Holley-Navarre Fire District

FINANCIAL STATEMENTS

September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Holley-Navarre Fire District

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holley-Navarre Fire District (hereinafter referred to as "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information other than management's discussion and analysis, 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 purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General,* is presented for purposes of additional analysis and is not required part of the financial statements. Such information is the responsibility of management and was derived form and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 June 30, 2026, 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 grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

Niceville, Florida
June 30, 2026

Management's Discussion and Analysis

This is Management's Discussion and Analysis (MD&A) of the financial activities of the Holley-Navarre Fire District (the District) for the fiscal year ending September 30, 2025. The reader is encouraged to consider this information with the financial statements and notes to the financial statements to understand the District's financial position.

The annual financial report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and all Governmental Accounting Standards Board (GASB) pronouncements that affect the District.

The primary purpose of the District is to provide fire suppression, fire inspection, rescue and emergency medical care for the following area in Santa Rosa County. Bordering upon the Okaloosa County line on the East and West end border is near St. Sylvester's Church near Holley by the Sea, encompassing all of Navarre. The District also covers the communities of Holley and Harper. The Northern boundary is the Yellow River Bridge. Although it is important to the long-term existence of the District to maintain its financial health, assets are accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and anticipated capital acquisitions.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by $4,979,709 (net position), which represents an increase of $1,640,821 (or 48%) over the prior year. Of this amount $4,316,877 represents investments in capital assets (e.g. land, buildings, machinery and equipment), $212,430 is for restricted purposes and $450,402 is unrestricted.
- The net position of the District increased by $1,640,820 primarily due to an increase in the non-ad valorem special assessments received during the fiscal year, and a capital grant from the State of Florida to assist in funding the construction of a new fire station.
- The District's governmental funds reported an ending fund balance of $1,195,268, an increase of $301,625, or 25% from the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was $281,135, or 3%, of the total expenditures of the General Fund, which indicated the District utilized resources in excess of available fund balance to support operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intend to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. This statement combines and consolidates the government fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increase or decrease in net position may serve as a useful indicator of the financial position of the District.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flow in future fiscal periods.

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, the District is principally supported by property taxes, intergovernmental revenues, and service revenues. The governmental activities of the District include public safety (fire) and debt service. The government-wide financial statements are found on pages 12 – 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District can be divided into two categories: governmental funds and fiduciary funds.

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 14 – 18 of this report.

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

The District maintains three governmental funds: the general fund, special revenue fund and capital project fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the three funds. They are all considered major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District has one fiduciary fund (Pension Trust Fund). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statement presentation (private-sector business). The basic fiduciary fund financial statements are found on pages 19 – 20 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 government-wide and fund financial statements. Beginning on page 21 of this report are the notes to the financial statements.

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 obligations to provide pension and other post-employment benefits (OPEB) to its employees. This required supplementary is found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 $4,979,709, (net position) as of September 30, 2025, as shown below.

The largest portion of the District's net position, $4,316,877, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District reports investments in capital assets net any related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since capital assets themselves cannot be used to liquidate such liabilities. The District had $2,880,593 of such debt as of September 30, 2025.

The following table reflects the condensed statement of net position:

As of September 30	2025	2024	Change
Assets			
Current and other assets	$ 1,493,337	$ 1,628,164	$ (134,827)
Capital assets, net	7,197,470	4,127,628	3,069,842
Total assets	8,690,807	5,755,792	2,935,015
Deferred outflows of resources	1,210,564	507,182	703,382
Total assets and deferred outflows of resources	$ 9,901,371	$ 6,262,974	$ 3,638,397
Liabilities			
Current liabilities	$ 948,266	$ 567,267	$ 380,999
Long-term liabilities	3,194,818	1,591,081	1,603,737
Total liabilities	4,143,084	2,158,348	1,984,736
Deferred inflows of resources	778,578	745,738	32,840
Net position			
Net investment in capital assets	4,316,877	2,991,239	1,325,638
Restricted	212,430	301,374	(88,944)
Unrestricted	450,402	66,275	384,127
Total net position	4,979,709	3,358,888	1,620,821
Total liabilities, deferred inflows of resources, and net position	$ 9,901,371	$ 6,262,974	$ 3,638,397

The following table compares the statement of activities for the current and prior year:

For the years ended September 30,	2025	2024	Change
General revenue			
Taxes - county	$ 200,176	$ -	$ 200,176
Taxes - assessments	3,822,671	3,398,895	423,776
Investment earnings	10,233	13,890	(3,657)
Miscellaneous	25,945	64,436	(38,491)
Gain on disposal of capital assets	-	522,506	(522,506)
Total general revenues	4,059,025	3,999,727	59,298
Program revenues			
Charges for services and fines	103,578	91,614	11,964
Capital grants and contributions	1,249,415	250,584	998,831
Total program revenues	1,352,993	342,198	1,010,795
Expenses			
Fire	3,791,197	3,784,080	7,117
Increase (decrease) in net position	$ 1,620,821	$ 557,845	$ 1,062,976

Overall, net position increased $1,620,821 during the fiscal year 2025. Taxes county increased approximately $200,000 during the fiscal year 2025 due to local option tax funding from Santa Rosa County. Tax assessments increased $423,776 during the fiscal year 2025 primarily due to increase in population in the District's area. There was no gain/loss on disposal of capital assets in fiscal year 2025. Capital grants and contributions increased $998,831 due to the District receiving a grant from the State of Florida to assist with the construction of their new fire station.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CAPITAL ASSETS, NET

The District's investment in capital assets for its governmental activities as of September 30, 2025, totaled $7,197,470 (net of accumulated depreciation).

September 30,	2025	2024	Change
Land	$ 137,931	$ 137,931	$ -
Construction in progress	3,592,418	460,537	3,131,881
Building	1,700,080	1,700,080	-
Building improvements	808,823	808,823	-
Fire trucks & equipment	2,978,820	2,978,820	-
Equipment & furniture	970,866	763,483	207,383
Total, prior to depreciation and amortization	10,188,938	6,849,674	3,339,264
Accumulated depreciation and amortization	(2,991,468)	(2,722,046)	(269,422)
Net capital assets	$ 7,197,470	$ 4,127,628	$ 3,069,842

During 2025, the District continued the construction of their new fire station, resulting in an increase of construction in progress of $3,131,881. The project was completed in fiscal year 2026. Additional information on the capital assets of the District can be found in Note 3 of this report.

LONG-TERM LIABILITIES

At the end of the current fiscal year, the District had total long-term liabilities outstanding of $4,054,167 which is comprised primarily of financed purchase liabilities.

September 30,	2025	2024	Change
Finance leases	$ 981,907	$ 1,086,389	$ (104,482)
Notes payable	1,898,686	50,000	1,848,686
Compensated absences	442,081	388,729	53,352
Net pension liability (asset)	331,284	(280,777)	612,061
Other postemployment benefit liability	400,209	389,290	10,919
Total long-term liabilities	$ 4,054,167	$ 1,633,631	$ 2,420,536

During 2025, the District had drawn $1,848,686 from the construction loan to complete the construction of new fire Station 44 as of September 30, 2025. The District's net pension balance went from an asset to a liability in the year primarily to decrease in net investment income and changes in assumptions expectations. Additional information on the District's long-term liabilities can be found in Notes 3, 4 and 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Holley-Navarre Fire Protection District was created by Florida Special Act 80-603 which was later amended by 81-485. Local governments, such as the District, primarily rely on property, special assessment, and a limited array of permitted other taxes (such as impact fees and user fees) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal government which provide funding for specific programs, projects, or activities.

The first act (80-603) established the fire district as an Independent Special Fire Control District, set forth the boundaries and established a funding source through non-ad-valorem assessments. The second act (81-485) merely clarified the district's boundaries.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues and expenditures were compared to budgetary estimates. Overall, the General Fund has a favorable variance as compared to the budget in the amount of $231,827. The most notable variances occurred in the following areas:

- Actual tax assessments revenue was more than the budgeted amount by $593,247. Overall revenue was more than budgeted as a result of the local option tax funds provided by Santa Rosa County.

- Public safety (fire) expenditures were more than the amount budgeted by $292,598 primarily as a result of the buildout of new Station 44.

- The District reported deficit fund balance in the Capital Improvement Fund of $66,360. The deficit fund balance was rectified following the completion of the capital project and settlement of related funding of capital project in fiscal year ended September 30, 2026.

REQUESTS FOR INFORMATION

This report was prepared by the District. Questions concerning this report or requests for additional information should be addressed to the Administrative Assistant, Holley-Navarre Fire District, 8618 Esplanade Street, Navarre, Florida, 32566. The District's website address is www.hnfd.org. Inquiries may also be sent via e-mail to chief@hnfd.org.

BOARD OF FIRE COMMISSIONERS

Darin Culberson
Chairman

Chuck Cooper
Vice Chairman

Dennis Reilly
Secretary/Treasurer

Christopher Tingle
Commissioner

Cameron Cupples
Commissioner

MANAGEMENT

Kevin Lewis
Fire Chief

Dee May
Administrative Assistant

Financial Statements

Holley-Navarre Fire District
Statement of Net Position

September 30, 2025

Assets		
Cash and cash equivalents	$	1,347,046
Deposits		42
Restricted cash and cash equivalents		146,249
Capital assets (net of accumulated depreciation)		
Non-depreciable		3,730,349
Depreciable, net		3,467,121
Total assets		8,690,807
Deferred outflows of resources		
Deferred outflows related to pensions		1,210,564
Liabilities		
Accounts payable		50,704
Accrued liabilities		38,213
Non-current liabilities		
Due within one year		
Compensated absences		229,879
Financed purchases		108,847
Note payable		520,623
Due in more than one year		
Compensated absences		212,202
Financed purchases		873,060
Note payable		1,378,063
Pension liability		331,284
OPEB liability		400,209
Total liabilities		4,143,084
Deferred inflows of resources		
Deferred inflows related to pensions		778,578
Net position		
Net investment in captial assets		4,316,877
Restricted for		
Impact fees		212,430
Unrestricted		450,402
Total net position	$	4,979,709

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

Holley-Navarre Fire District
Statement of Activities

For the year ended September 30, 2025		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Function/Program	Expenses	Charges for Services and Fines	Capital Grants and Contributions	Governmental Activities
Primary government				
Governmental activities				
Public safety	$ 3,791,197	$ 103,578	$ 1,249,415	$ (2,438,204)

General revenues	
Taxes	
County for general purposes	200,176
Assessments levied for general purposes	3,822,671
Investment earnings	10,233
Miscellaneous	25,945
Total general revenues	4,059,025
Change in net position	1,620,821
Net position, beginning of the year	3,358,888
Net position, end of year	$ 4,979,709

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

Holley-Navarre Fire District
Balance Sheet – Governmental Funds

September 30, 2025	General	Special Revenue	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,347,046	$ 146,249	$ -	$ 1,493,295
Due from other funds	91,360	66,181	25,000	182,541
Deposits	42	-	-	42
Total assets	$ 1,438,448	$ 212,430	$ 25,000	$ 1,675,878
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 50,704	$ -	$ -	$ 50,704
Due to other funds	91,181	-	91,360	182,541
Accrued expenses	17,486	-	-	17,486
Accrued compensated absences	229,879	-	-	229,879
Total liabilities	389,250	-	91,360	480,610
Fund balances				
Restricted fund balance	-	212,430	-	212,430
Assigned balance	768,063	-	-	768,063
Unassigned fund balance	281,135	-	(66,360)	214,775
Total fund balances	1,049,198	212,430	(66,360)	1,195,268
Total liabilities and fund balances	$ 1,438,448	$ 212,430	$ 25,000	$ 1,675,878

Holley-Navarre Fire District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2025

Total fund balances - governmental funds		$	1,195,268
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental capital assets	10,188,938		
Less accumulated depreciation and amortization	(2,991,468)		7,197,470
Deferred outflow of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.			1,210,564
Deferred inflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.			(778,578)
Long-term liabilities, including total OPEB liability, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Accrued interest	(20,727)		
Finance leases	(981,907)		
Notes payable	(1,898,686)		
Compensated absences	(212,202)		
Net pension liability	(331,284)		
Other postemployment benefits liability	(400,209)		(3,845,015)
Net position of governmental activities		$	4,979,709

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

Holley-Navarre Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the year ended September 30, 2025	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues				
Taxes				
Assessments	$ 3,822,671	$ -	$ -	$ 3,822,671
County	200,176	-	-	200,176
Impact fees	-	103,578	-	103,578
Intergovernmental	-	-	1,249,415	1,249,415
Interest and other	10,233	-	-	10,233
Miscellaneous revenue	25,945	-	-	25,945
Total revenues	4,059,025	103,578	1,249,415	5,412,018
Expenditures				
Public safety				
Personnel Services				
Salaries	2,094,176	-	-	2,094,176
Payroll taxes & employee benefits	762,804	-	-	762,804
Operating expenses				
Professional services	71,363	-	-	71,363
Utility services	36,357	-	-	36,357
Insurance	205,183	-	-	205,183
Repair & maintenance services	107,874	-	-	107,874
Training	48,104	-	-	48,104
Office supplies	56,114	-	-	56,114
Operating supplies	41,357	-	-	41,357
Subsciptions & memberships	6,064	-	-	6,064
Capital outlay	207,383	-	3,131,881	3,339,264
Debt service				
Principal	104,482	-	-	104,482
Interest	85,937	-	-	85,937
Total expenditures	3,827,198	-	3,131,881	6,959,079
Excess (deficiency) of revenues over (under) expenditures	231,827	103,578	(1,882,466)	(1,547,061)

(Continued)

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

Holley-Navarre Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)

For the year ended September 30, 2025	General	Special Revenue	Capital Projects	Total Governmental Funds
Other financing sources (uses)				
Proceeds from issuance of debt	$ -	$ -	$ 1,848,686	$ 1,848,686
Transfers in	3,518,972	-	3,293,870	6,812,842
Transfers out	(3,293,870)	(170,287)	(3,348,685)	(6,812,842)
Net other financing sources (uses)	225,102	(170,287)	1,793,871	1,848,686
Net change in fund balances	456,929	(66,709)	(88,595)	301,625
Fund balances, beginning of year	592,269	279,139	22,235	893,643
Fund balances, end of year	$ 1,049,198	$ 212,430	$ (66,360)	$ 1,195,268

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

Holley-Navarre Fire District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30,	2025
Net change in fund balances - total governmental funds	$ 301,625
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	3,069,842
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	(1,848,686)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	104,482
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	(42,357)
Changes to the OPEB liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities, but does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(10,919)
Changes to the pension liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	58,481
Changes to accrued interest are reported as expenses in the statement of activities, but does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(11,647)
Change in net position of governmental activities	$ 1,620,821

September 30, 2025		Pension Trust Fund
Assets		
Cash and cash equivalents	$	231,720
Investements, at fair value		
Equity securities		5,890,909
Debt securities		3,185,082
Real estate investment trusts		60,711
Total investments		9,136,702
Receivables		
Contributions receivable - State		145,854
Total receivables		145,854
Total assets	$	9,514,276
Liabilities		
Accrued expenses	$	4,551
Total liabilities		4,551
Net position		
Restricted for		
Held in trust for pension benefits	$	9,509,725

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

For the year ended September 30, 2025	Pension Trust Fund
Additions	
Investment income	
Net appreciation in fair value of investments	$ 373,083
Realized gain on investments	205,721
Interest and dividends	209,111
	787,915
Less investment expenses	(47,985)
Total investment income	739,930
Contributions	
State	436,561
Employer	270,100
Employees	212,688
Total net investment income	919,349
Total additions	1,659,279
Deductions	
Participants refunds	82,445
Benefits paid to participants	167,205
Administrative expenses	66,316
Total deductions	315,966
Net increase in fiduciary net position	1,343,313
Net position, beginning of year	8,166,412
Net position, end of year	$ 9,509,725

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Holley-Navarre Fire District is a special independent district created in Santa Rosa County, Florida, in 1980. The District is an independent fire control district operating pursuant to the provisions of Chapter 191, Florida Statutes, the Independent Fire Control District Act. The current code, as adopted in 2004, authorizes the District to provide fire suppression, fire inspection, rescue, and emergency medical services.

Reporting Entity

The District operates under an elected Board of Fire Commissioners (Board) form of government. Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be reported.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provided have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in government funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The pension trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statement net position is divided into three components – invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

> Invested in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
>
> Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets”.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and fiduciary funds, each presented in a separate column. The fiduciary fund is used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Special Revenue Fund* is the District's fund used to account for the collection and disbursement of earmarked monies. It is used exclusively to acquire purchase, or construct new facilities or portions thereof needed to provide fire protection and emergency services to new construction.

The *Capital Projects Fund* is the District's fund used to account for the construction of the new fire station, Station 44.

Additionally, the District reports the following fiduciary fund:

The *Pension Trust Fund* accounts for the activities of the Holley-Navarre Fire District Pension Trust Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by function and department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

A budget is legally adopted for the general fund. Any revision to the budget must be approved by the Board of Commissioners. The budget is compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the "final" column of the financial statements represent final authorization amounts.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

A. Prior to September 1, the Fire Chief and a committee appointed by the Board of Commissioners submit to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Budgetary basis of accounting (Continued)

B. The budget is submitted in summary form, but a more detailed line-item budget is included for administrative control. The level of control for the detailed budget is at the department head level.
C. Upon tentative approval by the Board of Commissioners, public hearings are conducted to obtain taxpayer comment.
D. Prior to September 30, the budget is legally enacted through approval by the Board.
E. Formal budgetary integration is employed as a management control device during the year for the general fund.
F. Appropriations lapse at the end of each fiscal year.
G. The Board of Commissioners may authorize supplemental appropriations during the year.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes allowable investments, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States government or other obligations unconditionally guaranteed by the United States government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States government obligations or repurchase agreements fully collateralized by such obligations. The District adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which requires the District to maintain deposits only with "Qualified Public Depositories." The District's investments are stated at fair value.

The Pension Trust Fund may invest in collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, direct obligations of the United States government or other obligations unconditionally guaranteed by the United States government, stocks, commingled funds administered by national or state banks, mutual funds or other evidences of indebtedness, provided that (a) all individually held securities in a commingled mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States or its territories and in the case of bonds shall hold a rating in one of the three highest classifications by a rating service; (b) up to ten percent (10%) of the assets may be invested in foreign securities; (c) the Board shall not invest more than five percent (5%) of its assets in the common stock, capital stock or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at cost exceed sixty percent (60%) of the assets of the fund. During the year, the District maintained cash and investments in accordance with retirement fund plan documents. Investments are stated at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental activities column of the statement of net position.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Statement of Net Position and Balance Sheet – Governmental Fund. These items will be expensed over the applicable usage period.

Restricted Assets

Certain assets of the District are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than $1,000 and a useful life of more than one year. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment sold, destroyed or obsolete, is removed from the accounts periodically. Interest cost is not capitalized on self-constructed fixed assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets (Continued)

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

- Buildings and improvements – 40 years
- Fire trucks & equipment – 5 to 15 years
- Equipment & furniture – 5 to 10 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

The District has one (1) item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to pensions*, reported in the government-wide statements of net position. The deferred amount related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification (GASBC) Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the Statement of Net Position will sometimes include a separate action for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition as an inflow of resources (revenue) until then.

The District has one (1) item for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are aggregated of items relate to pensions as calculated in accordance with GASBS Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts that Meet Specified Criteria.* The deferred inflows related to pensions will be recognized as a reduction to pension in future reporting years.

Compensated Absences

CRI considered GASB 101 and determined the District's method of using FIFO appears to remain appropriate under GASB 101. CRI also reviewed the historical trend of hours used/paid out and noted that the 3 years of experience reviewed appeared to indicated almost 100% of hours, up to the max allowed by policy, were paid out to the employe upon termination or resignation. Therefore, using 100% expected usage appears appropriate.

CRI reviewed the District's paid time off (PTO) policy and determined it appears GASB 191 requires the recognition of a liability since:

- The leave is attributable to services already rendered
- The leave accumulates
- The leave is more than likely than not (MLTN) to be used for time-off or otherwise paid/settled.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Compensated Absences (continued)

CRI also noted the District is using "FIFO" flow approach. CRI also reviewed the District's policy and noted that "any non-probationary employee who is terminated, resigns or retires, shall be compensated for all accrued at their current pay rate" up to the maximum hours allowed under the policy.

The District's compensated absence policy allows employees to accumulate earned but unused paid time off (PTO) benefits. Employees are entitled to Paid Time Off in accordance with the District's policy. PTO is based on the length of service. This entitlement ranges from 312 hours per year for zero to one year, 364 hours per year for two to four years of service; 442 hours per year for five to nine years of service; and 572 hours for ten plus years of service. Members shall be allowed to accrue a maximum of 3,600 hours of PTO. Members shall not be allowed to accrue more than 3,600 hours for any reason.

All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government fund (General Fund) only if they are matured, for example, as a result of employee resignation or retirement.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. In accordance with GASBC Section I30: *Interest Cost – Imputation*, debt issuance costs are expensed in the period incurred except for prepaid issuance costs.

In the governmental fund financial statements, bond issuance costs are expensed during the current period. The face amount of debt issued, and repayments, are reported as other financing sources and uses.

Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

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

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District had $212,430 of restricted fund balance as of September 30, 2025.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The District did not have any committed fund balance as of September 30, 2025.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing council (the Board) has by resolution authorized management to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District did have assigned fund balance of $768,063 as of September 30, 2025.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund. The District reported deficit fund balance in Capital Improvement Fund of $66,360. The deficit was rectified following the completion of the capital project and settlement of related funding of capital project in fiscal year ended September 30, 2026.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by the District and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and assessments, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

Non-ad valorem assessment - The Santa Rosa County Tax Collector performs the billing and collection functions for the District's non-ad valorem assessment (special assessment). The special assessments are included in the Santa Rosa County tax rolls and levied on January 1. All special assessments become due and payable on November 1. The collection period is from November 1 through March 31, with discounts allowed of 4, 3, 2, and 1 percent for early payment in November through February, respectively. All special assessments become delinquent on April 1 in the following year, and tax certificates are sold on all real property with unpaid taxes as of June 1. Therefore, revenue recognition of special assessments takes place during the fiscal year of assessment. The balance of delinquent assessments was not available and consequently, was not accrued.

Expenditures/Expenses

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financial sources.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (Continued)

Expenditures/Expenses (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources, as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the net pension asset and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued Implemented Accounting Pronouncements

Effective October 1, 2024, the District adopted the provisions of GASB Statement No. 101, Compensated Absences (GASBS 101). This pronouncement established a unified model of recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

As part of the implementation process, the District has evaluated whether leave is more than likely not to be used for time off or otherwise paid in cash or settle through noncash means by assessing relevant factors, such as the District's employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASBS 101 was retroactively implemented and had no effect on fund balance or net positions previously presented.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2025, $250,000 of the District's bank balance is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Chapter 280, Florida Statutes.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificates of

deposits are defined as public deposits. The financial institutions in which the District places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of September 30, 2025, the value of the District's deposits was $1,507,357, all of which were entirely covered by pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk over its deposits.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and limits holdings in any one type of investment with any one issuer. Th Plan's investment policy does not limit the maximum length of investments.

Credit risk – GASBC Section I50: *Investments* of the GASBC requires that government provide information about credit risk associate with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The Plan's investment policy does not specifically address credit risk for investments, except for restrictions allowing no investment activity in private placement, direct commodities, repurchase

agreements, venture capital or any investments prohibited by state or federal law. As of September 30, 2025, none of the Plan's investments were in individual bond issues; however, the Plan is invested in $3,185,082 of exchange-traded funds of bonds, which bear credit rating between A – BBB.

Concentration risk – GASBC Section I50: *Investments* of the GASBC requires disclosures of investment in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed U.S. government, investments in mutual funds, external investment pools and other pooled investments. The Plan's investment policy restricts the percentage that may be held in the stock of any one company and the bonds issued by any one issuer.

Fair Value – GASBC Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Pension Trust Fund's assets at fair value as of September 30, 2025:

	Fair Value	Maturies Less than 1 year	Level
Fiduciary fund			
Common stocks - domestic	$ 2,924,143	$ 2,924,143	L1
Common stocks - international	959,574	959,574	L1
Exchange-traded funds - equities	2,007,192	2,007,192	L1
Exchange-traded funds - bonds	3,185,082	3,185,082	L1
Real estate investment trusts	60,711	60,711	L1
Total investments measured by fair value level	$ 9,136,702	$ 9,136,702	

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025.

Mutual Funds: Valued using quoted market prices for those investments.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Fund: Valued at the closing market price reported on the active market on which the individual securities are traded as of the measurement date.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Real estate investment trusts: Valued at the closing price reported on the active market which the individual securities are traded.

Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	$ 137,931	$ -	$ -	$ 137,931
Construction in progress	460,537	3,131,881	-	3,592,418
Capital assets not being depreciated	598,468	3,131,881	-	3,730,349
Capital assets, being depreciated				
Buildings	1,700,080	-	-	1,700,080
Improvements other than buildings	808,823	-	-	808,823
Fire trucks & equipment	2,978,820	-	-	2,978,820
Equipment & furniture	763,483	207,383	-	970,866
Capital assets being depreciated	6,251,206	207,383	-	6,458,589
Less accumulated depreciation	(2,722,046)	(269,422)	-	(2,991,468)
Total capital assets being depreciated, net	3,529,160	(62,039)	-	3,467,121
Capital assets, net	$ 4,127,628	$ 3,069,842	$ -	$ 7,197,470

Depreciation expense of $269,422 was charged to governmental function of *public safety* in the statement of activities.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

Financing Leases

In July 2017, the District entered into a financing lease agreement with PNC Bank for a vehicle. Under terms of the lease, the District is required to make annual payments in the amount of $88,721 through July 2027. The lease bears a fixed interest rate of 3.56%. There is a ballon payment of $216,245 due in August 2027.

In March 2024, the District entered into a financing lease agreement with US Bancorp for a vehicle. Under terms of the lease, the District is required to make annual payments in the amount of $67,669 through August 2038. The lease bears a fixed interest rate of 5.62%.

Notes Payable – Construction Loan

In July 2024, the District entered into a construction loan agreement with Regions to finance the construction of a new fire station. The loan bears interest at a variable rate of 79% of 1-month SOFR (Secured Overnight Financing Rate) plus 0.87%, payable monthly, with principal payments to commence upon project completion or conversion to term financing. As of September 30, 2025, the outstanding balance was $1,898,686.

The following is a summary of governmental activities financing leases and notes payable for the year ended September 30, 2025:

	Governmental Activities			
For the years ending	Financing Lease - US Bancorp		Financing Lease - PNC	
September 30,	Principal	Interest	Principal	Interest
2026	$ 33,263	$ 34,406	$ 75,584	$ 13,137
2027	35,132	32,537	293,885	11,100
2028	37,023	30,646	-	-
2029	39,187	28,482	-	-
2030 - 2034	231,488	106,857	-	-
2035 - 2039	236,384	34,070	-	-
Total	612,477	266,998	369,469	24,237
Current portion	(33,263)	(34,406)	(75,584)	(13,137)
Payable after one year	$ 579,214	$ 232,592	$ 293,885	$ 11,100

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

	Governmental Activities			
For the years ending	Note Payable - Construction		Total	
September 30,	Principal	Interest	Principal	Interest
2026	520,623	69,588	629,470	117,131
2027	127,262	63,530	456,279	107,167
2028	133,523	57,269	170,546	87,915
2029	140,092	50,700	179,279	79,182
2030 - 2034	977,186	77,623	1,208,674	184,480
2035 - 2039			236,384	34,070
Total	1,898,686	318,711	2,880,632	609,946
Current portion	(520,623)	(69,588)	(629,470)	(117,131)
Payable after one year	$ 1,378,064	$ 249,122	$ 2,251,163	$ 492,814

Long-term liability activity for the year ended September 30, 2025, was as follows for governmental activities:

	Begininng Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Finance leases					
US Bancorp	$ 643,939	$ -	$ (31,493)	$ 612,446	$ 33,263
PNC	442,450	-	(72,989)	369,461	75,584
Note payable - construction	50,000	1,848,686	-	1,898,686	520,623
Total notes from direct borrowings	1,136,389	1,848,686	(104,482)	2,880,593	629,470
Compensated absences	388,729	53,352	-	442,081	229,879
Governmental activities long-term liabilities	$ 1,525,118	$ 1,902,038	$ (104,482)	$ 3,322,674	$ 859,349

Compensated absences will be liquidated in future periods primarily by the General Fund for governmental activities.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers

	Due from:			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Due to:				
General Fund	$ -	$ 66,181	$ 25,000	$ 91,181
Special revenue fund	-	-	-	-
Capital projects fund	91,360	-	-	91,360
Total	$ 91,360	$ 66,181	$ 25,000	$ 182,541

Amounts due to the general fund from the capital projects fund represent reimbursement for construction costs initially paid by the general fund. Amounts due from the general fund to the special revenue fund represent costs incurred by the general government that were paid by the special revenue fund. Amounts due from the general fund to the capital projects fund represent the remaining portion of unspent construction loan funds that were deposited into the general fund.

	Transfer from:			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Transfer to:				
General Fund	$ -	$ 170,287	$ 3,348,685	$ 3,518,972
Special revenue fund	-	-	-	-
Capital projects fund	3,293,870	-	-	3,293,870
Total	$ 3,293,870	$ 170,287	$ 3,348,685	$ 6,812,842

The transfer from the special revenue fund to the capital projects fund was project costs paid by the special revenue fund for which the capital projects fund will not repay.

Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities
Capital assets (net)	$ 7,197,470
Outstanding debt related to capital assets	(2,880,593)
Net investment in capital assets	$ 4,316,877

Note 3: DEFINED BENEFIT PENSION PLAN

Description of Plan

The Holley-Navarre Fire District Pension Trust Fund (the Plan) is a defined benefit pension plan sponsored by the District. The Plan is subject to the provisions of the plan of Florida Statues Chapters 175 and 185. The Board of Trustees is responsible for oversight of the plan.

Plan assets are held by Salem Trust Company, the custodian, and Raymond James, the investment banking company, which invests contributions and Plan earnings, making investment transactions as directed by the Board of Trustees and provides certain recordkeeping services. Soundside Wealth Advisors acts as the third-party administrator for the Plan, which performs certain plan administration. Forster & Foster is the actuary for the Plan and perform certain plan administration.

Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principals generally accepted in the United States of America (U.S. GAAP). They are in accordance with GASB Statement No. 68, *Financial Reporting for Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards, which covers the reporting requirements for defined benefit pensions established by the governmental employer.

Method used to Value Investments

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Presentation of Financial Statements

The Plan issues stand-alone financial statements.

Funding Requirements

The District uses the entry age normal actuarial costs method to determine required contributions. This method provides a stable pattern of minimum required contributions at a level dollar amount and allows a more transparent analysis of the changes experienced from one year to the next.

Florida Statutes, Chapters 175 and 185, require members to contribute not less than .5% of their annual salary. The plan members are required to contribute 11.2% of their annual covered salary to the Plan. The District is required to contribute at an actuarially determined rate. The actual contribution rate for the District and State contribution equaled 43% of the employees' salaries for the covered annual payroll.

The District contributed $270,100 to the Plan for the year ended September 30, 2025.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Funding Requirements (Continued)

Special districts that have established pension plans complying with the provisions of Chapter 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the District's limits.

These state premium tax proceeds are the Firefighters' Pension Fund Excise Tax, which is imposed on the gross receipts of property insurance policy premiums. These revenues, when taken as a whole, amounted to $436,561 for the year ended September 30, 2025.

Plan Membership and Benefits

The makeup of plan participants as of the October 1, 2024, valuation as follows:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not currently receiving benefits	11
Active participants	30
Total	45

The Plan provides retirement benefits and reduced early retirement benefits, as well as death and disability benefits. All benefits vest after 10 years of credited service. Employees who retire at or after age 55 with 10 years of credited service or age 52 with 25 years of credited service are eligible for normal retirement and are entitled to an annual retirement benefit. For members hired prior to January 1, 2013, the normal retirement benefit is calculated as 3.75% multiplied by years of credited service times the average final compensation, which is 1/12 of the average salary of the three best years of the last ten years of credited service prior to termination, retirement or death or the career average as a full-time Firefighter, whichever is greater. For members hired on or after January 1, 2023, the normal retirement benefit is calculated as 4.00% multiplied years of credited service times the average final compensation. A year is defined as 12 consecutive months.

Early retirement is available upon the attainment of age 50 and 10 years of credited service. The monthly benefit is reduced by three percent (3%) for each year by which the commencement of benefits precedes the date which would have been the Members' normal retirement date determined based upon his actual years of credited service. All members are eligible for service connected to disability benefits. Ten years of credited service is required for nonservice connected to disability benefits. Upon the death of a member with at least ten years of credited service before the early or normal retirement date, the beneficiary will receive a monthly income, payable in the form of a ten year certain and life annuity in an amount equal to the accrued normal retirement benefit.

Pension Plan Investments

The Plan's investment policy was adopted by the Plan's Board of Trustees, which has the authority for establishing and amending investment policy decision for the Plan. The policy outlines suitable, authorized investments along with asset allocations.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Investments (Continued)

The Plan's investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Independent investment managers and an independent custodian handle all pension investments and disbursements.

The ordinance establishing the Plan sets forth the investment guidelines to be followed by the Trustees. According to the investment guidelines, all investments made or held in the Plan shall be limited to:

1. Time, savings and money market deposit accounts of a national bank, a state bank or savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured limit.

2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United Statements Government.

3. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidence or indebtedness, issues or guarantees by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided:

   a. The securities meeting the ranking criteria:

      Fixed Income: Standard & Poor's Investment Grade or Moody's Investment Grade except that 20% of the fund assets may be invested in securities not meeting these requirements,

      Equities have no restrictions, and

      Money Market: Standard & Poor's A1 or Moody's P1.

   b. Not more than 5% of the fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company, and

   c. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.

4. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the above criteria.

Additional limitations: Investments in corporate common stock and convertible bonds shall not exceed 75% of the plan assets at market value nor shall foreign securities exceed 25% of Plan's market value.

For the year ended September 30, 2025, the annual money-weighted rate of return on the plan's investments, net of pension investment expense, was 8.93%.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Asset, Significant Assumptions and Discount Rate

The components of the net pension asset of the District as of September 30, 2025 was as follows:

Total Pension Liability	$	9,841,009
Plan net assets available for benefits		(9,509,725)
District's net pension liability (asset)	$	331,284
Plan fiduciary net position as a percentage of the total pension liability		96.63%

The total pension liability, measured at September 30, 2025, was determined by an actuarial valuation as of October 1, 2024, using individual entry-age normal actuarial valuation actuarial cost method and the following significant actuarial assumptions:

Inflation	2.50%
Salary increases (including inflation)	Service based
Investment rate of return (net of investment expense, including inflation)	6.00%
Discount rate	6.00%

Mortality Rates

Healthy Active Lives
Male – PubS 2010 for employees, set forward 1 year
Female – PubS-2010 for employees

Healthy Retiree Lives
Male – PubS-2010 for healthy retirees, set forward 1 year
Female – PubS-2010 for healthy retirees

Beneficiary Lives
Male – PubG.H-2010 for healthy retirees, set back 1 year
Female – PubG.H-2010 for healthy retirees

Disabled Lives
Male – PubG.H-2010 for disabled retirees
Female – PubG.H-2010 for disabled retirees, set back 1 year

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2025, the inflation rate was assumption of the investment advisor was 2.5%. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability, Significant Assumptions and Discount Rate (Continued)

Best estimates of geometric real rates of return for each major asset class include in the Plan's target asset allocation are summarized in the following table as of September 30, 2025:

Asset Class	Target Allocation	Long-term Expected Rate of Return
US Large Cap Equity	31.00%	7.63%
US Small/Mid Cap Equity (Smid)	20.00%	8.05%
Non US Developed All Cap Equity	8.00%	6.04%
Emerging Markets Equity	4.00%	6.47%
US Aggregate Fixed Income	33.50%	4.08%
US Cash	2.50%	3.00%
US Real Estate - REITS	1.00%	6.78%
	100.00%	

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2025, the District recognized a pension expense of $648,181. On September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 926,254	$ 132,653
Change of assumptions	284,310	38,876
Net difference between projected and actual earnings on pension plan investments	-	607,049
Total	$ 1,210,564	$ 778,578

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions (Continued)

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

For the years ending September 30,	
2026	159,471
2027	(94,746)
2028	(89,240)
2029	138,343
2030	173,508
Thereafter	144,650
Total	$ 431,986

Changes in Net Pension Liability (Asset) and Sensitivity to Changes in Discount Rate

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2024	$ 7,885,635	$ 8,166,412	$ (280,777)
Changes for the year			
Service cost	685,686		685,686
Interest	506,789		506,789
Differences between expected and actual experience	680,852		680,852
Changes of assumptions	331,697		331,697
Contributions - employer		270,100	(270,100)
Contributions - state		436,561	(436,561)
Contributions - employee		212,688	(212,688)
Net investment income		739,930	(739,930)
Benefit payments, including refunds of employee contributions	(249,650)	(249,650)	-
Administrative expenses		(66,316)	66,316
Net changes	1,955,374	1,343,313	612,061
Balances at September 30, 2025	$ 9,841,009	$ 9,509,725	$ 331,284

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability (Asset) and Sensitivity to Changes in Discount Rate (Continued)

The following presents the net pension liability of the District calculated using the discount rate of 6.00% as well as what the District's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate.

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Total Net Pension Liability (Asset)	$ 2,212,972	$ 331,284	$ (1,159,946)

Note 4: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Holley-Navarre Fire District's Retiree Health Care Plan (the OPEB Plan) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the District. The OPEB Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the applicable retirement plan to continue medical insurance coverage as a participant in the District's plan. For purposes of applying paragraph 4 under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*, the OPEB Plan does not meet the requirements for an OPEB plan administered through a trust.

Funding Policy

The District is funding the OPEB Plan benefits on a pay-as-you-go basis. Contribution rates for the OPEB Plan are established by the District's Board of Directors annually during the budget process. The District does not pay for health insurance premiums for retirees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the OPEB Plan than those of active employees. The current year contributions are determined as annualized claims incurred based on the retiree age at the beginning of the fiscal year and the claims table used for liability determination offset by the annual premium paid by the retiree for such coverage. District contributions are assumed to be equal to benefits paid.

Note 4: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Membership

At the valuation date September 30, 2024, OPEB membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not currently receiving benefits	-
Active participants	28
Total	28

Actuarial Assumptions and Other Inputs

At the September 30, 2025, measurement date, the actuarial assumptions and other inputs, applied include the following:

Inflation	2.50%
Salary increases	5.50%
Discount rate	4.50%
Initial trend rate	7.00%
Ultimate trend rate	4.00%
Years to Ultimate	51

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019.

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.50%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

The actuarial assumptions used in the September 30, 2025, valuation were not based on the results of an actuarial experience study.

Note 4: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Change in OPEB Liability

At September 30, 2025, the District reported a total OPEB liability of $400,209. The information below has been provided as of the September 30, 2025 measurement date:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at September 30, 2024	$ 389,290	$ -	$ 389,290
Changes for the year			
Service cost	30,382	-	30,382
Interest	16,871	-	16,871
Changes of assumptions	(27,999)	-	(27,999)
Benefit payments, including refunds of		-	-
employee contributions	(8,335)	-	(8,335)
Net changes	10,919	-	10,919
Balances at September 30, 2025	$ 400,209	$ -	$ 400,209

Changes of assumptions reflect a change in the discount rate from 4.06% for the fiscal year ending September 30, 2024 to 4.50% for the fiscal year ending September 30, 2025.

Sensitivity to Changes in Discount Rate

The following table represents the District's total and net OPEB liability calculated using the discount rate of 4.50%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current rate:

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total OPEB Liability (Asset)	$ 467,680	$ 400,209	$ 344,989

Note 4: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity to Changes in Discount Rate (Continued)

The following table represents the District's total and net OPEB liability calculated using the health care cost trend rates of 4.00% - 7.00%, as well as what the District's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00% - 6.00%) or one percentage point higher (5.00% - 8.00%) than the current rate:

	1% Decrease 3.00%-6.00%	Health Care Cost Trend Rates 4.00%-7.00%	1% Increase 5.00%-8.00%
Total OPEB Liability (Asset)	$ 334,472	$ 400,209	$ 481,833

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2025, the District recognized an OPEB expense of $21,254. The District qualifies for the Alternative Measurement Method in Accordance with GASB 75; therefore, changes in the total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

Note 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the District is party to various claims, legal actions, and complaints. In the opinion of management, there are no claims, either asserted or unasserted, which may rise from such actions that would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the District or results of activities.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts not recorded, if any, to be immaterial.

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

The District has an active construction project as of September 30, 2025. At year-end, the District's commitment with the contractor is $30,893.

Required Supplementary Information
(Other than MD&A)

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
County	$ -	$ -	$ 200,176	$ 200,176
Assessments	3,429,600	3,429,600	3,822,671	393,071
Interest and other	-	-	10,233	10,233
Miscellaneous Revenue	105,000	105,000	25,945	(79,055)
Total revenues	3,534,600	3,534,600	4,059,025	524,425
Expenditures				
Public Safety - Fire Control				
Personnel Services				
Salaries and benefits	2,075,318	2,075,318	2,094,176	(18,858)
Payroll taxes & Employee Benefits	777,000	777,000	762,804	14,196
Operating Expenses				
Professional Services	54,250	54,250	71,363	(17,113)
Utilty Service	40,000	40,000	36,357	3,643
Insurance	185,000	185,000	205,183	(20,183)
Repair & Maintenance Services	96,500	96,500	107,874	(11,374)
Training	10,000	10,000	48,104	(38,104)
Office Suplies	40,000	40,000	56,114	(16,114)
Operating Suppllies	93,000	93,000	41,357	51,643
Subscriptions & Memberships	6,000	6,000	6,064	(64)
Capital Outlay				
Building	27,532	27,532	207,383	(179,851)
Machinery and Equipment	-	-	-	-
Debt Service				
Principal	-	-	104,482	(104,482)
Interest	-	-	85,937	(85,937)
Apparatus	130,000	130,000	-	130,000
Total expenditures	3,534,600	3,534,600	3,827,198	(292,598)
Excess of revenue over expenditures	-	-	231,827	231,827
Fund balances, beginning of year	-	-	592,269	893,643
Fund balances, end of year	$ -	$ -	$ 824,096	$ 824,096

Holley-Navarre Fire District
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years

As of and for the year ended September 30,	**2025**	2024	2023	2022	2021
Total pension liability					
Service cost	**$ 685,686**	$ 621,726	$ 646,190	$ 621,213	$ 451,637
Interest	**506,789**	441,716	392,748	328,153	291,113
Change in Excess State Money					
Change in Funding Standard Account					
Share Plan Allocation					
Changes of benefit terms		-	-	-	-
Experience gains (losses)	**680,852**	202,004	(50,059)	147,795	(277,466)
Changes of assumptions	**331,697**	-	-	-	-
Contributions - buy back		-	-	-	-
Benefit payments, including refunds of employee contributions	**(249,650)**	(240,030)	(56,546)	(34,569)	(470)
Net change in total pension liability	**1,955,374**	1,025,416	932,333	1,062,592	464,814
Total pension liability - beginning	**7,885,635**	6,860,219	5,927,886	4,865,294	4,400,480
Total pension liability - ending	**9,841,009**	7,885,635	6,860,219	5,927,886	4,865,294
Plan net assets available for benefits					
Contributions - employer	**270,100**	329,092	290,120	244,341	287,787
Contributions - State	**436,561**	405,093	393,261	210,717	184,759
Contributions - employees	**212,688**	195,252	185,920	181,522	166,733
Contributions - buy back	**-**	-	-	-	-
Insurance reimbursement	**-**	-	-	-	-
Net investment income	**739,930**	1,354,605	562,332	(938,519)	651,518
Benefit payments, including refunds of employee contributions	**(249,650)**	(240,031)	(56,546)	(34,569)	(470)
Administrative expense	**(66,316)**	(71,083)	(69,812)	(34,091)	(33,557)
Net change in plan assets available for benefits	**1,343,313**	1,972,928	1,305,275	(370,599)	1,256,770
Plan net assets available for benefits - beginning	**$ 8,166,412**	$ 6,193,484	$ 4,888,209	$ 5,258,808	$ 4,002,038
Plan net assets available for benefits - ending	**9,509,725**	8,166,412	6,193,484	4,888,209	5,258,808
Net pension liability (asset) - ending	**$ 331,284**	$ (280,777)	$ 666,735	$ 1,039,677	$ (393,514)
Plan net assets available for benefits as a percentage of the total net pension liability (asset)	**96.63%**	103.56%	90.28%	82.46%	108.09%
Covered payroll	**$ 1,898,946**	$ 1,743,646	$ 1,660,003	$ 1,620,737	$ 1,488,689
Net pension liability (asset) as a percentage of covered payroll	**17.45%**	(16.10%)	40.16%	64.15%	(26.43%)

Holley-Navarre Fire District
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years

As of and for the year ended September 30,	2020	2019	2018	2017	2016
Total pension liability					
Service cost	$ 473,450	$ 287,864	$ 268,401	$ 173,790	$ 87,576
Interest	229,969	149,574	129,399	103,449	44,040
Change in Excess State Money				-	
Change in Funding Standard Account				-	
Share Plan Allocation				-	
Changes of benefit terms	721,611	(1,738)	-	638,189	-
Experience gains (losses)	497,909	-	(209,619)	-	-
Changes of assumptions	(155,503)	-	439,579	-	-
Contributions - buy back	-	-	-	-	25,256
Benefit payments, including refunds of employee contributions	(9,438)	-	(2,275)	-	(14,635)
Net change in total pension liability	1,757,998	435,700	625,485	915,428	142,237
Total pension liability - beginning	2,642,482	2,206,782	1,581,297	665,869	523,632
Total pension liability - ending	4,400,480	2,642,482	2,206,782	1,581,297	665,869
Plan net assets available for benefits					
Contributions - employer	146,848	54,659	40,855	33,829	34,100
Contributions - State	159,158	147,464	149,740	139,639	173,775
Contributions - employees	103,437	54,659	40,855	33,829	34,099
Contributions - buy back	-	-	-	-	25,256
Insurance reimbursement	-	-	-	55,868	-
Net investment income	310,542	142,510	160,026	231,581	120,508
Benefit payments, including refunds of employee contributions	(9,438)	-	(2,275)	-	(14,635)
Administrative expense	(54,199)	(45,653)	(44,321)	(57,770)	(9,609)
Net change in plan assets available for benefits	656,348	353,639	344,880	436,976	363,494
Plan net assets available for benefits - beginning	$ 3,345,690	$ 2,992,051	$ 2,647,171	$ 2,210,195	$ 1,846,701
Plan net assets available for benefits - ending	4,002,038	3,345,690	2,992,051	2,647,171	2,210,195
Net pension liability (asset) - ending	$ 398,442	$ (703,208)	$ (785,269)	$ (1,065,874)	$ (1,544,326)
Plan net assets available for benefits as a percentage of the total net pension liability (asset)	90.95%	126.61%	135.58%	167.41%	331.93%
Covered payroll	$ 1,204,338	$ 1,093,210	$ 817,093	$ 676,576	$ 682,134
Net pension liability (asset) as a percentage of covered payroll	33.08%	(64.33%)	(96.11%)	(157.54%)	(226.40%)

Holley-Navarre Fire District
Schedule of Pension Contributions
Last Ten Years

As of and for the year ended September 30,	**2025**	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	**$ 602,889**	$ 567,913	$ 541,027	$ 420,074	$ 467,337	$ 224,189	$ 172,723	$ 114,417	$ 8,119	$ 6,053
Contributions in relation to the actuarially determined contributions	**706,661**	734,185	683,381	455,058	472,546	306,658	202,123	190,595	173,468	207,875
Contribution deficiency/(excess)	**$ (103,772)**	$ (166,272)	$ (142,354)	$ (34,984)	$ (5,209)	$ (82,469)	$ (29,400)	$ (76,178)	$ (165,349)	$ (201,822)
Covered payroll	**$ 1,898,946**	$ 1,743,646	$ 1,660,003	$ 1,620,737	$ 1,488,689	$ 1,204,338	$ 1,093,210	$ 817,093	$ 676,576	$ 682,134
Contributions as a percentage of covered payroll	**37.21%**	42.11%	41.17%	28.08%	31.74%	25.46%	18.49%	23.33%	25.64%	30.47%

Note 1: PLAN CHANGES IN BENEFIT TERMS

There have been no changes in benefits since the prior valuation of the pension plan.

Note 2: CHANGES IN ASSUMPTIONS

Total pension liability as of September 30, 2025 measurement date reflects no assumption changes.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

<u>Actuarial cost method</u> – Entry age normal.

<u>Amortization method</u> – Level percentage of pay.

<u>Asset valuation method</u> – Assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

<u>Inflation</u> – 2.5%

<u>Payroll increases</u> – N/A – Aggregate Actuarial Cost Method.

<u>Salary increases</u> – Below are assumed rates of salary increases:

Credited Service	Rate
0	10.0%
1	8.0%
2 – 4	7.0%
5+	5.5%

<u>Interest rate</u> - 6.00% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term rate of return by asset class.

<u>Retirement age</u> – Commencing at eligibility for Normal Retirement, members are assumed to retire at the rate of 10% per year, with 100% at Age 52 and 25 years of credited service. Members who are eligible to retire on the valuation date are assumed to work one additional year. This is based on the results of an actuarial study issued December 1, 2013.

<u>Early retirement age</u> – Commencing at eligibility for early retirement, members are assumed to retire with an immediate benefit at the rate of 10% per year. This is based on the results of an actuarial study issued December 1, 2013.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES (Continued)

Mortality – All healthy rates are projected generationally with Mortality Improvement Scale MP-2018. This assumption sufficiently accommodates future mortality improvements. The assumption rates described below were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

Healthy Active Lives
Male – PubS 2010 for employees, set forward 1 year
Female – PubS-2010 for employees

Healthy Retiree Lives
Male – PubS-2010 for healthy retirees, set forward 1 year
Female – PubS-2010 for healthy retirees

Beneficiary Lives
Male – PubG.H-2010 for healthy retirees, set back 1 year
Female – PubG.H-2010 for healthy retirees

Disabled Lives
Male – PubG.H-2010 for disabled retirees
Female – PubG.H-2010 for disabled retirees, set back 1 year

Note 4: MONEY-WEIGHTED RATE OF RETURN

This schedule is intended to provide information about the actual performance of the pension plan's investment portfolio because it takes into account the effects of transactions that increase the amount of pension plan investments (such as contributions from employers, non-employer contributing entities, and plan members) and those that decrease the amount of pension plan investments (such as benefit payments).

Annual money-weighted rate of return net of investment expense for the years ended September 30:

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
8.93%	21.38%	11.00%	-17.20%	15.62%	8.93%	4.53%	5.84%	12.80%	6.47%

As of and for the year ended September 30,	**2025**	2024
Total OPEB Liability		
Service Cost	**$ 30,382**	$ 25,175
Interest	**16,871**	16,089
Changes of Assumptions	**(27,999)**	46,787
Benefit Payments, Including Refunds of Employee Contributions	**(8,335)**	(7,790)
Net Change in Total OPEB Liability	**10,919**	80,261
Total OPEB Liability - Beginning	**389,290**	309,029
Adjustment to the beginning of the year		
Total OPEB Liability - End	**$ 400,209**	$ 389,290
Covered Payroll	**$ 1,878,407**	$ 1,780,481
Total OPEB Liability as a Percentage of Covered Payroll	**21.31%**	21.86%

* Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Supplementary Information

Holley-Navarre Fire District
Schedule of Expenditures of State Financial Assistance

For the year ended September 30, 2025

Grantor / Pass-through Grantor / Program Title	CSFA Number	Contract Number	Expenditures	Payments to Subrecipients
Florida Department of Financial Services				
Grants & Aids-Local Government Fire Service Grants	43.009	FM915	$ 1,249,415	$ -
Total expenditures of state financial assistance			$ 1,249,415	$ -

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (Schedule) includes the state spending of Holley-Navarre Fire District (the District) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position of the District.

Note 2: SUB-RECIPIENTS

During the year ended September 30, 2025, the District had no sub-recipients.

Note 3: NONCASH ASSISTANCE AND OTHER

The District did not receive any noncash assistance during the year ended September 30, 2025.

Note 4: CONTINGENCIES

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditure. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

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

To the Board of Commissioners
Holley-Navarre Fire 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 the governmental activities, each major fund, and the aggregate remaining fund information of Holley-Navarre Fire District, ("the District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Holley-Navarre Fire District's Response to Findings

Governmental Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Niceville, Florida
June 30, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Board of Commissioners
Holley-Navarre Fire District

Report on Compliance for Each Major State Project

Opinion on the Major State Project

We have audited Holley-Navarre Fire District's (the District's) compliance with the types of compliance requirements identified as subject to audit in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on the of the District's major state project for the year ended September 30, 2025. The District's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards and Chapter 10.550, *Rules of the Auditor General*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-002 and 2025-003 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

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

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

Niceville, Florida
June 30, 2026

Section I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
c. Noncompliance material to financial statements noted?	No

State Awards:

1. Type of auditor's report issued on compliance for major projects	Unmodified
2. Internal control over major projects:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with Rule 10.554(1)(I)(4)?	Yes
4. Identification of major project:	

CSFA Number	Name of Project
43.009	Grants & Aid -Local Government Fire Service Grants
Dollar threshold used to distinguish between Type A and Type B State projects:	$374,825

Section II – FINANCIAL STATEMENT FINDINGS

Finding 2025-001 – Financial Reporting
Material Weakness

Condition: During the audit of the District's financial statements for the fiscal year ended September 30, 2025, we identified numerous errors in the District's books and records that required correction. In total, auditors proposed over 22 material journal entries to properly state account balances at year-end. These entries affected multiple areas of the financial statements, including assets, liabilities, revenues, and expenditures/expenses. The nature and frequency of these proposed entries indicate that the District's system of internal control did not identify or prevent material misstatements in a timely manner.

Criteria: *Government Auditing Standards* require auditors to consider whether the District has established and maintained effective internal controls over financial reporting to ensure that transactions are properly recorded, processed, summarized, and reported in accordance with generally accepted accounting principles (GAAP). An effective system of internal control should provide reasonable assurance that financial statements are free from material misstatement.

Cause: The District's internal control procedures over financial reporting were not sufficiently designed and/or implemented to ensure that transactions were recorded accurately and in accordance with GAAP. In some cases, staff lacked the technical expertise to identify and correct errors without auditor assistance.

Effect: Without the auditor's proposed adjustments, the District's financial statements would have been materially misstated. The volume of adjustments indicates that management's monitoring and review controls were not effective in ensuring accurate financial reporting. This deficiency constitutes a material weakness in internal control over financial reporting.

Recommendation: We recommend the District strengthen its financial reporting process by (a) providing additional training to personnel responsible for accounting functions; (b) implementing a more robust year-end closing and review process to identify and correct misstatement before the audit; and (c) consider the engagement of outside accounting assistance to supplement internal staff.

Management Response: The District acknowledges the finding. Management will work with staff, outside consultants and the auditors, as necessary, to strengthen internal controls and procedures over year-end closing and financial reporting.

Section III–STATE PROJECT FINDINGS AND QUESTIONED COSTS

Finding 2025-002: Material Weakness in Internal Control Over Compliance – Lack of Supervisory Review of Grant Expenditures

State Agency: Florida Department of Financial Services
CSFA Number: 43.009
State Project Name: Grants and Aids – Local Government Fire Service Grants
Compliance Requirements: Allowed Activities, Allowed Costs and Period of Availability

Criteria: Effective internal controls over compliance require that expenditures charged to grant-funded projects be reviewed and approved by an appropriate supervisory official prior to reimbursement request submission and/or payment processing. Such review helps ensure that expenditures are allowable under grant requirements, incurred during the approved grant period, and properly supported. Under Section 215.97, Florida Statues, nonstate entities should have effective internal controls with respect to state financial assistance administered.

Condition: The District did not maintain evidence of supervisory review and approval of grant expenditures charged to the State project.

Cause: The District management had not established procedures requiring documented supervisory review and approval of grant expenditures prior to submission for reimbursement or recording as grant expenditures.

Effect or potential effect: The absence of documented supervisory review increases the risk that unallowable costs, expenditures incurred outside the approved grant period, or costs associated with activities not permitted under the grant agreement could be charged to the program and not be detected in a timely manner. Because this control deficiency affected all expenditures tested, there is a reasonable possibility that material noncompliance with grant requirements could occur and not be prevented or detected on a timely basis.

Questioned costs**:** None.

Context: During testing all of the expenditures charged to the grant-funded fire station construction project, we noted that none of the expenditures contained evidence of supervisory review or approval. While supporting documentation was maintained and the expenditure appeared to be allowable and incurred during the grant period, there was no documented evidence demonstrating that management performed a review to verify compliance with grant requirements prior to charging the costs to the grant.

Recommendation: The District should strengthen internal controls over grant compliance by implementing procedures requiring documented supervisory review and approval of all grant expenditures prior to reimbursement requests and/or payment processing. Evidence of review should be maintained in the District's records and should include verification that expenditures are allowable, properly supported, and incurred within the approved grant period.

Management Response: Management concurs with the finding and will implement procedures requiring documented supervisory review and approval of all grant expenditures. The District will maintain evidence of such reviews as part of the grant file to ensure compliance with applicable grant requirements.

Finding 2025-003: Material Weakness in Internal Control Over Compliance

State Agency: Florida Department of Financial Services
CSFA Number: 43.009
State Project Name: Grants and Aids – Local Government Fire Service Grants
Compliance Requirements: Reporting

Criteria: The grant agreement requires the District to prepare and submit required reports to the Florida Department of Financial Services by established due dates. Effective internal controls over compliance require reports to be reviewed and approved by an appropriate supervisory official prior to submission to help ensure reports are complete, accurate, and submitted timely. Under Section 215.97, Florida Statues, nonstate entities should have effective internal controls with respect to state financial assistance administered.

Condition: The District did not maintain evidence of supervisory review and approval of required grant reports prior to submission. Additionally, the District did not timely submit one required report in accordance with grant requirements.

Cause: The District had not implemented procedures requiring documented supervisory review and approval of grant reports prior to submission. As a result, management did not have an effective control designed to ensure reports were reviewed for completeness, accuracy, and timely submission.

Effect or potential effect: The absence of documented supervisory review increases the risk that required reports may contain errors, omissions, or may not be submitted in accordance with grant requirements. The control deficiency resulted in an instance of noncompliance, as one required report was not submitted timely. Because the control deficiency affected all reports tested and resulted in noncompliance, there is a reasonable possibility that material noncompliance with reporting requirements could occur and not be prevented or detected on a timely basis.

Questioned Costs: None.

Context: During testing of internal controls over compliance related to reporting requirements, the auditors reviewed both reports required to be submitted during the fiscal year. For both reports tested, no evidence of supervisory review or approval was maintained. During compliance testing, the auditors also noted that one of the two required reports was not submitted by the deadline established by the grant agreement.

Recommendation: The District should strengthen internal controls over grant reporting by implementing procedures requiring documented supervisory review and approval of all reports prior to submission. The review should include verification of report accuracy, completeness, and compliance with submission deadlines. Evidence of the review should be retained in the District's grant administration files.

Management Response: Management concurs with the finding and will implement procedures requiring supervisory review and documented approval of all grant reports prior to submission. The District will establish monitoring procedures to ensure all required reports are submitted by the deadlines established in grant agreements.

Section IV – OTHER MATTERS

No Summary Schedule of Prior Auditing Findings is required because there were no prior audit findings related to State projects (sections 10.557 (3)(e)5, *Rules of the Auditor General*).

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June 29, 2026

Holey- Navarre Fire District respectfully submits the following corrective action plan for the year ended September 30, 2025.

Audit Period: Fiscal Year October 1, 2024 – September 30, 2025

The findings from the Schedule of Findings and Questioned Costs are discussed below. The finding number corresponds to the number assigned in the schedule.

2025-001 Internal Control Procedures Over Financial Reporting

Recommendation: Management should strengthen its financial reporting process by: (a) providing additional training to personnel responsible for accounting functions: (b) implementing a more robust year-end closing and review process to identify and correct misstatement before the audit; and (c) consider the engagement of outside accounting assistance to supplement internal staff.

Management Response: The District acknowledges the finding. Management will work with staff, outside consultants, and the auditors, as necessary, to strengthen internal controls and procedures over year-end closing and financial reporting.

Anticipated Completion Date: September 30, 2026.

Responsible Contact Person: Chief Kevin Lewis, Fire Chief

2025-002 Lack of Supervisory Review of Grant Expenditures

Recommendation: Management should strengthen internal control over grant compliance by implementing procedures requiring documented supervisory review and approval of all grant expenditures prior to reimbursement requests and/or payment processing.

Management Response: Management concurs with the findings and will implement procedures required documented supervisory review and approval of all grant expenditures. The District will maintain evidence of such reviews as part of the grant file to ensure compliance with applicable grant requirements.

Anticipated Completion Date: September 30, 2026.

Responsible Contact Person: Chief Kevin Lewis, Fire Chief
2025-003 Non-compliance Identified (Reporting)

Recommendation: Management should strengthen its internal controls over compliance reporting by implementing procedures to ensure all required reports are prepared, reviewed, approved, and submitted by the applicable state deadlines.

Management Response: Management concurs with the findings and will implement procedures requiring supervisory review and document approval of all grant reports prior to submission. The District will establish monitoring procedures to ensure all required reports are submitted by the deadline established in grant agreements.

Anticipated Completion Date: September 30, 2026.

Responsible Contact Person: Chief Kevin Lewis, Fire Chief

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MANAGEMENT LETTER

To the Board of Commissioners
Holley-Navarre Fire District

Report on the Financial Statements

We have audited the financial statements of the Holley-Navarre Fire District ("District") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 30, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2026, 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 audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report identified as items 2024-002 and 2024-003 in the Schedule of Findings and Responses for the year ended September 30, 2024. Corrective action was not taken to address the finding and recommendation made in the preceding financial audit report identified as item 2024-001 in the Schedule of Findings and Responses for the year ended September 30, 2024.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No	2023-24 FY Finding No.	2022-23 FY Finding No.
2025-001	2024-001	n/a

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 information required is disclosed in the notes 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 to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, 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 32.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 6.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $2,094,176.

d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $71,363.

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 the total expenditures for such project is estimated at $3,382,446.

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. The District has a favorable budget variance of $231,827 when general fund results are compared to the original budget.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)9, Rules of the Auditor General, the District reported:

a. The rate of non-ad valorem special assessments imposed by the District as:

Use Category	**Rate Per Square Foot**	**Minimum Charge**
Residential	$0.0656	$150.79
Commercial	$0.2181	$501.58
Vacant Lot	$35.3717 (per lot)	$35.37
Unimproved Acres (min. 3 acres)	$11.7906 (per acre)	$35.37

b. The total amount of special assessments collected by or on behalf of the District as $3,398,895.

c. The total amount of outstanding bonds issued by the District as $0.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which 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 Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

Niceville, Florida
June 30, 2026

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES

To the Board of Commissioners
Holley-Navarre Fire District

We have examined Holley-Navarre Fire District's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2025. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

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

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

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

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

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

Niceville, Florida
June 30, 2026