OKALOOSA ISLAND FIRE DISTRICT

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

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Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Okaloosa Island Fire District

Opinions

We have audited the accompanying financial statements of the governmental activities and ech major fund of the Okaloosa Island 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 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 and each major fund 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Auditng 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 budgetary comparison information for the general fund, and the schedules related to the net pension and total OPEB liabilities, contributions, and investment returns, on pages 3 through 8 and 38-44, be presented to supplement the basic financial statements. Such information, although not 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 response 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2026, on our consideration of the District's internal control over financial reporting and on 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.

Nicholson Reeder & Reynolds
Fort Walton Beach, Florida
June 4, 2026

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

As management of the Okaloosa Island Fire District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2025.

Financial Highlights

The liabilities and deferred inflows of the District exceed its assets as of the close of the most recent fiscal year resulting in a deficit net position of ($69,536). The net investment in capital assets less depreciation and debt on those assets is $2,027,832. Unrestricted net position is a deficit of ($2,097,368).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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.

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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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.

Both of the government-wide financial statements distinguish between functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activity of the District is public safety. The District does not have a business-type activity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Overview of the Financial Statements (Continued)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one category; 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 financing requirements.

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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains an individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

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, liabilities and deferred inflows exceeded assets which created a deficit in net position of $69,536 at the close of the most recent fiscal year.

The large deficit in unrestricted net position is the result of the required restatement to recognize the Districts' net pension liability to the Okaloosa Island Firefighters' Pension Trust Fund.

Recapped from Exhibit A, page 9

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 404,813
Investments	4,841,084
Prepaid Expenses	38,000
Capital Assets (Net of Accumulated Depreciation)	
Land	338,700
Buildings	980,579
Machinery and Equipment	2,417,956
Total Assets	9,021,132
DEFERRED OUTFLOWS OF RESOURCES	1,911,066
LIABILITIES	
Accounts Payable	-
Accrued Liabilities	90,216
Accrued Interest Payable	79,832
Other Postemployment Liabilities	369,081
Net Pension Liability	6,518,853
Non Current Liabilities	
Due within one year	352,626
Due in more than one year	1,989,955
Total Liabilities	9,400,563
DEFERRED INFLOWS OF RESOURCES	1,601,171
NET POSITION	
Investment in Capital Assets, Net of Related Debt	2,027,832
Unrestricted	(2,097,368)
Total Net Position	$ (69,536)

Governmental Activities

Governmental activities increased the Fire District's net position by $1,926,176. Key elements of this increase are as follows:

Recapped from Exhibit B, page 10

Function/Program	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Primary Government			
Governmental Activities			
Public Safety	$ 4,680,837	$ -	$ (4,680,837)
Total Governmental Activities	4,680,837	-	(4,680,837)
Total Primary Government	$ 4,680,837	$ -	(4,680,837)
General Revenues			
Taxes			
Ad Valorem Tax, levied for general purposes			6,336,932
Intergovernmental Revenue			33,516
Interest Income			245,107
Gain (Loss) on disposal of assets			(17,642)
Miscellaneous			9,100
Total General Revenues			6,607,013
Change in Net Position			1,926,176
Net Position - Beginning of Year			(1,995,712)
Net Position - Ending of Year			$ (69,536)

Ad Valorem tax increased by $462,056 during the year.

Financial Analysis of the Government's Funds

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

Governmental Funds

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of $5,059,812, an increase of $1,193,375 in comparison with the prior year.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2025, amounts to $3,737,235 (net of accumulated deprecation). This investment in capital assets includes land, buildings, machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was nine percent.

OKALOOSA ISLAND FIRE DISTRICT CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Totals	
	2025	2024	2025	2024
Land	$ 338,700	$ 338,700	$ 338,700	$ 338,700
Building	980,579	902,586	980,579	902,586
Machinery/Equipment	2,417,956	2,745,108	2,417,956	2,745,108
	$ 3,737,235	$ 3,986,394	$ 3,737,235	$ 3,986,394

Long-term debt

Additional information on the District's long-term debt can be found in Note 3 on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

The District receives the majority of its funds from Property Taxes based on value (Ad Valorem). There is currently a system set in place within the Ad Valorem Taxation process that "protects" the taxpayers within our district. It is called Roll-Back Rate. When a taxing authority chooses to levy a roll-back rate millage, it is levying a rate that will bring in the same amount of property taxes as was collected the previous year. Therefore, the taxpayers do not pay any more into the budget. Thus, the taxing authority is depending on any new construction to bring in new or additional revenues. For the fiscal year 2025/2026, ad valorem millage rate was 3.6000 mils.

Request for Information

This financial report is designed to provide a general overview of the Okaloosa Island Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Commissioners, Okaloosa Island Fire District, 104 Santa Rosa Boulevard, Fort Walton Beach, Florida, 32548.

OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

EXHIBIT A

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 404,813
Investments	4,841,084
Prepaid Expenses	38,000
Capital Assets (Net of Accumulated Depreciation)	
Land	338,700
Buildings	980,579
Equipment/Machinery	2,417,956
TOTAL ASSETS	9,021,132
DEFERRED OUTFLOWS OF RESOURCES	1,911,066
LIABILITIES	
Accounts Payable	-
Accrued Liabilities	90,216
Accrued Interest Payable	79,832
Other Postemployment Liability	369,081
Net Pension Liability	6,518,853
Non Current Liabilities	
Due within one year	352,626
Due in more than one year	1,989,955
TOTAL LIABILITIES	9,400,563
DEFERRED INFLOWS OF RESOURCES	1,601,171
NET POSITION	
Investments in Capital Assets, Net of Related Debt	2,027,832
Unrestricted (Deficit)	(2,097,368)
TOTAL NET POSITION	$ (69,536)

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

OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT B

Function/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Position: Governmental Activities
Primary Government			
Governmental Activities			
Public Safety	$ 4,680,837	$ -	$ (4,680,837)
Total Governmental Activities	4,680,837	-	(4,680,837)
Total Primary Government	$ 4,680,837	$ -	(4,680,837)
General Revenues			
Taxes			
Ad Valorem Tax, levied for general purposes			6,336,932
Intergovernmental Revenue			33,516
Interest Income			245,107
Gain (Loss) on disposal of assets			(17,642)
Miscellaneous			9,100
Total General Revenues			6,607,013
Change in Net Position			1,926,176
Net Position - Beginning of Year			(1,995,712)
Net Position - End of Year			$ (69,536)

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

OKALOOSA ISLAND FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

EXHIBIT C-1

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 404,813
Investments	4,841,084
Prepaid Expenses	38,000
TOTAL ASSETS AND OTHER DEBITS	$ 5,283,897
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ -
Accrued Expenses	224,085
TOTAL LIABILITIES	224,085
FUND BALANCE	
Fund Balance	
Committed Fund Balance	499,309
Unspendable	38,000
Unassigned Fund Balance	4,522,503
TOTAL FUND BALANCE	5,059,812
TOTAL LIABILITIES AND FUND BALANCE	$ 5,283,897

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

OKALOOSA ISLAND FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT C-2

Fund Balances - Total Governmental Funds - Exhibit C-1		$ 5,059,812
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. Those assets consist of:		
Land	$ 338,700	
Building, Net of $1,061,114 accumulated depreciation	980,579	
Machinery & Equipment, Net of $2,746,460 accumulated depreciation	2,417,956	3,737,235
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore, are not reported in the government funds.		
Deferred outflows of resources - pensions		1,911,066
Deferred inflows of resources - pensions		(1,601,171)
Other liabilities used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Net pension liability		(6,518,853)
Long-term liabilities, are not payable in the current period and therefore, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. All liabilities, both current and long-term, are reported in the statement of net position.		
Balances at September 30, 2025 are:		
Compensated Absences	(499,309)	
Interest Payable	(79,832)	
N/P-Leasing 2 (Fire Truck)	(1,179,235)	
N/P-Leasing 2 (Engine 4)	(530,168)	
Other postemployment benefits	(369,081)	(2,657,625)
Net Position of Governmental Activities - Exhibit A		$ (69,536)

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

OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT D-1

	Total Governmental Fund
REVENUES	
Taxes	
Ad Valorem Taxes	$ 6,336,932
Intergovernmental Revenue	
State Incentive	-
County Revenue	33,516
Miscellaneous Revenues	
Interest Earnings	245,107
Other Miscellaneous Revenue	9,100
TOTAL REVENUES	6,624,655
EXPENDITURES	
Public Safety - Fire Control	
Personal Services	
Salaries	2,184,889
Payroll Taxes & Employee Benefits	2,267,642
Operating Expenses	
Professional Services	234,341
Communication Services	6,151
Utility Services	46,447
Insurance	41,766
Repair & Maintenance Services	103,373
Other Current Changes & Obligations	8,037
Office Supplies	10,844
Operating Supplies	91,872
Subscriptions & Memberships	48,051
Capital Outlay	
Machinery & Equipment	7,566
Building	126,145
Debt Service	
Principal	218,756
Interest	35,400
TOTAL EXPENDITURES	5,431,280
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,193,375
FUND BALANCE - Beginning of Year	3,866,437
FUND BALANCE - End of Year	$ 5,059,812

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

OKALOOSA ISLAND FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES & CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT D-2

Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balances - Governmental Fund - Exhibit D-1		$ 1,193,375
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 depreciation ($365,227) exceeded capital outlay ($133,711) in the current period.		(231,516)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial sources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial sources are available. This adjustment is the net change in the following balance:		
Accrued Compensated Absences		(43,643)
Repayment of principal on bonds and other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		218,757
Current change in other postemployment liabilities does not consume current resources and therefore, is not reported as an expenditure in the governmental fund.		133,229
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		
Change in net pension liabilities	472,726	
Change in deferred outflows	509,422	
Change in deferred inflows	(318,750)	663,398
In the statement of activity, interest is accrued on outstanding long-term debt, whereas in the governmental fund, an interest expenditure is reported when due.		
Change in Interest Payable		10,218
Gain (losses) on the disposal of fixed assets do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental fund.		(17,642)
Changes in Net Position of Governmental Activities - Exhibit B		$ 1,926,176

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

OKALOOSA ISLAND FIRE DISTRICT
FIDUCIARY FUND
PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

EXHIBIT E

ASSETS		
Investments, at Fair Value		
Money Market Fund	$ 206,704	
Mutual Funds - Equity	12,759,222	
Mutual Funds - Fixed Income	4,960,241	
Real Estate	1,297,078	$ 19,223,245
Receivables		
District Contributions	177,000	
Investmenet Income	9,358	186,358
TOTAL ASSETS		$ 19,409,603
LIABILITIES		
Prepaid District Contribution		-
TOTAL LIABILITIES		-
NET POSITION		
Fiduciary Net Position		
Held in Trust for Pension Benefits		$ 19,409,603

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

OKALOOSA ISLAND FIRE DISTRICT
FIDUCIARY FUND
PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2025

EXHIIBIT F

ADDITIONS TO NET POSITION		
Contributions		
Employer	$ 1,553,831	
Employees	156,164	
State	58,125	$ 1,768,120
Investment Gains		
Interest/Dividend Income	618,148	
Gain on Sale of Investments	421,240	
Net Appreciation in Fair Value of Investments	976,692	2,016,080
Investment Losses		
Investment Expenses	43,864	
Loss on Sale of Investments	-	43,864
Net Investment Income		1,972,216
TOTAL ADDITIONS TO NET POSITION		3,740,336
DEDUCTIONS FROM NET POSITION		
Benefit Payments		1,114,407
Administrative Expenses		33,649
TOTAL DEDUCTIONS FROM NET POSITION		1,148,056
CHANGE IN NET POSITION		2,592,280
NET POSITION		
Beginning of Year		16,817,323
End of Year		$ 19,409,603

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Okaloosa Island Fire District (the District) is an independent Special District created in 1977 by ordinance 77-4 of Okaloosa County, pursuant to Florida law. The legal name of the District is Okaloosa Island Fire District.

The District is governed by an elected Board of Fire Commissioners.

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 Government 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 Board 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 reported.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide statements and the major fund statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) concentrate on the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

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

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

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and 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 attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. 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 "net investment in capital assets".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government wide financial statements are reported using the economic resources focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants are recognized as soon as the eligibility requirements imposed by the provider are met. 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers the revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

Property taxes are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports the following major governmental fund:

The General Fund is the District’s primary operating fund. It accounts for all financial resources of the governmental entity not required to be accounted for in another fund.

The following is a description of the District's various fund balance accounts:

Nonspendable fund balance includes amounts that are not in a spendable form (prepaid insurance, for example) or are required to be maintained intact. At September 30, 2025, the District had $38,000 in nonspendable funds.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers (for example, impact fees as authorized under FL Statute 191.009(2)), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of the resource provider. The District had no restricted funds as of September 30, 2025.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority which is the Board of Commissioners. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of September 30, 2025, the District had committed funds for compensated absences of $499,309.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the board of commissioners) or by management to whom the governing body delegates the authority. The District had no assigned funds as of September 30, 2025.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2025, the District had $4,522,503 in unassigned balances.

Restricted resources are only used for their specific designation and with approval from the Board of Commissioners. Committed and Assigned funds are used for their specific designation. If the District does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion of the expense. The District considers committed amounts to be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes which amounts in the unrestricted fund balance classification could be used.

For the year ended September 30, 2025, the District does not report any proprietary funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Pension Trust Fund - The Pension Trust Fund is custodial in nature and does not present results of operations or have a measurement focus. Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund).

BUDGETS AND BUDGETARY ACCOUNTING

Budgets and Encumbrances

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Revenues and expenditures are controlled by a formal budget adopted by the Board of Commissioners of the District. The legal level of control for appropriations is exercised at the object level.

The District generally does not have significant encumbrances (commitments related to unperformed contracts for goods or services), and any such amounts are not recorded in any manner in the accounting books.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct obligations of the United States Treasury; the Local Government Surplus Trust Fund as created by Section 218.405, Florida Statutes; interest-bearing time deposits or savings accounts in authorized financial institutions, and SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash at September 30, 2025 consisted of a reconciled book balance of $404,313 in interest bearing checking accounts. The bank carrying balance was $434,433. These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida (Florida Statute 280).

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collaterized at the highest level as defined by GASB Statement No 40, *Deposits and Investment Disclosures (An Amendment of GASB Statement No 3).*

Florida Statutes and the District's investment policy authorize investments in the Local Government Surplus Funds Trust Fund (SBA) adminstered by the State Board of Administration. At September 30, 2025, the District's investments in the Local Government Surplus Funds Trust Fund consist of the following:

	Cost Basis	Fair Value (NAV)/Carrying
Local Governement Surplus Trust Fund (SBA)		
Agency Account - 1231	$ 4,826,972	$ 4,826,972
Agency Account - 1232	14,112	14,112
Total investments	$ 4,841,084	$ 4,841,084

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Local Government Surplus Trust Fund (Florida PRIME (formerely Fund "A")) is an external 2A-7 like investment pool, adminsitered by the Florida Statute Baord of Administration. The Local Government Surplus Funds Investment Pool Trust Fund is not categorized as it is not evidenced by securities that exist in physical or book entry form. The Local Government Surplus Turst Funds Investment Pool's share are stated at amortized cost (NAV), which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurhcase agreement, will decline. The District's investment in the Fund represented less than 1% of the Fund's total investments.

At September 30, 2025, the District reported SBA investments of $4,841,084 fair value/cost for amounts held in Florida PRIME. The Florida PRIME carried a credit rating of AAAm by Standard and Poors and had a weighted average days to maturity (WAM) of 47 days at September 30, 2025. The weighted average life (WAL) of PRIME was 73 days at September 30, 2025.

Foreign Currency Risk: PRIME was not exposed to any foreign risk during the period from October 1, 2024 through September 30, 2025.

Securities Lending Disclosure: PRIME did not participate in a securities lending program in the period from October 1, 2024 through September 30, 2025.

Fair Value Hierarchy Disclosure: Florida PRIME currently meets all of the necssary GASB 79 criteria to elect to measure all of the investments in the Florida PRIME at amortized cost.

The District adheres to GASB Statement No. 79, which requires the following disclosures related to its Florida PRIME investment:

Redemption Gates: Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys is the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those mesures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions or withdrawals, the moratorium may be exteneded by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measure for up to an additional 15 days. The Trusteees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case my the time limit set by the Trustees exceed 15 days."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosures has been made.

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

PRIME audited financial statements for the fiscal year ended June 30, 2025 are available online.

Capital Assets

Capital assets which include land, buildings, machinery and equipment are reported in the governmental-type activities in the government-wide financial statements. Capital assets are defined by acquisitions in excess of $1,000 cost and with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset as follows:

Assets	***Years***
Building	40
Machinery & Equipment	5-10

Compensated Absences

The District records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is more likely than not to be used, paid, or otherwise setled with the District. The compensated absences liability is mesured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The District uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

Change in Accounting Principle

Effective October 1, 2024, the District adopted the provisions of GASB Statement No. 101, Compensated Absences (GASBS 101). The pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vaction, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle (continued)

As part of the implementation process, the District has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled 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 position previously presented.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for use as a specific purpose. Committed fund balances represent constraints on use imposed by the District itself using its highest level of decision making authority and can only be removed or changed by taking the same action. Assigned fund balance is intended to be used for specific purposes and intent is expressed by the Board of Fire Commissioners. Unassigned fund balance is available for any purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements 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 item related to pensions that qualifies for reporting this category.

In addition to liabilities, the Statements of Net Position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has one item related to pensions that qualifies for reporting this category.

NOTE 2 - PROPERTY TAXES

Property taxes are due and payable on November 1st of each year. No accrual is made in these financial statements since these taxes are collected to finance future expenditures. Ad valorem taxes are billed to property owners through the Okaloosa County Tax Collector’s office and then remitted to the District upon collection. Delinquent taxes are generally immaterial in amount and therefore, not recorded as a receivable on the balance sheet.

The property tax calendar for the current year is as follows:

Lien date	January 1
Levy date	November 1
Due date	November 1
Delinquent date	April 1
Tax Certificate Sale	Prior to June 1

NOTE 3 - DETAILED NOTES ON ALL FUNDS

CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025 is as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital asset, being depreciated-				
Buildings	$ 1,897,716	$ 126,145	$ -	$ 2,023,861
Machinery & Equipment	5,221,573	7,566	29,000	5,200,139
Less: Depreciation for -				
Buildings	(1,012,962)	(48,151)		(1,061,113)
Machinery & Equipment	(2,458,633)	(317,076)	11,357	(2,764,352)
Gov't Activities, Capital Assets, Net	$ 3,647,694	$ (231,516)	$ 40,357	$ 3,398,535

Depreciation has been charged to the functions/programs of the primary government-

Governmental	
Public Safety	$ 365,227

LONG-TERM DEBT

Compensated Absences

The following is an analysis of accumulated annual leave and sick leave liability:

	Sick	Vacation	Total
Balance at October 1, 2024	$ 137,364	$ 455,666	$ 593,030
Increase (Decrease) During Year	(3,495)	43,643	40,148
Balance at September 30, 2025	$ 133,869	$ 499,309	$ 633,178

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities at September 30, 2025, is as follows:

	Beginning Balance	Increases	Payments & Other Decreases	Ending Balance
Liability for OPEB obligation	$ 502,310	$ -	$ 133,229	$ 369,081
Net Pension Liability	6,991,580	-	472,727	6,518,853
Leasing 2 - Fire Truck	1,330,231	-	150,997	1,179,234
Leasing 2 - Engine 4	597,928	-	67,760	530,168
Accrued Compensated Absences	455,666	43,643	-	499,309
Total long-term liabilities	$ 9,877,715	$ 43,643	$ 824,713	$ 9,096,645

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

DESCRIPTION OF LONG-TERM DEBT

Note payable to Santander Bank, NA with a fixed rate of 5.522%, due in 10 annual payments of principal and interest. The note proceeds were used to purchase a Sutphen SPH100 fire truck. The balance at September 30, 2024 was $1,179,235.

ANNUAL REQUIREMENTS TO AMORTIZE DEBT OUTSTANDING

The annual requirements to amortize notes payable outstanding at September 30, 2025 are as follows:

Year Ending	Note Payable	
September 30:	Principal	Interest
2026	104,685	65,070
2027	110,461	59,293
2028	116,557	53,198
2029	122,988	46,767
2030-2033	724,544	124,229
Total	$ 1,179,235	$ 348,557

Note payable to Santander Bank, NA with a fixed rate of 2.78%, due in 9 annual payments of principal and interest. The note proceeds were used to purchase a 2022 Sutphen G9 Custom Pumper fire truck. The balance at September 30, 2025 was $530,168.

ANNUAL REQUIREMENTS TO AMORTIZE DEBT OUTSTANDING

The annual requirements to amortize notes payable outstanding at September 30, 2025 are as follows:

Year Ending	Note Payable	
September 30:	Principal	Interest
2026	69,646	14,756
2027	71,584	12,818
2028	73,576	10,825
2029	75,624	8,777
2030-2032	239,738	13,468
Total	$ 530,168	$ 60,644

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

a) Two District appointees,
b) Two Members of the Department elected by the membership,
c) Fifth Member elected by other four and appointed by District.

Full-time employees who are classified as full-time certified firefighters shall participate in the System as a condition of employment.

Plan Membership as of October 1, 2024:

17	Inactive Plan Members or Beneficiaries
1	Inactive Plan Members Entitled to But Not Yet Receiving
22	Active Plan Members
40	

Benefits Provided

The Plan provides retirement, termination, disability and death benefits as follows:

Normal Retirement

Eligibility: Earlier of age 55 and the completion of 10 years of Credited Service or age 52 and the completion of 25 years of Credited Service.

Benefit Amount: 3.5% of Average Final Compensation of Credited Service.

Early Retirement
Eligibility: Age 50 and 10 Years of Credited Service.
Benefit Amount: Accrued benefit, reduced 3% for each year prior to Normal Retirement.

Supplemental Monthly Benefit
Normal and Early service retirees receive $250 (reduced for Early) for life.

Cost-of-Living Increase

Normal and Early Retirees who retire after March 18, 2009, and their Beneficiaries or Joint Annuitants, receive annual 3% benefit increases beginning the first October 1 following 5 years of retirement.

Vesting
Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Disability Retirement
Eligibility: 10 years of credited service for non-service related; coverage from date of hire for service-incurred.
Benefit Amount: Accrued benefit, but not less than 42% of Average Final Compensation (if Service Incurred)

Death Benefits Pre-Retirement
Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
Non-Vested: Refund of accumulated contribution without interest.

Contributions

Member Contributions: 8.0% of Salary.

District and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability

The measurement date is September 30, 2025.
The measurement period for the pension expense was October 1, 2024 to September 30, 2025.
The reporting period is October 1, 2024 through September 30, 2025.

The Sponsor's Net Pension Liability was measured as of September 30, 2025.
The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2024 updated to September 30, 2025 using the following actuarial assumptions.

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

The mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption 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, 2024 FRS valuation report for special risk employees.

Healthy Lives (Active)

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Healthy Lives (Retirees)

Female: PubS.H-2010 for Healthy Retireees, set for Healthy Retirees.
Male: PubS.H-2010 for Healthy Retireees, set for Healthy Retirees.

Beneficiary Lives

Female: PubS.H-2010 for Healthy Retireees, set for Healthy Retirees.
Male: PubS.H-2010 for Healthy Retireees, set for Healthy Retirees, sset back 1 year.

Disabled Lives

Female: PubS.H-2010 for Disabled Retireees, set forward 1year.
Male: PubS.H-2010 for Disabled Retireees

The significant assumptions are based upon the most recent actuarial experience study dated June 7, 2022.

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.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	50%	7.50%
International Equity	15%	8.50%
Broad Market Fixed Inc.	20%	2.50%
Fixed Income (Non-Core)	2.5%	2.50%
Global Fixed Income	2.5%	3.50%
Real Estate	10%	4.50%
Total	100%	

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Discount Rate
The Discount Rate used to measure the Total Pension Liability was 7.00%.

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 Sponsor 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.

Net Pension Liability of Sponsor

The components of the net pension liability of the sponsor on September 30, 2025 were as follows:

Total Pension Liability	$ 25,928,456
Plan Fiduciary Net Position	(19,409,603)
Sponsor's Net Pension Liability	$ 6,518,853
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.86%

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2024	$ 23,808,903	$ 16,817,323	$ 6,991,580
Changes for a Year:			
Service Cost	496,125	-	496,125
Interest	1,662,348	-	1,662,348
Difference between Expected & Ac	398,269	-	398,269
Change of Assumptions	677,218	-	677,218
Change of benefit terms	-	-	-
Contributions-Employers	-	1,553,831	(1,553,831)
Contributions-State		58,125	(58,125)
Contributions-Employee	-	156,164	(156,164)
Net Investment Income	-	1,972,216	(1,972,216)
Benefit Payments, Including Refun of Employee Contributions	(1,114,407)	(1,114,407)	-
Administrative Expense	-	(33,649)	33,649
Other Changes	-	-	-
New Changes	2,119,553	2,592,280	(472,727)
Balance at September 30, 2025	$ 25,928,456	$ 19,409,603	$ 6,518,853

The sensitivity of the Net Pension Liability to changes in the discount rate are as follows:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	$ 10,254,848	$ 6,518,853	$ 3,468,972

Pension plan fiduciary position

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2025, the Sponsor will recognize a pension expense of $916,347. On September 30, 2025, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual	$ 914,727	$ 20,075
Changes of Assumptions	975,659	37,888
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	1,543,208
Employer and State Contributions Subsequent to the Measurement Date	-	-
	$ 1,890,386	$ 1,601,171

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

Year ended September 30:	
2026	$ 373,616
2027	$ (203,731)
2028	$ (277,931)
2029	$ 89,979
2030	$ 153,641
Thereafter	$ 153,641

Investments

The Plan's investments were being held by Salem Trust Company, Inc. Investments at September 30, 2025, consist of the following:

Common Stock	$ -
U.S. Treasury	-
Government Securities	-
Money Market Funds	206,704
Corporate Bonds	-
Real Estate	1,297,078
Mutual Funds	17,719,463
Total	$ 19,223,245

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Investments (Continued)

The Fund's investments in government securities and corporate bonds had maturities as follows:

		Investment maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate Bonds	$ -	$ -	$ -	$ -	$ -
Gov't Securities	-	-	-	-	-
US Treasury	-	-	-	-	-
Totals	$ -	$ -	$ -	$ -	$ -

The Fund has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan sold their governement securities and corporate bonds, therefore, there was no investment maturities or ratings. As of September 30, 2025, the Fund had no corporate bonds or government securities.

No more than 3% of the Plan'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 3% of the outstanding capital stock of the company. The value of bonds issued by any single corporation shall not exceed 3% of the total fund. The Plan limits investments in corporate common stock and convertible bonds and shall not exceed 60% of the Plan assets at cost or 70% of the Plan assets at market value. Foreign securities shall not exceed 10% of the value at market of the total portfolio.

State law limits investments in corporate bonds and governmental securities to the top 3 ratings issued by nationally recognized statistical rating organizations. The Plan's corporate bonds and governmental securities were rated by Moody's Investors Services as follows:

Rating	Fair Value
Aaa	$ -
A1 to A3	-
Baa1-Baa3	-
NR	-
Total	$ -

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Investments (Continued)

The following table presents the Plan's investments at September 30, 2025:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by amortized cost				
Goldman Sachs	$ 206,704	$ 206,704	$ -	$ -
Total investments by amortized cost	$ 206,704	$ 206,704	$ -	$ -
Investments by fair value level				
Equity securities:				
Common Stocks	$ -	$ -	$ -	$ -
Unit Investment Trust	-	-	-	-
Mutual Funds	12,759,222	12,759,222	-	-
Total equity securities	12,759,222	12,759,222	-	-
Debt securities:				
U.S. treasury securities	-	-	-	-
Government securities	-	-	-	-
Corporate bonds	-	-	-	-
Foreign bonds	-	-	-	-
Mutual Funds - Fixed Income	4,960,241	4,960,241	-	-
Total debt securities	4,960,241	4,960,241	-	-
Total investments by fair value	$ 17,719,463	$ 17,719,463	$ -	$ -
Investments measured at the net asset value (NAV)				
Real Estate Fund	$ 1,297,078			

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at a reduced or blended group (implicitly subsidized) premium rate for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

Contribution requirements of the District and plan members are established and may be amended through action from the District board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2024-2025 fiscal year, four retirees received postemployment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with government accounting standards. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. For the fiscal year ended September 30, 2025, the District recognized OPEB expense (revenue) of $(80,340. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Service Cost	$ 4,522
Interest	23,450
Differences Between Expected and Actual Experience	(153,802)
Changes of Assumptions	43,790
Benefit Payments	(51,189)
Net Change in Total OPEB Liability	(133,229)
Net OPEB Obligation, beginning of year	502,310
Net OPEB Obligation, end of year	$ 369,081

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Covered Employee Payroll	$1,297,508
Net OPEB Liability as a percentage of Covered Employee Payroll	38.71%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the total OPEB obligation as of September 30, 2025, are as follows:

Notes to Schedule:

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2025:	4.06%
Fiscal Year Ending September 30, 2024:	4.87%
Fiscal Year Ending September 30, 2023:	4.77%

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB Liability (Asset)	$ 426,800	$ 369,081	$ 321,844

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

	1% Decrease 3.00%-5.75%	Healthcare Cost Trend Rates 4.00%-6.75%	1% Increase 5.00%-7.75%
Total OPEB Liability (Asset)	$ 319,882	$ 369,081	$ 429,719

Funded Status and Funding Progress

As of September 30, 2024, the most recent valuation date, the actuarial accrued liability for benefits was $502,310 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $369,081. The covered payroll (annual payroll of active participating employees) was $1,940,300 for the 2024-2025 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 19.02%.

Plan Membership

As of September 30, 2023, the most recent valuation date, the plan was compromised of 22 active participants and 2 inactive participants receiving benefits.

Actuarial Method and Assumptions

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 recourses or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of September 30, 2025, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2025 and to estimate the District's 2024-2025 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.06% discount rate which is based on the September 20, 2023 S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices.

NOTE 7 - CHANGES IN FUND BALANCE

The following is a summary of the changes to fund balance for the year ending September 30, 2025.

	Balances at September 30, 2024	Excess of Revenues and Other Sources	Changes in Encumbrances and Prepaids	Balance at September 30, 2025
Nonspendable				
Prepaids	$ 4,917		$ (42,917)	$ 38,000
Assigned				
Long-Term Absences	455,666	43,643	-	499,309
Unassigned	3,405,854	1,116,649		4,522,503
Totals	$ 3,861,520	$ 1,160,292	$ (42,917)	$ 5,059,812

NOTE 8 - SUBSEQUENT EVENTS

The District did not have any subsequent events through June 4, 2026 (the date of the finacial statements were available to be issued) required to be recorded or disclosed in the financial statements for the year ended September 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

OKALOOSA ISLAND FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Original	Final	Actual	Variable Favorable (Unfavorable)
REVENUES				
Taxes				
Ad Valorem Taxes	$ 5,517,089	$ 5,517,089	$ 6,336,932	$ 819,843
Intergovernmental Revenue				
County Revenue	-	-	33,516	33,516
Miscellaneous Revenues				
Interest Earnings	-	-	245,107	245,107
Other Miscellaneous Revenues	-	-	9,100	9,100
Cash Brought Forward	-	-	-	-
TOTAL REVENUES	5,517,089	5,517,089	6,624,655	1,107,566
EXPENDITURES				
Public Safety - Fire Control				
Personal Services				
Salaries	2,251,562	2,251,562	2,184,889	66,673
Payroll Taxes & Employee Benefits	2,154,518	2,154,518	2,267,642	(113,124)
Operating Expenses				
Professional Services	213,130	213,130	234,341	(21,211)
Communication Services	4,000	4,000	6,151	(2,151)
Utility Services	47,000	47,000	46,447	553
Insurance	136,000	136,000	41,766	94,234
Repair & Maintenance Services	167,200	167,200	103,373	63,827
Other Current Changes & Obligations	8,100	8,100	8,037	63
Office Supplies	10,000	10,000	10,844	(844)
Operating Supplies	88,450	88,450	91,872	(3,422)
Subscriptions & Memberships	48,970	48,970	48,051	919
Capital Outlay				
Machinery & Equipment	7,570	7,570	7,566	4
Building	126,430	126,430	126,145	285
Vehicles	1	1	-	1
Debt Service				
Principal	218,757	218,757	218,756	1
Interest	35,401	35,401	35,400	1
Contingency	-	-	-	-
TOTAL EXPENDITURES	5,517,089	5,517,089	5,431,280	85,809
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	1,193,375	1,193,375
FUND BALANCE - Beginning of Year	-	-	3,866,437	3,866,437
FUND BALANCE - End of Year	$ -	$ -	$ 5,059,812	$ 5,059,812

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(UNAUDITED)

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability											
Service Cost	$ 496,125	$ 402,834	$ 349,944	$ 302,429	$ 310,131	$ 317,405	$ 315,021	$ 281,575	$ 331,319	$ 312,345	$ 292,647
Interest	1,662,348	1,513,655	1,445,372	1,359,488	1,292,182	1,289,042	1,239,028	1,183,662	1,192,561	1,102,924	1,067,883
Changes of benefit terms	-	656,760	-	410,511	-	-	(682)	(695,908)	-	-	-
Differences between Expected and Actual Experience	398,269	545,986	196,844	321,291	(28,032)	(84,455)	30,720	80,459	34,366	(291,603)	(290,489)
Changes of assumptions	677,218	-	273,977	490,879	231,612	(265,217)	227,197	-	295,819	658,466	-
Contributions- Buy Back	-	-	-	-	-	-	-	-	-	-	8,928
Benefit Payments, including Refunds of Employee Contributions	(1,114,407)	(1,062,309)	(1,043,145)	(1,048,891)	(1,007,223)	(928,490)	(901,999)	(778,491)	(649,774)	(639,223)	(653,839)
Net Change in Total Pension Liability	2,119,553	2,056,926	1,222,992	1,835,707	798,670	328,285	909,285	71,297	1,204,291	1,142,909	425,130
Total Pension Liability - Beginning	23,808,903	21,751,977	20,528,985	18,693,278	17,894,608	17,566,323	16,657,038	16,585,741	15,381,450	14,238,541	13,813,411
Total Pension Liability - Ending (a)	$ 25,928,456	$ 23,808,903	$ 21,751,977	$ 20,528,985	$ 18,693,278	$ 17,894,608	$ 17,566,323	$ 16,657,038	$ 16,585,741	$ 15,381,450	$ 14,238,541
Plan Fiduciary Net Position											
Contributions- Employer	$ 1,553,831	$ 1,294,500	$ 1,252,000	$ 1,100,018	$ 1,191,800	$ 1,200,073	$ 933,644	$ 861,986	$ 782,613	$ 775,574	$ 708,789
Contributions- State	58,125	62,191	50,860	46,956	45,437	74,838	-	37,865	36,660	45,330	43,485
Contributions- Employees	156,164	143,799	126,312	102,581	102,986	99,965	95,246	96,888	95,126	91,087	85,999
Contributions- Buy Back	-	-	-	-	-	-	-	-	-	-	8,928
Net Investment Income	1,972,216	3,172,963	1,287,427	(2,002,137)	2,321,460	1,173,642	311,998	599,470	836,918	288,447	(112,066)
Benefit Payments, including Refunds of Employee Contributions	(1,114,407)	(1,062,309)	(1,043,145)	(1,048,891)	(1,007,223)	(928,490)	(901,999)	(778,491)	(649,774)	(639,223)	(653,839)
Administrative Expense	(33,649)	(36,934)	(29,728)	(29,913)	(21,728)	(24,389)	(61,020)	(47,929)	(17,166)	(23,642)	(19,947)
Net Change in Plan Fiduciary Net Position	2,592,280	3,574,210	1,643,726	(1,831,386)	2,632,732	1,595,639	377,869	769,789	1,084,377	537,573	61,349
Plan Fiduciary Net Position - Beginning	16,817,323	13,243,113	11,599,387	13,430,773	10,798,041	9,202,402	8,824,533	8,054,744	6,970,367	6,432,794	6,371,445
Plan Fiduciary Net Position - Ending (b)	$ 19,409,603	$ 16,817,323	$ 13,243,113	$ 11,599,387	$ 13,430,773	$ 10,798,041	$ 9,202,402	$ 8,824,533	$ 8,054,744	$ 6,970,367	$ 6,432,794
Net Pension Liability - Ending (a) - (b)	$ 6,518,853	$ 6,991,580	$ 8,508,864	$ 8,929,598	$ 5,262,505	$ 7,096,567	$ 8,363,921	$ 7,832,505	$ 8,530,997	$ 8,411,083	$ 7,805,747
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	74.86%	70.63%	60.88%	56.50%	71.85%	60.34%	52.39%	52.98%	48.56%	45.32%	45.18%
Covered Employee Payroll*	$ 1,958,577	$ 1,826,984	$ 1,577,350	$ 1,249,112	$ 1,285,996	$ 1,249,565	$ 1,190,577	$ 1,211,105	$ 1,189,075	$ 1,146,514	$ 1,119,731
Net Pension Liability as percentage of Covered Payroll	332.84%	382.68%	539.44%	714.88%	409.22%	567.92%	702.51%	646.72%	717.45%	733.62%	697.11%

**The covered employee payroll numbers shown are in compliance with GASB 82.*

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
(UNAUDITED)

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contributions Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/25	$ 1,365,612	$ 1,611,956	$ (246,344)	$ 1,958,577	82.30%
09/30/24	$ 1,159,631	$ 1,356,691	$ (197,060)	$ 1,826,984	74.26%
09/30/23	$ 1,048,170	$ 1,302,860	$ (254,690)	$ 1,577,350	82.60%
09/30/22	$ 1,022,494	$ 1,146,974	$ (124,480)	$ 1,249,112	91.82%
09/30/21	$ 1,016,094	$ 1,237,237	$ (221,143)	$ 1,285,996	96.21%
09/30/20	$ 947,052	$ 1,274,911	$ (327,859)	$ 1,249,565	102.03%
09/30/19	$ 856,744	$ 933,644	$ (76,900)	$ 1,190,577	78.42%
09/30/18	$ 899,851	$ 899,851	$ -	$ 1,211,105	74.30%
09/30/17	$ 819,273	$ 819,273	$ -	$ 1,189,075	68.90%
09/30/16	$ 820,904	$ 820,904	$ -	$ 1,146,514	71.60%
09/30/15	$ 752,274	$ 752,274	$ -	$ 1,119,731	67.18%
09/30/14	$ 729,936	$ 729,936	$ -	N/A	N/A
09/30/13	$ 778,224	$ 778,224	$ -	N/A	N/A

**The covered employee payroll numbers shown are in compliance with GASB 82.*

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
LAST SEVEN YEARS*

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Annual money-weighted rate of return net of investment expense	11.54%	23.62%	11.04%	-14.91%	21.48%	12.46%	3.53%			

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

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	October 1, 2022
Notes:	Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost Method:	Individual Entry-Age Actuarial Cost Method
Amortization method:	New UAAL amortization bases are amortized over 20 years
Remaining amortization period:	20 Years
Inflation:	2.5% per year
Mortality:	Healthy Lives (Active): Female and Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Healthy Lives (Retirees): Female and Male: PubS.H-2010 for Healthy Retirees, set forward one year. Beneficiary Lives: PubG.H-2010 for Healthy Retirees. Male: PubG.H.-2010 for Healthy Retirees, set back 1 year Disabled Lives: 80% PubG.H-2010 for Disabled Retirees/ 20% PubS.H-2010 for Disabled Retirees.
Interest Rate:	7.00% per year, compounded annually
Retirement Age:	Age 55 and 10 years of Credited Service, or age 52 and 25 years of Credited Service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Disability Rates:	See table below. It is assumed that 90% of Disability Retirees are service related.
Termination Rates:	See table below.
Salary Increases:	less than 2 years 7.5%. 2-6 years 6.0%. 7 or more years 5.50%.
Payroll Increases:	3.5% per year.
Asset Valuation Method:	All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Disability Rates:

Age	% Becoming Disable During the Year
20	0.09%
30	0.12%
40	0.21%
50	0.54%

Termination Rates:

Service	% Terminating During the Year
0-1	12.00%
2-9	4.00%
10-14	2.00%
15+	1.00%

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

YEAR ENDED SEPTEMBER 30,	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 4,522	$ 4,508	$ 7,438	$ 7,700	$ 8,247	$ 7,264	$ 8,453	$ 9,157
Interest	23,450	24,207	17,787	16,704	9,855	10,626	5,372	4,528
Differences Between Expected and Actual Experience	(153,802)	-	2,086	-	412,350	-	-	-
Change of benefit terms	-	-	-	-	-	-	107,138	-
Changes of Assumptions	43,790	(5,240)	(201,537)	(26,994)	106,417	19,564	(2,548)	(8,982)
Benefit Payments	(51,189)	(47,729)	(47,254)	(44,163)	(18,039)	(16,703)	(4,588)	(4,248)
Annual OPEB Cost (Expense)	(133,229)	(24,254)	(221,480)	(46,753)	518,830	20,751	113,827	455
Net OPEB Obligation, beginning of year	502,310	526,564	748,044	794,797	275,967	255,216	141,389	140,934
Net OPEB Obligation, end of year	$ 369,081	$ 502,310	$ 526,564	$ 748,044	$ 794,797	$ 275,967	$ 255,216	$ 141,389
COVERED EMPLOYEE PAYROLL	$ 1,940,300	$ 1,297,508	$ 1,265,861	$ 1,133,002	$ 1,105,368	$1,215,941	$1,186,284	$ 1,204,581
Net OPEB Liability as a Percentage of Covered Employee Payroll	19.02%	38.71%	41.60%	66.02%	71.90%	22.70%	21.51%	11.74%

Notes to Schedule

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 5 to the financial statements.

The net OPEB liability amount presented for each fiscal year was determined as of September 30 measurement date prior to the fiscal year-end.

The schedule is intended to present ten years of data. Additional years of data will be presented as they become available.

Changes of assumptions

Fiscal Year Ending September 30, 2025: 4.06%
Fiscal Year Ending September 30, 2024: 4.87%
Fiscal Year Ending September 30, 2023: 4.77%
Fiscal Year Ending September 30, 2022: 2.43%
Fiscal Year Ending September 30, 2021: 2.14%
Fiscal Year Ending September 30, 2020: 3.58%
Fiscal Year Ending September 30, 2019: 4.18%
Fiscal Year Ending September 30, 2018: 3.64%

COMPLIANCE

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

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

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

We have examined Okaloosa Island Fire District's compliance with Florida Statute 218.415, Florida Statutes, *Local Government Investment Policies,* during the year ended September 30, 2025.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance 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 reasonable basis of our opinion.

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

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

In our opinion, the District complied, in all material respects, with Florida Statute 218.415 with regards to investments 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

Nicholson, Reeder & Reynolds

Fort Walton Beach, Florida
June 4, 2026

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

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

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okaloosa Island 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 4, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* .

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Nicholson Reeder & Reynolds

Fort Walton Beach, Florida
June 4, 2026

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

MANAGEMENT LETTER

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Okaloosa Island Fire District ("District"), Fort Walton Beach, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 4, 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 Audit Standards,* issued by 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 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 this report, which is dated June 4, 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. There were no recommendations made in the preceding annual audit report.

Office 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, unlessed disclosed in the notes to the financial statements. The Okaloosa Island Fire District was established by Florida Special Act in 1977 by ordinance 77-4.

Financial Condition

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

Financial Condition (Continued)

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Okaloosa Island Fire 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 reccomendations.

Property Assesed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a, Rules of the Auditor General, the Okaloosa Island Fire District did not operate within its geographical boundries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, during the fiscal year under audit.

Special District Component Units

Section 10.544(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of teh county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Audtior General, the Okaloosa Island Fire District reported:

a. The total number of district employees compensated in the last pay period of the District's fiscal year as 21.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 0.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $2,184,889.

d. All compensation earned by or awarded to nonemployee independed contractors, whether paid or accrued, regardless of contigency as $0.

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 as $0.

Specific Information (continued)

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. There was no budget variances or amendments based on the budgt adopted under Section 189.016(4), Florida Statutes, before the fiscal year being reported.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Audtior General, the Okaloosa Island Fire District reported:

a. The millage rate imposed by the District as 3.60.

b. The total amount of ad valorem taxes collected by or on behalf of the District as $6,336,932.

c. The total amount of oustanding 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 Fire Commissioners, and applicable management, and is not intended to be and should not be used by any other than these specified parties.

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

Nicholson, Reeder & Reynolds

Fort Walton Beach, Florida
June 4, 2026