OKALOOSA GAS DISTRICT

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

SEPTEMBER 30, 2022

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

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

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Okaloosa Gas District

Opinion
We have audited the accompanying financial statements of Okaloosa Gas District (the District) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the portion labeled "unaudited", the information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the portion labeled "unaudited", the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
April 17, 2023

As management of the Okaloosa Gas District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by approximately $84.1 million (net position), which represents an increase of $12.3 million from the prior year.
- Of the $84.1 million of net position on September 30, 2022, $51.4 million represents investments in capital assets (e.g. land, construction in process, utility plant, and equipment) less any related debt used to acquire these assets that is still outstanding, $7.7 million is restricted for future obligations, and $25.0 million is unrestricted and may be used to meet the District's ongoing obligations to customers and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

REQUIRED FINANCIAL STATEMENTS – CONTINUED

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to employees. The required supplementary information is found on pages 43-47 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $84.1 million (net position) as of September 30, 2022, as reported in Table 1.

By far, the largest portion of the District's net position, $51.4 million (or 61.1%) reflects its investment in capital assets (e.g., land, construction in process, utility plant and equipment) less any related debt used to acquire these assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

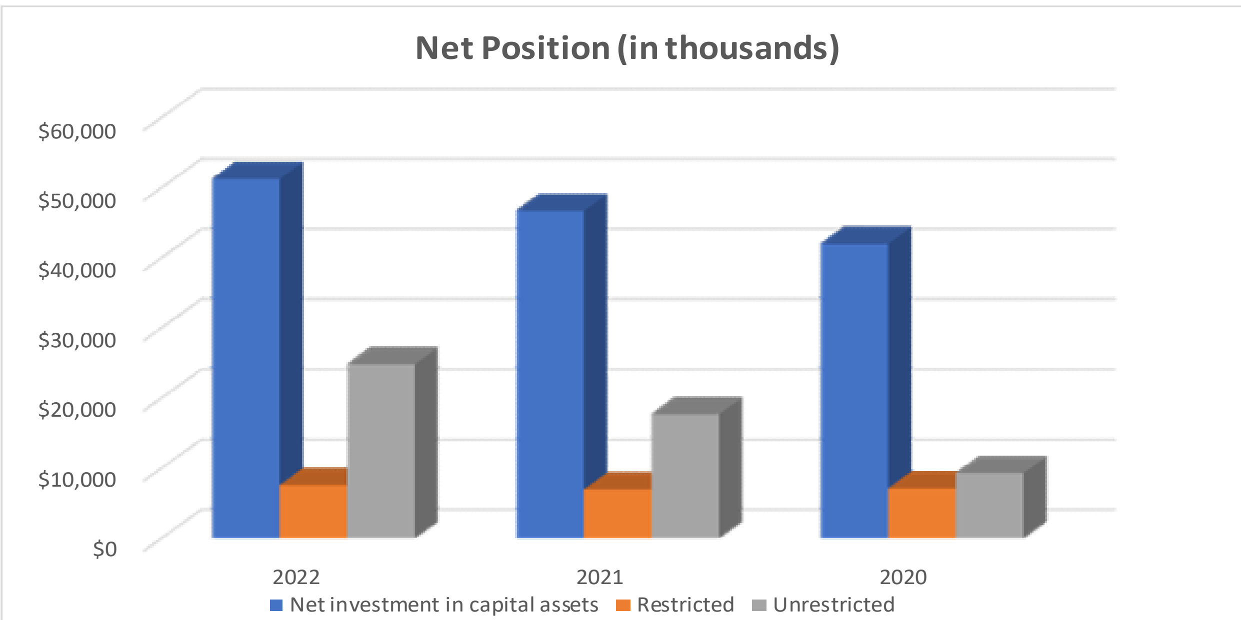
TABLE 1
OKALOOSA GAS DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2022 AND 2021

	2022	2021	Difference
Current assets	$ 42,952,918	$ 35,470,296	$ 7,482,622
Noncurrent assets	46,666	-	46,666
Capital assets, net	64,548,491	62,003,191	2,545,300
TOTAL ASSETS	107,548,075	97,473,487	10,074,588
Deferred outflows related to pensions	213,592	234,344	(20,752)
Deferred outflows related to OPEB	1,594,959	892,495	702,464
Deferred charges on refunding	139,877	222,675	(82,798)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,948,428	1,349,514	598,914
Current liabilities	6,030,653	6,201,698	(171,045)
Long-term liabilities	17,907,842	19,121,620	(1,213,778)
TOTAL LIABILITIES	23,938,495	25,323,318	(1,384,823)
Deferred inflows related to pensions	510,142	1,055,217	(545,075)
Deferred inflows related to OPEB	993,135	662,069	331,066
TOTAL DEFERRED INFLOWS OF RESOURCES	1,503,277	1,717,286	(214,009)
Net position			
Net investment in capital assets	51,368,292	46,835,495	4,532,797
Restricted	7,734,833	7,104,867	629,966
Unrestricted	24,951,606	17,842,035	7,109,571
TOTAL NET POSITION	$ 84,054,731	$ 71,782,397	$ 12,272,334

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

An additional portion of the District's net position, $7.7 million, represents resources that are subject to restrictions in accordance with existing debt covenants. The remaining balance of unrestricted net position, $25.0 million, may be used to meet the District's ongoing obligations to customers and creditors.

The District's total net position increased by $12.3 million during the current fiscal year. Of this amount, $7.1 million (or 57.9%) represents an increase in unrestricted net position, and $4.5 million (or 36.9%) represents an increase in the net investment in capital assets.



FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

Table 2 shows comparative revenue and expense data.

TABLE 2
OKALOOSA GAS DISTRICT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

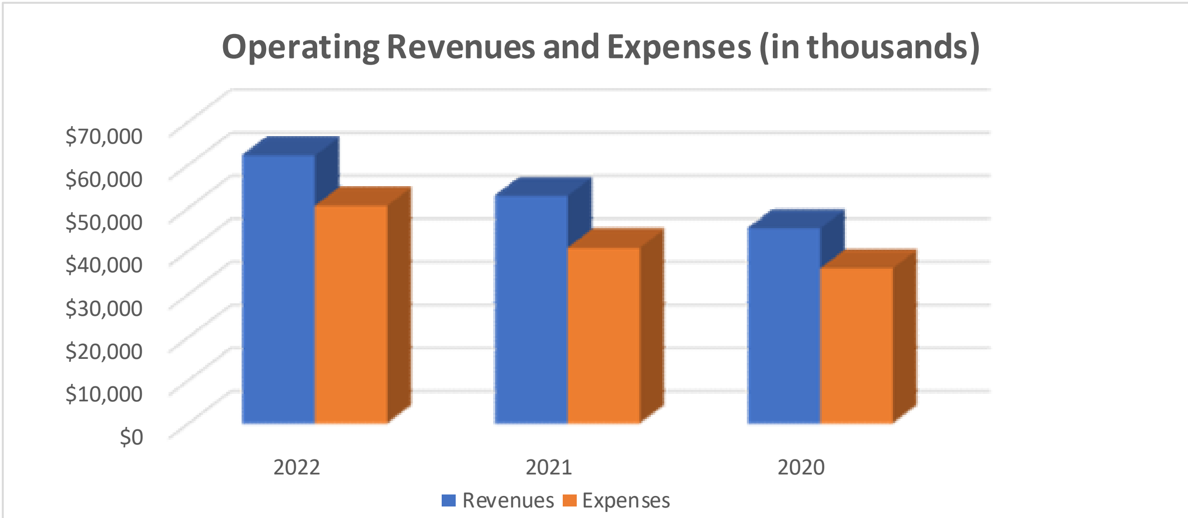
	2022	2021	Difference
OPERATING REVENUES			
Charges for services	$ 62,315,581	52,975,103	$ 9,340,478
Other operating revenue	87,278	76,463	10,815
TOTAL OPERATING REVENUES	62,402,859	53,051,566	9,351,293
OPERATING EXPENSES			
Cost of gas sold	22,025,337	15,137,983	6,887,354
Personnel	14,950,344	13,149,408	1,800,936
Operations and maintenance	9,562,206	8,602,030	960,176
Depreciation	4,230,556	4,139,852	90,704
TOTAL OPERATING EXPENSES	50,768,443	41,029,273	9,739,170
OPERATING INCOME	11,634,416	12,022,293	(387,877)
NONOPERATING REVENUES (EXPENSES)			
Interest income	107,360	39,304	68,056
Interest expense	(512,110)	(570,505)	58,395
Other nonoperating revenue, net	409,224	692,859	(283,635)
TOTAL NONOPERATING REVENUES (EXPENSES)	4,474	161,658	(157,184)
CAPITAL CONTRIBUTIONS	633,444	777,933	(144,489)
INCREASE IN NET POSITION	12,272,334	12,961,884	(689,550)
NET POSITION, BEGINNING	71,782,397	58,820,513	12,961,884

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

Key elements of the increase in net position for the fiscal year ended September 30, 2022, are as follows:

- Fees and charges for services increased approximately $9.4 million (or 17.6%) due to an increase in the number of customers served by the District, an increase in natural gas commodity prices and the resumption of scheduled rate increases that were frozen during fiscal year 2021 in response to the impacts of COVID-19. Although customer consumption was down 2% due to warmer weather, the District's customer counts increased 3.6% compared with projections of 3.1%. Natural gas commodity costs increased 50% compared to fiscal year 2021. Cost of gas is a direct pass-through to customers and accounts for 78.6% of the revenue increase. The District's territory continues to experience high demand for natural gas due to new housing starts and existing conversions from electricity. The District anticipates this trend to continue due to the desirability of living in the Florida Panhandle and partnerships with large homebuilders.
- The cost of gas purchased for resale increased over $6.8 million (or 45.5%) due to increased commodity prices offset by a reduction in consumption. During fiscal year 2022, the average price of natural gas purchased by the District increased $2.24 per dekatherm (or 64.5%) with 61.0% of gas sold to customers purchased at market prices. Personnel costs increased $1.8 million (or 13.7%) due to the implementation of pay and class study results and increased competition for high caliber employees. Operation and maintenance expense increased $1.0 million (or 11.2%) due to higher material costs driven by inflation and material shortages. The District increased quantities of inventory materials to ensure adequate supplies.
- Operating income declined $0.4 million (or 3.2%) primarily due to residential consumption declining 5.4% compared with fiscal year 2021. Customers returned to work and school and warmer weather reduced the number of heating degree days (HDD) by 3.9%.
- Other net nonoperating revenue decreased $0.2 million (or 97.2%) due to the sale of the District's Escambia County assets to the City of Pensacola in fiscal year 2021. Interest from investments increased 173.2% due to moving investments from certificates of deposit to U.S. Treasury bills.

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2022, was $64.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in process, utility plant and improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was approximately $2.5 million (or 4.1%). Highlights are summarized as follows and in Table 3 below.

- Capital assets outdated, unserviceable and no longer used are systematically disposed of on an annual basis. Fiscal year 2022 disposals totaled $454 thousand.
- New mains and service lines were installed at a cost of $5.1 million.
- New vehicles and equipment were purchased at a cost of $963 thousand.
- Land and buildings acquired to support expansion were purchased at a cost of $43 thousand.

Additions for the year ended September 30, 2022, were offset by depreciation expense of $4.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

TABLE 3
OKALOOSA GAS DISTRICT
CAPITAL ASSETS (NET OF DEPRECIATION)
AS OF SEPTEMBER 30, 2022 AND 2021

	2022	2021	Difference
Land	$ 2,850,985	$ 2,807,873	$ 43,112
Construction in progress	721,429	754,417	(32,988)
Transmission plant	7,676,898	8,349,942	(673,044)
Distribution plant	50,053,965	46,757,178	3,296,787
Structures and improvements	521,109	597,426	(76,317)
Office furniture and equipment	65,371	81,552	(16,181)
Transportation equipment	1,057,724	1,064,154	(6,430)
Computer equipment	137,749	157,533	(19,784)
Shop equipment	8,680	13,087	(4,407)
Tools and work equipment	1,454,581	1,420,029	34,552
TOTAL	$ 64,548,491	$ 62,003,191	$ 2,545,300

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

Long-Term Debt
As of September 30, 2022, the District had long-term debt outstanding of $13.3 million, which represents a decrease of $2.1 million from the prior fiscal year. The last payment on the debt is due in fiscal year 2029. The maximum debt service in any one year on this debt is $2.6 million in fiscal year 2028. The District's outstanding long-term debt is summarized in Table 4 on the next page.

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

TABLE 4
OKALOOSA GAS DISTRICT
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2022 AND 2021

	2022	2021	Difference
Revenue notes	$ 6,631,076	$ 8,298,371	$ (1,667,295)
Revenue bonds	6,689,000	7,092,000	(403,000)
TOTAL	$ 13,320,076	$ 15,390,371	$ (2,070,295)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As we transition out of the COVID-19 environment back to normal operations, the District anticipates continued growth in customers and consumption due to the demand for the efficiency and affordability of natural gas. The District maintains strong relationships with national home builders and contractors to ensure customers are able to enjoy the benefits of natural gas at home, work, and play.

Commodity prices for natural gas are the largest single expense incurred by the District. Due to the impact of world events on the price of natural gas, the District actively monitors prices and supplies and purchases hedges to obtain the best value for our customers.

These indicators as well as others were taken into account when preparing the District's budget for fiscal year 2023.

The District utilizes the services of a rate consultant to assist with rate projections and implemented the second year of the recent rate study in October of fiscal year 2023. The District sets rates to ensure compliance with all debt covenants and provide funding for planned growth and ongoing improvements to infrastructure. Charges for services net of gas costs are budgeted to increase 6.2% for the fiscal year ending September 30, 2023. Operating expenses excluding gas purchases are expected to decrease 0.5% due to easing of supply chain issues and increased availability of materials. Personnel costs are budgeted to increase 8.9% due to wage and benefit increases related to inflation and a 5.0% increase in the number of funded positions. Natural gas commodity costs are budgeted to increase 7.9% based on NYMEX futures available during the budget process.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET – CONTINUED

The District's fiscal year 2023 budget provides for total appropriations of $67.1 million, including capital acquisitions and principal payments on long-term debt, which is an increase of $4.5 million (or 7.3%) from the final fiscal year 2022 budget.

CONTACTING THE DISTRICT

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

OKALOOSA GAS DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS	
Current assets	
Cash and cash equivalents – unrestricted	$ 8,577,143
Investments	15,008,430
Accounts receivable, net	4,789,608
Merchandise contracts receivable	406,970
Other receivables	155,648
Inventory	2,539,460
Prepaid expenses	651,923
Purchased gas adjustment	1,337,340
Other assets	110,666
Cash and cash equivalents – restricted	9,375,730
Total current assets	42,952,918
Other assets	
Notes receivable	46,666
Capital assets, net	
Non-depreciable	3,572,414
Depreciable, net	60,976,077
Total capital assets	64,548,491
TOTAL ASSETS	107,548,075
DEFERRED OUTFLOWS OF RESOURCES	1,948,428

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2022

LIABILITIES	
Current liabilities	
Accounts payable	$ 1,795,572
Due to other governments	84,146
Accrued liabilities	
Compensated absences	168,585
Payroll	836,953
Other	328,203
Unearned revenues	116,500
Revenue note payable	850,797
Revenue bonds payable	209,000
Payable from restricted assets	
Customer deposits	1,640,897
Total current liabilities	6,030,653
Non-current liabilities	
Accrued compensated absences	718,706
Other non-current liabilities	14,186
Revenue note payable	5,780,279
Revenue bonds payable	6,480,000
Other postemployment benefits liability	4,013,332
Net pension liability	901,339
Total non-current liabilities	17,907,842
TOTAL LIABILITIES	23,938,495
DEFERRED INFLOWS OF RESOURCES	1,503,277
NET POSITION	
Net investment in capital assets	51,368,292
Restricted for:	
Debt service	2,939,429
Capital outlay	1,860,096
Operations and maintenance	2,935,308
Unrestricted	24,951,606
TOTAL NET POSITION	$ 84,054,731

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

OPERATING REVENUES	
Charges for services	
Gas sales, including sales to other utilities	$ 58,278,299
Appliance sales and installation revenues	2,760,283
Service charges	896,087
Late charges	380,912
Other operating revenues	87,278
TOTAL OPERATING REVENUES	62,402,859
OPERATING EXPENSES	
Cost of gas sold	22,025,337
Personnel	14,950,344
Operations and maintenance	9,562,206
Depreciation	4,230,556
TOTAL OPERATING EXPENSES	50,768,443
Operating income	11,634,416
NONOPERATING REVENUES (EXPENSES)	
Interest income	107,360
Interest expense	(512,110)
Loss on sale of assets	(85,551)
Other nonoperating revenues	494,775
TOTAL NONOPERATING REVENUES (EXPENSES)	4,474
Income before capital contributions	11,638,890
Capital contributions	633,444
CHANGE IN NET POSITION	12,272,334
NET POSITION AT BEGINNING OF YEAR	71,782,397
NET POSITION AT END OF YEAR	$ 84,054,731

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 59,874,559
Payments to suppliers	(31,908,257)
Payments to employees	(14,834,794)
Net cash provided by operating activities	13,131,508
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES	
Acquisitions of capital assets	(6,865,227)
Proceeds from sale of capital assets	3,820
Proceeds from capital contributions	624,127
Principal paid on revenue note	(1,667,295)
Principal paid on revenue bonds	(403,000)
Interest paid on notes and bonds payable	(429,311)
Net cash used in capital and related financing activities	(8,736,886)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on time and savings deposits	107,360
Purchase of investments	(15,008,430)
Proceeds from other receipts	494,775
Net cash provided by (used in) investing activities	(14,406,295)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,011,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,011,212
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 17,999,539
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF	
Cash and short-term investments – unrestricted	$ 8,577,143
Cash and short-term investments – restricted	9,375,730
Total cash and cash equivalents	$ 17,999,539

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 11,634,416
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,230,556
Increase in assets:	
Accounts receivable, net	(120,299)
Merchandise contracts receivable	(40,752)
Other receivables	(94,496)
Inventory	(830,428)
Prepaid expenses	(77,841)
Other assets	(31,375)
Increase in pension and OPEB related deferred outflows of resources	(681,712)
Increase (decrease) in liabilities:	
Accounts payable	541,253
Due to other governments	3,432
Compensated absences	96,028
Accrued payroll	129,657
Other accrued liabilities	42,870
Purchased gas adjustment	(2,305,558)
Customer deposits	32,805
Other postemployment benefits liability	407,153
Net pension liability	409,808
Decrease in deferred inflows of resources	(214,009)
Net cash provided by operating activities	$ 13,131,508
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Amortization of deferred loss on refunding	$ 82,798

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Reporting Entity

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

Measurement Focus and Basis of Accounting

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

Basis of Presentation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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

Assets, Liabilities, Deferred Outflows/Inflows and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash on hand, demand and savings deposits, certificates of deposit, and short-term investments to be cash and cash equivalents.

Deposits and Short-Term Investments

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

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

Receivables

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The District provides for doubtful accounts based on historical experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. The District's allowance for doubtful accounts was $419,706 at September 30, 2022.

Inventory

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

Restricted Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows and Net Position – Continued

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

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has two items that qualify for reporting in this category – deferred losses on refunding and activity related to the defined benefit pension and OPEB plans.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources which, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has two items that qualify for reporting in this category – activity related to the defined benefit pension and OPEB plans.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position – Continued

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

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

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

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

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

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

Other Postemployment Benefits (OPEB) Liability
For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position – Continued

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

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

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

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.

- *Restricted* – This component of net position consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total net position previously reported.

Estimates

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

Subsequent Events

The District has evaluated events and transactions that occurred between September 30, 2022, and April 17, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Board approves total budget appropriations only. The Chief Executive Officer (CEO) is authorized to transfer budget amounts between departments and object codes. However, any revisions that alter the total budget amounts must be approved by the Board. Therefore, the level of budgetary responsibility is by total budget amount. For reporting purposes, this level has been expanded to departments. Formal budgetary comparisons to actual results are employed as a management device during the year. One budget amendment was made for fiscal year 2022. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

3. CASH AND CASH EQUIVALENTS

Deposits

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

3. CASH AND CASH EQUIVALENTS – CONTINUED

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

The District maintains various certificates of deposits, which are reported at amortized cost. The certificates of deposit have a maturity date of June 2023 and bear interest at 0.05%.

As of September 30, 2022, the value of the District's deposits with financial institutions was $17,985,299. These deposits were entirely covered by FDIC or pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

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

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

As of September 30, 2022, the District's investments consist entirely of U.S. Treasury Bills that mature in less than one year from the balance sheet date.

4. FAIR VALUE OF INVESTMENTS

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. The District had no Level 2 investments as of September 30, 2022.

Level 3 – Unobservable inputs for an asset. The District had no Level 3 investments as of September 30, 2022.

As of September 30, 2022, the fair value of the District's investments was $15,008,430, all of which were classified as Level 1 in accordance with fair value hierarchy.

5. RECEIVABLES

The District's receivables consisted of the following as of September 30, 2022 and 2021:

	2022	2021
Accounts receivable – gas customers	$ 3,537,716	$ 3,834,697
Unbilled revenues	2,231,931	1,832,338
Customer overpayments and prepayments	(560,333)	(613,689)
Allowance for uncollectible accounts	(419,706)	(384,037)
Accounts receivable – net	4,789,608	4,669,309
Merchandise contracts receivable	406,970	366,218
Notes receivable	46,666	-
Other receivables	155,648	61,152
Total	$ 5,398,892	$ 5,096,679

6. CAPITAL ASSETS

A summary of the changes in capital assets for the year ended September 30, 2022, follows:

	Beginning Balance	Increases	Decreases	Adjustments / Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 2,807,873	$ 43,112	$ -	$ -	$ 2,850,985
Construction in progress	754,417	1,311,656	(1,759)	(1,342,885)	721,429
Total capital assets not being depreciated	3,562,290	1,354,768	(1,759)	(1,342,885)	3,572,414
Capital assets being depreciated					
Transmission plant	27,542,429	-	-	-	27,542,429
Distribution plant	87,082,370	4,547,053	(364,420)	1,527,687	92,792,690
Structures and improvements	4,710,642	194,464	-	(182,624)	4,722,482
Office furniture and equipment	478,189	-	-	-	478,189
Transportation equipment	3,560,279	378,782	-	9,217	3,948,278
Computer equipment	1,524,871	68,189	-	(11,395)	1,581,665
Shop equipment	67,814	-	-	-	67,814
Tools and work equipment	2,919,031	321,971	(88,036)	-	3,152,966
Communication equipment	23,232	-	-	-	23,232
Total capital assets being depreciated	127,908,857	5,510,459	(452,456)	1,342,885	134,309,745
Less accumulated depreciation					
Transmission plant	(19,192,487)	(673,044)	-	-	(19,865,531)
Distribution plant	(40,325,192)	(2,690,341)	276,808	-	(42,738,725)
Structures and improvements	(4,113,216)	(88,157)	-	-	(4,201,373)
Office furniture and equipment	(396,637)	(16,181)	-	-	(412,818)
Transportation equipment	(2,496,125)	(394,429)	-	-	(2,890,554)
Computer equipment	(1,367,338)	(76,578)	-	-	(1,443,916)
Shop equipment	(54,727)	(4,407)	-	-	(59,134)
Tools and work equipment	(1,499,002)	(287,419)	88,036	-	(1,698,385)
Communication equipment	(23,232)	-	-	-	(23,232)
Total accumulated depreciation	(69,467,956)	(4,230,556)	364,844	-	(73,333,668)
Total capital assets being depreciated	58,440,901	1,279,903	(87,612)	1,342,885	60,976,077

Depreciation expense was $4,230,556 for the fiscal year ended September 30, 2022.

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As of September 30, 2022, the District's deferred outflows of resources and deferred inflows of resources were comprised of the following components:

Deferred outflows of resources	
Related to deferred loss on refunding	$ 139,877
Related to FRS pension plan	193,128
Related to HIS pension plan	20,464
Related to OPEB	1,594,959
Total deferred outflows of resources	$ 1,948,428
Deferred inflows of resources	
Related to FRS pension plan	$ 283,655
Related to HIS pension plan	226,487
Related to OPEB	993,135
Total deferred inflows of resources	$ 1,503,277

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8. RETIREMENT PLANS

Defined Contribution Retirement Plan

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

The authority for establishing and amending the plan's provisions, including contribution requirements, lies with the Board of Directors. The District's contributions to the plan, net of forfeitures, totaled $695,859 for the fiscal year ended September 30, 2022.

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The assets are held in trust for the employees' benefit. The District's only responsibilities with regard to the plan are to administer authorized payroll deductions. All other administrative requirements are the responsibility of Nationwide Mutual Insurance Group. The Plan participants individually select and make changes in investment options, which are made available by the independent plan administrator. The District's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable. Contributions made by plan members during fiscal year 2022 were $151,097.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM

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

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

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

Pension Plan

Plan Description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided

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

Senior Management Service Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Contributions
Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for each of the prior three years are as follows:

	2022	2021	2020
Regular Class:	11.91%	10.82%	10.00%
Senior Management Class:	31.57%	29.01%	27.29%
DROP:	18.60%	18.34%	16.98%

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2017 through September 30, 2022. The District's contributions, including employee contributions, to the Pension Plan totaled $76,281, $95,738, and $97,268 for the fiscal years ended September 30, 2022, 2021, and 2020, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2022, the District reported a liability of $703,027 for its proportionate share of the Pension Plan's net pension liability. The District's proportionate share of the net pension liability was based on the District's share of contributions to the FRS relative to the contributions of all participating governments. On June 30, 2022, the District's proportionate share was 0.001889450%.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources – Continued
For the fiscal year ended September 30, 2022, the District recognized pension expense of $16,738. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,390	$ -
Changes of assumptions	86,581	-
Net difference between projected and actual earnings on pension plan investments	46,421	-
Changes in proportionate share of District's net pension liability contributions and proportionate share of contributions	6,436	283,655
District pension plan contributions subsequent to the measurement date	20,300	-
	$ 193,128	$ 283,655

A component of deferred outflows of resources related to the pension plan of $20,300 resulting from the District's contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other components reported as deferred outflows of resources and deferred inflows of resources related to the pension plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

Fiscal year ending September 30:	Amount
2023	$ (34,926)
2024	(55,533)
2025	(82,103)
2026	71,317
2027	(9,582)
	$ (110,827)

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Actuarial Assumptions
The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of a 2019 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.60%	2.60%	1.10%
Fixed income	19.80%	4.40%	4.40%	3.20%
Global equity	54.00%	8.80%	7.30%	17.80%
Private equity	11.10%	12.00%	8.90%	26.40%
Strategic investments	3.80%	6.20%	5.90%	7.80%
Real estate (property)	10.30%	7.40%	6.30%	15.70%
Total	100.00%			
Assumed inflation – mean			2.40%	1.30%

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

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Discount Rate
The discount rate used to measure the total pension liability was 6.70%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Net Position Liability to Changes in the Discount Rate
The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
District's proportionate share of the net pension liability	$ 1,215,837	$ 703,027	$ 274,257

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

HIS Plan

Plan Description
The 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 September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

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 September 30, 2022, the HIS contribution for the plan was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled $10,864, $13,887 and $17,449 for the fiscal years ended September 30, 2022, 2021, and 2020, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2022, the District reported a liability of $198,312 for its proportionate share of the HIS Plan's net pension liability. On June 30, 2022, the District's proportionate share was 0.001872348%.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022.

For the fiscal year ended September 30, 2022, the District recognized a reduction in pension expense of $44,109. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,019	$ 873
Changes of assumptions	11,367	30,679
Net difference between projected and actual earnings on pension plan investments	287	-
Changes in proportionate share of District's net pension liability share of contributions	-	194,935
District pension plan contributions subsequent to the measurement date	2,791	-
	$ 20,464	$ 226,487

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources – Continued
A component of deferred outflows of resources related to the HIS Plan, totaling $2,791 resulting from the District's contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

Fiscal year ending September 30:	Amount
2023	$ (52,839)
2024	(47,090)
2025	(40,600)
2026	(39,373)
2027	(22,874)
Thereafter	(6,038)
	$ (208,814)

Actuarial Assumptions
The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.54%

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

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2022 valuation were based on certain results of the most recent experience study for the FRS Pension Plan.

Discount Rate
The discount rate used to measure the total pension liability was 3.54%. 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.

9. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Sensitivity of the Net Position Liability to Changes in the Discount Rate
The following represents the District's proportionate share of the net pension liability calculated using the discount rate 3.54%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower one percentage point higher than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
District's proportionate share of the net pension liability	$ 226,885	$ 198,312	$ 174,668

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

Pension Income
For the fiscal year ended September 30, 2022, the District recognized an aggregate reduction in pension expense of $27,371 on all defined benefit pension plans.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OPEB Plan

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

Plan Membership as of September 30, 2022:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	17
Active Plan Members	181
	198

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Total OPEB Liability

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

Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.00%
Discount Rate	4.77%
Initial Trend Rate	6.50%
Ultimate Trend Rate	4.50%
Years to Ultimate	16

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) – (b)
Balances at September 30, 2021	$ 3,606,179	$ -	$ 3,606,179
Changes for the year:			
Service cost	224,755	-	224,755
Interest	83,292	-	83,292
Differences between expected and actual experience	397,022	-	397,022
Changes of assumptions and others	59,077	-	59,077
Contributions – employer	-	356,993	(356,993)
Benefit payments	(356,993)	(356,993)	-
Net changes	407,153	-	407,153
Reporting period ended September 30, 2022	$ 4,013,332	$ -	$ 4,013,332

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Total OPEB Liability – Continued

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.77%	Current Discount Rate 4.77%	1% Increase 5.77%
Total OPEB liability	$ 4,208,648	$ 4,013,332	$ 3,817,825

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

	1% Decrease 3.50%-5.50%	Healthcare Cost Trend Rates 4.50%-6.50%	1% Increase 5.50%-7.50%
Total OPEB liability	$ 3,677,494	$ 4,013,332	$ 4,412,674

OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources
For the fiscal year ended September 30, 2022, the District recognized OPEB expense of $392,748. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 365,138	$ 410,548
Changes of assumptions	1,229,821	582,587
Total	$ 1,594,959	$ 993,135

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

Year ended September 30:	
2023	$ 84,699
2024	84,699
2025	84,699
2026	84,699
2027	70,360
Thereafter	192,668
	$ 601,824

11. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2022, is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct placements:					
Revenue Note, Series 2012B	$ 8,298,371	$ -	$ (1,667,295)	$ 6,631,076	$ 850,797
Gas System Refunding Revenue Bonds, Series 2014	7,092,000	-	(403,000)	6,689,000	209,000
Compensated absences	791,263	850,806	(754,778)	887,291	168,585
Total	$ 16,181,634	$ 850,806	$ (2,825,073)	$ 14,207,367	$ 1,228,382

Description of Long-Term Debt Outstanding – Direct Placements
In 2012, the District obtained a note payable, Series 2012B, totaling $17,795,316 from a local financial institution requiring semiannual payments ranging from of $160,007 to $951,129, including interest at 2.98%, through maturity in April 2028. The note is secured by pledged revenues derived from the natural gas system. Proceeds were used to refund multiple prior debt issuances.

In 2014, the District issued $13,078,000 Gas System Revenue Refunding Bonds, Series 2014, which bear interest at 2.78% and mature in October 2028. The bonds require annual installments ranging from $296,771 to $1,053,495. The bond proceeds were used finance the cost of capital improvements to the natural gas system as well as to refund a previous bond issuance. The bonds are secured by pledged revenues derived from the natural gas system.

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

Annual Requirements to Amortize Debt Outstanding
The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2022, are as follows:

Year Ending	Revenue Note		Revenue Bonds	
September 30	Principal	Interest	Principal	Interest
2023	$ 850,797	$ 98,803	$ 209,000	$ 92,977
2024	1,371,378	159,387	794,000	177,239
2025	1,041,749	123,705	1,184,000	149,939
2026	1,077,821	92,383	1,212,000	116,843
2027	1,116,954	60,000	1,240,000	82,927
2028-2029	1,172,377	26,391	2,050,000	58,116
Total	$ 6,631,076	$ 560,669	$ 6,689,000	$ 678,041

11. LONG-TERM DEBT – CONTINUED

Pledged Revenues

The District has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2022. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of principal and interest on the debt at year end.

Debt Outstanding	Pledged Revenue	Current Year Total Pledged Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Revenue Note, Series 2012B	Gas system net revenues	$ 16,467,107	$ 7,191,745	44%	$ 1,902,257	2028
Revenue Refunding Bonds, Series 2014	Gas system net revenues	$ 16,467,107	$ 7,367,041	45%	$ 597,350	2028

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

12. RISK MANAGEMENT

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

13. COMMITMENTS AND CONTINGENCIES

Litigation Matters

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

13. COMMITMENTS AND CONTINGENCIES – CONTINUED

Natural Gas Supply Contracts

During the normal course of business when favorable market conditions occur, the District may enter into a forward purchase contract by placing a buy order through Gas South, the District's gas supplier. The District will place the order using NYMEX futures pricing for a portion of gas quantities budgeted for future customer demand not to exceed 50% of the District's base load. The District entered into a prepay arrangement for natural gas with Black Belt Energy (BBE) that is in effect through October 2048. The BBE contract specifies indexed prices for delivered volumes of natural gas during the contract term.

Natural Gas Sales Contracts

The District has entered into an agreement with the United States Government to supply natural gas to Eglin Air Force Base at a fixed commodity price. Beginning in March 2020, the District began providing 244,000 dekatherms (dth) of natural gas annually at a commodity cost per dth of $4.05. The commodity cost holds at that price for 10 years and then increases gradually over the remaining term of the agreement to a final-year price of $8.8812 per dth in February 2043. The District reserves the difference between the purchase and sales price of the gas. Natural gas sales to Eglin AFB were $4,445,246 for the fiscal year ended September 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

OKALOOSA GAS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST NINE YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.001889450%	0.002526920%	0.002920518%	0.003337262%	0.003252068%	0.003432697%	0.003580137%	0.004111411%	0.004422939%
District's proportionate share of the net pension liability	$ 703,027	$ 190,880	$ 1,265,795	$ 1,149,275	$ 979,540	$ 1,015,717	$ 903,987	$ 531,044	$ 269,864
District's covered payroll	$ 682,470	$ 867,379	$ 995,219	$ 1,329,592	$ 1,393,633	$ 1,431,505	$ 1,499,593	$ 1,576,315	$ 1,686,282
District's proportionate share of the net pension liability as a percentage of its covered payroll	103.01%	22.01%	127.19%	86.44%	70.29%	70.95%	60.28%	33.69%	16.00%
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

* Amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

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

See independent auditors' report.

OKALOOSA GAS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY
LAST NINE YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.001872348%	0.002450992%	0.003305229%	0.004126116%	0.004216814%	0.004634046%	0.004934959%	0.005289646%	0.005749680%
District's proportionate share of the net pension liability	$ 198,312	$ 300,651	$ 403,563	$ 461,671	$ 446,312	$ 495,494	$ 575,149	$ 539,461	$ 537,609
District's covered payroll	$ 682,470	$ 867,379	$ 995,219	$ 1,329,592	$ 1,393,633	$ 1,431,505	$ 1,499,593	$ 1,576,315	$ 1,686,282
District's proportionate share of the net pension liability as a percentage of its covered payroll	29.06%	34.66%	40.55%	34.72%	32.03%	34.61%	38.35%	34.22%	31.88%
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

* Amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

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

See independent auditors' report.

OKALOOSA GAS DISTRICT
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST NINE YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 76,281	$ 95,738	$ 97,268	$ 100,470	$ 96,609	$ 90,726	$ 86,415	$ 97,131	$ 104,024
Contributions in relation to the contractually required contribution	(76,281)	(95,738)	(97,268)	(100,470)	(96,609)	(90,726)	(86,415)	(97,131)	(104,024)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 682,470	$ 867,379	$ 995,219	$ 1,329,592	$ 1,393,633	$ 1,431,505	$ 1,499,593	$ 1,576,315	$ 1,686,282
Contributions as a percentage of covered payroll	11.18%	11.04%	9.77%	7.56%	6.93%	6.34%	5.76%	6.16%	6.17%

* Amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

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

See independent auditors' report.

OKALOOSA GAS DISTRICT
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY
LAST NINE YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 10,864	$ 13,887	$ 17,449	$ 21,986	$ 23,140	$ 24,167	$ 24,825	$ 21,646	$ 19,605
Contributions in relation to the contractually required contribution	(10,864)	(13,887)	(17,449)	(21,986)	(23,140)	(24,167)	(24,825)	(21,646)	(19,605)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 682,470	$ 867,379	$ 995,219	$1,329,592	$ 1,393,633	$1,431,505	$ 1,499,593	$ 1,576,315	$ 1,686,282
Contributions as a percentage of covered payroll	1.59%	1.60%	1.75%	1.65%	1.66%	1.69%	1.66%	1.37%	1.16%

* Amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

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

See independent auditors' report.

OKALOOSA GAS DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE YEARS

Reporting Date *	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 224,755	$ 189,817	$ 148,052	$ 136,434	$ 134,724
Interest	83,292	76,566	134,380	133,425	120,188
Differences between expected and actual experience	397,022	-	(474,499)	-	(108,815)
Changes of assumptions and other inputs [1]	59,077	(43,321)	438,524	(40,124)	210,061
Benefit payments	(356,993)	(389,426)	(437,427)	(446,223)	(457,541)
Other changes	-	-	(19,364)	(6,586)	490,873
Net change in total OPEB liability	407,153	(166,364)	(210,334)	(223,074)	389,490
Total OPEB liability at beginning of year	3,606,179	3,772,543	3,982,877	4,205,951	3,816,461
Total OPEB liability at end of year	$ 4,013,332	$ 3,606,179	$ 3,772,543	$ 3,982,877	$ 4,205,951
Covered employee payroll	$ 9,312,281	$ 9,530,833	$ 9,279,607	$ 8,702,574	$ 7,523,627
District's total OPEB liability as a percentage of covered payroll	43.10%	37.84%	40.65%	45.77%	55.90%

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

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

[1] The following discount rates are used in each period:

2022	4.77%
2021	2.43%
2020	2.14%
2019	3.57%
2018	3.35%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

OKALOOSA GAS DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	(Unaudited) Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services			
Gas sales, including sales to other utilities			
Residential	$ 36,469,315	$ 30,473,386	$ (5,995,929)
Commercial	13,611,012	18,509,920	4,898,908
Military	5,316,302	6,572,312	1,256,010
Off system utilities	634,760	1,444,470	809,710
Off system transportation	-	2,982	2,982
Competitive	756,786	1,275,229	518,443
Total gas sales, including sales to other utilities	56,788,175	58,278,299	1,490,124
Appliance sales and installation revenues	3,060,000	2,760,283	(299,717)
Service charges	737,092	896,087	158,995
Late charges	302,384	380,912	78,528
Other operating revenues	357,240	87,278	(269,962)
TOTAL OPERATING REVENUES	61,244,891	62,402,859	1,157,968
OPERATING EXPENSES			
Cost of gas sold	21,841,853	22,025,337	(183,484)
Personnel, operations and maintenance			
Executive and risk	1,767,962	1,389,139	378,823
Accounting and finance	2,829,103	2,668,287	160,816
Human resources	750,810	615,978	134,832
Information technology	1,172,640	1,081,951	90,689
Marketing	8,478,754	8,390,388	88,366
Operations	8,413,065	7,579,828	833,237
Non departmental	3,347,290	2,786,979	560,311
Total personnel, operations and maintenance	26,759,624	24,512,550	2,247,074
Depreciation	4,522,596	4,230,556	292,040
TOTAL OPERATING EXPENSES	53,124,073	50,768,443	2,355,630
Operating income	8,120,818	11,634,416	3,513,598
NONOPERATING REVENUES (EXPENSES)			
Interest income	30,000	107,360	77,360
Interest expense	(1,701,060)	(512,110)	1,188,950
Loss on disposal of assets	(105,000)	(85,551)	19,449
Other nonoperating revenues	218,252	494,775	276,523
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,557,808)	4,474	1,562,282
Income before capital contributions	6,563,010	11,638,890	5,075,880
Capital contributions	624,728	633,444	8,716
CHANGE IN NET POSITION	$ 7,187,738	$ 12,272,334	$ 5,084,596

COMPLIANCE SECTION

Warren Averett
CPAs AND ADVISORS

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

To the Board of Directors
Okaloosa Gas District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Okaloosa Gas District (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 17, 2023.

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

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

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

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

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

Warren Averett, LLC

Destin, Florida
April 17, 2023

Warren Averett
CPAs AND ADVISORS

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

To the Board of Directors
Okaloosa Gas District

We have examined Okaloosa Gas District's (the District) compliance with Section 218.415, Florida Statutes, in regard to investments for the year ended September 30, 2022.

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

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

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

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

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

Warren Averett, LLC

Destin, Florida
April 17, 2023

Warren Averett
CPAs AND ADVISORS

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MANAGEMENT LETTER

To the Board of Directors and Management
Okaloosa Gas District

Report on the Financial Statements
We have audited the financial statements of Okaloosa Gas District (the District), as of and for the year ended September 30, 2022, and have issued our report thereon dated April 17, 2023.

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

Other Reporting Requirements
We have also issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated April 17, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings and recommendations in the preceding annual financial report.

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

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

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

Section 10.554(1)(i)2., Rules of Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Specific Information

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

a) The total number of District employees compensated in the last pay period of the District's fiscal year as 201.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 38.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $10,638,455.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $4,129,536.

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

Description	Project Total	
Holley By the Sea Phase 7 (21-021)	$	176,033
Watersound at Campcreek SD (21-101)	$	71,393
Stonechase Blvd SD Expansion (21-187)	$	90,332
Lake Arthur Estates Expansion (21-225)	$	138,295
Phil Tyner Road Expansion (21-226)	$	68,737
Foxwood Country Club Expansion (21-227)	$	196,955
County Highway 83A West Expansion (21-251)	$	252,677
Magnolia Bay Estate (22-047)	$	71,513
Hammock Oaks Subdivision (22-052)	$	89,804
System Improvement Highway 20 @ Revell (15-097)	$	90,854
Cast Iron Replacements, Crestview, FL (21-209)	$	355,021

f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as $11,666,142.

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

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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

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

Warren Averett, LLC

Destin, Florida
April 17, 2023