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March 25, 2024

The Board of Supervisors
Okaloosa County District School Board

We are pleased to present the results of our audit of the 2023 financial statements of the School Internal Funds, Okaloosa County District School Board ("the District").

This report to the Board of Supervisors and Management summarizes our audit, the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the District's 2023 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of District personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board of Supervisors, Management and others within the District and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 850-337-0760 or AJowers@CRIcpa.com.

Very truly yours,

K. Alan Jowers
Partner

As discussed with the Board of Supervisors and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Supervisors, 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, in order to express an opinion on the District's financial statements for the year ended June 30, 2023;

- Communicate directly with the Board of Supervisors and Management regarding the results of our procedures;

- Address with the School Board and Management any accounting and financial reporting issues.

- Anticipate and respond to concerns of the School Board and Management; and

- Address audit-related projects as they arise and upon request.

We have audited the financial statements of the School Internal Funds, Okaloosa County District School Board for the year ended June 30, 2023, and have issued our report thereon dated March 25, 2024. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*	As stated in our engagement letter dated June 5, 2023, our responsibility as described by professional standards is to express an opinion about whether the fiduciary financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the District's school internal funds. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. As part of obtaining reasonable assurance about whether the fiduciary financial statement is free of material misstatements, we also performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the fiduciary financial statement. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
	adequacy and results of those services; and accept responsibility for them.
Planned scope and timing of the audit	Because of suspected misappropriate of assets at one school and a separate, comprehensive investigation, that school was removed from the scope of compliance testing associated with this audit.
Management judgments and accounting estimates	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures	No such significant risks or exposures were noted.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles.	Significant accounting policies are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the fiduciary financial statements in the proper period. Further, the financial statement disclosures are neutral, consistent, and clear.
Significant difficulties encountered in the audit	We encountered no significant difficulties in dealing with management in performing and completing our audit.
Disagreements with management	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues	See pages 33 – 50 of the financial statement package. In addition, please see item disclosed as "Additional Matter" on page 32 of the financial statement package.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Matters arising from the audit that were discussed with, or the subject of correspondence with, management	None noted.
Corrected and uncorrected misstatements	Please see the following section titled "Summary of Audit Adjustments."
Major issues discussed with management prior to retention	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants	To our knowledge, there were no such consultations with other accountants.
Written representations	We have requested certain representations from management that are included in the management representation letter dated March 25, 2024.
Internal control deficiencies	None noted.
Fraud and illegal acts	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • such information is materially inconsistent with the financial statements; and • we believe such information represents a material misstatement of fact. We have not been provided any such items to date.
Significant unusual accounting transactions	No significant unusual accounting transactions were noted during the year.
Supplementary Information in relation to the financial statements as a whole	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
	information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The School Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. No sensitive estimates were noted during the year.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Fund Classification	The District has elected to account for the school internal funds as a special revenue fund.	X	The Governmental Accounting Standards Board (GASB) issued accounting guidance that created Statement No. 84, *Fiduciary Funds*, which was effective in fiscal year 2021. The Florida Department of Education revised Chapter 8 of the Red Book effective for the 2022 year. The District has utilized these documents in determining its financial statement presentation position.	The District's policies appear to be in accordance with all applicable accounting guidelines and GASB. The Florida Auditor General audits certain districts' annual financial reports and has agreed that treatment as a special revenue fund can be appropriate given the relevant guidance.

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the District or passed (uncorrected).

In connection with our audit, we identified the following misstatements which were corrected by management:

- An entry totaling $131,164 to reverse the effects of prior year audit accruals to properly state beginning net position.
- Entries totaling $114,255 related to the accrual of fiscal year 2023 liabilities.

In connection with our audit, we did not identify any uncorrected misstatements.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the District's operating environment that has been identified as playing a significant role in the District's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.