OKALOOSA GAS DISTRICT

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

SEPTEMBER 30, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2023, 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 February 26, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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
February 26, 2024

As management of the Okaloosa Gas District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by approximately $94.8 million (net position), which represents an increase of $10.7 million from the prior year.
- Of the $94.8 million of net position on September 30, 2023, $66.2 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, $7.6 million is restricted for future obligations, and $21.0 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 $94.8 million (net position) as of September 30, 2023, as reported in Table 1.

By far, the largest portion of the District's net position, $66.2 million (or 69.9%) 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

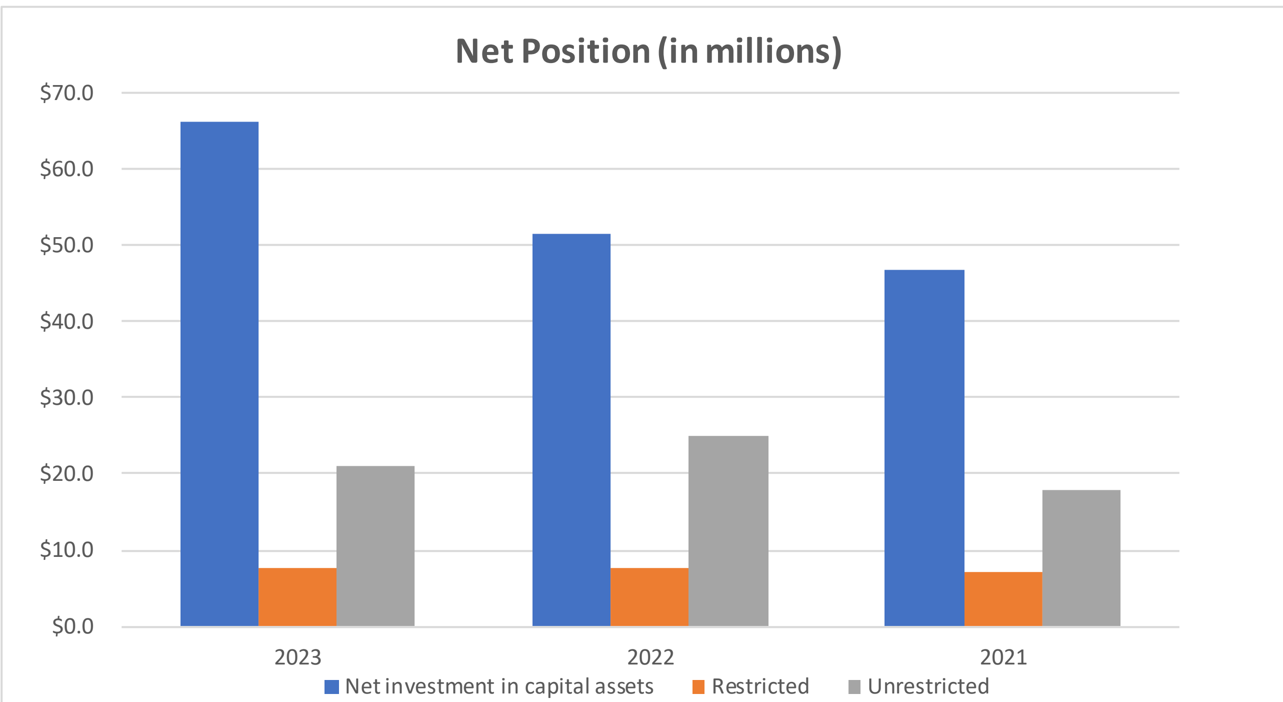
TABLE 1
OKALOOSA GAS DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

	2023	2022	Difference
Current assets	$ 40,060,970	$ 42,952,918	$ (2,891,948)
Noncurrent assets	-	46,666	(46,666)
Capital assets, net	77,333,845	64,548,491	12,785,354
TOTAL ASSETS	117,394,815	107,548,075	9,846,740
Deferred outflows related to pensions	172,905	213,592	(40,687)
Deferred outflows related to OPEB	1,399,135	1,594,959	(195,824)
Deferred charges on refunding	57,078	139,877	(82,799)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,629,118	1,948,428	(319,310)
Current liabilities	7,172,715	6,030,653	1,142,062
Long-term liabilities	15,753,462	17,907,842	(2,154,380)
TOTAL LIABILITIES	22,926,177	23,938,495	(1,012,318)
Deferred inflows related to pensions	441,478	510,142	(68,664)
Deferred inflows related to OPEB	899,986	993,135	(93,149)
TOTAL DEFERRED INFLOWS OF RESOURCES	1,341,464	1,503,277	(161,813)
Net position			
Net investment in capital assets	66,202,118	51,368,292	14,833,826
Restricted	7,570,596	7,734,833	(164,237)
Unrestricted	20,983,578	24,951,606	(3,968,028)
TOTAL NET POSITION	$ 94,756,292	$ 84,054,731	$ 10,701,561

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

An additional portion of the District's net position, $7.6 million, represents resources that are subject to restrictions in accordance with existing debt covenants. The remaining balance of unrestricted net position, $21.0 million, may be used to meet the District's ongoing obligations to customers and creditors.

The District's total net position increased by $10.7 million during the current fiscal year. Of this amount, $4.0 million represents a 15.9% decrease in unrestricted net position and $14.9 million represents a 28.9% increase in the net investment in capital assets. The decrease in unrestricted net position is due to utilizing $7.2 million to purchase land for an administrative complex. This purchase is reflected in the increase in 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, 2023 AND 2022

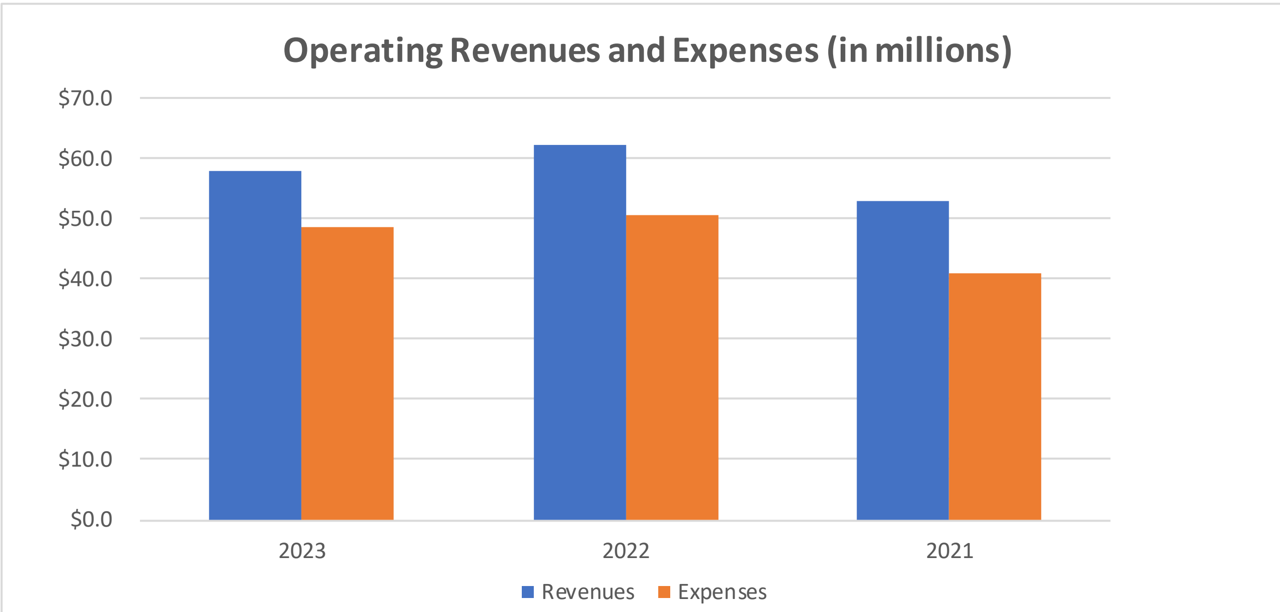
	2023	2022	Difference
OPERATING REVENUES			
Charges for services	$ 57,894,155	62,315,581	$ (4,421,426)
Other operating revenue	198,495	87,278	111,217
TOTAL OPERATING REVENUES	58,092,650	62,402,859	(4,310,209)
OPERATING EXPENSES			
Cost of gas sold	18,460,283	22,025,337	(3,565,054)
Personnel	16,137,476	14,950,344	1,187,132
Operations and maintenance	9,769,977	9,562,206	207,771
Depreciation	4,191,370	4,230,556	(39,186)
TOTAL OPERATING EXPENSES	48,559,106	50,768,443	(2,209,337)
OPERATING INCOME	9,533,544	11,634,416	(2,100,872)
NONOPERATING REVENUES (EXPENSES)			
Interest income	623,204	107,360	515,844
Interest expense	(450,777)	(512,110)	61,333
Other nonoperating revenue, net	259,159	409,224	(150,065)
TOTAL NONOPERATING REVENUES (EXPENSES)	431,586	4,474	427,112
CAPITAL CONTRIBUTIONS	736,431	633,444	102,987
INCREASE IN NET POSITION	10,701,561	12,272,334	(1,570,773)
NET POSITION, BEGINNING	84,054,731	71,782,397	12,272,334
NET POSITION, ENDING	$ 94,756,292	$ 84,054,731	$ 10,701,561

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED

Key elements of the increase in net position for the fiscal year ended September 30, 2023, are as follows:

- Fees and charges for services decreased approximately $4.4 million (or 7.1%) due to a decrease in natural gas commodity cost recovery revenue and a reduction in installation and customer service fees. Although customer consumption was down 1.4% due to warmer weather, the District's customer counts increased 3.7% compared with budgeted projections of 2.9%. Natural gas commodity cost decreased 16.2% compared to fiscal year 2022. The cost of gas is passed through directly to customers and accounted for 92.1% of the revenue decrease. The District's territory continues to experience high demand for natural gas due to new housing construction 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 decreased $3.5 million (or 16.2%) due to decreased commodity prices driven by warmer weather and increased natural gas storage levels across the United States. During fiscal year 2023, the average price of natural gas purchased by the District decreased $1.38 per dekatherm (or 24.1%) with 30.3% of gas sold to customers purchased at market prices. Personnel costs increased $1.2 million (or 7.9%) due to wage increases driven by inflation and the addition of ten positions to support the District's growth. Operation and maintenance expense increased $0.2 million (or 2.2%) due to higher material costs driven by inflation. Although some of the concerns regarding material shortages have been resolved, the District continued to increase quantities on hand of system critical inventory materials to ensure adequate supplies.
- Operating income declined $2.1 million (or 18.1%) due to a combination of residential consumption declining 3.3% compared with fiscal year 2022, reduced customer service activity, and increased personnel costs. Warmer weather reduced the number of heating degree days (HDD) by 15.8%, which directly impacted customer consumption.
- Total net nonoperating revenues increased $0.4 million. This increase was primarily attributable to a higher rate of return on investments during fiscal year 2023 because of an increase in market interest rates.

FINANCIAL ANALYSIS OF THE DISTRICT – CONTINUED



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2023, was $77.3 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 $12.9 million (or 19.8%). Highlights are summarized as follows and in Table 3 on the next page.

- Capital assets outdated, unserviceable and no longer used are systematically disposed of on an annual basis. The net book value of fiscal year 2023 disposals was $105 thousand.
- New mains and service lines were installed at a cost of $6.7 million.
- New vehicles and equipment were purchased at a cost of $814 thousand.
- Land acquired for administration and operations was purchased at a cost of $7.2 million.

Additions for the year ended September 30, 2023, 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, 2023 AND 2022

	2023	2022	Difference
Land	$ 10,050,119	$ 2,850,985	$ 7,199,134
Construction in progress	2,612,797	721,429	1,891,368
Transmission plant	7,201,433	7,676,898	(475,465)
Distribution plant	54,165,543	50,053,965	4,111,578
Structures and improvements	460,814	521,109	(60,295)
Office furniture and equipment	52,122	65,371	(13,249)
Transportation equipment	1,194,230	1,057,724	136,506
Computer equipment	126,288	137,749	(11,461)
Shop equipment	5,535	8,680	(3,145)
Tools and work equipment	1,464,964	1,454,581	10,383
TOTAL	$ 77,333,845	$ 64,548,491	$ 12,785,354

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

Long-Term Debt

As of September 30, 2023, the District had long-term debt outstanding of $11.2 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 the 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, 2023 AND 2022

	2023	2022	Difference
Revenue note	$ 4,916,805	$ 6,631,076	$ (1,714,271)
Revenue bonds	6,272,000	6,689,000	(417,000)
TOTAL	$ 11,188,805	$ 13,320,076	$ (2,131,271)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

The District has begun a project to replace aging facilities that will enhance the ability to provide natural gas and other customer services as well as train and retain the workforce.

These indicators as well as others were taken into account when preparing the District's budget for fiscal year 2024.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET – CONTINUED

The District utilizes the services of a rate consultant to assist with rate projections. Although the District's Board of Directors (the Board) approves rates on a yearly basis, five-year rate projections are developed and provided to the Board as part of the budget process. The District sets rates to ensure compliance with all debt covenants, meet operating and personnel needs, and provide funding for planned growth and ongoing improvements to infrastructure. Charges for services net of gas costs are budgeted to increase 7.4% for the fiscal year ending September 30, 2024. Operating expenses excluding gas purchases are expected to increase 2.7% due in part to continued inflation compounded by increases in utility costs, software and merchant card processing services, gross receipts taxes, and subsidies for new customer connections. Personnel costs are budgeted to increase 5.8% due to wage and benefit increases related to inflation. Natural gas commodity costs are budgeted to decrease 19.5% based on NYMEX futures available during the budget process and the price of gas currently hedged by the District.

The District's fiscal year 2024 budget provides for total appropriations of $68.1 million, including capital acquisitions and principal payments on long-term debt, which is a decrease of $0.4 million (or 0.6%) from the final fiscal year 2023 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, 2023

ASSETS	
Current assets	
Cash and cash equivalents – unrestricted	$ 6,178,695
Investments	15,651,156
Receivables	
Accounts, net	4,097,361
Merchandise contracts	376,600
Other	131,281
Inventory	3,572,088
Prepaid items	689,457
Other assets	115,554
Cash and cash equivalents – restricted	9,248,778
Total current assets	40,060,970
Capital assets, net	
Non-depreciable	12,662,916
Depreciable, net	64,670,929
Total capital assets	77,333,845
TOTAL ASSETS	117,394,815
DEFERRED OUTFLOWS OF RESOURCES	1,629,118

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2023

LIABILITIES	
Current liabilities	
Accounts payable	$ 1,701,948
Due to other governments	63,698
Accrued liabilities	
Compensated absences	151,505
Payroll	909,524
Other	320,353
Purchased gas adjustment	1,127,775
Unearned revenues	125,826
Revenue note payable	507,904
Revenue bonds payable	586,000
Payable from restricted assets	
Customer deposits	1,678,182
Total current liabilities	7,172,715
Non-current liabilities	
Accrued compensated absences	795,399
Other non-current liabilities	13,883
Revenue note payable	4,408,901
Revenue bonds payable	5,686,000
Total OPEB liability	3,912,773
Net pension liability	936,506
Total non-current liabilities	15,753,462
TOTAL LIABILITIES	22,926,177
DEFERRED INFLOWS OF RESOURCES	1,341,464
NET POSITION	
Net investment in capital assets	66,202,118
Restricted for:	
Debt service	2,939,429
Capital outlay	1,936,455
Operations and maintenance	2,694,712
Unrestricted	20,983,578
TOTAL NET POSITION	$ 94,756,292

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

OPERATING REVENUES	
Charges for services	
Gas sales, including sales to other utilities	$ 54,407,775
Appliance sales and installation revenues	2,298,839
Service charges	780,617
Late charges	406,924
Other operating revenues	198,495
TOTAL OPERATING REVENUES	58,092,650
OPERATING EXPENSES	
Cost of gas sold	18,460,283
Personnel	16,137,476
Operations and maintenance	9,769,977
Depreciation	4,191,370
TOTAL OPERATING EXPENSES	48,559,106
Operating income	9,533,544
NONOPERATING REVENUES (EXPENSES)	
Investment income	623,204
Interest expense	(450,777)
Loss on disposal of assets	(83,847)
Other nonoperating revenues	343,006
TOTAL NONOPERATING REVENUES (EXPENSES)	431,586
Income before capital contributions	9,965,130
Capital contributions	736,431
CHANGE IN NET POSITION	10,701,561
NET POSITION AT BEGINNING OF YEAR	84,054,731
NET POSITION AT END OF YEAR	$ 94,756,292

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 61,342,034
Payments to suppliers	(29,413,366)
Payments to employees	(16,010,155)
Miscellaneous income	343,006
Net cash provided by operating activities	16,261,519
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES	
Acquisitions of capital assets	(17,081,696)
Proceeds from sale of capital assets	21,125
Proceeds from capital contributions	745,757
Principal payments received on note receivable	46,666
Principal paid on revenue note	(1,714,271)
Principal paid on revenue bonds	(417,000)
Interest paid on notes and bonds payable	(367,978)
Net cash used in capital and related financing activities	(18,767,397)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	623,204
Purchases of investments	(15,897,726)
Proceeds from sales and maturities of investments	15,255,000
Net cash used in investing activities	(19,522)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,525,400)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,952,873
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,427,473
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF	
Cash and cash equivalents – unrestricted	$ 6,178,695
Cash and cash equivalents – restricted	9,248,778
Total cash and cash equivalents	$ 15,427,473

See notes to the financial statements.

OKALOOSA GAS DISTRICT
STATEMENT OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 9,533,544
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,191,370
Miscellaneous revenue	343,006
(Increase) decrease in assets	
Accounts receivable	692,247
Merchandise contracts receivable	30,370
Other receivables	24,367
Inventory	(1,032,628)
Prepaid items	(37,534)
Other assets	(4,888)
Decrease in OPEB & pension related deferred outflows of resources	236,511
Increase (decrease) in liabilities:	
Accounts payable	(93,624)
Due to other governments	(20,448)
Compensated absences	59,613
Accrued payroll	72,571
Other accrued liabilities	(7,850)
Purchased gas adjustment	2,465,115
Customer deposits	37,285
Other non-current liabilities	(303)
Total OPEB liability	(100,559)
Net pension liability	35,167
Decrease in OPEB & pension related deferred inflows of resources	(161,813)
Net cash provided by operating activities	$ 16,261,519
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Amortization of deferred loss on refunding	$ 82,799

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 represent the non-member municipalities and unincorporated areas.

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

The Reporting Entity

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

Measurement Focus and Basis of Accounting

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

Basis of Presentation

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

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

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 $469,172 at September 30, 2023.

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. See Note 7 of this report for additional information about deferred outflows of resources.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Compensated Absences – Continued
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 creates a deferred gain/loss from advance refunding of debt. This difference is classified as a deferred outflow/inflow of resources and is amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

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

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, expanding, or relocating natural gas lines or mains.

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

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2023, and February 26, 2024, 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 2023. 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 Depository*, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all *Qualified Public Depositories*. Under this method, all District deposits, including certificates of deposit (CD's), are considered fully insured.

The District maintains a CD, which is reported at amortized cost. As of September 30, 2023, the CD has a carrying value of $1,149,556. The CD matures in January 2025 and bears interest at 3.75% per annum.

As of September 30, 2023, the value of the District's deposits with financial institutions was $15,554,400. These deposits were entirely covered by the FDIC or pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

Investments

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

Interest Rate Risk

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

As of September 30, 2023, 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 measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. The District had no Level 2 investments as of September 30, 2023.

Level 3 – Unobservable inputs for an asset. The District had no Level 3 investments as of September 30, 2023.

As of September 30, 2023, the fair value of the District's investments was $15,651,156, 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, 2023:

Accounts receivable – gas customers	$ 3,283,167
Unbilled revenues	1,922,990
Customer overpayments and prepayments	(639,624)
Allowance for uncollectible accounts	(469,172)
Accounts receivable – net	4,097,361
Merchandise contracts receivable	376,600
Notes receivable	46,667
Other receivables	84,614
Total	$ 4,605,242

6. CAPITAL ASSETS

A summary of the changes in capital assets for the year ended September 30, 2023, follows:

	Beginning Balance	Increases	Decreases	Adjustments / Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 2,850,985	$ 7,199,134	$ -	$ -	$ 10,050,119
Construction in progress	721,429	2,546,004	-	(654,636)	2,612,797
Total capital assets not being depreciated	3,572,414	9,745,138	-	(654,636)	12,662,916
Capital assets being depreciated					
Transmission plant	27,542,429	-	-	80,400	27,622,829
Distribution plant	92,792,690	6,512,047	(279,402)	573,935	99,599,270
Structures and improvements	4,722,482	10,560	-	-	4,733,042
Office furniture and equipment	478,189	-	(2,787)	-	475,402
Transportation equipment	3,948,278	451,810	(202,705)	-	4,197,383
Computer equipment	1,581,665	54,977	-	-	1,636,642
Shop equipment	67,814	-	-	-	67,814
Tools and work equipment	3,152,966	307,164	(19,863)	-	3,440,267
Communication equipment	23,232	-	-	-	23,232
Total capital assets being depreciated	134,309,745	7,336,558	(504,757)	654,335	141,795,881
Less accumulated depreciation					
Transmission plant	(19,865,531)	(556,843)	-	978	(20,421,396)
Distribution plant	(42,738,725)	(2,868,959)	174,628	(671)	(45,433,727)
Structures and improvements	(4,201,373)	(70,855)	-	-	(4,272,228)
Office furniture and equipment	(412,818)	(13,248)	2,786	-	(423,280)
Transportation equipment	(2,890,554)	(315,304)	202,705	-	(3,003,153)
Computer equipment	(1,443,916)	(66,438)	-	-	(1,510,354)
Shop equipment	(59,134)	(3,145)	-	-	(62,279)
Tools and work equipment	(1,698,385)	(296,578)	19,666	(6)	(1,975,303)
Communication equipment	(23,232)	-	-	-	(23,232)
Total accumulated depreciation	(73,333,668)	(4,191,370)	399,785	301	(77,124,952)
Total capital assets being depreciated	60,976,077	3,145,188	(104,972)	654,636	64,670,929
Total capital assets, net	$ 64,548,491	$ 12,890,326	$ (104,972)	$ -	$ 77,333,845

Depreciation expense was $4,191,370 for the fiscal year ended September 30, 2023.

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As of September 30, 2023, the District's deferred outflows of resources and deferred inflows of resources were comprised of the following components:

Deferred outflows of resources		
Related to notes payable		
Deferred loss on refunding	$	57,078
Related to net pension liability		
Employer contributions subsequent to the measurement date		23,738
Changes in actuarial assumptions		50,634
Differences between actual and expected experience		66,711
Differences between actual and expected investment earnings		28,067
Changes in proportionate share of net pension liability		3,755
Related to total OPEB liability		
Changes in actuarial assumptions		1,065,880
Differences between actual and expected experience		333,255
Total deferred outflows of resources	$	1,629,118
Deferred inflows of resources		
Related to net pension liability		
Changes in actuarial assumptions	$	23,201
Differences between actual and expected experience		628
Changes in proportionate share of net pension liability		417,649
Related to total OPEB liability		
Changes in actuarial assumptions		539,597
Differences between actual and expected experience		360,389
Total deferred inflows of resources	$	1,341,464

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 $664,675 for the fiscal year ended September 30, 2023.

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 2023 were $181,669.

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. The 60-month maximum employment period for DROP members was extended to 96 months effective June 5, 2023. 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 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

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

	2023	2022	2021
Regular Class:	13.57%	11.91%	10.82%
DROP:	21.13%	18.60%	18.34%

These employer contribution rates include 1.66% for HIS plan subsidies for the periods October 1, 2017 through June 30, 2023. Effective July 1, 2023, the HIS plan subsidy increased to 2.00%. The District's contributions to the pension plan totaled $81,062, $76,281, and $95,738 for the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2023, the District reported a liability of $668,761 for its proportionate share of the pension plan's net pension liability. The District's proportionate share of the net pension liability was based on the District's share of contributions to the FRS relative to the contributions of all participating governments. For the June 30, 2023, measurement date, the District's proportionate share was 0.001678328%.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023.

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, 2023, the District recognized pension expense of $52,031. 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	$ 62,791	$ -
Changes of assumptions	43,595	-
Net difference between projected and actual earnings on pension plan investments	27,929	-
Changes in proportionate share of District's net pension liability contributions and proportionate share of contributions	3,755	254,456
District pension plan contributions subsequent to the measurement date	20,624	-
	$ 158,694	$ 254,456

A component of deferred outflows of resources related to the pension plan of $20,624 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, 2024. 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
2024	$ (63,726)
2025	(87,082)
2026	51,610
2027	(16,783)
2028	(405)
	$ (116,386)

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

Pension Plan – Continued

Actuarial Assumptions
The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Payroll growth	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, 2023 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%	2.90%	2.90%	1.10%
Fixed income	19.80%	4.50%	4.40%	3.40%
Global equity	54.00%	8.70%	7.10%	18.10%
Real estate	10.30%	7.60%	6.60%	14.80%
Private equity	11.10%	11.90%	8.80%	26.30%
Strategic investments	3.80%	6.30%	6.10%	7.70%
Total	100.00%			
Assumed inflation – mean			2.40%	1.40%

(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	$ 1,142,379	$ 668,761	$ 272,522

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

Benefits Provided
Eligible retirees and beneficiaries received a monthly HIS plan payment of $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 through June 30, 2023. Effective July 1, 2023, the monthly benefits were increased to $7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $45 and a maximum payment of $225 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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. The HIS plan contribution was 1.66% of gross compensation through June 30, 2023. Effective July 1, 2023, the contribution rate was increased to 2.00%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS plan contributions are deposited in a separate trust fund from which payments are authorized. HIS plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS plan totaled $11,413, $10,864 and $13,887 for the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2023, the District reported a liability of $267,745 for its proportionate share of the HIS plan's net pension liability. For the June 30, 2023, measurement date, the District's proportionate share was 0.001685913%.

The net pension liability was measured as of June 30, 2023, 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, 2023, the District recognized pension expense of $47,639. 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	$ 3,920	$ 628
Changes of assumptions	7,039	23,201
Net difference between projected and actual earnings on pension plan investments	138	-
Changes in proportionate share of District's net pension liability share of contributions	-	163,193
District pension plan contributions subsequent to the measurement date	3,114	-
	$ 14,211	$ 187,022

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 $3,114 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, 2024. 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
2024	$ (50,876)
2025	(44,482)
2026	(43,157)
2027	(26,419)
2028	(9,805)
Thereafter	(1,186)
	$ (175,925)

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%
Payroll growth	3.25%, average, including inflation
Investment rate of return	3.65%

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 3.65%. 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 3.65%, 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 (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
District's proportionate share of the net pension liability	$ 305,456	$ 267,745	$ 236,486

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 Expense
For the fiscal year ended September 30, 2023, the District recognized an aggregate pension expense of $99,670 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 Currently 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	4.87%
Initial Trend Rate	6.50%
Ultimate Trend Rate	4.50%
Years to Ultimate	15

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, 2022	$ 4,013,332	$ -	$ 4,013,332
Changes for the year:			
Service cost	159,600	-	159,600
Interest	181,371	-	181,371
Differences between expected and actual experience	-	-	-
Changes of assumptions and others	(19,489)	-	(19,489)
Contributions – employer	-	422,041	(422,041)
Benefit payments	(422,041)	(422,041)	-
Net changes	(100,559)	-	(100,559)
Balances at September 30, 2023	$ 3,912,773	$ -	$ 3,912,773

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

Total OPEB Liability – Continued

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.87%	Current Discount Rate 4.87%	1% Increase 5.87%
Total OPEB liability	$ 4,106,202	$ 3,912,773	$ 3,717,942

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	$ 3,563,153	$ 3,912,773	$ 4,332,171

OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources
For the fiscal year ended September 30, 2023, the District recognized OPEB expense of $424,157. 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	$ 333,255	$ 360,389
Changes of assumptions	1,065,880	539,597
Total	$ 1,399,135	$ 899,986

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:	
2024	$ 83,186
2025	83,186
2026	83,186
2027	68,847
2028	22,541
Thereafter	158,203
	$ 499,149

11. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2023, is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct placements:					
Revenue Note, Series 2012B	$ 6,631,076	$ -	$ (1,714,271)	$ 4,916,805	$ 507,904
Gas System Refunding					
Revenue Bonds, Series 2014	6,689,000	-	(417,000)	6,272,000	586,000
Compensated absences	887,291	974,008	(914,395)	946,904	151,505
Total	$ 14,207,367	$ 974,008	$ (3,045,666)	$ 12,135,709	$ 1,245,409

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 described above, 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, 2023, are as follows:

Year Ending	Revenue Note		Revenue Bonds	
September 30	Principal	Interest	Principal	Interest
2024	$ 507,904	$ 73,260	$ 586,000	$ 87,181
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	1,172,377	26,391	1,343,000	48,289
2029-2033	-	-	707,000	9,827
Total	$ 4,916,805	$ 375,739	$ 6,272,000	$ 495,006

11. LONG-TERM DEBT – CONTINUED

Pledged Revenues

The District has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2023. 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	$ 14,691,124	$ 5,292,544	36%	$ 1,899,200	2028
Revenue Refunding Bonds, Series 2014	Gas system net revenues	$ 14,691,124	$ 6,767,006	46%	$ 600,049	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. 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 through February 2030, and then increases gradually over the remaining term of the agreement to a final-year price of $8.8812 per dth in February 2043. The District reserves the difference between the purchase and sales price of the gas. Natural gas sales to Eglin Air Force Base were $4,156,371 for the year ended September 30, 2023.

New Administration Building and Campus

During the fiscal year ended September 30, 2023, the District purchased land in Valparaiso, Florida, which will serve as the future site of the District's headquarters and administrative campus. The initial cost estimates to develop the site are approximately $100 million. In May 2023, the District approved a proposal from an architectural firm to perform schematic design, prepare construction documents, negotiate with bidders, and oversee the construction progress. The total professional service contract price is $3,822,385, which includes the administration building, the warehouse, the fleet maintenance building, and the operations building. The contractor has billed the District $1,750,741 for work performed on the contract through September 30, 2023.

14. SUBSEQUENT EVENTS

Authorized Issuance of Debt

In November 2023, the Board of Directors authorized the issuance of long-term debt in the form of gas system revenue bonds to finance the construction costs related to the new administration building and campus and to refund an outstanding bond issue and revenue note. The District expects to issue debt with a total par value of $106,920,000 at a stated interest rate ranging from 4.89% to 5.00% per annum with a 20-year repayment term. The bonds will require semiannual payments ranging from $204,000 to $8,364,000 and will be secured by pledged gas system net revenues. As of the date of this report, the District has not completed the final closing on the bonds, which is scheduled to be completed in April 2024.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.001678328%	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	$ 668,761	$ 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	$ 668,087	$ 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	100.10%	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	82.38%	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 June 30th

See independent auditors' report.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.001685913%	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	$ 267,745	$ 198,312	$ 300,651	$ 403,563	$ 461,671	$ 446,312	$ 495,494	$ 575,149	$ 539,461	$ 537,609
District's covered payroll	$ 668,087	$ 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	40.08%	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	4.12%	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 June 30^{th}

See independent auditors’ report.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 81,062	$ 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	(81,062)	(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	$ 655,654	$ 654,458	$ 836,566	$1,051,145	$ 1,324,458	$ 1,393,976	$1,455,843	$1,495,482	$1,303,976	$ 1,181,024
Contributions as a percentage of covered payroll	12.36%	11.66%	11.44%	9.25%	7.59%	6.93%	6.23%	5.78%	7.45%	8.81%

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

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See independent auditors’ report.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 11,413	$ 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	(11,413)	(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	$ 655,654	$ 654,458	$ 836,566	$1,051,145	$1,324,458	$ 1,393,976	$1,455,843	$ 1,495,482	$ 1,303,976	$ 1,181,024
Contributions as a percentage of covered payroll	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

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

See independent auditors’ report.

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

Reporting Date *	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 159,600	$ 224,755	$ 189,817	$ 148,052	$ 136,434	$ 134,724
Interest	181,371	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]	(19,489)	59,077	(43,321)	438,524	(40,124)	210,061
Benefit payments	(422,041)	(356,993)	(389,426)	(437,427)	(446,223)	(457,541)
Other changes	-	-	-	(19,364)	(6,586)	490,873
Net change in total OPEB liability	(100,559)	407,153	(166,364)	(210,334)	(223,074)	389,490
Total OPEB liability at beginning of year	4,013,332	3,606,179	3,772,543	3,982,877	4,205,951	3,816,461
Total OPEB liability at end of year	$ 3,912,773	$ 4,013,332	$ 3,606,179	$ 3,772,543	$ 3,982,877	$ 4,205,951
Covered employee payroll	$ 9,685,082	$ 9,312,281	$ 9,530,833	$ 9,279,607	$ 8,702,574	$ 7,523,627
District's total OPEB liability as a percentage of covered employee payroll	40.40%	43.10%	37.84%	40.65%	45.77%	55.90%

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

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

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

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

See independent auditors' report.

SUPPLEMENTARY INFORMATION

OKALOOSA GAS DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	(Unaudited) Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES			
Charges for services			
Gas sales, including sales to other utilities			
Residential	$ 30,893,323	$ 29,249,137	$ (1,644,186)
Commercial	17,005,702	16,989,245	(16,457)
Military	6,099,380	6,007,894	(91,486)
Off system utilities	1,124,066	1,333,424	209,358
Off system transportation	-	9,304	9,304
Competitive	886,090	818,771	(67,319)
Total gas sales, including sales to other utilities	56,008,561	54,407,775	(1,600,786)
Appliance sales and installation revenues	2,526,572	2,298,839	(227,733)
Service charges	910,686	780,617	(130,069)
Late charges	375,000	406,924	31,924
Other operating revenues	369,240	198,495	(170,745)
TOTAL OPERATING REVENUES	60,190,059	58,092,650	(2,097,409)
OPERATING EXPENSES			
Cost of gas sold	18,559,177	18,460,283	98,894
Personnel, operations and maintenance			
Executive and risk	1,654,924	1,676,723	(21,799)
Accounting and finance	3,200,071	2,894,273	305,798
Human resources	924,370	798,684	125,686
Information technology	1,170,361	1,120,912	49,449
Marketing	8,387,874	8,512,105	(124,231)
Operations	9,214,533	8,280,572	933,961
Non departmental	3,227,694	2,624,184	603,510
Total personnel, operations and maintenance	27,779,827	25,907,453	1,872,374
Depreciation	4,268,644	4,191,370	77,274
TOTAL OPERATING EXPENSES	50,607,648	48,559,106	2,048,542
Operating income	9,582,411	9,533,544	(48,867)
NONOPERATING REVENUES (EXPENSES)			
Interest income	658,181	623,204	(34,977)
Interest expense	(481,668)	(450,777)	30,891
Loss on disposal of assets	(151,000)	(83,847)	67,153
Other nonoperating revenues	218,836	343,006	124,170
TOTAL NONOPERATING REVENUES (EXPENSES)	244,349	431,586	187,237
Income before capital contributions	9,826,760	9,965,130	138,370
Capital contributions	754,112	736,431	(17,681)
CHANGE IN NET POSITION	$ 10,580,872	$ 10,701,561	$ 120,689

COMPLIANCE SECTION

Warren Averett
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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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2024.

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 or significant deficiencies 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
February 26, 2024

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, 2023.

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, 2023.

Warren Averett, LLC

Destin, Florida
February 26, 2024

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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, 2023, and have issued our report thereon dated February 26, 2024.

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 conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated February 26, 2024, 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.

Financial Condition and Management – Continued

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.

Special District Component Units

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

Specific Information

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

a) The total number of District employees compensated in the last pay period of the District's fiscal year as 202.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 35.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $11,545,208.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $4,604,064.

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	
Florala Regulator Station (22-256)	$	124,604
Holley by the Sea PH 10 (20-101)	$	202,998
The Bluffs at Lafayette (21-183)	$	139,170
Stonechase Blvd S/D Exp (21-187)	$	162,277
Co Hwy 83A W Exp (21-251)	$	108,513
Deer Moss Creek PH 7 (22-034)	$	91,716
12412 St Hwy 20 W Choc Fl (22-085)	$	463,567
Holley by the Sea PH 8 A (22-227)	$	194,498
Lagrange Shores Exp (22-258)	$	95,402
Hammock Bay Ph 3- A,B,D,E (23-011)	$	162,088
Lot 4 Edens Landing Cir (23-021)	$	564,463
Crestview Bypass FDOT Relo (19-065)	$	90,738
Brooks Bridge Replacement FDOT (20-027)	$	176,828

f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as $1,383,447.

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
February 26, 2024