17,027,277	-	-	-	(17,027,277)	-
Instructional media services	2,047,228	-	-	-	(2,047,228)	-
Instruction and curriculum development	5,477,531	-	-	-	(5,477,531)	-
Instructional staff training	4,608,497	-	-	-	(4,608,497)	-
Instruction related technology	331,268	-	-	-	(331,268)	-
School board	1,103,424	-	-	-	(1,103,424)	-
General administration	1,137,476	-	-	-	(1,137,476)	-
School administration	23,319,044	-	-	-	(23,319,044)	-
Facilities acquisition and construction	43,834,529	-	-	2,823,428	(41,011,101)	-
Fiscal services	2,505,832	-	-	-	(2,505,832)	-
Food services	15,731,334	3,956,331	11,103,908	-	(671,095)	-
Central services	4,153,531	-	-	-	(4,153,531)	-
Pupil transportation services	15,600,396	381,358	-	-	(15,219,038)	-
Operation of plant	29,547,666	-	-	-	(29,547,666)	-
Maintenance of plant	8,106,566	-	-	-	(8,106,566)	-
Administrative technology services	4,450,903	-	-	-	(4,450,903)	-
Community services	18,038,036	-	-	-	(18,038,036)	-
Interest on long-term debt	10,874,956	-	-	275,150	(10,599,806)	-
Unallocated depreciation/amortization expense	12,203,772	-	-	-	(12,203,772)	261,142
Total governmental activities	\$ 438,711,385	\$ 7,420,438	\$ 11,103,908	\$ 3,098,578	(417,088,461)	-

(continued)

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

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

For the year ended June 30,

2025

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Component Units						
Charter schools/Foundation	\$ 20,786,414	\$ 739,523	\$ 2,881,648	\$ 1,836,650	-	(15,328,593)
Total component units	\$ 20,786,414	\$ 739,523	\$ 2,881,648	\$ 1,836,650	-	(15,328,593)

General revenues:

Taxes:		
Property taxes, levied for general purposes	118,584,727	-
Property taxes, levied for capital projects	45,864,253	-
Local sales taxes	33,459,430	-
Grants and contributions not restricted to specific programs	194,383,938	14,711,427
Investment earnings	13,329,948	177,583
Miscellaneous	25,893,438	264,908
Total general revenues	431,515,734	15,153,918
Change in net position	14,427,273	(174,675)
Net position - beginning	133,666,525	2,804,747
Net position - ending	\$ 148,093,798	\$ 2,630,072

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

Okaloosa County District School Board Balance Sheet – Governmental Funds

June 30,

2025

	General Fund	Federal Education Stabilization Fund	Nonvoted Capital Improvement Fund	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 67,821,016	\$ -	\$ 23,563,366	\$ 19,040,029	\$ 19,663,497	\$ 130,087,908
Investments	-	-	-	-	6,200	6,200
Accounts receivable	339,137	-	-	-	97,827	436,964
Due from other agencies	2,986,306	-	34,178	2,701,069	3,604,745	9,326,298
Due from other funds	9,737,956	-	-	-	-	9,737,956
Deposits	100,000	-	-	-	-	100,000
Cash with fiscal agent	-	-	-	161,697,944	22,677	161,720,621
Inventory	127,314	-	-	-	455,576	582,890
Prepaid expenditures	634,535	-	-	-	-	634,535
Total assets	\$ 81,746,264	\$ -	\$ 23,597,544	\$ 183,439,042	\$ 23,850,522	\$ 312,633,372
Liabilities and fund balances						
Liabilities:						
Salaries, benefits and payroll taxes payable	\$ 4,530,761	\$ -	\$ -	\$ -	\$ -	\$ 4,530,761
Accounts payable	2,495,485	-	420,089	97,174	1,397,361	4,410,109
Accrued interest payable	-	-	-	-	1,958,937	1,958,937
Due to other agencies	-	-	-	-	1,371	1,371
Due to other funds	-	-	-	7,587,169	2,081,883	9,669,052
Construction contracts payable	503,373	-	929,328	9,966,973	190,816	11,590,490
Construction contracts - retainage	813	-	617,279	2,219,538	52,166	2,889,796
Unearned revenues	1,291,483	-	-	-	-	1,291,483
Total liabilities	8,821,915	-	1,966,696	19,870,854	5,682,534	36,341,999
Deferred inflows of resources:						
Deferred revenue	-	-	-	-	50,000	50,000
Total deferred inflows of resources:	-	-	-	-	50,000	50,000
Fund balances:						
Nonspendable:						
Inventory	127,314	-	-	-	455,576	582,890
Restricted for:						
State carryover programs	6,283,486	-	-	-	-	6,283,486
Debt service funds	-	-	-	-	174,821	174,821
Capital projects	-	-	21,630,848	163,568,188	1,107,278	186,306,314
Encumbrances and school internal funds	508,035	-	-	-	7,139,494	7,647,529
School food service	-	-	-	-	9,240,819	9,240,819
Assigned for:						
School/department carryover, FTE, and non-state carryover	43,265,230	-	-	-	-	43,265,230
Retirement, Self Insurance, and Encumbrances	7,348,327	-	-	-	-	7,348,327
Unassigned	15,391,957	-	-	-	-	15,391,957
Total fund balances	72,924,349	-	21,630,848	163,568,188	18,117,988	276,241,373
Total liabilities and fund balances	\$ 81,746,264	\$ -	\$ 23,597,544	\$ 183,439,042	\$ 23,850,522	\$ 312,633,372

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

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

<i>June 30,</i>	2025
Total fund balances, governmental funds	\$ 276,241,373
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	389,044,448
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	(546,356,954)
The deferred outflows of resources and deferred inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the governmental funds	
Deferred outflows of resources related to pensions	54,048,907
Deferred inflows of resources related to pensions	(31,801,467)
Deferred inflows of resources related to other postemployment benefits	(9,757,153)
	12,490,287
Unamortized deficit net carrying amount of bond refunding is recognized in the fiscal year of the bond issue in the governmental funds but is amortized over the life of the bonds in the government-wide statements.	(6,503)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	16,681,147
Total net position - governmental activities	\$ 148,093,798

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

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

For the year ended June 30,

2025

	General Fund	Federal Education Stabilization Fund	Nonvoted Capital Outlay	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenue						
Intergovernmental:						
Federal direct	\$ 5,995,132	\$ -	\$ -	\$ -	\$ 1,437,477	\$ 7,432,609
Federal through state	1,131,965	1,254,234	-	-	28,661,771	31,047,970
State sources	166,920,391	-	-	1,285,843	1,903,890	170,110,124
Local sources	130,230,757	-	47,230,518	41,395,421	19,543,931	238,400,627
Total revenue	304,278,245	1,254,234	47,230,518	42,681,264	51,547,069	446,991,330
Expenditures						
Current:						
Instruction	203,473,263	914,274	-	-	11,830,338	216,217,875
Pupil personnel services	16,347,608	11,657	-	-	498,068	16,857,333
Instructional media services	2,017,248	-	-	-	1,447	2,018,695
Instructional and curriculum development	3,393,989	4,902	-	-	2,450,989	5,849,880
Instructional staff training	2,480,569	28,092	-	-	2,063,503	4,572,164
Instruction related technology	327,752	-	-	-	-	327,752
School board	1,107,588	-	-	-	-	1,107,588
General administration	612,829	28,415	-	-	502,674	1,143,918
School administration	23,026,335	-	-	-	-	23,026,335
Facilities acquisition and construction	3,113,901	-	18,966,725	17,734,812	770,354	40,585,792
Fiscal services	2,485,591	-	-	-	-	2,485,591
Food services	28,522	-	-	-	15,750,828	15,779,350
Central services	4,282,274	274	-	-	6,836	4,289,384
Pupil transportation services	15,249,158	78,812	-	-	6,807	15,334,777
Operation of plant	29,421,584	-	-	-	-	29,421,584
Maintenance of plant	8,017,165	-	-	-	-	8,017,165
Administrative technology services	4,706,591	-	-	-	-	4,706,591
Community services	2,235,348	-	-	-	15,785,363	18,020,711

(continued)

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

Okaloosa County District School Board

Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)

For the year ended June 30,

2025

	General Fund	Federal Education Stabilization Fund	Nonvoted Capital Outlay	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Fixed capital outlay:						
Facilities acquisition and construction	810	-	8,436,032	51,167,454	365,083	59,969,379
Charter school local capital improvement	-	-	736,710	-	-	736,710
Charter school capital outlay sales tax	-	-	-	2,508,397	-	2,508,397
Other capital outlay	62,772,461	187,808	586,880	6,315,380	1,378,180	71,240,709
Debt Service:						
Retirement of principal	-	-	399,740	-	17,731,000	18,130,740
Interest and fiscal charges	-	-	363	-	10,483,737	10,484,100
Dues, fees, and issuance costs	-	-	-	-	1,204,239	1,204,239
Total expenditures	385,100,586	1,254,234	29,126,450	77,726,043	80,829,446	574,036,759
Excess (deficiency) of revenue over expenditures	(80,822,341)	-	18,104,068	(35,044,779)	(29,282,377)	(127,045,429)
Other financing sources (uses)						
Proceeds of lease purchase agreement	-	-	-	156,715,000	-	156,715,000
Proceeds from sale of capital assets	-	-	-	100	-	100
Premium on lease purchase agreements	-	-	-	18,275,205	1,206,118	19,481,323
Lease and SBITA financing	61,939,459	-	-	-	-	61,939,459
Loss recoveries	254,110	-	-	-	-	254,110
Transfers in	19,623,854	-	-	4,330,041	27,946,781	51,900,676
Transfers out	(195,980)	-	(25,049,040)	(26,598,150)	(57,506)	(51,900,676)
Total other financing sources and (uses)	81,621,443	-	(25,049,040)	152,722,196	29,095,393	238,389,992
Net change in fund balances	799,102	-	(6,944,972)	117,677,417	(186,984)	111,344,563
Fund balances, July 1, 2024	72,125,247	-	28,575,820	45,890,771	18,304,972	164,896,810
Fund balances, June 30, 2025	\$ 72,924,349	\$ -	\$ 21,630,848	\$ 163,568,188	\$ 18,117,988	\$ 276,241,373

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

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

<i>For the year ended June 30,</i>	2025
Net change in fund balances - total governmental funds:	\$ 111,344,563
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount of capital outlay in excess of depreciation/amortization expense in the current fiscal year.	111,963,273
The net effect of miscellaneous transactions involving capital assets (i.e., donations and disposals) is to increase capital assets	5,324,909
Debt additions provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which the debt proceeds exceeded the debt repayments in the current fiscal year.	(213,432,058)
Premiums on bond issues are amortized over the life of the debt in the statement of activities but are reported as revenues in the fund statements when debt is issued. This is the amount of amortization in the current fiscal year.	1,744,567
Unamortized deficit net carrying amount of bond refunding is amortized over the life of the bonds in the statement of activities but is recognized in the fund statements when the debt is issued. This is the amount of amortization in the current fiscal year.	1,626
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the fiscal year.	(3,688,373)
	(continued)

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

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

<i>For the year ended June 30,</i>	2025	
Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the costs of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense		
Decrease in Total OPEB Liability	1,166,324	
Increase in Deferred Inflows of Resources - OPEB	(1,828,539)	(662,215)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
FRS Pension Contribution	17,037,829	
HIS Pension Contribution	3,577,145	
FRS Pension Expense	(16,250,773)	
HIS Pension Expense	(1,357,751)	3,006,450
In the statement of activities, claims expenses include additional amounts for increases in long-term insurance claims liabilities. However, claims expenditures in the governmental funds are measured by the amount of financial resources used (essentially, the amount paid). This is the net amount by which the estimated insurance claims liability increased during the current fiscal year.		185,000
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The change in net position of the internal service fund is reported in governmental activities.		(1,360,469)
Change in net position of governmental activities		14,427,273

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

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

<i>June 30,</i>	2025
	Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	\$ 22,961,542
Accounts receivable, net	810,112
Deposits receivable	758,000
Total assets	\$ 24,529,654
Liabilities and Net Position	
Current Liabilities:	
Accounts payable	\$ 442,418
Unearned revenue	3,780,089
Estimated health insurance claims payable	3,626,000
Total current liabilities	7,848,507
Total liabilities	7,848,507
Net Position	
Unrestricted	16,681,147
Total net position	16,681,147
Total liabilities and net position	\$ 24,529,654

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

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

<i>For the year ended June 30,</i>	2025
	Governmental Activities - Internal Service Funds
Operating Revenues	
Insurance premiums	\$ 33,157,578
Operating Expenses	
Purchased services	2,974,566
Insurance claims	32,111,689
Total expenses	35,086,255
Operating income (loss)	(1,928,677)
Nonoperating Revenues	
Interest income	568,208
Total nonoperating revenues	568,208
Change in Net Position	(1,360,469)
Net position - beginning	18,041,616
Net position - ending	\$ 16,681,147

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

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

For the year ended June 30,

	2025
	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Cash receipts from customers and users	\$ 32,583,002
Cash payments to suppliers	(2,671,555)
Cash payments for insurance claims and fees	(31,557,689)
Net cash used by operating activities	(1,646,242)
Cash flows from investing activities	
Interest and dividends received	568,208
Net cash provided by investing activities	568,208
Net decrease in cash and cash equivalents	(1,078,034)
Cash and cash equivalents, beginning of year	24,039,576
Cash and cash equivalents, end of year	\$ 22,961,542
Reconciliation of operating income to net cash used by operating activities	
Operating income (loss)	\$ (1,928,677)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable, net	(139,113)
Deposits receivable	(77,000)
Increase (decrease) in:	
Accounts payable	303,011
Estimated health insurance claims payable	631,000
Unearned revenue	(435,463)
Net cash used by operating activities	\$ (1,646,242)

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

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

<i>June 30,</i>	2025
Custodial Funds	
Assets	
Other receivables	\$ 378,830
Total assets	\$ 378,830
Liabilities	
Accounts payable	\$ 309,926
Due to budgetary funds	68,904
Total liabilities	\$ 378,830

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

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

For the Year Ended June 30,

2025

		Custodial Funds
<hr/>		
Additions		
Benefit plan member contributions	\$	820,976
Total additions		820,976
 Deductions		
Benefit plan member payments		820,976
Total deductions		820,976
 Change in net position		 -
 Net position - beginning		 -
 Net position - ending	\$	-

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Okaloosa County School District's ("District") governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense that is clearly identifiable to a function is allocated to the function, and the remaining depreciation expense is reported as unallocated.

B. Reporting Entity

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

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

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The District's charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The District is the sponsor for each of the following charter schools and is responsible for monitoring and reviewing their progress toward meeting the goals established in the charters. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools, and the District is responsible for the operation, control, and supervision of public schools within the District. The District entered into a charter with the following schools pursuant to Section 1002.33, Florida Statutes:

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

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2025. The audit reports are filed in the District's administrative offices at 202A Highway 85N, Niceville, Florida, 32578.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Okaloosa County District School Board Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effects of interfund activity have been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental fund:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal economic stimulus programs.
- Capital Projects – Nonvoted Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicles purchases, and debt service payments.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by the issuance of certificates of participation, half-cent sales tax revenue, and other moneys set aside by the Board for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's individual self-insurance programs.
- Custodial Funds – to account for resources of the District's pre-tax flexible benefits plan.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While reported in fund financial statements, these balances are eliminated in the preparation of the government-wide financial statements. Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds are eliminated in the preparation of the government-wide financial statements.

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the fiscal year or within the availability period for this revenue source (within 30 days of fiscal year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Okaloosa Public Schools Foundation, Inc., is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and Cash Equivalents

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

Cash deposits are held by banks qualified as public depositories under Florida law or through the Federally Insured Cash Account program which complies with the provisions of Section 218.415(23), Florida Statutes, and is therefore exempt from Florida's public deposits program pursuant to Section 280.03(3)(f), Florida Statutes. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280 Florida Statutes.

2. Investments

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

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

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Although the costs of inventories are recorded as expenditures when used rather than purchased, a nonspendable fund balance is established at fiscal year-end to indicate that inventories do not constitute available expendable resources even though inventories are a component of current assets.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Interest costs incurred during the construction of capital assets are not considered material and are not capitalized as part of the costs of construction. District policy recognizes leased assets and subscription-based IT arrangement assets when the individual asset/obligation impacts the District's financial statements by \$100,000 or more annually.

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

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

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

5. Pensions

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

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental fund types are reported as liabilities in the government-wide statement of net position.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in subsequent notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB are reported in the statement of net position and discussed in subsequent notes. The third item, deficit net carrying amount of debt refunding, is also reported in the statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to Special Revenue grant funding and will be recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fund Balance Flow Assumption

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision making authority. The Board is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2025.

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

Okaloosa County District School Board Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. District Property Taxes

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

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

The Board adopted the 2024 tax levy on September 9, 2024. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Capital Outlay Surtax

In November 2020, the voters of Okaloosa County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2021. The surtax proceeds will be used to pay for construction costs and safety and security improvements at certain school facilities and campuses, school buses and upgrades to technology, and service-related bond indebtedness in accordance with Section 212.055(6), Florida Statutes.

5. Federal Revenue Sources

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

Okaloosa County District School Board

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

A compensated absence is leave (e.g., employee vacation leave and sick leave) for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. In the government wide financial statements, compensated absences are estimated and accrued as liabilities to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary related benefits, where applicable.

H. Estimates

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

I. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 23, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 101

The District implemented GASB Statement No. 101, Compensated Absences, which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As required by GASB Statement No. 101, Compensated Absences, management has updated the calculation of compensated absences to account for all leave balances on the books at year end due to the potential that employees could decide to use up all of their leave when they chose and therefore, the full liability should be recorded as a liability at year end.

Okaloosa County District School Board

Notes to Financial Statements

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 102

The District implemented GASB Statement No. 102, Certain Risk Disclosures, which will increase the usefulness of the governments' financial statements by providing users with essential information about risks related to a government's revenue vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

As required by GASB Statement No. 102, Certain Risk Disclosures, management has considered the potential for significant risks that could affect the financial position or operations of the District. These risks include concentrations in revenues, investments, or other exposures that could have a significant impact in the near term. As of the date of these financial statements, management is not aware of any such significant risks requiring disclosure under GASB Statement No. 102.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

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

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

B. Investments

As of June 30, 2025, the District had the following investments:

Investment	Maturities	Amount
State Board of Administration (SBA):		
Florida PRIME (1)	47 Day Average	\$ 47,951,495
Debt Service Accounts	6 Months	6,200
FL PALM (1)	44 Day Average	6,971,155
Money Market Fund (1) (2)	46 Day Average	161,720,621
Total investments, primary government		\$ 216,649,471

- Notes:
- (1) Investments reported as cash equivalents for financial statement reporting purposes.
 - (2) This investment is held by a fiscal agent in connection with certificates of participation financing agreements (see Note III.K.1.).

Fair Value Measurement

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

Interest Rate Risk

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

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

Okaloosa County District School Board Notes to Financial Statements

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Act [Florida PRIME], or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interestbearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy does not further limit its investment choices. The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State’s Annual Comprehensive Financial Report.

The District’s investments in Florida PRIME, FL PALM, and the money market fund are rated AAAM by Standard & Poor’s (S&P Global).

Okaloosa County District School Board
Notes to Financial Statements

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Balance 7/1/24	Additions	Transfers/ Deletions	Balance 6/30/25
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 21,829,646	\$ 9,125,305	\$ (407,711)	\$ 30,547,240
Construction in progress	60,340,841	45,657,219	(55,526,510)	50,471,550
Total capital assets not being depreciated	82,170,487	54,782,524	(55,934,221)	81,018,790
<i>Capital assets being depreciated:</i>				
Improvements other than buildings	23,549,211	1,847,439	(5,499)	25,391,151
Buildings and fixed equipment	327,847,649	64,761,134	(140,316)	392,468,467
Furniture, fixtures and equipment	20,810,199	4,611,135	(406,916)	25,014,418
Motor vehicles	22,618,290	4,531,807	(1,348,506)	25,801,591
Right-to-use lease assets	23,662,684	61,260,260	(24,236,358)	60,686,586
Subscription-based IT arrangements	3,034,613	679,199	-	3,713,812
Computer software	576,172	-	(18,155)	558,017
Total capital assets being depreciated	422,098,818	137,690,974	(26,155,750)	533,634,042
<i>Less accumulated depreciation and amortization for:</i>				
Improvements other than buildings	16,362,686	825,120	(5,499)	17,182,307
Buildings and fixed equipment	167,847,373	7,171,829	(140,316)	174,878,886
Furniture, fixtures and equipment	12,143,371	2,089,555	(406,916)	13,826,010
Motor vehicles	14,010,438	1,704,216	(1,348,506)	14,366,148
Right-to-use lease assets	20,264,923	6,398,898	(24,236,358)	2,427,463
Subscription-based IT arrangements	1,416,300	1,016,690	-	2,432,990
Computer software	472,228	40,507	(18,155)	494,580
Total accumulated depreciation and amortization	232,517,319	19,246,815	(26,155,750)	225,608,384
Total capital assets being depreciated, net	189,581,499	118,444,159	-	308,025,658
Governmental activities - capital assets, net	\$ 271,751,986	\$ 173,226,683	\$ (55,934,221)	\$ 389,044,448

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

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

Depreciation and amortization expense was charged to functions as follows:

Function	Amount
Instruction	\$ 6,935,296
Student transportation services	93,131
Maintenance of plant	14,615
Unallocated	12,203,773
Total depreciation and amortization expense - governmental activities	\$ 19,246,815

During the fiscal year ended June 30, 2025, the School Board entered into an exchange agreement to acquire land for future school development. The Board transferred a parcel of land with a book value of \$407,710 and fair market value of \$6,250,000 and paid an additional \$933,333 in cash in exchange for a parcel of land valued at \$7,183,333. The Board also incurred \$73,172 in closing costs, which were capitalized. As a result of the transaction, the Board recognized a gain on exchange of land in the amount of \$5,842,290 in the government-wide financial statements. The total capitalized value of the land acquired was \$7,256,505, consisting of the fair value of the land given, cash paid, and closing costs.

D. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein Plan eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

Okaloosa County District School Board Notes to Financial Statements

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

A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$17,608,524 for the fiscal year ended June 30, 2025.

FRS Pension Plan

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

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

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

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, regular	3.00%	13.63%
FRS, elected county officers	3.00%	58.68%
DROP - applicable to members from all of the above classes	0.00%	21.13%
FRS, reemployed retiree	(2)	(2)

Notes:

(1) Employer rates include 2.00 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative cost of the Investment Plan.

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

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

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

The District's contributions to the Plan totaled \$17,037,829 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a liability of \$119,491,407 for its proportionate share of the Plan's net pension liability. 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. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the District's proportionate share was 0.308885421 percent, which was a decrease of 0.00027079620 from its proportionate share of 0.335965041 percent measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized the Plan pension expense of \$16,250,773. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,071,840	\$ -
Change in assumptions	16,377,390	-
Net difference between projected and actual earnings on FRS pension plan investments	-	7,942,021
Change in proportion and differences between District FRS contributions and proportionate share of contributions	2,918,585	11,252,238
District FRS contributions subsequent to the measurement date	17,037,829	-
Total	\$ 48,405,644	\$ 19,194,259

The deferred outflows of resources related to pensions, totaling \$17,037,829 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

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

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

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

<i>Fiscal year ending June 30,</i>	Amount
2026	\$ (3,392,086)
2027	18,107,163
2028	(1,282,014)
2029	(1,854,690)
2030	595,183
Thereafter	-
Total	\$ 12,173,556

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

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, varies by member category and sex, projected generationally with Scale MP-2021.

The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an 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.

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

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

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	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 (property)	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	100.00%			

Assumed inflation - mean 2.40% 1.50%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2024 valuation has not changed from the prior year 6.7 percent.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability of the FRS Pension Plan calculated using the discount rate of 6.7 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.7 percent) or 1-percentage-point higher (7.7 percent) than the current rate:

	1% Decrease (5.7%)	Current Discount Rate (6.7%)	1% Increase (7.7%)
District's proportionate share of the net pension liability	<u>\$ 210,181,202</u>	<u>\$ 119,491,407</u>	<u>\$ 43,519,469</u>

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

Okaloosa County District School Board Notes to Financial Statements

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.5 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, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Pension Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2025, the contribution rate was 2.00 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event that legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Pension Plan totaled \$3,577,145 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a net pension liability of \$64,447,366 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the District's proportionate share was 0.429621131 percent, which was a decrease of 0.00023256288 from its proportionate share of 0.452877419 percent measured as of June 30, 2023.

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

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

For the fiscal year ended June 30, 2025, the District recognized HIS Plan pension expense of \$1,357,751. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 622,283	\$ 123,748
Change in assumptions	1,140,567	7,629,742
Net difference between projected and actual earnings on HIS pension plan investments	-	23,309
Change in proportion and differences between District HIS contributions and proportionate share of HIS contribution:	303,268	4,830,409
District HIS contributions subsequent to the measurement date	3,577,145	-
Total	\$ 5,643,263	\$ 12,607,208

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$3,577,145, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Fiscal year ending June 30,</i>	Amount
2026	\$ (2,008,513)
2027	(2,160,475)
2028	(2,614,815)
2029	(2,050,375)
2030	(1,336,100)
Thereafter	(370,811)
Total	\$ (10,541,089)

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

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

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 percent
Salary increases	3.50 percent, average, including inflation
Municipal bond rate	3.93 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021.

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

Discount Rate. The discount rate used to measure the total pension liability was 3.93 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.65 percent to 3.93 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.93 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
District's proportionate share of the net pension liability	<u>\$ 73,365,044</u>	<u>\$ 64,447,366</u>	<u>\$ 57,044,253</u>

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

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

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Cost of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member’s accounts during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>
FRS, regular	11.30%
FRS, elected county officers	16.34%

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options.

Okaloosa County District School Board Notes to Financial Statements

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

Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$4,522,390 for the fiscal year ended June 30, 2025.

E. Other Post Employment Benefit Obligations

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

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

Benefits Provided. Health, life, dental and vision benefits are available to retirees and their eligible dependents. Retirees are eligible for up to \$25,000 life insurance benefit until age 70 with a required contribution of \$1.49 per \$1,000. The benefit reduces to a maximum of \$10,000 at age 70 with a required contribution of \$1.99 per \$1,000 of the life benefit. Since retirees pay the full premium for dental and vision benefits, there is no liability associated with either benefit. Medicare eligible retirees must choose one of the health care plans below, if desired, and will pay the full premium.

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

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

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

Plan Type	Compatible Base Plan In-Network	Compatible Co-Pay Plan In-Network	Compatible Buy-Up Plan In-Network
Deductible - Individual	\$ 1,250	\$ 2,000	\$ 1,500
Coinsurance	80%	80%	100%
Out of Pocket Maximum (2x Family)	\$ 5,000	\$ 5,000	\$ 1,500
Retiree Only Monthly Premium	\$ 939	\$ 911	\$ 1,086
Retiree + Spouse Monthly Premium	\$ 1,628	\$ 1,581	\$ 1,806

Employees covered by benefit terms. The following table provides a summary of the number of participants in the plan as of the most recent valuation date of June 30, 2025.

Retirees and beneficiaries	1,609
Active plan members	3,546
Total plan members	5,155

Total OPEB Plan Liability. The District's total OPEB liability of \$18,082,292 was measured as of June 30, 2025, and was determined by an actuarial valuation on June 30, 2024, and update procedures were used to determine the OPEB liability as of June 30, 2025.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2024
Measurement date	June 30, 2025
Actuarial cost method	Entry age
Salary increase	3.50 percent
Discount rate	5.20 percent
Healthcare cost trend rates	Select trends starting at 7.75 percent reduced 0.30 percent each fiscal year until reaching the ultimate rate of 4.00 percent

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

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

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

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

Changes in the Total OPEB Liability.

Balance June 30, 2024	\$	19,248,616
Changes for the year:		
Service cost		1,550,199
Interest cost		804,188
Changes in assumptions		(2,848,667)
Benefit payments		(672,044)
Net change		(1,166,324)
Balance June 30, 2025	\$	18,082,292

Changes of assumptions reflect a change in the discount rate from 3.93 percent in 2024 to 5.20 percent in 2025.

Sensitivity of the Total OPEB Plan Liability to Changes in the Discount Rate. The following presents the District’s total OPEB Plan liability calculated using the discount rate of 5.2 percent, as well as what the OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.2 percent) or 1-percentage-point higher (6.2 percent) than the current rate:

	1% Decrease (4.2%)	Current Discount Rate (5.2%)	1% Increase (6.2%)
OPEB Plan Liability	\$ 20,511,000	\$ 18,082,292	\$ 16,076,000

Sensitivity of the Total OPEB Plan Liability to the Healthcare Cost Trend Rate Assumption. The following presents the District’s total OPEB Plan liability calculated using the healthcare cost trend rate of 7.75 percent decreasing each year by 0.3 percent until the ultimate rate of 4.0 percent, as well as what the OPEB liability would be if it 1-percentage-point higher (8.75 percent decreasing to 5.0 percent) or 1-percentage point lower (6.75 percent decreasing to 3.0 percent):

	1% Decrease (6.75%)	Healthcare Cost Trend Rate (7.75%)	1% Increase (8.75%)
OPEB Plan Liability	\$ 16,923,000	\$ 18,082,292	\$ 19,448,000

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

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The District's annual OPEB expense totaled \$801,987 for the fiscal year ended June 30, 2025. At June 30, 2025 the District reported deferred outflows and inflows of resources related to the OPEB Plan liability from the following sources:

Description	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (5,387,886)
Change in assumptions	(4,369,267)
Total	\$ (9,757,153)

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

<i>Fiscal year ending June 30,</i>	Amount
2026	\$ (1,298,656)
2027	(1,288,658)
2028	(1,288,658)
2029	(1,288,658)
2030	(1,288,658)
Thereafter	(3,303,865)
Total	\$ (9,757,153)

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

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

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of encumbrances related to major construction contract commitments at June 30, 2025:

Project	Contract Amount	Completed to Date	Balance Committed
Other Capital Projects Fund:			
New Crestview K-8 School, Destin and Baker Classrooms	\$ 161,781,190	\$ 45,726,740	\$ 116,054,450
Districtwide New Construction	108,199,701	104,379,098	3,820,603
Districtwide Roof Replacement	7,874,819	7,582,619	292,200
Sales Tax HVAC Projects	4,718,227	3,683,322	1,034,905
Meigs and Destin Middle Building Renovation	3,870,770	1,820,784	1,049,986
Priority Roofing Projects	2,422,007	959,123	1,462,884
Districtwide Performing Arts Facility Improvements	1,523,913	74,591	1,449,322
Priority Restroom Renovation Projects	1,049,153	105,735	943,418
Districtwide Security Upgrades	956,766	122,499	834,267
Districtwide Parking and Paving Upgrades	876,040	573,361	302,679
General Fund			
Okaloosa Technical College Interior Renovation	2,484,916	325,915	2,159,001
Total Other Capital Projects Fund	295,757,502	165,353,787	129,403,715
Nonmajor Governmental Funds:			
Central Administration Complex Renovation	11,686,960	6,610,081	5,076,879
Choctawhatchee and Lewis Front Entry Upgrades	4,245,331	3,886,284	359,047
Plew, Kenwood, and Florosa Roof Replacement	3,904,939	2,101,641	1,803,298
Press Box, Concession, and Restroom Renovations	2,943,914	2,389,602	554,312
Press box/concession/restroom at	2,806,995	1,864,465	942,530
Priority Roofing Projects	1,134,621	242,694	891,927
Districtwide Fine and Performing Arts Facility Improvements	943,482	9,948	933,534
Total Nonmajor Governmental Funds	27,666,242	17,104,715	10,561,527
Total	\$ 323,423,744	\$ 182,458,502	\$ 139,965,242

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

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

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

The following is a schedule of encumbrances not related to construction contracts at June 30, 2025:

General Fund	Capital Projects Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,149,271	\$ 5,102,077	\$ 4,140,971	\$ 12,392,319

G. Risk Management Programs

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

Employee health and hospitalization coverage was provided through purchased commercial insurance through December 31, 2022. Beginning January 1, 2023, the District provided self-insured employee health and hospitalization coverage. The District entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above \$300,000 on an individual claim basis, and aggregate excess coverage of \$1 million when total claims minus specific excess coverage exceeds the loss fund established by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. A liability in the amount of \$3,626,000 was recorded to cover estimated incurred, but not reported, insurance claims payable at June 30, 2025.

Dental and life insurance coverage are provided through commercial insurance.

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

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

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

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

Fiscal Year	Beginning Balance	Current Fiscal Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Property, liability and workers compensation:				
2023 - 24	\$ 2,560,000	\$ 811,601	\$ (1,609,601)	\$ 1,762,000
2024 - 25	1,762,000	256,477	(441,477)	1,577,000
Employee Health:				
2023 - 24	2,898,000	25,600,942	(25,503,942)	2,995,000
2024 - 25	2,995,000	31,831,751	(31,200,751)	3,626,000

H. Lease Payable

The District has entered into lease agreements to obtain the right-to-use certain copy machines and computer equipment. The class(es) and amounts of lease asset(s) are as follows:

<i>June 30, 2025</i>	Asset Balances, net of accumulated amortization
Computer equipment	58,259,123
Total	\$ 58,259,123

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

<i>Fiscal year ending June 30,</i>	Principal	Interest	Total
2026	\$ 4,428,383	\$ 1,983,956	\$ 6,412,339
2027	4,715,748	1,824,837	6,540,585
2028	5,015,911	1,655,487	6,671,398
2029	5,329,377	1,475,449	6,804,826
2030	5,656,671	1,284,252	6,940,923
2031 - 2035	33,717,695	3,125,560	36,843,255
Total	\$ 58,863,785	\$ 11,349,541	\$ 70,213,326

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

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

I. Installment-Purchase Payable

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

The installment-purchase payable was fully paid off and no longer outstanding as of June 30, 2025.

J. Subscription Arrangement Liability

The District has a SBITA for the right to use Focus student information system totaling \$383,137. The subscription term ends in the 2025-26 fiscal year. The District discounted the future minimum payments using its incremental borrowing rate of 2.52 percent.

The District also has a SBITA for the right to use the Focus enterprise resource program totaling \$298,674. The subscription term ends in the 2025-26 fiscal year. The District discounted the future minimum payments using its incremental borrowing rate of 3.31 percent.

This District has a SBITA for the right to use the digital Read 180 program totaling \$127,949. The subscription term ends in the 2025-26 fiscal year. The District discounted the future minimum payments using its incremental borrowing rate of 4.37 percent.

The District has a SBITA for the right to use the Edgenuity software program totaling \$471,666. The subscription term ends in the 2026-27 fiscal year. The District discounted the future minimum payments using its incremental borrowing rate of 3.95 percent.

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

<i>Fiscal year ending June 30,</i>	Principal	Interest	Total
2025	733,224	34,131	767,355
2026	227,425	8,923	236,348
Total	\$ 960,649	\$ 43,054	\$ 1,003,703

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

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

K. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2025, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease term Maturity	Original amount of Certificates
Series 2022	\$ 63,095,000	5.00	2031	\$ 113,295,000
Series 2024	156,715,000	5.00	2050	156,715,000
Total Certificates of Participation	\$ 219,810,000			\$ 270,010,000

The District entered into various financing arrangements each of which was characterized as a lease-purchase agreement, with the Okaloosa County School Board Leasing Corporation (Leasing Corporation), whereby the District secured financing of various education facilities through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District. As a condition of the financing arrangement, the District has given ground leases on District property to the Okaloosa County School Board Leasing Corporation. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements to the Trustee for the benefit of the securers of the Certificates to the end of the ground lease term.

The District properties included in the ground lease noted above are as follows:

- Certificate of Participation, Series 2022A include properties at Crestview High School, Laurel Hill School, Elliott Point Elementary School, Silver Sands School, Plew Elementary School, Ruckel Middle School, Bob Sikes Elementary School, Edwins Elementary School, Wright Elementary School, Pryor Middle School, Baker School, Niceville High School and Fort Walton Beach High School.
- Certificate of Participation, Series 2024 include properties at Destin Elementary School, Baker School and Pineview School.

The lease payments are payable by the District annually, on October 1 for the Certificate of Participation, Series 2022A and the Certificate of Participation, Series 2024.

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

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

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

<i>Year Ending June 30,</i>	Principal	Interest	Total
Certificates of Participation - 2022A			
2026	\$ 12,470,000	\$ 10,638,438	\$ 23,108,438
2027	13,110,000	9,996,875	23,106,875
2028	13,785,000	9,322,313	23,107,313
2029	14,490,000	8,613,125	23,103,125
2030	15,235,000	7,867,625	23,102,625
2031 - 2035	34,830,000	31,966,313	66,796,313
2036 - 2040	29,465,000	25,068,062	54,533,062
2041 - 2045	37,840,000	16,592,500	54,432,500
2046 - 2050	48,585,000	5,708,312	54,293,312
Total minimum lease payments	\$ 219,810,000	\$ 125,773,563	\$ 345,583,563
Plus unamortized premium	29,948,726	-	29,948,726
Total Certificates of Particiapation	\$ 249,758,726	\$ 125,773,563	\$ 375,532,289

2. Bonds Payable

Bonds payable at June 30, 2025, are as follows:

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2017-A, Refunding	3.00 - 5.00	2028	\$ 220,000
Series 2020-A, Refunding	5.00	2030	46,000
District Revenue Bonds:			
Series 2011	4.75 - 5.50	2040	1,895,000
Total bonds payable			\$ 2,161,000

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

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

Okaloosa County District School Board Notes to Financial Statements

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

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

The District has pledged a combined total of \$2,819,938 of sales tax revenues in connection with the 2011 District Revenue Bonds. During the 2024-25 fiscal year, the District recognized sales tax revenues totaling \$190,750 and expended \$190,772 (100.0 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on July 1, 2040. Approximately 98.6 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2025, are as follows:

<i>For the year Ending June 30,</i>	Principal	Interest	Total
State School Bonds:			
2026	\$ 76,000	\$ 11,720	\$ 87,720
2027	82,000	7,920	89,920
2028	88,000	3,820	91,820
2029	10,000	1,000	11,000
2030	10,000	500	10,500
Total State School Bonds	266,000	24,960	290,960
District Revenue Bonds:			
2026	85,000	101,088	186,088
2027	90,000	97,050	187,050
2028	95,000	92,550	187,550
2029	100,000	87,800	187,800
2030	105,000	82,800	187,800
2031 - 2035	615,000	325,875	940,875
2036 - 2040	805,000	137,775	942,775
Total District Revenue Bonds	1,895,000	924,938	2,819,938
Total	\$ 2,161,000	\$ 949,898	\$ 3,110,898

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

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

3. Changes in Long-Term Liabilities

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

Description	Balance 7/1/24	Additions	Deductions	Balance 6/30/25	Due in One Year
Bonds payable	\$ 2,317,000	\$ -	\$ (156,000)	\$ 2,161,000	\$ 161,000
Certificates of participation payable	92,881,970	176,196,323	(19,319,567)	249,758,726	15,026,289
Estimated insurance claims payable	1,762,000	256,477	(441,477)	1,577,000	350,000
Compensated absences payable	27,347,963	6,618,347	(2,929,975)	31,036,335	2,758,168
Net pension liability	205,794,410	60,942,112	(82,797,749)	183,938,773	224,312
Leases payable	3,423,442	61,260,260	(5,819,918)	58,863,784	5,161,607
SBITA payable	1,012,911	679,199	(753,066)	939,044	-
Installment-purchase payable	399,740	-	(399,740)	-	-
Other post employment benefits payable	19,248,616	2,354,387	(3,520,711)	18,082,292	-
Total	\$ 354,188,052	\$ 308,307,105	\$ (116,138,203)	\$ 546,356,954	\$ 23,681,376

L. Fund Balance Reporting

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

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

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

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

- **Assigned Fund Balance.** The assigned fund balance is the portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for specific purposes by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. This District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Board and not included in other categories.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The District has a contingency reserve of \$1,711,792 established informally through the budget process that is included in the unassigned fund balance. The contingency reserve is intended to help sustain the financial stability of the District during times of emergency spending such as disaster recovery and revenue shortfalls that could potentially occur after the current year’s budget adoption.

M. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major funds:		
General	\$ 9,737,956	\$ -
Capital Projects - Other Capital Projects	-	7,587,169
Nonmajor governmental funds	-	2,081,883
Custodial	-	68,904
Total	\$ 9,737,956	\$ 9,737,956

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

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

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

N. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue for the 2024-25 fiscal year:

Source	Amount
Florida education finance program	\$ 120,444,426
Categorical educational programs:	
Class size reduction	29,902,880
Transportation	7,897,042
School recognition funds	1,879,635
Voluntary prekindergarten	565,589
Workforce development program	3,193,793
Motor vehicles license tax (General Fund, Capital Outlay and Debt Service)	1,234,267
Gross Receipts Tax (Public Education Capital Outlay)	391,998
Charter school capital outlay	1,285,843
Sales tax distribution (s.212.20(6)(d)6a. F.S.) (Debt Service)	190,750
Department of juvenile justice supplemental	33,756
Full Service School Program	120,000
Food service supplement	104,675
Mobile home license tax	49,573
Miscellaneous	2,815,897
Total	\$ 170,110,124

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2024 tax roll for the 2024-25 fiscal year:

	Millages	Taxes Levied
<u>General Fund</u>		
Nonvoted School Tax:		
Required local effort	3.131	\$ 99,362,833
Basic discretionary local effort	0.748	23,735,038
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local capital improvements	1.500	47,605,623
Total	5.379	\$ 170,703,494

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

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

O. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major funds:		
General	\$ 19,623,854	\$ 195,980
Capital projects:		
Local Capital Improvement	-	25,049,040
Other Capital Projects	4,330,041	26,598,150
Nonmajor governmental funds	27,946,781	57,506
Total	\$ 51,900,676	\$ 51,900,676

Transfers to the General Fund from Local Capital Improvement Fund were for purchasing enterprise resource software, maintenance and repair of school facilities, for the lease of computers for instructional purposes and bus drivers' salaries. Transfers to the General Fund from the Other Capital Projects Fund were to fund charter school capital outlays. Transfers to the General Fund from Nonmajor Governmental Funds were for charter school safety grant. Transfers to Nonmajor Governmental Funds from Local Capital Improvement Fund and Other Capital Projects Fund were for payment of debt. Transfers to the Other Capital Projects Fund from the General Fund were for flooring and turf at Destin Elementary School, a sunshade and playground equipment at Edge Elementary School and turf at Fort Walton Beach High School from donations received. Transfers within the Other Capital Projects Fund were to reimburse the Sales Tax Fund for expenditures related to COPS 2024 and transfer previously recorded interest from a prior year.

IV. CONTINGENCIES

The District is involved in several pending and threatened legal actions. In the opinion of District management, after consulting with legal counsel, the range of potential losses from these claims and actions, over any amounts covered by insurance, should not materially affect the financial condition of the District.

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

Okaloosa County District School Board Budgetary Comparison Schedule: General Fund

For the year ended June 30,

2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Original	Final		
Revenue				
Intergovernmental:				
Federal direct	\$ 3,407,365	\$ 5,195,132	\$ 5,995,132	\$ 800,000
Federal through state	650,000	1,131,965	1,131,965	-
State sources	192,248,158	166,920,391	166,920,391	-
Local sources	122,316,051	128,730,757	130,230,757	1,500,000
Total revenue	318,621,574	301,978,245	304,278,245	2,300,000
Expenditures				
Instruction	234,496,504	219,316,911	203,473,263	15,843,648
Pupil personnel services	15,220,761	16,838,782	16,347,608	491,174
Instructional media services	2,157,041	2,100,959	2,017,248	83,711
Instructional and curriculum development	4,511,387	3,486,644	3,393,989	92,655
Instructional staff training	2,718,821	2,633,819	2,480,569	153,250
Instruction related technology	524,611	469,406	327,752	141,654
Board of education	1,268,911	2,228,088	1,107,588	1,120,500
General administration	488,579	645,581	612,829	32,752
School administration	23,191,758	24,596,052	23,026,335	1,569,717
Facilities acquisition and construction	8,845,124	3,648,283	3,113,901	534,382
Fiscal services	2,510,933	2,630,098	2,485,591	144,507
Food services	-	28,522	28,522	-
Central services	8,710,576	8,760,479	4,282,274	4,478,205
Pupil transportation services	17,534,675	17,003,803	15,249,158	1,754,645
Operation of plant	32,405,681	36,908,527	29,421,584	7,486,943
Maintenance of plant	9,014,805	9,485,289	8,017,165	1,468,124
Administrative technology services	5,529,757	4,930,707	4,706,591	224,116
Community services	3,326,376	4,142,779	2,235,348	1,907,431
Fixed capital outlay:				
Other capital outlay	-	833,002	62,772,461	(61,939,459)
Total expenditures	372,456,300	360,688,541	385,100,586	(24,412,045)
Deficiency of revenue over expenditures	(53,834,726)	(58,710,296)	(80,822,341)	(22,112,045)

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

For the year ended June 30,

2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Loss recoveries	\$ -	\$ 254,110	\$ 254,110	\$ -
Lease and SBITA financing	-	-	61,939,459	61,939,459
Transfers in	19,633,121	19,623,854	19,623,854	-
Transfers out	-	(195,980)	(195,980)	-
Total other financing sources and (uses)	19,633,121	19,681,984	81,621,443	61,939,459
Net change in fund balances	(34,201,605)	(39,028,312)	799,102	39,827,414
Fund balances - beginning	72,125,247	72,125,247	72,125,247	-
Fund balances - ending	\$ 37,923,642	\$ 33,096,935	\$ 72,924,349	\$ 39,827,414

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

For the year ended June 30,

2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenue				
Intergovernmental:				
Federal through state and local	\$ 1,596,461	\$ 1,254,234	\$ 1,254,234	\$ -
Total revenue	1,596,461	1,254,234	1,254,234	-
Expenditures				
Instruction	1,324,853	1,102,082	914,274	187,808
Pupil personnel services	25,288	11,657	11,657	-
Instructional and curriculum development	3,011	4,902	4,902	-
Instructional staff training	176,028	28,092	28,092	-
Instruction related technology				
General administration	41,472	28,415	28,415	-
Central services	1,785	274	274	-
Student transportation services	24,024	78,812	78,812	-
Fixed capital outlay:				
Other capital outlay	-	187,808	187,808	-
Total expenditures	1,596,461	1,442,042	1,254,234	187,808
Excess (deficiency) of revenues over expenditures	-	(187,808)	-	187,808
Net change in fund balances	-	(187,808)	-	187,808
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ (187,808)	\$ -	\$ 187,808

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

(000's omitted)	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 1,550	\$ 1,756	\$ 1,791	\$ 1,769	\$ 1,733	\$ 396	\$ 382	\$ 368
Interest	804	1,002	904	634	602	569	592	605
Difference between expected and actual experience in OPEB liability	-	(6,859)	-	(1,555)	-	(753)	-	-
Changes of assumptions or other inputs	(2,849)	(2,312)	(338)	(3,663)	187	10,217	737	(571)
Benefit payments	(672)	(71)	(750)	(647)	(883)	(702)	(817)	(690)
Net change in total OPEB liability	(1,167)	(6,484)	1,607	(3,462)	1,639	9,727	894	(288)
Total OPEB liability - beginning	19,249	25,732	24,125	27,587	25,948	16,221	15,327	15,615
Total OPEB liability - ending	\$ 18,082	\$ 19,248	\$ 25,732	\$ 24,125	\$ 27,587	\$ 25,948	\$ 16,221	\$ 15,327
 Covered payroll	 \$ 163,346	 \$ 162,685	 \$ 164,519	 \$ 158,956	 \$ 155,448	 \$ 150,191	 \$ 170,814	 \$ 165,039
 Total OPEB liability as a percentage of covered payroll	 11.07%	 11.83%	 15.64%	 15.18%	 17.75%	 17.28%	 9.50%	 9.29%

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

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

(000's omitted)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the FRS net pension liability (asset)	0.308854%	0.335965%	0.354359%	0.358682%	0.327374%	0.338187%	0.341657%	0.357406%	0.357619%	0.383593%
District's proportionate share of the FRS net pension liability	\$ 119,491	\$ 133,871	\$ 131,850	\$ 27,094	\$ 141,889	\$ 116,467	\$ 102,909	\$ 105,718	\$ 90,299	\$ 49,546
District's covered payroll	\$ 181,906	\$ 179,617	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	65.69%	74.53%	78.15%	16.38%	88.90%	73.47%	66.27%	66.83%	58.94%	32.82%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

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

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

(000's omitted)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	\$ 17,037	\$ 17,491	\$ 16,162	\$ 15,121	\$ 13,664	\$ 10,877	\$ 10,614	\$ 9,772	\$ 9,354	\$ 8,721
FRS contributions in relation to the contractually required contribution	(17,037)	(17,491)	(16,162)	(15,121)	(13,664)	(10,877)	(10,614)	(9,772)	(9,354)	(8,721)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 179,009	\$ 181,906	\$ 179,617	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199
FRS contributions as a percentage of covered payroll	9.52%	9.62%	9.00%	8.96%	8.26%	6.81%	6.70%	6.29%	5.91%	5.69%

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

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

(000's omitted)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the FRS net pension liability (asset)	0.429621%	0.452877%	0.462863%	0.467145%	0.459864%	0.473929%	0.475469%	0.496239%	0.496237%	0.497785%
District's proportionate share of the FRS net pension liability	\$ 64,447	\$ 71,923	\$ 49,025	\$ 57,302	\$ 56,149	\$ 53,028	\$ 50,324	\$ 53,060	\$ 57,834	\$ 50,766
District's covered payroll	\$ 181,906	\$ 179,617	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	35.43%	40.04%	29.06%	34.65%	35.18%	33.45%	32.40%	33.54%	37.75%	33.63%
FRS 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%

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

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

(000's omitted)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	\$ 3,577	\$ 3,637	\$ 2,979	\$ 2,801	\$ 2,746	\$ 2,650	\$ 2,631	\$ 2,578	\$ 2,626	\$ 2,544
FRS contributions in relation to the contractually required contribution	(3,577)	(3,637)	(2,979)	(2,801)	(2,746)	(2,650)	(2,631)	(2,578)	(2,626)	(2,544)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 179,009	\$ 181,906	\$ 179,617	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199
FRS contributions as a percentage of covered payroll	2.00%	2.00%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

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

Okaloosa County District School Board Notes to Required Supplementary Information

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Changes of Assumptions. The change in the discount rate from 3.93 percent as of the beginning of the measurement period to 5.20 percent as of the end of the measurement period. This change is reflected in the Schedule of Changes in Total OPEB Liability and related ratios.

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

Changes of Assumptions. The long-term expected rate of return stayed the same 6.7 percent from last year to this year. The mortality assumption changed to the PUB-2010 base table, projected generationally with Scale MP-2021.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability increased from 3.65 percent to 3.93 percent.

Supplementary Information

**Okaloosa County District School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster	Assistance Listing Number	Pass - Through Grantor Number	Amount Provided To Subrecipients	Amount of Expenditures (Note 1)
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	25002	\$ -	\$ 2,008,273
National School Lunch Program	10.555	25001, 25003	-	8,713,096
Summer Food Service Program for Children	10.559	25006, 25007	-	277,864
Total Child Nutrition Cluster			-	10,999,233
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	1,091,384
Total Student Financial Assistance Cluster			-	1,091,384
Special Education Cluster:				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	-	7,056,627
Special Education - Preschool Grants	84.173	267	-	109,086
Total Special Education Cluster			-	7,165,713
Schools and Roads Cluster				
United States Department of Agriculture				
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	784
Total Schools and Roads Cluster			-	784
Not Clustered				
United States Department of Defense:				
Public Law 110-417	12.U01	N/A	-	1,379,372
Air Force Junior Reserve Officers Training Corps	12.U03	N/A	-	264,863
Army Junior Reserve Officers Training Corps	12.U04	N/A	-	157,612
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	347,229
Total United States Department of Defense			-	2,149,076
United States Department of Education:				
Impact Aid	84.041	N/A	159,363	4,192,149
Education Stabilization Fund:	84.425			
Florida Department of Education:				
COVID-19 ARP ESSER	84.425U	121	-	1,188,777
COVID-19 ARP ESSER Homeless Children and Youth	84.425W	122	-	65,458
Total COVID-19 Education Stabilization Fund	84.425		-	1,254,235

(continued)

See accompanying notes to schedule of expenditures of federal awards

**Okaloosa County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster	Assistance Listing Number	Pass - Through Grantor Number	Amount Provided To Subrecipients	Amount of Expenditures (Note 1)
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	-	299,160
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	136,148	7,760,416
Career and Technical Education - Basic Grants to States	84.048	161	-	440,037
Education for Homeless Children and Youths	84.196	127	-	98,932
English Language Acquisition State Grants	84.365	102	-	230,264
Supporting Effective Instruction State Grants	84.367	224	3,618	1,107,856
Student Support and Academic Enrichment Program	84.424	241	32,008	560,159
Total United States Department of Education			331,137	15,943,208
Total Expenditures of Federal Awards			\$ 331,137	\$ 37,349,398

See accompanying notes to schedule of expenditures of federal awards

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

Notes:

- (1) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Okaloosa County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

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

- (2) Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate – The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance for National School Lunch Program – Includes \$1,049,428 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid – Expenditures include \$4,192,149 for grant number/program year S041B-2025-1256.

Compliance Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Okaloosa County District School Board, Florida (hereinafter referred to as the “District”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 23, 2026. Our report includes a reference to other auditors who have audited the financial statements of certain charter schools included as discretely presented component units as described in our report on the District’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

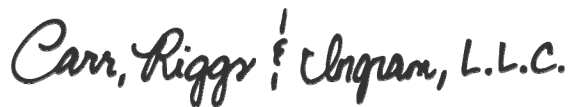
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



CARR, RIGGS & INGRAM, L.L.C.

Fort Walton Beach, Florida
March 23, 2026

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Okaloosa County District School Board, Florida’s (“the District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

CARR, RIGGS & INGRAM, L.L.C.

Fort Walton Beach, Florida

March 23, 2026

**Okaloosa County District School Board
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing Number	Program Name
	Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
12.U01	Public Law 110-417
84.367	Supporting Effective Instruction State Grants

The dollar threshold used to distinguish between type A and B programs was \$1,120,482 for major federal programs.

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

**Okaloosa County District School Board
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

FINANCIAL STATEMENT FINDINGS

None noted

FEDERAL AWARD FINDINGS

None noted

Okaloosa County District School Board Summary Schedule of Prior Audit Findings

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

Audit Report and Schedule Paragraph No.	Program/Area	Brief Description	Status
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Not applicable, none noted



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Okaloosa County District School Board, Florida (“the District”) as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated March 23, 2026.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 23, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

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

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

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

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

Transparency

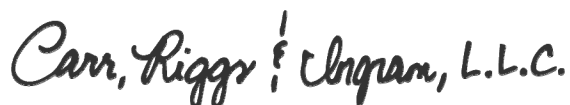
Section 10.804(1)(f)6., Rules of the Auditor General, requires that we communicate the results of our determination as to whether the Okaloosa County District School Board maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined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

Additional Matters

Section 10.804(1)(f)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred, that has 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 District School Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CARR, RIGGS & INGRAM, L.L.C.

Fort Walton Beach, Florida
March 23, 2026



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CARR, RIGGS & INGRAM, L.L.C.

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

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

We have examined the Okaloosa County District School Board, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2025. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2025.

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

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

CARR, RIGGS & INGRAM, L.L.C.

Fort Walton Beach, Florida
March 23, 2026