

Report No. 2022-084
January 2022

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**OKALOOSA COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2020-21 fiscal year, Marcus D. Chambers served as Superintendent of the Okaloosa County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dr. Lamar White	1
Marti Gardner from 11-17-20	2
Dewey Destin through 11-16-20	2
Linda Evanchyk	3
Tim Bryant, Chair	4
Dr. Diane Kelley, Vice Chair	5

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

The team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2021. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 22 percent, 5 percent, 25 percent, 15 percent, and 15 percent, respectively, of the assets, liabilities, net position and fund balance, additions and revenues, and deductions and expenditures of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. The financial statements of the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of

the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which is a change in accounting principle that addresses accounting and financial reporting for fiduciary activities. This affects the comparability of amounts reported for the 2020-21 fiscal year with amounts reported for the 2019-20 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 6, 2022

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, 2021. 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 financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-21 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, 2021, by \$62,095,841.55 (net position). Of this amount, \$141,647,777.51 represents a deficit unrestricted net position which has increased by 9.55 percent from last fiscal year's deficit unrestricted net position.
- The District's total net position increased by \$334,492.14, or 0.54 percent, from last fiscal year's unadjusted net position. Of this increase, \$3,181 was due to restating the beginning net position due to the Florida Retirement System increasing their net position in reporting the net pension liability.
- General revenues total \$335,379,931.96, or 94.51 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$19,479,538.86, or 5.49 percent of all revenues.
- Expenses total \$354,528,159.68. Only \$19,479,538.86 of these expenses were offset by program specific revenues, with the remainder paid from general revenues.
- The General Fund unassigned fund balance represents the net current financial resources available for general appropriation by the Board and totals \$14,000,643.50 at June 30, 2021, or 5.18 percent of total General Fund expenditures at June 30, 2021, as compared to the 2019-20 fiscal year unassigned fund balance of \$13,851,850.24.
- General Fund expenditures exceeded revenues by \$4,257,597.24.

OVERVIEW OF 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, liabilities, and deferred inflows/outflows of resources, using an economic

resources measurement focus. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, the net position, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other nonfinancial 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 three separate legal entities in this report including the Okaloosa Academy, Inc., the Liza Jackson Preparatory School, Inc., and the Okaloosa Public Schools Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Okaloosa School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the School Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and 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 are the General Fund, the Special Revenue – Federal Education Stabilization Fund, and the Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses custodial funds to account for resources held for student activities and groups and for resources held for employees in an IRS Section 125 Cafeteria Plan.

Notes to Financial Statements

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

Other Information

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

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, 2021, compared to net position as of June 30, 2020:

Net Position, End of Fiscal Year

	Governmental Activities		Increase (Decrease)
	6-30-21	6-30-20	
Current and Other Assets	\$ 107,082,058.14	\$ 87,111,358.57	\$ 19,970,699.57
Capital Assets	172,216,130.53	172,765,670.88	(549,540.35)
Total Assets	279,298,188.67	259,877,029.45	19,421,159.22
Deferred Outflows of Resources	68,165,234.00	64,768,800.00	3,396,434.00
Long-Term Liabilities	263,832,600.43	238,464,351.70	25,368,248.73
Other Liabilities	10,181,242.47	7,274,300.34	2,906,942.13
Total Liabilities	274,013,842.90	245,738,652.04	28,275,190.86
Deferred Inflows of Resources	11,353,738.22	17,145,828.00	(5,792,089.78)
Net Position:			
Net Investment in Capital Assets	164,365,382.76	160,218,032.95	4,147,349.81
Restricted	39,378,236.30	30,846,457.65	8,531,778.65
Unrestricted (Deficit)	(141,647,777.51)	(129,303,141.19)	(12,344,636.32)
Total Net Position	\$ 62,095,841.55	\$ 61,761,349.41	\$ 334,492.14

The largest portion of the District's net position reflects its \$164,365,382.76 net investment in capital assets (land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; computer software; and audio-visual materials), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position, \$39,378,236.30, represents resources that are subject to external restrictions on how they may be used. The unrestricted net position, a deficit of \$141,647,777.51, is the result of having long-term obligations that are greater than currently available resources. The major change in the financial position of the District that resulted in this deficit net position was due to the implementation of the Governmental Accounting Standards Board's (GASB) Statement No. 68 and GASB Statement No. 75. Additional information on the implementations of these standards can be found in Note II. of the 2014-15 financial statements for GASB Statement No. 68 and in Note II. of the 2017-18 financial statements for GASB Statement No. 75.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2021, and June 30, 2020, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		
	6-30-21	6-30-20	Increase (Decrease)
Program Revenues:			
Charges for Services	\$ 2,938,806.10	\$ 5,309,047.72	\$ (2,370,241.62)
Operating Grants and Contributions	14,513,650.99	8,165,386.45	6,348,264.54
Capital Grants and Contributions	2,027,081.77	2,604,393.91	(577,312.14)
General Revenues:			
Property Taxes, Levied for Operational Purposes	92,911,983.13	91,011,594.86	1,900,388.27
Property Taxes, Levied for Capital Projects	30,738,580.08	29,007,843.77	1,730,736.31
Local Sales Taxes	12,322,738.00	-	12,322,738.00
Grants and Contributions Not Restricted to Specific Programs	195,743,439.57	179,775,351.93	15,968,087.64
Unrestricted Investment Earnings	172,288.70	1,227,732.46	(1,055,443.76)
Miscellaneous	3,490,902.48	3,344,058.24	146,844.24
Total Revenues	354,859,470.82	320,445,409.34	34,414,061.48
Functions/Program Expenses:			
Instruction	210,467,934.63	200,743,861.35	9,724,073.28
Student Support Services	12,524,762.92	11,535,245.61	989,517.31
Instructional Media Services	1,847,374.02	1,804,144.51	43,229.51
Instruction and Curriculum Development Services	5,290,691.37	5,470,431.27	(179,739.90)
Instructional Staff Training Services	3,473,006.54	3,852,445.35	(379,438.81)
Instruction-Related Technology	461,757.13	731,811.59	(270,054.46)
Board	1,669,332.23	1,246,691.06	422,641.17
General Administration	1,326,841.21	1,108,285.34	218,555.87
School Administration	23,708,429.59	22,989,430.64	718,998.95
Facilities Acquisition and Construction	16,105,748.93	11,979,469.41	4,126,279.52
Fiscal Services	2,593,764.79	2,333,520.24	260,244.55
Food Services	13,177,371.46	10,672,934.84	2,504,436.62
Central Services	3,689,964.24	3,516,301.04	173,663.20
Student Transportation Services	13,532,137.65	13,590,510.68	(58,373.03)
Operation of Plant	23,723,760.03	22,063,046.19	1,660,713.84
Maintenance of Plant	6,946,756.78	7,279,690.43	(332,933.65)
Administrative Technology Services	3,613,962.67	3,408,867.01	205,095.66
Community Services	2,324,499.51	2,809,071.21	(484,571.70)
Unallocated Interest on Long-Term Debt	311,902.46	415,208.64	(103,306.18)
Unallocated Depreciation Expense	7,738,161.52	7,514,145.05	224,016.47
Total Functions/Program Expenses	354,528,159.68	335,065,111.46	19,463,048.22
Change in Net Position	331,311.14	(14,619,702.12)	14,951,013.26
Net Position - Beginning	61,761,349.41	76,381,051.53	(14,619,702.12)
Adjustment to Beginning Net Position (1)	3,181.00	-	3,181.00
Net Position - Beginning, as Restated	61,764,530.41	76,381,051.53	(14,616,521.12)
Net Position - Ending	\$ 62,095,841.55	\$ 61,761,349.41	\$ 334,492.14

(1) Adjustment to beginning net position is due to the Florida Retirement System (FRS) increasing its beginning net position, resulting in a decrease to the District's proportionate share of the FRS net pension liability.

The largest revenue source is the State of Florida (45.99 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.

Operating Grants and Contributions increased by \$6,348,264.54, or 77.75 percent primarily due to an increase in school food service reimbursements for free meals provided to students during the 2020-21 fiscal year.

Grants and contributions not restricted to specific programs represent 55.16 percent of total governmental revenues in the 2020-21 fiscal year. Grants and contributions not restricted to specific programs increased by \$15,968,087.64, or 8.88 percent, primarily due to increases in Special Education, Medicaid, FEFP, and Class Size Reduction funds, in addition to funds received for the Education Stabilization Fund.

Property tax revenues increased by \$3,631,124.58, or 3.03 percent, as a result of an increase in property values although the local effort millage rate decreased by 4.32 percent. The required local effort millage rate is determined by the Florida Legislature. The Legislature provided property tax relief to homeowners through a millage rollback.

A new school sales tax was levied effective January 1, 2021, resulting in new local sales tax revenues totaling \$12,322,738 for the 2020-21 fiscal year.

Instruction expenses represent 59.37 percent of total governmental expenses in the 2020-21 fiscal year. Instruction expenses increased by \$9,724,073.28, or 4.84 percent, from the previous fiscal year primarily due to employee salary and benefit increases in costs such as retirement costs and medical insurance.

Facilities Acquisition and Construction expenses increased by \$4,126,279.52, or 34.44 percent, due to additional costs related to District-wide roofing projects, security upgrades, and other facility improvements.

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 current fiscal year, the total fund balance is \$67,065,958.44, an increase of \$8,913,207.38 over the 2019-20 fiscal year. Of the total fund balance, \$120,706.20 is nonspendable, \$9,543,379.07 is restricted for State required carryover programs, \$43,401,229.67 is assigned, and \$14,000,643.50 is unassigned.

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

- State revenues increased by \$5,242,114.80 in the 2020-21 fiscal year due to an increase in projected weighted FTE and an increase in base student allocation. The District's actual weighted FTE was lower than the 2019-20 fiscal year due to COVID-19; however, the State held all districts harmless and funded them based on their projections.
- Total expenditures increased by \$2,711,534.38, or 1.01 percent. Instructional expenditures increased by \$2,065,406.68 due to the District's commitment to comply with the State constitutional class size reduction mandate and increases in the cost of employee benefits. The

District held less training due to COVID-19, causing a reduction of \$560,622.37 to the Instructional Staff Training Services expenditures. School administration expenditures increased by \$665,641.29 due to increases in employee benefits. Operation of plant expenditures increased by \$1,147,958.15 due to increases in employee benefits and increased cleaning/sanitation due to COVID-19. School closures during summer 2020 greatly curtailed summer driver's education courses, causing a decrease in community services expenditures of \$559,210.46.

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 \$10,925,750.73 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund had a total fund balance of \$14,194,299.88, all of which must be used for the acquisition, construction, and maintenance of capital assets. The fund balance decreased \$321,306.94 due to expenditures increasing 19.25 percent due to the District purchasing 34 buses and 2 trucks which was offset by property values increasing District local capital improvement revenue by 5.97 percent. 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.

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 2020-21 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$1,214,898.11, or 0.46 percent. At the same time, final budgeted expenditures were more than the original budgeted amounts by \$6,124,715.80, or 2.06 percent. Final budgeted ending fund balance decreased by \$6,174,155.29, or 16.19 percent less than the original budgeted fund balance.

Actual revenues are 0.7 percent greater than the final budgeted amounts while actual expenditures are 10.95 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$35,109,954.48, whereas the actual fund balance increased by \$8,913,207.38, or 15.33 percent, over the prior fiscal year actual fund balance.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, is \$172,216,130.53 (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; property under capital lease; computer software; and audio-visual materials.

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

Long-Term Debt

At June 30, 2021, the District had total long-term debt outstanding of \$7,850,747.77, composed of \$2,724,000 of bonds payable, \$3,424,000 of certificates of participation payable, and \$1,702,747.77 of capital leases payable. During the current fiscal year, the District issued debt totaling \$1,575,267.42, and retirement of debt was \$6,272,157.58.

Additional information on the District's long-term debt can be found in Notes IV.H.2. through IV.I.3. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The School Board of Okaloosa County remains in stable financial condition; however, it continues to face uncertain economic times. The District's current operation depends on State revenue sources, primarily FEFP moneys 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 moneys based on the number of full-time equivalent (FTE) students. The District had projected a slight increase in FTE for the 2020-21 fiscal year; however, due to the Coronavirus (COVID-19) pandemic, actual FTE was lower than anticipated. The District's FEFP revenue was not affected by this loss of FTE as the State held all school districts harmless.

School districts faced multiple challenges during the 2020-21 fiscal year as a result of the COVID-19 pandemic. Some of these challenges included technology, multiple education models, class size, facility space, student and faculty safety, personal protective equipment, and many others. The Coronavirus Aid, Relief, and Economic Security (CARES) Act; Elementary and Secondary School Emergency Relief (ESSER); and Coronavirus Response and Relief Supplemental Appropriations (CRRSA) ESSER II funding provided financial resources beyond the normal Federal and State assistance received and helped the District implement satisfactory solutions.

The COVID-19 pandemic continues to affect the nation. The District's 2021-22 fiscal year FTE projections are lower than the 2020-21 fiscal year projections, resulting in additional financial challenges. The addition of CRRSA ESSER II funding and the American Rescue Plan (ARP) ESSER III funding will help the District continue to implement technology, maintain class size, and address learning loss experienced due to these unforeseen circumstances.

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.

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 District continues to receive virtually no increase in capital outlay funding. As a result, adequate capital outlay funding continues to be of great concern to the District.

On October 28, 2019, the District approved the Destin High School Charter School with classes commencing July 2020. Due to the COVID-19 pandemic, the school delayed the start until the 2021-22 school year. The charter school has estimated its enrollment to be approximately 300 students in the 9th and 10th grades. This will reduce the District's enrollment and result in a financial impact of approximately \$1.9 million to the District in the coming fiscal year. The charter school plans to add additional grade levels in subsequent years.

In 2020, a group of Okaloosa business leaders and school supporters kicked off a campaign to pass a half-cent local option sales tax for capital outlay needs. The referendum was approved on the November 3, 2020, General Election ballot. The District will receive an estimated \$228 million over a 10-year period for much needed capital projects.

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 information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Okaloosa County School District, 120 Lowery Place, S.E., Fort Walton Beach, Florida 32548, or telephone 850-833-5840.

BASIC FINANCIAL STATEMENTS

Okaloosa County District School Board Statement of Net Position June 30, 2021

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 94,883,641.46	\$ 7,611,333.00
Investments	12,100.73	46,829.00
Accounts Receivable	508,630.14	28,824.00
Due from Other Agencies	10,674,725.85	312,479.00
Deposits Receivable	546,787.50	45,500.00
Prepaid Items	-	35,237.00
Inventories	456,172.46	-
Capital Assets:		
Nondepreciable Capital Assets	12,820,640.68	14,962,824.00
Depreciable Capital Assets, Net	159,395,489.85	3,725,976.00
TOTAL ASSETS	279,298,188.67	26,769,002.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	64,496,391.00	1,204,887.00
OPEB	3,668,843.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	68,165,234.00	1,204,887.00
LIABILITIES		
Accrued Salaries and Benefits	4,486,124.74	6,130.00
Payroll Deductions and Withholdings	-	176,592.00
Accounts Payable	3,953,775.77	108,651.00
Construction Contracts Payable	1,292,834.41	-
Construction Contracts Payable - Retained Percentage	413,073.37	-
Due to Other Agencies	-	11,706.00
Accrued Interest Payable	5,434.18	-
Unearned Revenue	30,000.00	32,141.00
Long-Term Liabilities:		
Portion Due Within 1 Year	7,537,157.37	322,324.00
Portion Due After 1 Year	256,295,443.06	25,719,123.00
TOTAL LIABILITIES	274,013,842.90	26,376,667.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	11,079,719.00	234,166.00
OPEB	261,013.00	-
Deficit Net Carrying Amount of Debt Refunding	13,006.22	-
TOTAL DEFERRED INFLOWS OF RESOURCES	11,353,738.22	234,166.00
NET POSITION		
Net Investment in Capital Assets	164,365,382.76	952,945.00
Restricted for:		
State Required Carryover Programs	9,543,379.07	-
Debt Service	70,942.90	1,518,877.00
Capital Projects	22,299,971.72	2,857,381.00
Food Service	7,463,942.61	30,411.00
Other Purposes	-	89,395.00
Unrestricted	(141,647,777.51)	(4,085,953.00)
TOTAL NET POSITION	\$ 62,095,841.55	\$ 1,363,056.00

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

**Okaloosa County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 210,467,934.63	\$ 1,861,597.95	\$ -	\$ -
Student Support Services	12,524,762.92	-	-	-
Instructional Media Services	1,847,374.02	-	-	-
Instruction and Curriculum Development Services	5,290,691.37	-	-	-
Instructional Staff Training Services	3,473,006.54	-	-	-
Instruction-Related Technology	461,757.13	-	-	-
Board	1,669,332.23	-	-	-
General Administration	1,326,841.21	-	-	-
School Administration	23,708,429.59	-	-	-
Facilities Acquisition and Construction	16,105,748.93	-	-	1,759,102.38
Fiscal Services	2,593,764.79	-	-	-
Food Services	13,177,371.46	892,813.47	14,513,650.99	-
Central Services	3,689,964.24	-	-	-
Student Transportation Services	13,532,137.65	184,394.68	-	-
Operation of Plant	23,723,760.03	-	-	-
Maintenance of Plant	6,946,756.78	-	-	-
Administrative Technology Services	3,613,962.67	-	-	-
Community Services	2,324,499.51	-	-	-
Unallocated Interest on Long-Term Debt	311,902.46	-	-	267,979.39
Unallocated Depreciation Expense*	7,738,161.52	-	-	-
Total Primary Government	\$ 354,528,159.68	\$ 2,938,806.10	\$ 14,513,650.99	\$ 2,027,081.77
Component Units				
Charter Schools/Foundation	\$ 10,959,647.00	\$ 323,740.00	\$ 1,226,182.00	\$ 834,801.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary	
Government	
Governmental	Component
Activities	Units
\$ (208,606,336.68)	\$ -
(12,524,762.92)	-
(1,847,374.02)	-
(5,290,691.37)	-
(3,473,006.54)	-
(461,757.13)	-
(1,669,332.23)	-
(1,326,841.21)	-
(23,708,429.59)	-
(14,346,646.55)	-
(2,593,764.79)	-
2,229,093.00	-
(3,689,964.24)	-
(13,347,742.97)	-
(23,723,760.03)	-
(6,946,756.78)	-
(3,613,962.67)	-
(2,324,499.51)	-
(43,923.07)	-
(7,738,161.52)	-
<u>(335,048,620.82)</u>	<u>-</u>
-	(8,574,924.00)
92,911,983.13	-
30,738,580.08	-
12,322,738.00	-
195,743,439.57	7,835,304.00
172,288.70	528.00
<u>3,490,902.48</u>	<u>1,588,216.00</u>
<u>335,379,931.96</u>	<u>9,424,048.00</u>
331,311.14	849,124.00
61,761,349.41	513,932.00
3,181.00	-
<u>61,764,530.41</u>	<u>513,932.00</u>
<u>\$ 62,095,841.55</u>	<u>\$ 1,363,056.00</u>

**Okaloosa County District School Board
Balance Sheet – Governmental Funds
June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 68,218,238.03	\$ -	\$ 16,169,472.93
Investments	-	-	-
Accounts Receivable	292,211.82	-	-
Due from Other Funds	2,250,944.78	-	-
Due from Other Agencies	2,025,857.28	1,476,654.12	11,424.28
Deposits Receivable	546,787.50	-	-
Inventories	120,706.20	-	-
TOTAL ASSETS	\$ 73,454,745.61	\$ 1,476,654.12	\$ 16,180,897.21
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 4,486,124.74	\$ -	\$ -
Accounts Payable	1,872,662.43	267,679.09	1,156,629.95
Construction Contracts Payable	-	-	507,253.92
Construction Contracts Payable - Retained Percentage	-	-	317,279.28
Accrued Interest Payable	-	-	5,434.18
Due to Other Funds	-	1,208,975.03	-
Unearned Revenue	30,000.00	-	-
Total Liabilities	6,388,787.17	1,476,654.12	1,986,597.33
Fund Balances:			
Nonspendable:			
Inventories	120,706.20	-	-
Restricted for:			
State Required Carryover Programs	9,543,379.07	-	-
Debt Service	-	-	-
Capital Projects	-	-	14,194,299.88
Food Service	-	-	-
Total Restricted Fund Balance	9,543,379.07	-	14,194,299.88
Assigned for:			
Project Carryover	35,647,014.67	-	-
School and Department Carryover	1,515,355.50	-	-
Self-Insurance	3,140,000.00	-	-
Full-time Equivalent Funding Adjustments	2,898,859.50	-	-
Retirement	200,000.00	-	-
Total Assigned Fund Balance	43,401,229.67	-	-
Unassigned Fund Balance	14,000,643.50	-	-
Total Fund Balances	67,065,958.44	-	14,194,299.88
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,454,745.61	\$ 1,476,654.12	\$ 16,180,897.21

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

Other Governmental Funds	Total Governmental Funds
\$ 10,495,930.50	\$ 94,883,641.46
12,100.73	12,100.73
95,061.54	387,273.36
-	2,250,944.78
7,160,790.17	10,674,725.85
-	546,787.50
335,466.26	456,172.46
<u>\$ 18,099,349.20</u>	<u>\$ 109,211,646.14</u>
\$ -	\$ 4,486,124.74
656,804.30	3,953,775.77
785,580.49	1,292,834.41
95,794.09	413,073.37
-	5,434.18
920,612.97	2,129,588.00
-	30,000.00
<u>2,458,791.85</u>	<u>12,310,830.47</u>
<u>335,466.26</u>	<u>456,172.46</u>
-	9,543,379.07
70,942.90	70,942.90
8,105,671.84	22,299,971.72
7,128,476.35	7,128,476.35
<u>15,305,091.09</u>	<u>39,042,770.04</u>
-	35,647,014.67
-	1,515,355.50
-	3,140,000.00
-	2,898,859.50
-	200,000.00
-	43,401,229.67
-	14,000,643.50
<u>15,640,557.35</u>	<u>96,900,815.67</u>
<u>\$ 18,099,349.20</u>	<u>\$ 109,211,646.14</u>

**Okaloosa County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021**

Total Fund Balances - Governmental Funds		\$ 96,900,815.67
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		172,216,130.53
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds.		(263,832,600.43)
The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	\$ 64,496,391.00	
Deferred Outflows Related to OPEB	3,668,843.00	
Deferred Inflows Related to Pensions	(11,079,719.00)	
Deferred Inflows Related to OPEB	<u>(261,013.00)</u>	56,824,502.00
Unamortized gains on bond refundings are not recognized as revenues in the government-wide statements but are reported as deferred inflows of resources and amortized over the life of the bonds.		<u>(13,006.22)</u>
Net Position - Governmental Activities		<u>\$ 62,095,841.55</u>

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

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Okaloosa County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 6,110,537.55	\$ 508,706.16	\$ -
Federal Through State and Local	1,119,409.26	10,417,044.57	-
State	161,072,441.61	-	-
Local:			
Property Taxes	92,911,983.13	-	30,738,580.08
Local Sales Taxes	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	4,883,935.77	-	34,262.00
Total Local Revenues	<u>97,795,918.90</u>	<u>-</u>	<u>30,772,842.08</u>
Total Revenues	<u>266,098,307.32</u>	<u>10,925,750.73</u>	<u>30,772,842.08</u>
Expenditures			
Current - Education:			
Instruction	176,661,755.81	7,848,088.49	-
Student Support Services	10,287,941.29	388,185.76	-
Instructional Media Services	1,672,305.39	27,156.89	-
Instruction and Curriculum Development Services	2,839,434.88	88,571.31	-
Instructional Staff Training Services	1,722,090.36	212,436.80	-
Instruction-Related Technology	429,085.49	-	-
Board	1,556,503.85	486.74	-
General Administration	405,879.05	319,936.09	-
School Administration	21,525,973.02	206,244.78	-
Facilities Acquisition and Construction	1,250,442.82	1,086.29	8,830,163.57
Fiscal Services	2,385,482.57	3,386.68	-
Food Services	-	14,447.52	-
Central Services	3,743,694.73	10,965.73	-
Student Transportation Services	12,183,667.30	320,509.97	-
Operation of Plant	22,479,477.39	643,691.79	-
Maintenance of Plant	6,483,936.18	73,227.19	-
Administrative Technology Services	3,323,439.77	76,224.16	-
Community Services	818,423.24	646,971.04	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	6,859.00	-	294,818.27
Other Capital Outlay	318,548.18	44,133.50	4,071,191.93
Debt Service:			
Principal	240,157.58	-	-
Interest and Fiscal Charges	20,806.66	-	5,434.18
Total Expenditures	<u>270,355,904.56</u>	<u>10,925,750.73</u>	<u>13,201,607.95</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,257,597.24)</u>	<u>-</u>	<u>17,571,234.13</u>
Other Financing Sources (Uses)			
Transfers In	12,574,066.67	-	-
Proceeds from Lease-Purchase Agreement	-	-	-
Loss Recoveries	610,714.02	-	-
Transfers Out	(13,976.07)	-	(17,892,541.07)
Total Other Financing Sources (Uses)	<u>13,170,804.62</u>	<u>-</u>	<u>(17,892,541.07)</u>
Net Change in Fund Balances	8,913,207.38	-	(321,306.94)
Fund Balances, Beginning	58,152,751.06	-	14,515,606.82
Fund Balances, Ending	<u>\$ 67,065,958.44</u>	<u>\$ 0.00</u>	<u>\$ 14,194,299.88</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,204,071.53	\$ 7,823,315.24
29,740,910.17	41,277,364.00
2,111,051.48	163,183,493.09
-	123,650,563.21
12,322,738.00	12,322,738.00
892,813.47	892,813.47
52,102.45	4,970,300.22
<u>13,267,653.92</u>	<u>141,836,414.90</u>
<u>46,323,687.10</u>	<u>354,120,587.23</u>
10,760,271.84	195,270,116.14
927,646.12	11,603,773.17
7,377.34	1,706,839.62
1,947,109.90	4,875,116.09
1,313,498.91	3,248,026.07
-	429,085.49
11,400.00	1,568,390.59
524,837.05	1,250,652.19
-	21,732,217.80
5,742,203.18	15,823,895.86
-	2,388,869.25
13,005,723.44	13,020,170.96
-	3,754,660.46
231.50	12,504,408.77
-	23,123,169.18
-	6,557,163.37
-	3,399,663.93
796,865.11	2,262,259.39
1,113,519.76	1,415,197.03
2,384,438.85	6,818,312.46
6,032,000.00	6,272,157.58
287,287.40	313,528.24
<u>44,854,410.40</u>	<u>339,337,673.64</u>
<u>1,469,276.70</u>	<u>14,782,913.59</u>
6,064,252.47	18,638,319.14
1,575,267.42	1,575,267.42
94,862.41	705,576.43
<u>(731,802.00)</u>	<u>(18,638,319.14)</u>
<u>7,002,580.30</u>	<u>2,280,843.85</u>
8,471,857.00	17,063,757.44
7,168,700.35	79,837,058.23
<u>\$ 15,640,557.35</u>	<u>\$ 96,900,815.67</u>

**Okaloosa County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 17,063,757.44

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (582,847.51)

The net effect of miscellaneous transactions involving capital assets (e.g., donations and disposals) increased capital assets. 33,307.16

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of debt are expenditures 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 repayments exceeded the proceeds in the current fiscal year. 4,696,890.16

Debt premiums on bond issues are amortized over the life of the debt in the statement of activities but are reported as revenues in the fund statements when debt is issued. This is the amount of amortization in the current fiscal year. 1,625.78

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 current fiscal year. (211,551.89)

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.

Increase in Total OPEB Liability	\$ (1,640,223.00)	
Decrease in Deferred Outflows of Resources - OPEB	(3,421,325.00)	
Decrease in Deferred Inflows of Resources - OPEB	245,971.00	(4,815,577.00)

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

FRS Pension Contribution	\$ 13,664,245.00	
HIS Pension Contribution	2,745,883.00	
FRS Pension Expense	(28,258,820.00)	
HIS Pension Expense	(4,334,601.00)	(16,183,293.00)

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 decreased during the current fiscal year. 329,000.00

Change in Net Position - Governmental Activities \$ 331,311.14

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

**Okaloosa County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021**

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 4,578,601.00
Investments	738,019.00
Accounts Receivable	358,659.48
TOTAL ASSETS	5,675,279.48
 LIABILITIES	
Payroll Deductions and Withholdings	237,302.70
Accounts Payable	153,638.00
Due to Other Funds	121,356.78
TOTAL LIABILITIES	512,297.48
 NET POSITION	
Restricted for School Internal Funds	\$ 5,162,982.00

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

**Okaloosa County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

	Custodial Funds
ADDITIONS	
Benefit Plan Member Contributions	\$ 713,307.25
Athletics	3,912,473.00
Music	702,770.00
Classes	898,458.00
Clubs	371,178.00
Departments	407,381.00
Trusts	1,917,572.00
General	416,879.00
Total Additions	9,340,018.25
DEDUCTIONS	
Benefit Plan Member Payments	713,307.25
Athletics	2,911,979.00
Music	550,895.00
Classes	774,807.00
Clubs	355,526.00
Departments	320,433.00
Trusts	3,081,077.00
General	277,640.00
Total Deductions	8,985,664.25
Change in Net Position	354,354.00
Net Position - Beginning	-
Adjustment to Beginning Net Position	4,808,628.00
Net Position - Beginning, as Restated	4,808,628.00
Net Position - Ending	\$ 5,162,982.00

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from 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 District's operations, even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as funds of the District. The Okaloosa County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note IV.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation

are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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. Separate columns are 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 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 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, 2021. The audit reports are filed in the District's administrative offices at 120 Lowery Place, S.E., Fort Walton Beach, Florida 32548.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component unit. 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 funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal economic stimulus programs.
- Capital Projects – Local 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 vehicle purchases, and debt service payments.

Additionally, the District reports the following fiduciary fund type:

- Custodial Funds – to account for resources of the District’s pre-tax flexible benefits plan and the school internal funds, which are used to administer moneys collected at schools in connection with school, student athletic, class, and club activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, 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.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the District considers revenues

to be available if they are collected within 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. Issuances of long-term debt are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term 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 investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, amounts placed in the FL PALM, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

Investments made locally consist of certificates of deposit.

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

3. Inventories

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

4. Capital Assets

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Property Under Capital Lease	3 - 7 years
Audio-Visual Materials and Computer Software	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.

6. Long-Term Liabilities

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

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The deferred inflows of resources related to pensions and

OPEB are discussed in subsequent notes. The deficit net carrying amount of debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2021.

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 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.

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 and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified time periods following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

3. District Property Taxes

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

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

The Board adopted the 2020 tax levy on September 21, 2020. 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.

6. Compensated Absences

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

H. Estimates

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

II. ACCOUNTING CHANGE

The District implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District considers the school internal funds to meet the criteria for reporting as fiduciary activities in the custodial funds. As such, the beginning net position of the custodial funds was increased by \$4,808,628.

III. PRIOR PERIOD ADJUSTMENT

The beginning net position of the District was increased by \$3,181 due to the Florida Retirement System decreasing their beginning net pension liability. This resulted in a decrease in the District's beginning Net Pension Liability reported in Note IV.1.3.

<u>Description</u>		<u>Amount</u>
Beginning Net Position Prior to Restatement		\$ 61,761,349.41
FRS Plan Liability - June 30, 2020	\$ 169,494,795.00	
FRS Plan Liability - July 1, 2020	<u>(169,491,614.00)</u>	
Net Adjustment to Beginning Net Position		<u>3,181.00</u>
Beginning Net Position as Restated		<u><u>\$ 61,764,530.41</u></u>

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

The District's investments at June 30, 2021, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	50 Day Average	\$ 24,742,849.31
Debt Service Accounts	6 Months	12,100.73
FL PALM (1)	56 Day Average	16,475,935.72
Certificates of Deposit	Various through February 2024	738,019.00
Total Investments		\$ 41,968,904.76

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [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; interest-bearing 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 financial statements of the State's Comprehensive Annual Financial Report.

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

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 11,714,620.92	\$ -	\$ -	\$ 11,714,620.92
Construction in Progress	1,329,001.17	1,106,019.76	1,329,001.17	1,106,019.76
Total Capital Assets Not Being Depreciated	<u>13,043,622.09</u>	<u>1,106,019.76</u>	<u>1,329,001.17</u>	<u>12,820,640.68</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	17,951,496.36	1,525,462.42	-	19,476,958.78
Buildings and Fixed Equipment	291,700,581.22	142,017.94	-	291,842,599.16
Furniture, Fixtures, and Equipment	26,148,260.45	1,036,595.35	442,107.08	26,742,748.72
Motor Vehicles	18,304,817.86	3,915,303.60	70,998.00	22,149,123.46
Property Under Capital Lease	693,694.24	1,575,267.42	-	2,268,961.66
Computer Software	931,699.16	34,137.50	13,927.76	951,908.90
Audio-Visual Materials	8,065.55	-	-	8,065.55
Total Capital Assets Being Depreciated	<u>355,738,614.84</u>	<u>8,228,784.23</u>	<u>527,032.84</u>	<u>363,440,366.23</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	14,519,973.78	448,897.65	-	14,968,871.43
Buildings and Fixed Equipment	144,379,623.05	6,087,747.95	-	150,467,371.00
Furniture, Fixtures, and Equipment	20,779,373.27	1,192,260.67	442,107.08	21,529,526.86
Motor Vehicles	15,349,048.99	623,414.36	70,998.00	15,901,465.35
Property Under Capital Lease	148,648.77	164,735.31	-	313,384.08
Computer Software	832,383.17	37,787.03	13,927.76	856,242.44
Audio-Visual Materials	7,515.02	500.20	-	8,015.22
Total Accumulated Depreciation	<u>196,016,566.05</u>	<u>8,555,343.17</u>	<u>527,032.84</u>	<u>204,044,876.38</u>
Total Capital Assets Being Depreciated, Net	<u>159,722,048.79</u>	<u>(326,558.94)</u>	<u>-</u>	<u>159,395,489.85</u>
Governmental Activities Capital Assets, Net	<u>\$ 172,765,670.88</u>	<u>\$ 779,460.82</u>	<u>\$ 1,329,001.17</u>	<u>\$ 172,216,130.53</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 609,989.44
Student Transportation Services	181,323.27
Maintenance of Plant	25,868.94
Unallocated	<u>7,738,161.52</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 8,555,343.17</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$32,593,421 for the fiscal year ended June 30, 2021.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. 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. The following table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 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	10.00
FRS, Elected County Officers	3.00	49.18
DROP – Applicable to Members from All of the Above Classes	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$13,664,245 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of \$141,888,504 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.32737351 percent, which was a decrease of 0.010813545 from its proportionate share of 0.338187055 percent measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the Plan pension expense of \$28,258,820. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 5,430,362	\$ -
Change of Assumptions	25,686,334	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	8,448,178	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	-	5,091,034
District FRS Contributions Subsequent to the Measurement Date	13,664,245	-
Total	\$ 53,229,119	\$ 5,091,034

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$13,644,245, will be recognized as a

reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 6,543,715
2023	11,449,609
2024	9,776,566
2025	5,700,768
2026	1,003,182
Total	<u>\$ 34,473,840</u>

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.80 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The long-term expected rate of return assumption of 6.8 percent consists of two building block components: (1) a real (in excess of inflation) return of 4.3 percent, consistent with the capital market outlook model developed during 2020 by the outside investment consultant to the Florida State Board of Administration; and (2) a long-term average annual inflation assumption of 2.4 percent as adopted in October 2020 by the FRS Actuarial Assumption Conference.

In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.8 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.8 percent reported investment return assumption differs from the 7 percent investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards. The discount rate used in the 2020 valuation was updated from 6.9 percent to 6.8 percent.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
District's Proportionate Share of the Net Pension Liability	\$ 226,572,095	\$ 141,888,504	\$ 71,160,400

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit,

a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,745,883 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a net pension liability of \$56,148,655 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.459864091 percent, which was a decrease of 0.014064637 from its proportionate share of 0.473928728 percent measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the HIS Plan pension expense of \$4,334,601. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,296,820	\$ 43,315
Change of Assumptions	6,037,577	3,264,826
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	44,830	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	142,162	2,680,544
District HIS Contributions Subsequent to the Measurement Date	2,745,883	-
Total	\$ 11,267,272	\$ 5,988,685

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,745,883, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 984,184
2023	516,002
2024	(242,568)
2025	137,538
2026	610,238
Thereafter	<u>527,310</u>
Total	<u>\$2,532,704</u>

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.21 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.5 percent to 2.21 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 2.21 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's Proportionate Share of the Net Pension Liability	\$ 64,905,341	\$ 56,148,655	\$ 48,981,336

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

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

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, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will

forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,052,489 for the fiscal year ended June 30, 2021.

E. Other Postemployment 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 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, prescription drug, dental, vision, and life insurance benefits. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, 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 meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. Health, dental, and vision benefits are available to retirees and their eligible dependents. Retirees are eligible for up to \$25,000 life insurance benefit until age 70 with a required contribution of \$0.712 per \$1,000. The benefit reduces to a maximum of \$10,000 at age 70 with a required contribution of \$0.969 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 healthcare plans below, if desired, and will pay the full premium. A summary of the key healthcare plan design features and premiums for each plan is provided in the table below:

<u>Plan Type</u>	<u>Compatible Base Plan In-Network</u>	<u>Compatible Co-Pay Plan In-Network</u>	<u>Compatible Buy-Up Plan In-Network</u>
Deductible - Individual	\$ 1,250.00	\$ 2,000.00	\$ 1,500.00
Coinsurance	80%	80%	100%
Out of Pocket Maximum (2X Family)	\$ 5,000.00	\$ 5,000.00	\$ 1,500.00
Retiree Only Monthly Premium	\$ 1,031.38	\$ 1,001.25	\$ 1,194.98
Retiree + Spouse Monthly Premium	\$ 1,795.19	\$ 1,742.74	\$ 1,992.88

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, 2020:

Retirees and Beneficiaries	1,788
Active Employees	<u>3,445</u>
Total	<u>5,233</u>

Total OPEB Liability. The District's total OPEB liability of \$27,588,087 was measured as of June 30, 2021, and was determined by an actuarial valuation on June 30, 2020, and update procedures were used to determine the OPEB liability as of June 30, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age
Inflation	3 percent
Salary Increases	3.5 percent
Discount Rate	2.16 percent
Healthcare Cost Trend Rates	Select trends starting at 5.5 percent reduced by 0.5 percent each fiscal year until reaching the ultimate rate of 4.5 percent.

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

Mortality rates were based on the Pub-2010 mortality table with generational scale MP-2019.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2020	\$ 25,947,864
Changes for the fiscal year:	
Service Cost	1,732,520
Interest	601,980
Changes of Assumptions	188,665
Benefit Payments	<u>(882,942)</u>
Net Changes	<u>1,640,223</u>
Balance at June 30, 2021	<u>\$ 27,588,087</u>

Changes of assumptions reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the District's total OPEB liability calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$ 32,002,000	\$ 27,588,087	\$ 24,002,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the District's total OPEB liability calculated using the healthcare cost trend rate of 5.5 percent decreasing to 4.5 percent, as well as what the OPEB liability would be if it was 1 percentage point higher (6.5 percent decreasing to 5.5 percent) or 1 percentage point lower (4.5 percent decreasing to 3.5 percent).

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 26,760,000	\$ 27,588,087	\$ 28,692,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The District's annual OPEB expense totaled \$5,698,518 for the fiscal year ended June 30, 2021. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 261,013
Changes of Assumptions or Other Inputs	<u>3,668,843</u>	<u>-</u>
Total	<u>\$ 3,668,843</u>	<u>\$ 261,013</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 3,153,368
2023	250,693
2024	3,769
Total	\$ 3,407,830

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of encumbrances related to major construction contract commitments at June 30, 2021:

<u>Projects</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Capital Projects - Local Capital Improvement Fund:			
Security Enhancements Districtwide	\$ 10,589,615.46	\$ 9,094,695.38	\$ 1,494,920.08
Nonmajor Governmental Funds:			
Baker Kitchen Renovation	1,748,380.00	982,349.77	766,030.23
Niceville Roof Replacement	1,186,551.00	754,023.27	432,527.73
Districtwide Roof Replacement	4,151,031.00	1,325,286.68	2,825,744.32
Security Enhancements Districtwide	6,880,340.00	3,263,843.33	3,616,496.67
Districtwide Renovations	3,750,000.00	53,833.48	3,696,166.52
Total Nonmajor Governmental Funds	17,716,302.00	6,379,336.53	11,336,965.47
Total	\$ 28,305,917.46	\$ 15,474,031.91	\$ 12,831,885.55

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

The following is a schedule of encumbrances not related to construction contracts at June 30, 2021:

<u>Major Funds</u>			
<u>General</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,218,472.99	\$ 2,151,608.05	\$ 289,860.70	\$ 3,659,941.74

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. The District is, to some extent, also self-insured for property losses, workers' compensation, automobile 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 workers' compensation, automobile liability, crime, and errors and omissions by purchasing commercial insurance policies which covers losses exceeding specified limits up to certain policy maximums. Health, life, and dental coverage, as well as long-term disability for District employees is also provided through commercially purchased insurance.

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

The District reports all of its risk management activities in the General Fund. At June 30, 2021, an actuarially determined liability of \$3,140,000 (\$43,000 for the property program, undiscounted, and \$3,097,000 for the casualty program, discounted using a 4 percent rate of return) is reported as estimated insurance claims payable on the District's statement of net position.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2019-20	\$4,018,000.00	\$ 440,654.54	\$ (989,654.54)	\$3,469,000.00
2020-21	3,469,000.00	218,517.20	(547,517.20)	3,140,000.00

H. Lease Obligations

1. Operating Lease

The District leases its computer hardware assets. The Board approved a new agreement on May 12, 2014, for the periods July 1, 2014, through June 30, 2019. This agreement renewed on January 14, 2019, for the periods July 1, 2019, through June 30, 2024. Total expenditures under the operating lease for the fiscal year ended June 30, 2021, were \$6,807,648.16. The following table represents future minimum lease payments:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 7,590,781.20
2023	7,590,781.20
2024	7,590,781.20
Total Minimum Payments Required	\$ 22,772,343.60

2. Capital Leases

The property and amounts of property being acquired under capital leases are as follows:

	<u>Asset Balances</u>
Phone System	\$ 693,694.24
Student Equipment - iPads	<u>1,575,267.42</u>
Total	<u><u>\$ 2,268,961.66</u></u>

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 558,501.13	\$ 529,211.12	\$ 29,290.01
2023	400,489.14	382,671.46	17,817.68
2024	400,334.28	391,124.71	9,209.57
2025	<u>400,103.39</u>	<u>399,740.48</u>	<u>362.91</u>
Total Minimum Lease Payments	<u><u>\$ 1,759,427.94</u></u>	<u><u>\$ 1,702,747.77</u></u>	<u><u>\$ 56,680.17</u></u>

The interest rate is 8.029 percent for the telephone system lease and 2.209 percent for the student iPads.

I. Long-Term Liabilities

1. Certificates of Participation

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

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

As a condition of the financing arrangement, the District has given a ground lease on certain District property to the Leasing Corporation. The ground lease associated with the Certificate of Participation, Series 2016, which refunded Certificate of Participation, Series 2006 and advance refunded Certificate of Participation, Series 2007, is a term certificate that ends as of the earlier of the date on which the Certificate of Participation, Series 2016, has been paid in full or provision for its payment has been made, or July 1, 2022. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground lease for the

benefit of the securers of the certificates for a period of time specified by the arrangements which may be up through the last day of the ground lease.

The District properties included in the ground lease include properties at Riverside Elementary School, Shoal River Middle School, Northwood Elementary School, Richbourg School, and Choctawhatchee High School, and land purchases for new school sites.

The lease payments are payable by the District semiannually, on July 1 and January 1, at an interest rate of 1.46 percent for the Certificate of Participation, Series 2016. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,473,990.40	\$ 3,424,000.00	\$ 49,990.40

2. Bonds Payable

Bonds payable at June 30, 2021, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2017A, Refunding	\$ 443,000	3 - 5	2028
Series 2020A, Refunding	76,000	2 - 5	2030
District Revenue Bonds:			
Series 2011	<u>2,205,000</u>	4.75 - 5.5	2040
Total Bonds Payable	<u>\$ 2,724,000</u>		

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

State School Bonds

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

District Revenue Bonds

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

The District has pledged a combined total of \$3,572,287.50 of sales tax revenues in connection with the 2011 District Revenue Bonds. During the 2020-21 fiscal year, the District recognized sales tax revenues totaling \$190,750 and expended \$189,158 (99.2 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, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2022	\$ 80,160.00	\$ 56,000.00	\$ 24,160.00
2023	81,360.00	60,000.00	21,360.00
2024	84,570.00	66,000.00	18,570.00
2025	86,270.00	71,000.00	15,270.00
2026	87,720.00	76,000.00	11,720.00
2027-2030	<u>203,240.00</u>	<u>190,000.00</u>	<u>13,240.00</u>
Total State School Bonds	<u>623,320.00</u>	<u>519,000.00</u>	<u>104,320.00</u>
District Revenue Bonds:			
2022	185,812.50	70,000.00	115,812.50
2023	187,487.50	75,000.00	112,487.50
2024	188,925.00	80,000.00	108,925.00
2025	190,125.00	85,000.00	105,125.00
2026	186,087.50	85,000.00	101,087.50
2027-2031	937,750.00	500,000.00	437,750.00
2032-2036	942,600.00	650,000.00	292,600.00
2037-2040	<u>753,500.00</u>	<u>660,000.00</u>	<u>93,500.00</u>
Total District Revenue Bonds	<u>3,572,287.50</u>	<u>2,205,000.00</u>	<u>1,367,287.50</u>
Total	<u><u>\$ 4,195,607.50</u></u>	<u><u>\$ 2,724,000.00</u></u>	<u><u>\$ 1,471,607.50</u></u>

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligations under Capital Lease	\$ 367,637.93	\$ 1,575,267.42	\$ 240,157.58	\$ 1,702,747.77	\$ 529,211.12
Bonds Payable	2,846,000.00	-	122,000.00	2,724,000.00	126,000.00
Certificates of Participation Payable from Direct Placements	9,334,000.00	-	5,910,000.00	3,424,000.00	3,424,000.00
Estimated Insurance Claims Payable	3,469,000.00	218,517.20	547,517.20	3,140,000.00	493,000.00
Compensated Absences Payable	27,005,054.77	3,742,581.86	3,531,029.97	27,216,606.66	2,379,595.00
Net Pension Liability (1)	169,491,614.00	96,792,545.00	68,247,000.00	198,037,159.00	585,351.25
Other Postemployment Benefits Payable	25,947,864.00	2,523,165.00	882,942.00	27,588,087.00	-
Total Governmental Activities	\$ 238,461,170.70	\$ 104,852,076.48	\$ 79,480,646.75	\$ 263,832,600.43	\$ 7,537,157.37

(1) Beginning balance has been restated due to the Florida Retirement System adjustment to the beginning net pension liability as described in Note II.

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

J. 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.
- **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 a specific purpose 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. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Board and not included in other categories.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The District has a contingency reserve of \$1,511,792 established informally through the budget process that is included in the unassigned fund balance. The contingency reserve is intended to help sustain the financial stability of the District during times of emergency spending such as disaster recovery and revenue shortfalls that could potentially occur after the current year's budget adoption.

K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 2,250,944.78	\$ -
Special Revenue - Federal Education		
Stabilization	-	1,208,975.03
Nonmajor Governmental	-	920,612.97
Custodial	-	121,356.78
Total	\$ 2,250,944.78	\$ 2,250,944.78

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

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2020-21 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 113,180,033.00
Categorical Educational Programs:	
Class Size Reduction	35,508,958.00
Transportation	6,722,599.00
Instructional Materials	2,535,917.00
Voluntary Prekindergarten	347,886.40
Digital Classrooms	107,348.00
Workforce Development Program	2,339,670.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,104,529.77
Charter School Capital Outlay	718,672.00
Sales Tax Distribution (Section 212.20(6)(d)6.a., F.S.) (Debt Service)	190,750.00
Department of Juvenile Justice Supplemental	138,743.00
Food Service Supplement	100,267.00
Mobile Home License Tax	46,483.29
Miscellaneous	141,636.63
Total	\$ 163,183,493.09

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 2020 tax roll for the 2020-21 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	3.787	\$ 80,467,950.87
Basic Discretionary Local Effort	0.748	15,891,939.31
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	31,874,635.11
Total	6.035	\$ 128,234,525.29

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 12,574,066.67	\$ 13,976.07
Capital Projects - Local Capital Improvement	-	17,892,541.07
Nonmajor Governmental	6,064,252.47	731,802.00
Total	\$ 18,638,319.14	\$ 18,638,319.14

Transfers to the General Fund from the Capital Projects – Local Capital Improvement Fund were for maintenance and repair of school facilities and for the lease of computers for instructional purposes. Transfers to the General Fund from Nonmajor Governmental Funds were to fund charter school capital outlays and a charter school safety and security grant. Transfers to the Nonmajor Governmental Funds from the General Fund were for resurfacing the track at Fort Walton Beach High School, an additional parking lot at Destin Elementary School, batting cages at Crestview High School, sun shades at Plew Elementary School, and resurfacing the track at Niceville High School from donations received. Transfers to the Nonmajor Governmental Funds from the Capital Projects – Local Capital Improvement Fund were for payment of debt.

V. LITIGATION

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 3,537,077.00	\$ 4,248,736.55	\$ 6,110,537.55	\$ 1,861,801.00
Federal Through State and Local	425,000.00	1,119,409.26	1,119,409.26	-
State	165,359,196.06	161,072,441.61	161,072,441.61	-
Local:				
Property Taxes	92,453,773.00	92,911,983.13	92,911,983.13	-
Miscellaneous	3,676,358.37	4,883,935.77	4,883,935.77	-
Total Local Revenues	<u>96,130,131.37</u>	<u>97,795,918.90</u>	<u>97,795,918.90</u>	<u>-</u>
Total Revenues	<u>265,451,404.43</u>	<u>264,236,506.32</u>	<u>266,098,307.32</u>	<u>1,861,801.00</u>
Expenditures				
Current - Education:				
Instruction	191,654,994.53	192,194,105.91	176,661,755.81	15,532,350.10
Student Support Services	10,510,484.91	11,181,359.11	10,287,941.29	893,417.82
Instructional Media Services	1,834,692.30	1,861,565.91	1,672,305.39	189,260.52
Instruction and Curriculum Development Services	3,477,996.65	2,926,646.83	2,839,434.88	87,211.95
Instructional Staff Training Services	2,155,069.95	1,762,370.58	1,722,090.36	40,280.22
Instruction-Related Technology	594,783.50	505,469.75	429,085.49	76,384.26
Board	1,448,390.20	2,318,571.70	1,556,503.85	762,067.85
General Administration	380,433.00	443,714.81	405,879.05	37,835.76
School Administration	21,195,557.12	22,445,960.76	21,525,973.02	919,987.74
Facilities Acquisition and Construction	889,942.68	1,863,996.42	1,250,442.82	613,553.60
Fiscal Services	2,726,721.19	3,063,087.56	2,385,482.57	677,604.99
Food Services	-	-	-	-
Central Services	7,939,584.58	7,992,764.43	3,743,694.73	4,249,069.70
Student Transportation Services	14,606,687.38	12,880,986.58	12,183,667.30	697,319.28
Operation of Plant	25,151,072.94	29,193,942.84	22,479,477.39	6,714,465.45
Maintenance of Plant	7,542,938.79	7,414,578.84	6,483,936.18	930,642.66
Administrative Technology Services	3,221,438.99	3,361,454.87	3,323,439.77	38,015.10
Community Services	1,887,589.29	1,607,109.72	818,423.24	788,686.48
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	6,859.00	6,859.00	-
Other Capital Outlay	-	318,548.18	318,548.18	-
Debt Service:				
Principal	240,157.58	240,157.58	240,157.58	-
Interest and Fiscal Charges	20,806.66	20,806.66	20,806.66	-
Total Expenditures	<u>297,479,342.24</u>	<u>303,604,058.04</u>	<u>270,355,904.56</u>	<u>33,248,153.48</u>
Deficiency of Revenues Over Expenditures	<u>(32,027,937.81)</u>	<u>(39,367,551.72)</u>	<u>(4,257,597.24)</u>	<u>35,109,954.48</u>
Other Financing Sources (Uses)				
Transfers In	12,005,346.00	12,574,066.67	12,574,066.67	-
Loss Recoveries	-	610,714.02	610,714.02	-
Transfers Out	-	(13,976.07)	(13,976.07)	-
Total Other Financing Sources	<u>12,005,346.00</u>	<u>13,170,804.62</u>	<u>13,170,804.62</u>	<u>-</u>
Net Change in Fund Balances	<u>(20,022,591.81)</u>	<u>(26,196,747.10)</u>	<u>8,913,207.38</u>	<u>35,109,954.48</u>
Fund Balances, Beginning	58,152,751.06	58,152,751.06	58,152,751.06	-
Fund Balances, Ending	<u>\$ 38,130,159.25</u>	<u>\$ 31,956,003.96</u>	<u>\$ 67,065,958.44</u>	<u>\$ 35,109,954.48</u>

Special Revenue - Federal Education Stabilization Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 114,481.98	\$ 2,404,122.98	\$ 508,706.16	\$ (1,895,416.82)
4,963,980.82	16,784,846.80	10,417,044.57	(6,367,802.23)
-	-	-	-
-	-	-	-
-	-	-	-
<u>5,078,462.80</u>	<u>19,188,969.78</u>	<u>10,925,750.73</u>	<u>(8,263,219.05)</u>
3,699,888.83	14,778,061.15	7,848,088.49	6,929,972.66
191,764.34	390,097.07	388,185.76	1,911.31
-	27,156.89	27,156.89	-
8,280.00	110,104.37	88,571.31	21,533.06
255,403.78	609,573.80	212,436.80	397,137.00
-	-	-	-
-	486.74	486.74	-
148,441.00	537,548.08	319,936.09	217,611.99
36,064.00	206,244.78	206,244.78	-
-	1,086.29	1,086.29	-
-	3,386.68	3,386.68	-
-	14,447.52	14,447.52	-
-	10,965.73	10,965.73	-
880.00	320,509.97	320,509.97	-
736,877.50	643,691.79	643,691.79	-
-	73,227.19	73,227.19	-
863.35	76,224.19	76,224.16	0.03
-	1,342,024.04	646,971.04	695,053.00
-	-	-	-
-	44,133.50	44,133.50	-
-	-	-	-
-	-	-	-
<u>5,078,462.80</u>	<u>19,188,969.78</u>	<u>10,925,750.73</u>	<u>8,263,219.05</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 1,732,520	\$ 395,530	\$ 382,155	\$ 367,917
Interest	601,980	569,293	592,119	605,174
Differences Between Expected and Actual Experience	-	(752,956)	-	-
Changes of Assumptions or Other Inputs	188,665	10,217,226	737,380	(571,454)
Benefit Payments	<u>(882,942)</u>	<u>(702,430)</u>	<u>(817,077)</u>	<u>(689,680)</u>
Net Change in Total OPEB Liability	<u>1,640,223</u>	<u>9,726,663</u>	<u>894,577</u>	<u>(288,043)</u>
Total OPEB Liability - Beginning	<u>25,947,864</u>	<u>16,221,201</u>	<u>15,326,624</u>	<u>15,614,667</u>
Total OPEB Liability - Ending	<u>\$ 27,588,087</u>	<u>\$ 25,947,864</u>	<u>\$ 16,221,201</u>	<u>\$ 15,326,624</u>
Covered-Employee Payroll	\$ 155,448,000	\$ 150,191,129	\$ 170,814,000	\$ 165,038,069
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.75%	17.28%	9.50%	9.29%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.372293538%	\$ 64,088,287	\$ 138,484,841	46.28%	88.54%
2014	0.385995350%	23,551,648	145,656,503	16.17%	96.09%
2015	0.383592688%	49,546,140	150,972,191	32.82%	92.00%
2016	0.357619070%	90,299,095	153,198,985	58.94%	84.88%
2017	0.357405844%	105,718,251	158,184,698	66.83%	83.89%
2018	0.341657133%	102,908,900	155,298,879	66.27%	84.26%
2019	0.338187055%	116,466,913	158,519,995	73.47%	82.61%
2020	0.327373510%	141,888,504	159,606,940	88.90%	78.85%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 8,455,028	\$ (8,455,028)	\$ -	\$ 145,656,503	5.80%
2015	9,352,316	(9,352,316)	-	150,972,191	6.19%
2016	8,721,111	(8,721,111)	-	153,198,985	5.69%
2017	9,353,604	(9,353,604)	-	158,184,698	5.91%
2018	9,772,172	(9,772,172)	-	155,298,879	6.29%
2019	10,614,093	(10,614,093)	-	158,519,995	6.70%
2020	10,877,171	(10,877,171)	-	159,606,940	6.81%
2021	13,664,245	(13,664,245)	-	165,397,985	8.26%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.476803072%	\$ 41,511,976	\$ 138,484,841	29.98%	1.78%
2014	0.490539910%	45,866,679	145,656,503	31.49%	0.99%
2015	0.497785311%	50,766,271	150,972,191	33.63%	0.50%
2016	0.496237127%	57,834,380	153,198,985	37.75%	0.97%
2017	0.496239465%	53,060,213	158,184,698	33.54%	1.64%
2018	0.475468825%	50,324,154	155,298,879	32.40%	2.15%
2019	0.473928728%	53,027,882	158,519,995	33.45%	2.63%
2020	0.459864091%	56,148,655	159,606,940	35.18%	3.00%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 1,680,425	\$ (1,680,425)	\$ -	\$ 145,656,503	1.15%
2015	1,902,845	(1,902,845)	-	150,972,191	1.26%
2016	2,543,532	(2,543,532)	-	153,198,985	1.66%
2017	2,625,866	(2,625,866)	-	158,184,698	1.66%
2018	2,577,961	(2,577,961)	-	155,298,879	1.66%
2019	2,631,432	(2,631,432)	-	158,519,995	1.66%
2020	2,649,981	(2,649,981)	-	159,606,940	1.66%
2021	2,745,883	(2,745,883)	-	165,397,985	1.66%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.

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

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

Changes of Assumptions. The discount rate was changed from 2.21 percent as of the beginning of the measurement period to 2.16 percent as of the end of the measurement period. This change is reflected in the Schedule of Changes in the District's Total OPEB Liability and Related Ratios.

There are no assets accumulated in a trust to pay related benefits.

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

Changes of Assumptions. In 2020, the long-term expected rate of return was reduced from 6.9 percent to 6.8 percent.

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

Changes of Assumptions. In 2020, the municipal bond rate used to determine total pension liability was decreased from 3.5 percent to 2.21 percent, and the mortality assumption was updated.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Okaloosa County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	21002	\$ -	\$ 16,803.25
National School Lunch Program	10.555	21001, 21003	-	1,064,300.40
COVID-19 National School Lunch Program	COVID-19, 10.555	21001, 21003	-	459,157.75
Total National School Lunch Program	10.555		-	1,523,458.15
Summer Food Service Program for Children	10.559	20006, 20007, 21006, 21007	-	12,873,122.59
Total Child Nutrition Cluster			-	14,413,383.99
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	798,070.11
Special Education Cluster				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	-	6,625,321.36
University of South Florida		None	-	95,152.95
Total Special Education - Grants to States	84.027		-	6,720,474.31
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	303,838.39
Total Special Education Cluster			-	7,024,312.70
Not Clustered				
United States Department of Agriculture				
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	115.48
United States Department of Defense				
Public Law 110-417	12.UNK	N/A	-	1,347,543.24
Public Law 106-398	12.UNK	N/A	-	44,415.83
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	236,439.94
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	132,055.54
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	381,908.38
Air Force Defense Research Sciences Program	12.800	N/A	-	25,298.04
Total United States Department of Defense			-	2,167,660.97
United States Department of Education				
Impact Aid	84.041	N/A	131,974.25	4,348,878.00
Education Stabilization Fund:	84.425			
Higher Education Emergency Relief Fund - Student Aid Portion	COVID-19, 84.425E	N/A	-	196,665.00
Higher Education Emergency Relief Fund - Institutional Portion	COVID-19, 84.425F	N/A	-	219,291.46
Higher Education Emergency Relief Fund - Fund for the Improvement of Postsecondary Education Formula Grant	COVID-19, 84.425N	N/A	-	92,749.70
Florida Department of Education:				
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	-	1,065,649.32
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	44,507.50	9,351,395.25
Total Education Stabilization Fund	84.425		44,507.50	10,925,750.73
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 223	351,540.49	6,350,605.72
Career and Technical Education - Basic Grants to States	84.048	161	-	413,996.47
Education for Homeless Children and Youth	84.196	127	-	100,603.72
Charter Schools	84.282	298	11,400.00	11,400.00
English Language Acquisition State Grants	84.365	102	-	68,322.54
Supporting Effective Instruction State Grants	84.367	224	-	888,190.15
Student Support and Academic Enrichment Program	84.424	241	-	470,094.88
Total United States Department of Education			539,422.24	23,577,842.21
Total Expenditures of Federal Awards			\$ 539,422.24	\$ 47,981,385.46

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Okaloosa County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance for National School Lunch Program. Includes \$904,686.28 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 \$533,503 for grant number/program year S041B-2020-1256 and \$3,815,375 for grant number/program year S041B-2021-1256.
- (6) COVID-19 National School Lunch Program. The District incurred \$459,157.75 in expenditures for the National School Lunch Program grant in the 2019-20 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 6, 2022



Sherrill F. Norman, CPA
Auditor General

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

Report on Compliance for Each Major Federal Program

We have audited the Okaloosa County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal programs for the fiscal year ended June 30, 2021. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 6, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$1,439,441
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal award findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.