PALM HARBOR SPECIAL FIRE CONTROL & RESCUE DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

PALM HARBOR SPECIAL FIRE CONTROL & RESCUE DISTRICT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of Palm Harbor Special Fire Control and Rescue District (District) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

CS&L CPAs

CS&L CPAs, P.A.

June 8, 2026
Tampa, Florida

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by $46,367,236.
- The District's net position increased by $11,066,006 during the current fiscal year.
- As of the close of the fiscal year, the District's governmental funds (general and capital projects funds) reported an ending fund balance of $24,542,906. Total fund balance increased $3,847,384 during the year ended September 30, 2025.
- $15,951,368 is available for spending in the General Fund at the District's discretion.
- Long-term obligations, which include compensated absences, pension and OPEB obligations at the end of fiscal year which amounted to $2,323,342.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to a private-sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The statement of net position presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between them 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation leave).

The government-wide financial statements should distinguish functions of the District that are principally supported by fire assessments and ad valorem taxes, impact fees 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). All of the District's activities are governmental.

The government-wide financial statements can be found on pages 12 - 13 of this report.

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. All of the funds of the District are governmental funds. The District's funds consist of the general fund and the capital projects fund. The District also has a fiduciary fund.

GOVERNMENTAL FUNDS

Governmental funds 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. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result, long-term assets and liabilities are not included. The District uses a general fund and a capital projects fund.

The general fund is the general operating fund. All general tax revenues are accounted for in this fund. From this fund all general operating expenditures and budgeted capital expenditures are paid. The capital projects fund is used to accounts for revenues generated under the Public Safety Construction Fee Ordinance which are designated for acquisition and construction of capital improvements.

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

The basic governmental fund financial statements can be found on pages 14 to 17 of this report.

FIDUCIARY FUND

The fiduciary fund is used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. Accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The fiduciary fund financial statements can be found on pages 18 to 19 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table on the following page provides a comparative summary of the District's statement of net position as of September 30, 2025 and September 30, 2024:

	Governmental Activities	
	2025	2024
Assets		
Current assets	$ 26,269,078	$ 21,143,341
Tower lease receivable	2,252,531	2,218,742
Net pension asset	13,031,427	11,209,193
Capital assets, net	15,986,917	12,332,268
Total assets	57,539,953	46,903,544
Deferred outflows of resources	6,291,848	3,091,712
Total assets and deferred outflows of resources	$ 63,831,801	$ 49,995,256
Liabilities		
Current liabilities	1,663,703	$ 544,571
Long-term liabilities	2,323,342	2,068,803
Total liabilities	3,987,045	2,613,374
Deferred inflows of resources	13,477,520	11,925,652
Net position		
Net investment in capital assets	15,986,917	12,332,268
Restricted	276,240	243,888
Unrestricted	30,104,079	22,880,074
Total net position	46,367,236	35,456,230
Total liabilities, deferred inflows of resources and net position	$ 63,831,801	$ 49,995,256

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the District's case, assets and deferred outflows of the District exceeded its liabilities and deferred inflows by $46,367,236 at the end of the fiscal year.

A large portion of the District's net position, $15,986,917, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets to provide fire protection and emergency services to citizens within the boundaries of the District; consequently, these assets are not available for future spending. The District also has restricted net position for capital projects in the amount of $276,240. The remaining balance of unrestricted net position is $30,104,079. Unrestricted net position increased over the prior year by $7,224,005 and the total net position increased $11,066,006 over the prior year.

The following table provides a comparative summary of the District's statement of activities as of September 30, 2025 and September 30, 2024:

	Governmental Activities	
	2025	2024
Revenues		
Program revenues:		
Charges for services	$ 5,085,278	$ 4,055,550
Impact fees	32,352	38,508
Federal and state grants	136,751	53,853
General revenues:		
Property and other taxes	16,025,190	15,017,043
Investment earnings	1,086,211	950,781
Other	1,016,969	995,443
Total revenues	23,382,751	21,111,178
Expenses		
Public Safety – Fire & EMS Protection	12,316,745	12,115,671
Total expenses	12,316,745	12,115,671
Change in net position	11,066,006	8,995,507
Net position, beginning as originally stated	35,456,230	26,260,773
Prior period adjustment	(155,000)	199,950
Net position, beginning as restated	35,301,230	26,460,723
Net position, ending	$ 46,367,236	$ 35,456,230

Beginning net position was restated as of October 1, 2024 by $155,000 due to the adoption of GASB Statement No. 101, *Compensated Absences* as discussed in Note 1 of the financial statements.

Governmental activities increased the District's net position by $11,066,006 from the previous fiscal year.

- Revenues increased by $2,271,573 largely due to increases in charges for services of $1,029,728 and property and other taxes.
- Expenses remained consistent with the prior year, only increasing by $201,074.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The focus of the District's governmental funds 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.

General Fund

The general fund is the District's operating fund, which reported a fund balance of $24,266,666. $9,680 of fund balance is non-spendable related to prepaid items and deposits. $8,305,618 of fund balance is held in committed investment accounts for vacation and special pay, capital improvements, Station No. 68, and self-contained breathing apparatus.

At the end of the current fiscal year, the total unassigned fund balance of the general fund was $15,951,368, which is available for future spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned fund balance represents 82% of total 2025 general fund expenditures.

The fund balance of the District's General Fund increased $3,815,032 during the current fiscal year. Revenues in the General Fund increased by $2,437,618, mainly due increased property tax revenues and EMS service revenues. Expenditures in the General Fund increased $2,423,701. The increase is related to increased personnel costs of $468,318, other operating costs of $287,836, and capital outlay of $1,699,547.

Capital Projects Fund

The Capital Projects Fund accounts for revenues generated under the Public Safety Construction Fee Ordinance which are designated for acquisition and construction of capital improvements.

Fund balance for the Capital Projects Fund is restricted. During 2025, fund balance increased by $32,352.

Fiduciary Fund

The fiduciary fund increased by $11,209,583 during the year due to contributions of $3,064,634 and investment income of $9,565,260, offset by deductions of $1,420,311. Net position restricted for pensions totaled $74,724,557.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the general fund budget was not amended. Budgeted revenues were $21,543,299 and budgeted expenditures were $21,548,299.

The District also budgeted for proceeds from the sale of capital assets of $180,000 and transfers in of $1,525,000.

A summary of the actual results compared to the final budget is as follows:

	2025			2024		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues						
Property and other taxes	$ 16,071,386	$ 16,025,190	$ (46,196)	$ 12,469,662	$ 12,641,253	$ 171,591
Other revenues	5,471,913	7,029,963	1,558,050	9,278,114	8,008,634	(1,269,480)
Total revenues	21,543,299	23,055,153	1,511,854	21,747,776	20,649,887	(1,097,889)
Expenditures						
Capital outlay	4,855,000	4,425,103	429,897	5,924,750	2,725,556	3,199,194
Public Safety - Fire & EMS Protection	16,693,299	14,993,918	1,699,381	16,418,026	14,271,764	2,146,262
Total expenditures	21,548,299	19,419,021	2,129,278	22,342,776	16,997,320	5,345,456
Excess (deficiency) of revenues over (under) expenditures	(5,000)	3,636,132	3,641,132	(595,000)	3,652,567	4,247,567
Other financing sources						
Proceeds from sale of capital assets	180,000	178,900	(1,100)	150,000	316,214	166,214
Transfers in (out)	1,525,000	-	(1,525,000)	445,000	(100)	(445,100)
Total other financing sources	1,705,000	178,900	(1,526,100)	595,000	316,114	(278,886)
Net change in fund balance	$ 1,700,000	$ 3,815,032	$ 2,115,032	$ -	$ 3,968,681	$ 3,968,681

For the current fiscal year, actual revenues exceeded budgeted revenues by $1,511,854. Actual expenditures were less that budget by $2,129,278.

The general fund budget is presented as required supplementary information as listed in the table of contents.

CAPITAL ASSETS

The District's investment in capital assets amounts to $15,986,917 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; buildings and improvements; and furniture, fixtures and equipment. The District's investment in capital assets for the current fiscal year increased by $3,654,649 due to capital additions being greater than depreciation expense.

Capital assets held by the District at the end of the current and prior year are summarized as follows:

	2025			2024		
	Beginning Balance	Net Additions/ (Deletions)	Ending Balance	Beginning Balance	Net Additions/ (Deletions)	Ending Balance
Land	$ 1,414,043	$ -	$ 1,414,043	$ 1,414,043	$ -	$ 1,414,043
Construction in progress	2,849,650	3,740,461	6,590,111	410,046	2,439,604	2,849,650
Buildings and improvements	3,742,594	13,588	3,756,182	3,609,144	133,450	3,742,594
Furniture, fixtures and equipment	4,325,981	(99,400)	4,226,581	4,784,449	(558,468)	4,225,981
Total capital assets, net	$ 12,332,268	$ 3,654,649	$ 15,986,917	$ 10,217,682	$ 2,014,586	$ 12,232,268

Additional information on the District's capital assets can be found in Note 3 of this report.

LONG-TERM OBLIGATIONS

At the end of 2025, the District had total long-term obligations in the amount of $2,323,342 which included compensated absences, pension and OPEB obligations at the end of fiscal year.

More detailed information about the District's noncurrent liabilities can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Commissioners approved the budget for the 2025-26 fiscal year. Total budgeted revenues were $22,318,890 and total budgeted expenditures were $22,318,890. The budget anticipates the use of reserves of $1,600,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for the District's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to the Fire Chief, 250 West Lake Road, Palm Harbor, Florida 34684. For information about services, visit the District's website at www.palmharborfd.com.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government
	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	$ 7,377,705
Investments	17,449,562
Due from other governments	1,367,698
Other receivables	1,964
Prepaid expenses	6,375
Deposits	3,305
Tower lease receivable, current portion	46,186
Tower interest receivable	16,283
Total current assets	26,269,078
Non-current Assets	
Tower lease receivable, net of current portion	2,252,531
Net pension asset	13,031,427
Capital assets, net	
Non-depreciable	8,004,154
Depreciable	7,982,763
Total non-current assets	31,270,875
Total assets	57,539,953
Deferred outflows of resources	
Deferred outflows - pension	5,707,527
Deferred outflows - OPEB	584,321
Total deferred outflows of resources	6,291,848
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	1,663,703
Compensated absences	131,095
Total current liabilities	1,794,798
Non-current liabilities	
Compensated absences	742,877
Net pension liability	464,060
Total OPEB liability	985,310
Total non-current liabilities	2,192,247
Total liabilities	3,987,045
Deferred inflows of resources	
Deferred inflows - tower leases	2,092,085
Deferred inflows - pension	11,179,640
Deferred inflows - OPEB	205,795
Total deferred inflows of resources	13,477,520
Net position	
Net investment in capital assets	15,986,917
Restricted for capital projects	276,240
Unrestricted	30,104,079
Total net position	$ 46,367,236

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions:					
Governmental activities:					
Public safety - fire and EMS					
Personnel expenses	$ 9,882,375	$ 4,334,858	$ 136,751	$ 32,352	$ (5,378,414)
Operating expenses	2,434,370	750,420	-	-	(1,683,950)
Total governmental activities	12,316,745	5,085,278	136,751	32,352	(7,062,364)
Total primary government	$ 12,316,745	$ 5,085,278	$ 136,751	$ 32,352	$ (7,062,364)
General revenues					
Property taxes					13,664,847
Infrastructure sales tax					2,287,237
Tax collector fee rebate					73,106
Tower lease revenue					403,556
Firefighters' educational incentive					23,531
Investment earnings					1,086,211
Hazmat reimbursement					276,023
Insurance proceeds					109,483
Miscellaneous					25,476
Gain on sale of capital assets					178,900
Total general revenues					18,128,370
Change in net position					11,066,006
Net position, beginning of year as originally stated					35,456,230
Change in accounting principle (Note 1)					(155,000)
Net position, beginning of year as restated					35,301,230
Net position, end of year					$ 46,367,236

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 7,106,106	$ 271,599	$ 7,377,705
Investments	17,449,562	–	17,449,562
Due from governmental entities	1,363,057	4,641	1,367,698
Other receivables	1,964	–	1,964
Prepaid items	6,375	–	6,375
Deposits	3,305	–	3,305
Total assets	$ 25,930,369	$ 276,240	$ 26,206,609
Liabilities			
Accounts payable	$ 696,922	$ –	$ 696,922
Accrued liabilities	966,781	–	966,781
Total liabilities	1,663,703	–	1,663,703
Fund balances			
Non-spendable			
Prepaid items	6,375	–	6,375
Deposits	3,305	–	3,305
Restricted			
Equipment and improvements	–	276,240	276,240
Committed			
Vacation and special pay	889,373		889,373
Capital improvements	4,790,772		4,790,772
Station No. 68	2,010,942		2,010,942
Self-contained breathing apparatus	614,531		614,531
Unassigned	15,951,368	–	15,951,368
Total fund balances	24,266,666	276,240	24,542,906
Total liabilities and fund balances	$ 25,930,369	$ 276,240	$ 26,206,609

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balances - Total governmental funds		$ 24,542,906
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables related to tower leases are not a financial asset and, therefore, are not reported in the governmental funds		
Tower lease receivable		2,298,717
Tower interest receivable		16,283
The net pension asset reported in governmental activities is not a financial resource and, therefore, is not reported in the governmental funds		13,031,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental non-depreciable assets	$ 8,004,154	
Governmental depreciable assets	14,322,079	
Less accumulated depreciation	(6,339,316)	15,986,917
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Pension		5,707,527
OPEB		584,321
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		
Compensated absences	(873,972)	
Net pension liability	(464,060)	
Total OPEB liability	(985,310)	(2,323,342)
Deferred inflows of resources are not available to pay for current expenditures and, therefore, are not reported in the governmental funds		
Tower leases		(2,092,085)
Pension		(11,179,640)
OPEB		(205,795)
Net position of governmental activities		$ 46,367,236

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Property taxes	$ 13,664,847	$ –	$ 13,664,847
Infrastructure sales tax	2,287,237	–	2,287,237
EMS services	5,051,437	–	5,051,437
Tax collector fee rebate	73,106	–	73,106
Intergovernmental	136,751	–	136,751
Hazmat reimbursement	276,023	–	276,023
Firefighters' educational initiative	23,531	–	23,531
Impact fees	–	32,352	32,352
Investment earnings	1,086,211	–	1,086,211
Tower lease revenue	287,210	–	287,210
Charges for services	33,841	–	33,841
Insurance proceeds	109,483	–	109,483
Miscellaneous	25,476	–	25,476
Total revenues	23,055,153	32,352	23,087,505
Expenditures			
Personnel services			
Salaries	8,105,375	–	8,105,375
Retirement	2,215,035	–	2,215,035
Insurance – employee	2,123,044	–	2,123,044
Payroll expenditures	631,606	–	631,606
Total personnel services	13,075,060	–	13,075,060
Other operating expenditures			
Building and equipment maintenance	197,489	–	197,489
Fees	369,881	–	369,881
Insurance	284,003	–	284,003
Medical and health services	80,454	–	80,454
Miscellaneous expenditures	42,393	–	42,393
Supplies	16,125	–	16,125
Operating equipment	83,949	–	83,949
Professional services	91,619	–	91,619
Computer hardware and software	81,559	–	81,559
Training, education and travel	79,133	–	79,133
Incentive program	2,309	–	2,309
Uniforms	172,179	–	172,179
Utilities	98,909	–	98,909
Vehicle maintenance and fuel	318,856	–	318,856
Total other operating expenditures	1,918,858	–	1,918,858
Capital outlay	4,425,103	–	4,425,103
Total expenditures	19,419,021	–	19,419,021
Excess (deficiency) of revenues over (under) expenditures	3,636,132	32,352	3,668,484
Other financing sources (uses)			
Proceeds from sale of capital assets	178,900	–	178,900
Total other financing sources (uses)	178,900	–	178,900
Change in fund balances	3,815,032	32,352	3,847,384
Fund balances, beginning of year	20,451,634	243,888	20,695,522
Fund balances, end of year	$ 24,266,666	$ 276,240	$ 24,542,906

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
– GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances – Total governmental funds		$ 3,847,384
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues in the statement of activities do not provide current financial resources		
Change in tower lease receivable		39,453
Change in tower interest receivables		(1,466)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are depreciated over their estimated useful lives		
Capital outlay		4,425,103
Current year depreciation		(770,454)
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 governmental funds		
Change in compensated absences		(98,880)
Change in tower lease related deferred inflows of resources		78,359
In the governmental funds, current year expenditures related to pensions and OPEB are comprised solely of amounts contributed to the plans for the current year. However, in the statement of activities, expenses related to pensions and OPEB include amounts that do not require the use of current financial resources. These amounts represent the difference in the required accounting treatment of pensions, OPEB and related items		
Change in deferred outflows of resources – pension	3,295,479	
Change in deferred outflows of resources – OPEB	(95,343)	
Change in net pension asset	1,822,234	
Change in net pension liability	128,664	
Change in other post-employment benefits	25,700	
Change in deferred inflows of resources – pension	(1,620,630)	
Change in deferred inflows of resources – OPEB	(9,597)	3,546,507
Net position of governmental activities		$ 11,066,006

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
SEPTEMBER 30, 2025

	Firefighters' Retirement Fund
Assets	
Cash	$ 9,419
Investment income receivable	143,108
Contribution receivable - Employer	448,000
Investments	74,274,525
Total assets	74,875,052
Liabilities	
Accounts payable	150,495
Total liabilities	150,495
Net position	
Restricted for pension benefits	$ 74,724,557

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND
SEPTEMBER 30, 2025

	Firefighters' Retirement Fund
Additions	
Contributions	
Employer	$ 1,792,000
Plan members	516,489
State of Florida	756,145
Total contributions	3,064,634
Investment income	
Realized gains (losses)	(1,645,234)
Unrealized gains (losses)	10,398,588
Interest	638,635
Dividends	412,006
Other receipts	3,318
Less investment expense	(242,053)
Net investment income	9,565,260
Total additions	12,629,894
Deductions	
Benefits and refunds paid to plan members and beneficiaries	1,324,520
Administrative expenses	95,791
Total deductions	1,420,311
Net increase	11,209,583
Net position restricted for pension benefits	
Beginning of year	63,514,974
End of year	$ 74,724,557

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Palm Harbor Special Fire Control and Rescue District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described as follows:

A. Reporting Entity:

The District was created under the Laws of the State of Florida Chapter 61-2661, as amended by House Bill 795, as an independent fire control district. It operates under the control of a Board of five Commissioners elected by the voters living within the District boundaries. It was established in 1961 to provide fire protection services for the unincorporated area of Pinellas County Florida known as Palm Harbor. The basic operations of the District are financed by ad valorem taxes which the District is empowered to levy on real property within its geographically defined district boundaries.

In 1997 the District entered into an agreement with the Pinellas County Emergency Medical Services Authority to provide emergency medical service. In 1986 an ordinance was established allowing the District to impose a public safety construction fee on all new development and construction in the district. These funds are restricted for capital improvements for firefighting and fire protection services related to new development and construction and are reflected in the capital projects fund of the financial statements.

The Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Fund is included in these financial statements as a pension trust fund.

GAAP requires that these financial statements present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The financial statements include the funds of the Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan. Designation of management and ability to significantly influence operations were the criteria used in determining its inclusion. The District has no other component units.

B. Basis of Presentation:

The District's financial statements include government-wide (which reports the District as a whole) and fund financial statements (which report only on the general fund, capital projects fund, and fiduciary fund). The basic financial statements present only governmental activities, as the District conducts no business type activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government-Wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. For the most part, interfund activity has been removed from these statements. The government-wide financial statements exclude the District's fiduciary activities (pension trust fund) since by definition these assets are being held for the benefit of a third-party (pension participants) and cannot be used to address activities or obligations of the government.

The statement of net position reports all financial and capital resources of the District's governmental activities. It is presented in a net position format (assets plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position.

The statement of activities reports direct program expenses offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Fund Financial Statements:

The District's accounts are organized based on funds, which are self-balancing set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The District utilizes governmental funds, which follow the modified accrual basis of accounting.

Under this method, revenues are recorded when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The District reports the following governmental funds, which are both considered major funds:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(1) General Fund – The general fund is the primary operating fund of the District. All general tax revenues are accounted for in this fund. From the fund are paid the general personal service and operating expenditures.

(2) Capital Projects Fund – The capital projects fund is used to accounts for revenues generated under the Public Safety Construction Fee Ordinance which are designated for acquisition and construction of capital improvements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide presentation.

The District also uses a pension trust fund:

(1) Fiduciary Fund – Pension Trust Fund – The pension trust fund is accounted for on the accrual basis since capital maintenance is critical. Employer and participant contributions are recognized in the period in which the contributions are due. Retirement benefits and refunds are recognized when due and payable in accordance with the plan.

E. Deposits and Investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District's investment policy in order of importance is to maintain funds in investments which ensure the safety of the principal, maintain sufficient liquidity to meet anticipated cash flow requirements, and attain a market rate of return throughout budgetary and economic cycles within the limitations established by Chapter 218.415, Florida Statutes. Provisions of those statutes authorize the District to invest in:

- Qualified Public Depositories ("QPD") time deposits, savings deposits and other deposits of banks and savings and loans organized under the laws of the State of Florida or the U.S. Government and operating in the State of Florida as a QPD which include Money Market Accounts and Certificates of Deposits (non-negotiable).
- Direct obligations of the United States Treasury including Treasury Bills, Treasury Notes, and Treasury Bonds.
- Money market funds defined as shares in an open-end and no-load money market fund, provided such fund is registered under the Investment Company Act of 1940 and has a minimum AAAm or equivalent National Recognized Statistical Rating Organization ("NRSRO") rating. In addition, any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, having a minimum NRSRO rating equivalent of AAAm.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969, as provided in s. 163.01.

Investments held by governmental activities are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between market participants, other than in a forced or liquidation sale.

Investments held by the District's pension trust fund are reported at fair value except for short-term investments which are reported at amortized cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values with the advice of professional investment advisors.

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position and fiduciary net position.

F. Fair Value Hierarchy:

The District categorizes its fair value measurements (investments) within the fair value hierarchy established by generally accepted accounting principles, which prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described as follows:

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

(2) Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

(3) Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

G. Interfund Receivables/Payables:

Interfund receivables/payables arise from temporary interfund transfers. When a fund has an interfund receivable and an interfund payable to the same fund, the amounts are recorded in separate accounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or advances to/from other funds" (i.e. the long-term portion of interfund loans). Internal activity and balances between governmental funds have been eliminated in the government-wide statement of net position, as applicable.

H. Prepaid Items:

Certain payments to vendors and for insurance premiums reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of governmental fund-type prepaid items are recorded as expenditures using the purchase method. Under this method, prepaid items are recorded as expenditures when purchased.

I. Capital Assets:

Capital assets, which include land; buildings and improvements; furniture, fixtures and equipment; and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $3,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred.

The District does not have infrastructure assets. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment of the District are depreciated on a straight-line basis over the following estimated useful lives:

Asset	Years
Building and improvements	20-50
Furniture, fixtures and equipment	5-20

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Deferred Outflows/Inflows:

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This 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/expenditure) until then. Two items qualify for reporting in this category. A deferred outflow of pension and OPEB resources are reflected in the government-wide statement of net position.

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Three items qualify for reporting in this category. A deferred inflow of tower leases, pension and OPEB earnings are reported in the government-wide statement of net position.

K. Long-Term Obligations:

In the government-wide financial statements, long-term obligations (including compensated absences and net pension liability) are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.

L. Compensated Absences:

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In governmental fund types, the cost of eligible vacation and sick pay is recognized when payments are made to employees or when matured, as a result of employee resignation or retirement. The general fund is the primary fund utilized to liquidate the liability for compensated absences.

M. Net Position:

Net position of the government-wide activities represents the difference between assets plus deferred outflows and liabilities and deferred inflows. Net position is reported in three parts as applicable: Net investment in capital assets, restricted and unrestricted. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balance on any borrowing spent for acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other government. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Balance:

In the fund financial statements, governmental funds report the difference between assets and liabilities/deferred inflows as fund balance. The District has established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are non-spendable and spendable. Spendable is then further classified as restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The District classifies governmental fund balances as follows:

(1) Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

(2) Spendable Fund Balance:

a. Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.

b. Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the Board of Commissioners through a resolution or the budget process.

c. Assigned – includes amounts constrained by the District's intent to be used for specific purposes, which are neither restricted nor committed, as determined by management based on Commission direction.

d. Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

It is the desire of the District to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The Commission has adopted a financial policy standard to maintain a General Fund minimum fund balance of 60 days of budgeted expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund balance created as a result of actual revenue and expenditure deviations from the budget will be used to achieve and maintain the District's minimum fund balance goals and to meet the next year's budget expenditure requirements.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

O. Property Taxes:

Property taxes represent the major source of operating revenue for the District and are recognized as revenue when they become measurable and available. The budget for the fiscal year ended September 30, 2025 was adopted by the Board of Commissioners in September 2024.

At that time a millage rate of 2.0000 per thousand of assessed valuation was approved.

Taxes are assessed for the District on January 1 of each year by the Pinellas County Property Appraiser. Taxes are collected for the District by the Pinellas County Tax Collector and are payable from November of the current year through March of the following year. A 1% discount is offered for each month paid in advance beginning with November and ending with February.

Taxes become delinquent after April 1 and attach as an enforceable lien on the property. The maximum rates of tax are set by the Legislature of the State of Florida. The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Beginning of fiscal year for which	
taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31
Fiscal year begins	October 1
Fiscal year ends	September 30

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

P. Budgets:

As empowered by State Statute the District Board of Commissioners adopts an annual budget ordinance for the general fund to assist in planning and analyzing financial activity for the fiscal period. The amounts authorized by the annual budget ordinance for the period are reported in the budget column of the financial statements. Any revision that alters the total expenditures of the fund must be approved by the District commission. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in these financial statements present the initial as well as the final authorized amounts.

Expenditures may not legally exceed budgeted appropriations at the division level within the general fund.

Q. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

R. Adoption of a New Accounting Standard:

Effective October 1, 2024, the District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB No. 101). GASB No. 101 updates the recognition and measurement guidance for compensated absences, including vacation, sick leave, and other paid leave benefits. Under GASB No.101, liabilities for compensated absences are recognized when the benefits are both attributable to services already rendered and are expected to be paid. The standard eliminates the requirement to segregate obligations into "vesting" and "non-vesting" components, instead emphasizing whether leave accumulates and whether it is more likely than not to be paid. This change required the restatement of the beginning balances of the governmental activities. The restatement effective October 1, 2024 to compensated absences and net position are as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

	Governmental Activities
Statement of Net Position:	
Compensated absences at October 1, 2024, as originally stated	$ 620,092
Change in accounting principle:	
GASB No. 101, *Compensated Absences*	155,000
Compensated absences at October 1, 2024, as restated	$ 775,092
Statement of Activities:	
Net Position at October 1, 2024, as originally stated	$ 35,456,230
Change in accounting principle:	
GASB No. 101, *Compensated Absences*	(155,000)
Net position at October 1, 2024, as restated	$ 35,301,230

NOTE 2 – CASH AND INVESTMENTS

Deposits

At September 30, 2025, the carrying amount of the District's deposits was $7,377,705 and the bank balance was $7,508,024. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act (the Act). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act.

In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

General Fund Investments

The District's general fund investments are held with Florida Cooperative Liquid Assets Securities System (FLCLASS) or Florida Surplus Asset Fund Trust ("FL SAFE") which are local government investment pools that serves the cash management needs of governments in Florida.

FLCLASS does not meet all of the specific criteria outlined in GASB 79 Paragraph 4 therefore the District measures its investments at fair value as provided in Paragraph 11 of GASB Statement 31, as amended. The District's fair value of the position in the pool is the same as the value of the pool. FLCLASS is supervised by a Board of Trustees comprised of eligible Participants of the FLCLASS program.

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Investments with FL SAFE are held in either the Daily Liquidity Fund, which is recorded at net asset value, or the Enhanced Cash Fund, which is recorded at fair value. The Daily Liquidity Fund follows GASB Statement No. 79 and values all securities at amortized cost, which approximates fair value, in an attempt to maintain a constant net asset value of $1 per share. Fair values, for note disclosures are calculated using quoted market prices on at least a weekly basis. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The Enhanced Cash Fund values all securities at fair value using evaluated bids furnished by an independent pricing service, which uses valuation methods that are designed to approximate market or fair value. The District's fair value of the position in the pool is the same as the value of the pool.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District primarily invests in investment pools as a means of managing fair value losses arising from increasing interest rates. The FLCLASS has a dollar weighted average days to maturity (WAM) of 42 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of FLCLASS at September 30, 2025 is 85 days.

Credit Risk – Credit risk results from potential default of investments that are not financially sound. FLCLASS and FL SAFE invest in top-tier, money market assets of the highest quality and FLCLASS has a Standard and Poors rating of AAAm and FL SAFE's Enhanced Cash Fund has a rating of AAAf/S1 for investments recorded as fair value.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the quantity of the City's investment in a single issuer. The District investment pools have no concentration of credit risk.

Foreign Currency Risk – FLCLASS, and FL SAFE were not exposed to any foreign currency risk during the period from October 1, 2024 through September 30, 2025.

Redemption Restrictions – There are no restrictions on withdrawals for investments recognized as amortized cost (FL SAFE Enhanced Cash Fund).

Custodial credit risk investments – Custodial credit risk investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment pools do not hold investments or collateral securities that have a custodial credit risk exposure.

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

As of September 30, 2025, the District's general fund investments included the following recurring fair value measurements:

	Total	Level 1	Level 2	Level 3
FLCLASS	$ 13,060,454	$ –	$ 13,060,454	$ –
FL SAFE	2,288,741	–	2,288,741	–
	15,349,195	$ –	$ 15,349,195	$ –
Investments not subject to level disclosures				
FL SAFE	2,100,367			
	$ 17,449,562			

The FL SAFE Daily Liquidity Fund is recognized at amortized cost and is therefore excluded from the fair value hierarchy.

Pension Investments

The fiduciary fund represents the assets of the Palm Harbor Special Fire Control and Rescue District Pension Plan (the Plan). The investments in the fiduciary fund are held by the Salem Trust Company. The total market value was $74,274,525 and the cost was $48,784,838 at September 30, 2025.

As of September 30, 2025, the District's fiduciary fund investments included the following recurring fair value measurements:

	Total	Level 1	Level 2	Level 3
Corporate bonds	$ 14,083,306	$ –	$ 14,083,306	$ –
Convertible bonds	503,385	–	503,385	–
Foreign bonds	362,814	–	362,814	–
Mortgage backed securities	12,774	–	12,774	–
Collateralized mortgage obligations	133,622	–	133,622	–
Domestic stock	51,809,310	51,809,310	–	–
International stock	4,610,802	4,610,802	–	–
	71,516,013	$ 56,420,112	$ 15,095,901	$ –
Investments not subject to level disclosures:				
Short-term investments	2,758,512			
	$ 74,274,525			

Short-term investments are recognized at amortized cost and are therefore excluded from the fair value hierarchy.

Domestic and international stocks are valued at the closing price reported on the active market on which the individual securities are traded. Corporate and municipal bonds are valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

The District's investment policy sets limits to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds have same day liquidity.

Investments of reserves, project funds, debt proceeds, and other non-operating funds have a term appropriate to the needs for funds and in accordance with debt covenants but shall not exceed ten (10) years.

At September 30, 2025, the asset allocation was as follows:

Corporate bonds	18.96%
Convertible bonds	0.68%
Foreign bonds	0.49%
Mortgage backed securities	0.02%
Collateralized mortgage obligations	0.18%
Domestic stock	69.75%
International stock	6.21%
Short-term investments	3.71%
	100.00%

The Plan did not hold investments in any one organization that represent 5 percent or more of the Plan's fiduciary net position. For the year ended September 30, 2025, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense, was 15.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Corporate bonds have interest rates between 0.00% and 6.83% with maturities between 2025 and 2035. Convertible bonds have an interest rate at 5.10% and mature in 2029. Foreign bonds have interest rates between 3.50% and 4.50% with maturities from 2029 to 2031. Mortgage backed securities have an interest rate at 4.00% and mature in 2039. Collateralized mortgage obligations have an interest rate at 2.50% and matures in 2029.

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	$ 1,414,043	$ –	$ –	$ –	$ 1,414,043
Construction in progress	2,849,650	3,740,461	–	–	6,590,111
Total capital assets, not being depreciated	4,263,693	3,740,461	–	–	8,004,154
Capital assets, being depreciated					
Buildings and improvements	6,553,215	152,003	–	–	6,705,218
Furniture, fixtures and equipment	7,636,849	532,639	(552,627)	–	7,616,861
Total capital assets, being depreciated	14,190,064	684,642	(552,627)	–	14,322,079
Less accumulated depreciation for:					
Buildings and improvements	(2,810,621)	(138,415)	–	–	(2,949,036)
Furniture, fixtures and equipment	(3,310,868)	(632,039)	552,627	–	(3,390,280)
Total accumulated depreciation	(6,121,489)	(770,454)	552,627	–	(6,339,316)
Total capital assets, being depreciated, net	8,068,575	(85,812)	–	–	7,982,763
Governmental activities capital assets, net	$ 12,332,268	$ 3,654,649	$ –	$ –	$ 15,986,917

Depreciation expense was reported as operating expenses in the statement of activities in the amount of $770,454.

NOTE 4 – TOWER LEASES

The District follows the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting. As a lessor, the District recognizes a lease receivable and a corresponding deferred inflow of resources at the commencement of the lease. The lease receivable represents the present value of lease payments expected to be received over the lease term, discounted using the interest rate implicit in the lease, or if not readily determinable, the District's estimated incremental borrowing rate. The deferred inflow of resources is recognized as lease revenue over the lease term in a systematic and rational manner. Lease payments received are allocated between a reduction of the lease receivable and interest revenue.

The District has entered into lease agreements for the use of land and towers by external parties. The leases are five year terms with additional five year extensions and are discounted at 8.50% and include annual 3% rent increases. The lessees can terminate the leases with written notice. As of September 30, 2025, the District's deferred inflows of resources related to leases totaled $2,092,085.

For the year ended September 30, 2025, the District recognized the following amounts related to leases:

Lease Revenue	
Building	$ 88,068
Land	59,396
Total lease revenue	147,464
Interest revenue	196,833
Total	$ 344,297

NOTE 4 – TOWER LEASES – CONTINUED

The future lease payments expected to be received under lease agreements as of September 30, 2025 are as follows:

Year Ending	Principal	Interest	Total Receipts
2026	$ 46,186	$ 193,647	$ 239,833
2027	57,749	189,279	247,028
2028	70,559	183,880	254,439
2029	70,316	177,591	247,907
2030	66,566	171,952	238,518
2031–2035	375,253	777,675	1,152,928
2036–2040	799,800	536,760	1,336,560
2041–2045	812,288	115,638	927,926
	$ 2,298,717	$ 2,346,422	$ 4,645,139

NOTE 5 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt and other noncurrent liabilities of the District for the year ended September 30, 2025:

	Beginning Balance as Originally Stated	Restatement	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities						
Compensated absences	$ 620,092	$ 155,000	$ 98,880 *	$ –	$ 873,972	$ 131,095
Net pension liability	592,724	–	228,370	(357,034)	464,060	–
Total OPEB liability	1,011,010		68,811	(94,511)	985,310	–
Total governmental activities	$ 2,223,826	$ 155,000	$ 396,061	$ (451,545)	$ 2,323,342	$ 131,095

* Change in compensated absences is reported net.

The beginning balance for compensated absences was restated by $155,000 due to the adoption of GASB Statement No. 101.

Compensated absence benefits includes accrued leave costs and sick leave which will not normally be liquidated with expendable available financial resources early in the subsequent accounting period. These amounts have been recorded as liabilities in the government-wide financial statements. As they are not expected to be paid for using current financial resources, these liabilities have not been recorded in the fund financial statements.

Annual Leave – Employees who earn more than two week's annual leave per year may, with the approval of the District, elect to convert annual leave to supplemental leave or Health Savings Account (HSA) (within the Internal Revenue Service HSA contribution limits) for all annual leave in excess of two (2) weeks to be earned during that fiscal year providing: two (2) weeks minimum leave has been or is being taken at that time, and no vacation carried over from prior years shall be converted.

NOTE 5 – LONG-TERM OBLIGATIONS – CONTINUED

Sick Leave – Employees in good standing, who resign or retire after five (5) or more years of continuous service, are eligible to convert a portion of their earned accumulated sick leave. The amount of sick hours an employee is allowed to cash out or convert is capped at 400 hours for 40-hour employees and 600 hours for shift employees. Leave can be converted at the rate of 2% each year up to a maximum of 62.5% as per Option 1 or 2.5% each year up to a maximum of 75.0% as per Option 2.

Under Option 1, the employee may receive cash at a rate of 2% per year of service up to a maximum of 62.5%. To be eligible for this option the employee must submit written notice at least one month prior to the separation date. Under Option 2, the employee may elect to convert the hours to Supplemental Leave at the rate of 2.5% per year of service to a maximum of 75%. To be eligible for this option, the employee must submit written notice at least two (2) weeks prior to the separation date.

Vested or accumulated annual sick and vacation leave that is expected to be liquidated with available financial resources is reported as an expenditure and a fund liability of the general fund in the government-wide financial statements.

See Note 7 for further discussion on the net pension liability (asset) and Note 8 for further discussion on the total OPEB liability.

NOTE 6 – DEFERRED COMPENSATION PLAN

Employees of the District may elect to participate in a deferred compensation plan which the Board adopted on September 16, 1992 under the provisions of Internal Revenue Code Section 457 (Section 457). Deferred accounts are not available for withdrawal by the employee until termination, retirement, death or hardship.

Funds invested in the plan (U.S. Conference of Mayors Deferred Compensation Program) are managed by the independent third-party plan administrator Nationwide Retirement Systems, Inc. In its fiduciary role, the District has the obligation of due care in selecting the third-party administrator. Various investment options are available from which employees can choose to direct their funds.

Under the terms of Section 457, the deferred compensation and all investment income earned on such funds, are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Although the District's Board is the trustee of the plan, the District has no administrative involvement, and performs no investing function for the plan and has therefore not reported the plan in this financial report.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

The District provides retirement benefits to employees under two pension plans.

- Florida Retirement System – All permanent employees hired prior to January 1, 1996 participate in this plan. General employees hired on or after January 1, 1996 also participate in this plan.

- Chapter 175 Defined Benefit Plan – Firefighters hired on or after January 1, 1996 participate in this plan.

Florida Retirement System – General Employees

Plan Description

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy Program (HIS), a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the costs of health insurance.

The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at https://www.myfloridacfo.com/transparency/state-financial-reports/FL-ACFR.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

Plan Provisions

If first employed prior to July 1, 2011: Normal retirement age for "regular" employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for "special risk" employees is 55 or 25 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years' earnings.

If first employed on or after July 1, 2011: Normal retirement age for "regular" employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for "special risk" employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years' earnings.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Florida Retirement System – General Employees – Continued

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Plan Provisions – Continued

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The District's contractually required contribution rate for the year ended September 30, 2025, ranged from 13.63% – 14.03% for regular employees; 32.79% – 35.19% for special risk regular employees; 39.82% – 39.48% for special risk administrative employees and 21.13% – 22.02% for employees in the DROP Program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $79,135 for the year ended September 30, 2025, and approximated 18.34% of covered payroll. The HIS Program is funded by required contributions of 2.00% and is included in the contribution rates noted above.

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

At September 30, 2025, the District reported a liability of $464,060 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. The District's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Florida Retirement System – General Employees – Continued

At June 30, 2025, the District's proportion was 0.001105941% for FRS and 0.000942697% for HIS was consistent with its proportion measured in the previous year. For the year ended September 30, 2025, the District recognized a reduction of pension expense of ($228,183) for both plans. As of September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,661	$ –	$ 721	$ 192
Assumption changes	39,858	–	1,070	29,226
Net difference between projected and actual earnings on pension plan investments	–	57,306	–	100
Changes in proportion and differences between pension plan contributions and proportionate share of contributions	–	202,941	–	96,153
Pension plan contributions subsequent to the measurement date	13,333	–	1,876	–
Total	$ 89,852	$ 260,247	$ 3,667	$ 125,671

Total deferred outflows were $93,519 and total deferred inflows were $385,918 as of September 30, 2025. $13,333 (FRS) and $1,876 (HIS) were reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2026	$ (38,360)	$ (21,361)
2027	(38,360)	(21,361)
2028	(38,360)	(21,361)
2029	(38,360)	(21,361)
2030	(30,288)	(21,361)
Thereafter	–	(17,075)
Total	$ (183,728)	$ (123,880)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Florida Retirement System – General Employees – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation for FRS and July 1, 2024 for HIS (June 30, 2025 measurement date for both) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	6.70 percent, including inflation at 2.40%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021. The actuarial assumptions used in the July 1, 2025 valuation for FRS were based on the results of an actuarial experience study performed for the period July 1, 2018 – June 30, 2023. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that plan, but were based on certain results of the most recent experience study for the FRS plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.20%; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2025 by the FRS Actuarial

Assumptions Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation (1)	Annual Arithmetic Return
Cash	1.00%	3.20%
Fixed income	29.00%	5.50%
Global equity	45.00%	8.50%
Real equity	12.00%	8.40%
Private equity	11.00%	12.40%
Strategic investments	2.00%	6.50%
Total	100.00%	

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Florida Retirement System – General Employees – Continued

The discount rate used to measure the total FRS pension liability was 6.70%, and the HIS pension liability was 5.20%. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. 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 active and inactive employees. 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.

The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

<u>Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the District's proportionate share of the FRS net pension liability calculated using the discount rate of 6.70%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage -point higher than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
District's proportionate share of the FRS net pension liability	$ 673,584	$ 343,230	$ 66,266

The following presents the District's proportionate share of the HIS net pension liability calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percentage-point higher than the current rate:

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Florida Retirement System – General Employees – Continued

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
District's proportionate share of the HIS net pension liability	$ 136,255	$ 120,830	$ 107,893

Pension Plan Fiduciary Net Position

The District's proportion of net position has been determined on the same basis of each Plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of Florida annual comprehensive financial report.

Payables to the Pension Plan

At September 30, 2025, the District reported a payable in the amount of $6,197 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan

As provided for in Chapter 175, Florida Statutes, the District's firefighters participate in the Palm Harbor Special Fire Control and Rescue District Pension Plan (the Plan) covering all Firefighters hired on or after January 1, 1996, as a condition of employment. The Plan is a single-employer defined benefit pension plan.

The Plan is governed and administered by a five-member pension board. The Plan's Board of Trustees comprised of a) two Commission appointees; b) two members of the Plan elected by the membership, and c) a fifth member elected by the other four and appointed by the Commission.

The District and the Pension Plan participants are obligated to fund all Pension Plan costs based upon actuarial valuations. The District is authorized to establish benefit levels and the Pension Plan Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

A separate financial statement is not issued for the plan. Accordingly, all of the disclosures required by GASB Statements No. 67 and No. 68 have been reported in the District's financial statements.

Plan Membership

Plan membership as of October 1, 2024, the actuarial valuation date, is as follows:

Inactives currently receiving benefits	15
Inactives not yet receiving benefits	3
Active plan members	65
Total	83

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal retirement is considered the earlier of age 55 and 8 years of credited service, or 25 years of credited Service, regardless of age. Credited service is total years and fractional parts of years of service with the District as a Firefighter. The benefit is 3.7% of average final compensation per year of credited service up to September 30, 2003, plus, depending on the level of member contribution, either 3.0%, 3.5% or 4.0% for each year after September 30, 2003. The benefit is paid for life with the first 120 monthly payments guaranteed.

Effective November 14, 2022, the maximum benefit under the normal form (life annuity with the first ten years guaranteed), cannot exceed $150,000 before application of any supplemental benefit or cost-of-living adjustments. In any event, the accrued benefit cannot be less than 2.75% of the average final compensation for each year of credited service.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

Early retirement is considered age 45 with eight years of credited service. The accrued benefit is reduced 3% for each year prior to normal retirement. If a disability is service incurred, the participant is covered with eight years of credited service. The benefit is accrued to date of disability, but if the disability is service incurred, the benefit is not less than 42% of average final compensation (65% if the member is unable to perform another type of work). The $150,000 limitation applies, but not less than 2.75% of average final compensation for each year of credited service. The benefit is payable for life (with ten-year guarantee) or until recovery (as determined by the Board of Trustees).

Death benefits in the line of duty if vested, the spouse may elect either the non-vested line of duty benefit or vested not in line of duty benefit. If non-vested, the spouse or dependent child receives 50% of the member's last monthly salary for life (spouse) or until age 18 (dependent child/children).

Death benefits not in the line of duty if vested allow the beneficiary to elect either 1) a refund of member contributions, or 2) an immediate or deferred monthly benefit based on the assumption that the member retired on the date of death and elected the 100% joint and survivor annuity. The $150,000 limitation applies, but will not be less than 2.75% of the average final compensation for each year of credited service. If non-vested is beneficiary receives the refund of member contributions.

Vesting is 100% after 8 years of credited service. Members with 6 or more years of credited service as of October 1, 2017 are 100% vested in their accrued benefit. Non-vested members receive a refund of contributions. Vested members receive the accrued benefit at normal retirement or a reduced benefit payable at any time prior to normal retirement.

<u>Supplemental monthly benefit</u>

$5.00 for each year of credited service earned before October 1, 2023 and $15.00 for each year of credited service earned on and after October 1, 2023. This supplemental benefit is subject to a $30.00 monthly minimum and a $450.00 monthly maximum. It is payable to all Normal, Early or Disability Retirees, and Vested Terminated Members, but not to beneficiaries or joint pensioners.

<u>Chapter 175 Share Accounts:</u>

Each year commencing on October 1, 2005, premium tax monies received pursuant to Chapter 175, Florida Statutes, in excess of the 1998 base amount plus improvements, will be allocated to individual member share accounts based on days employed for the respective calendar year. Investment earnings are a net rate of investment return, based on days worked. Vesting is 100% after 8 years of credited service. Members with 6 or more years of credited service as of October 1, 2017 are 100% vested in their accrued benefit.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

Deferred Retirement Option Program

Participants may enter the Deferred Retirement Option Program (DROP) upon satisfaction of normal retirement requirements, not to exceed 96 months. The rate of return, at the member's election is either 1) fixed rate 6.5% compounded monthly, or 2) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter. The DROP balance as of September 30, 2025 is $785,294.

BAC-DROP

The BAC-DROP allows a member to effectively retire at an earlier point in time (using credited service, average final compensation, and Plan provisions in effect on that earlier date), but not prior to the first eligibility date for normal retirement, not to exceed 36 months. The member must terminate employment no later than the first day of the month following entry to the BAC-DROP. The rate of return is a 6.50% fixed, effective annual rate.

Contributions

Member contributions are 1.0% of Salary (3.0% Benefit Accrued Rate); 4.3% of Salary (3.5% Benefit Accrued Rate); 7.6% of Salary (4.0% Benefit Accrued Rate). District contributions are determined based on an actuarial valuation performed as of October 1, 2024. For the year ended September 30, 2025, the District contributed $1,792,000, the members contributed $516,489 and the State contributed $756,145.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Net Pension Liability (Asset)

Total pension liability	$ 61,693,130
Plan fiduciary net position	74,724,557
Net pension liability (asset)	$ (13,031,427)
Plan Fiduciary net position as a percentage of total pension liability (asset)	121.12%

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance as of September 30, 2024	$ 52,282,662	$ 63,491,855	$ (11,209,193)
Change due to:			
Service cost	2,311,697	–	2,311,697
Interest	4,044,907	–	4,044,907
Share plan allocation	219,559	–	219,559
Difference between expected and actual experience	2,490,149	–	2,490,149
Changes of assumptions	1,668,676	–	1,668,676
Changes of benefit terms	–	–	–
Employer contributions	–	1,792,000	(1,792,000)
State contributions	–	756,145	(756,145)
Employee contributions	–	516,488	(516,488)
Net investment income	–	9,565,259	(9,565,259)
Benefit payments, including refunds of employee contributions	(1,324,520)	(1,324,520)	–
Administrative expenses	–	(72,670)	72,670
Balance as of September 30, 2025	$ 61,693,130	$ 74,724,557	$ (13,031,427)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2024 with a measurement date of September 30, 2025 using the following actuarial assumptions:

Inflation rate	2.50%
Salary increase rate(s)	Service based
Discount rate	7.50%
Investment rate of return	7.50%

Mortality assumptions are as follows:

Healthy Active Lives – Female: PubS-2010 for Employees; Male: PubS-2010 for Employees, set forward 1 year

Healthy Retiree Lives – Female: PubS-2010 for Healthy Retirees; Male: PubS-2010 for Healthy Retirees, set forward 1 year

Beneficiary Lives Female – PubG.H-2010 for Healthy Retirees Male: PubG.H-2010 for Healthy Retirees, set back 1 year

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

Disabled Lives – Female: PubG.H-2010 for Disabled Retirees, set forward 1 year; Male: PubG.H-2010 for Disabled Retirees

All rates are projected generationally with Mortality Improvement Scale MP-2021. The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2024 FRS valuation report for special risk employees.

90% of active deaths are assumed to be service-incurred.

Changes of Assumptions

Total pension liability as of the September 30, 2025 measurement date reflects the following assumption change:

- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2024, FRS valuation report for special risk employees.

Discount Rate

The projection of cash flows used to determine the discount rate assumed that current plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 (7.50 percent) was applied to all periods of projected benefit payments to determine the total pension liability.

No projected benefit payments were discounted using a high-quality municipal bond rate of 4.50 percent. The high-quality municipal bond rate was based on the daily rate closest to, but not later than the measurement date of the S&P Municipal Bond 20-Year High Grade Rate Index.

The single equivalent discount rate was 7.50 percent.

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

The following table presents the District's proportionate share of net pension liability calculated using the discount rate of 7.50% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	$ (4,218,771)	$ (13,031,427)	$ (20,133,234)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments can be 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 target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation adopted as of September 30, 2025, as provided by Bowen, Hanes & Company Inc., are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	55%	9%
International equity	15%	7%
Intermediate fixed income	30%	5%
	100%	

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

For the year ended September 30, 2025, the District recognized pension income of $776,371. At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,035,124	$ 840,690
Assumption changes	1,578,884	337,150
Net difference between projected and actual earnings on pension plan investments	–	9,615,882
Total	$ 5,614,008	$ 10,793,722

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

Year ending September 30,	
2026	$ (1,252,156)
2027	(3,133,774)
2028	(2,529,769)
2029	(369,480)
2030	578,688
Thereafter	1,526,777
Total	$ (5,179,714)

<u>Payables to the Pension Plan</u>

At September 30, 2025, the District reported a payable in the amount of $448,000 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Aggregate Information for the District's Defined Benefit Pension Plans

Aggregate information for the District's defined benefit pension plans as of September 30, 2025 are as follows:

	Deferred Outflows of Resources	Net Pension Asset	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
Florida Retirement System	$ 89,852	$ –	$ 343,230	$ 260,247	$ (171,874)
Health Insurance Subsidy	3,667	–	120,830	125,671	(56,309)
Firefighters' Retirement Plan	5,614,008	13,031,427	–	10,793,722	(776,371)
	$ 5,707,527	$ 13,031,427	$ 464,060	$ 11,179,640	$ (1,004,554)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The total OPEB liability is recorded at the government-wide level.

Plan Description

Employees who retire from the District, and eligible dependents and survivors, are eligible to continue to participate in the District's health insurance programs at the "blended" employee group rate which is determined annually by the District and approved by the District Board. Retirees have 31 days to elect to enroll in the District's health insurance plan in which they were participating at the time of retirement unless otherwise stated in a plan document or collective bargaining agreement. The plan does not issue a separate financial report.

At September 30, 2025, plan membership consisted of the following:

Retired employees receiving health benefits	7
Retired spouses receiving health benefits	3
Active employees	72
Total	82

Benefits Provided

Retirees may participate in the group insurance plans offered by the District, but they are required to contribute 100% of the active premiums.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Funding Policy

Currently, the District's OPEB benefits are unfunded. There is no separate trust fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the District. For the fiscal year ended September 30, 2025, the District provided contributions to the OPEB plan of $46,234.

Total OPEB Liability

The District's total OPEB liability of $985,310 was measured as of September 30, 2025, and was determined by an actuarial valuation as of October 1, 2024. The reporting period is October 1, 2024 to September 30, 2025. Calculations were performed as of the actuarial valuation date and liabilities were rolled from the valuation date to the measurement date through the use of a roll forward method. Liabilities are adjusted for passage of time by adding normal cost minus benefit payments, all adjusted with interest.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2024 actuarial valuation (measurement date of September 30, 2025) was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

- The valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.
- Discount rate of 4.50% (previously 3.88%).
- The assumed inflation rate is 2.50%. In addition, salary is assumed to increase based on those developed for Special Risk employees in the 2019 experience study for FRS and do not vary by gender. The increases per years of service are 4.90% (0 years), 3.20% (1 year), 2.90% (2-6 years), 2.80% (7-10 years), 2.60% (11-12 years), 2.50% (13-15 years) and 2.30% (16+ years).
- No retirees are assumed to continue coverage once they turn 65, except for one retiree who is currently over age 65 and has elected to remain in the plan until their spouse turns 65. For future retirees, 20% of employees enrolled in medical coverage as actives who retire before age 65 are assumed to retain this coverage at retirement until they turn 65, at which point they are assumed to drop coverage. 0% of employees enrolled in medical coverage as actives who retire after age 65 are assumed to retain this coverage at retirement. Employees currently waiving coverage are assumed to continue waiving coverage and therefore be ineligible for benefits at retirement.
- Disability rates are treated as a single set of rates that consist of both line of duty and non-line of duty disability rates. The probability of disability used was 0.045% for ages up to 29, 0.065% for ages from 30-44, 0.290% for ages 45-49, 0.320% for ages 50-54, and 0.520% for ages 55 and over.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

- All employees and retirees are assumed to participate in the Florida Retirement System (FRS) Pension plan. Employees reported with a date of hire before July 1, 2011 were classified as FRS Tier I Special Risk and employees reported with a date of hire on or after July 1, 2011 were classified as FRS Tier II Special Risk.

Mortality assumptions used are as follows:

- Active Employees: SOA Pub-2010 Safety Employees Headcount-Weighted Mortality Table, projected on a fully generational basis with mortality improvement scale MP-2021
- Healthy Retirees and Spouses: SOA Pub-2010 Safety Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis with mortality improvement scale MP-2021
- Disabled Retirees: SOA Pub-2010 Safety Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis with mortality improvement scale MP-2021

The healthcare cost trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The current valuation uses the 2024 version of the model with baseline assumptions. The following assumptions were used as input variables into this model:

Rate of inflation	2.6%
Rate of growth in real income/GDP per capita	1.4%
Excess medical growth	0.9%
Expected health share of GDP in 2033	19.0%
Health share of GDP resistance point	17.0%
Year for limiting cost growth to GDP growth	2075

This model was designed to estimate the trend after 2025. The trend rate for 2024 was set to 7.5% and for 2025 was set to 7.0%. These initial trends reflect recent inflation, which we estimate will result in higher medical costs as providers renew their contracts.

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.50%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services.

Changes of assumptions

The discount rate was updated to 4.50%, the S&P Municipal Bond 20 Year High Grade Rate Index rate as of September 30, 2025.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of September 30, 2024	$ 1,011,010
Change due to:	
Service cost	29,342
Interest	39,469
Difference between expected and actual experience	-
Changes of assumptions	(48,277)
Benefit payments	(46,234)
Balance as of September 30, 2025	$ 985,310

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's 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 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total OPEB liability	$ 1,064,587	$ 985,310	$ 913,088

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.04%	Healthcare Cost Trend Rate 4.04%	1% Increase 5.04%
Total OPEB liability	$ 885,760	$ 985,310	$ 1,100,890

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended September 30, 2025, the District recognized OPEB expense in the amount of $125,474. At September 30, 2025, the District reported deferred outflows and deferred inflows related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 476,289	$ 101,721
Assumption changes	108,032	104,074
Total	$ 584,321	$ 205,795

Amounts reported as deferred outflows of resources and deferred inflows of resources relate to OPEB will be recognized in OPEB expense in future years as follows:

Year ending September 30,	
2026	$ 56,663
2027	56,663
2028	57,810
2029	24,866
2030	23,924
Thereafter	158,600
Total	$ 378,526

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases all of its insurance coverages from commercial insurance carriers.

The District also carries commercial insurance for all other risks of loss including health and employee accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years. The District has not had any significant coverage reductions under these policies from the prior year.

NOTE 10 – CONCENTRATIONS OF LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENT

The District's professional Firefighters, lieutenants and district chiefs, which represent a significant portion of the District's employees, are represented by a Union.

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 8, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	$ 13,501,246	$ 13,501,246	$ 13,664,847	$ 163,601
Infrastructure sales tax	2,500,000	2,500,000	2,287,237	(212,763)
EMS services	4,587,040	4,587,040	5,051,437	464,397
Tax collector fee rebate	70,140	70,140	73,106	2,966
Intergovernmental	-	-	136,751	136,751
Hazmat reimbursement	170,000	170,000	276,023	106,023
Firefighters' educational initiative	-	-	23,531	23,531
Investment earnings	375,000	375,000	1,086,211	711,211
Tower lease revenue	199,873	199,873	287,210	87,337
Charges for services	30,000	30,000	33,841	3,841
Insurance proceeds	90,000	90,000	109,483	19,483
Miscellaneous	20,000	20,000	25,476	5,476
Total revenues	21,543,299	21,543,299	23,055,153	1,511,854
Expenditures				
Personnel services				
Salaries	8,615,775	8,615,775	8,105,375	510,400
Retirement	2,276,621	2,276,621	2,215,035	61,586
Insurance - employee	2,749,204	2,749,204	2,123,044	626,160
Payroll expenditures	672,025	672,025	631,606	40,419
Total personnel services	14,313,625	14,313,625	13,075,060	1,238,565
Other operating expenditures				
Building and equipment maintenance	334,817	334,817	197,489	137,328
Fees	365,638	365,638	369,881	(4,243)
Insurance	337,888	337,888	284,003	53,885
Medical and health services	72,000	72,000	80,454	(8,454)
Miscellaneous expenditures	124,810	124,810	42,393	82,417
Supplies	24,416	24,416	16,125	8,291
Operating equipment	35,155	35,155	83,949	(48,794)
Professional services	202,794	202,794	91,619	111,175
Computer hardware and software	155,000	155,000	81,559	73,441
Training, education and travel	139,517	139,517	79,133	60,384
Incentive program	48,825	48,825	2,309	46,516
Uniforms	128,504	128,504	172,179	(43,675)
Utilities	118,905	118,905	98,909	19,996
Vehicle maintenance and fuel	291,405	291,405	318,856	(27,451)
Total other operating expenditures	2,379,674	2,379,674	1,918,858	460,816
Capital outlay	4,855,000	4,855,000	4,425,103	429,897
Total expenditures	21,548,299	21,548,299	19,419,021	2,129,278
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(5,000)	3,636,132	3,641,132
Other financing sources (uses)				
Proceeds from sale of capital assets	180,000	180,000	178,900	(1,100)
Transfers in (out)	1,525,000	1,525,000	-	(1,525,000)
Total other financing sources (uses)	1,705,000	1,705,000	178,900	(1,526,100)
Change in fund balances	1,700,000	1,700,000	3,815,032	2,115,032
Fund balances, beginning of year	20,451,634	20,451,634	20,451,634	-
Fund balances, end of year	$ 22,151,634	$ 22,151,634	$ 24,266,666	$ 2,115,032

The accompanying notes are an integral part of these financial statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS
175 PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability:										
Service cost	$ 958,896	$ 1,123,107	$ 1,260,250	$ 1,346,869	$ 1,592,930	$ 1,680,261	$ 2,060,701	$ 2,148,861	$ 2,263,780	$ 2,311,697
Interest	1,224,258	1,585,879	1,662,319	1,946,665	2,137,987	2,326,188	2,824,802	3,265,161	3,629,659	4,044,907
Share plan allocation	–	–	–	53,743	15,401	64,949	148,020	261,233	142,658	219,559
Changes of benefit terms	–	(521,336)	–	(21,904)	–	–	1,560,508	692,265	–	–
Difference between expected and actual experience	(450,681)	333,660	238,591	(274,947)	319,419	1,068,230	1,055,139	(1,083,145)	449,023	2,490,149
Changes of assumptions	195,321	–	–	–	(741,735)	–	150,261	–	–	1,668,676
Benefit payments	(279,543)	(334,849)	(280,316)	(276,065)	(724,629)	(441,369)	(395,795)	(452,065)	(690,002)	(1,324,520)
Net change in total pension liability	1,648,251	2,186,461	2,880,844	2,774,361	2,599,373	4,698,259	7,403,636	4,832,310	5,795,118	9,410,468
Total pension liability – beginning	17,464,049	19,112,300	21,298,761	24,179,605	26,953,966	29,553,339	34,251,598	41,655,234	46,487,544	52,282,662
Total pension liability – ending (a)	$ 19,112,300	$ 21,298,761	$ 24,179,605	$ 26,953,966	$ 29,553,339	$ 34,251,598	$ 41,655,234	$ 46,487,544	$ 52,282,662	$ 61,693,130
Plan fiduciary net position:										
Contributions – employer	$ 578,401	$ 1,171,341	$ 1,000,275	$ 993,378	$ 1,230,219	$ 1,336,383	$ 1,431,640	$ 1,528,029	$ 1,791,111	$ 1,792,000
Contributions – state	387,021	257,086	266,213	465,966	427,624	477,172	560,243	673,456	679,244	756,145
Contributions – employee	217,200	251,689	266,837	309,466	363,646	399,996	434,468	532,388	502,424	516,488
Net investment income (loss)	1,843,485	2,765,240	2,871,157	892,240	4,320,069	6,693,015	(5,959,758)	6,008,323	14,373,934	9,565,259
Benefit payments	(279,543)	(334,849)	(280,316)	(276,065)	(708,764)	(441,369)	(395,795)	(515,465)	(690,002)	(1,324,520)
Administrative expenses	(52,876)	(49,057)	(54,762)	(45,566)	(57,121)	(72,078)	(70,369)	(77,933)	(87,365)	(72,670)
Net change in fiduciary net position	2,693,688	4,061,450	4,069,404	2,339,419	5,575,673	8,393,119	(3,999,571)	8,148,798	16,569,346	11,232,702
Plan fiduciary net position – beginning	15,651,406	18,345,094	22,406,544	26,475,948	28,815,367	34,391,040	42,784,159	38,784,588	46,922,509	63,491,855
Plan fiduciary net position – ending (b)	$ 18,345,094	$ 22,406,544	$ 26,475,948	$ 28,815,367	$ 34,391,040	$ 42,784,159	$ 38,784,588	$ 46,933,386	$ 63,491,855	$ 74,724,557
Net pension liability (asset) (a) – (b)	$ 767,206	$ (1,107,783)	$ (2,296,343)	$ (1,861,401)	$ (4,837,701)	$ (8,532,561)	$ 2,870,646	$ (445,842)	$(11,209,193)	$(13,031,427)
Plan fiduciary net position as a percentage of total pension liability	95.99%	105.20%	109.50%	106.91%	116.37%	124.91%	93.11%	100.96%	121.44%	121.12%
Covered employee payroll	$ 2,934,578	$ 3,390,111	$ 3,593,786	$ 4,158,599	$ 4,876,456	$ 5,355,282	$ 5,811,219	$ 6,272,332	$ 6,723,049	$ 6,912,082
Net pension liability (asset) as a percentage of covered employee payroll	26.14%	-32.68%	-63.90%	-44.76%	-99.21%	-159.33%	49.40%	-7.11%	-166.73%	-188.53%

Notes to Schedule:

Benefit changes: There were no benefit changes since the prior measurement date.

Changes of assumptions:

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2024, FRS valuation report for special risk employees.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
175 PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 1,101,640	$ 1,307,226	$ 1,255,668	$ 1,395,210	$ 1,543,394	$ 1,609,799	$ 1,634,115	$ 1,884,209	$ 1,979,266	$ 1,996,900
Contributions in relation to actuarially determined contribution	1,101,640	1,307,226	1,255,668	1,404,521	1,642,442	1,748,606	1,843,863	1,940,252	2,327,697	2,328,586
Contribution deficiency (excess)	$ –	$ –	$ –	$ (9,311)	$ (99,048)	$ (138,807)	$ (209,748)	$ (56,043)	$ (348,431)	$ (331,686)
Covered employee payroll	$ 2,934,578	$ 3,390,111	$ 3,593,786	$ 4,158,599	$ 4,876,456	$ 5,355,282	$ 5,811,219	$ 6,272,332	$ 6,723,049	$ 6,912,082
Contributions as a percentage of covered employee payroll	37.54%	38.56%	34.94%	33.77%	33.68%	32.65%	31.73%	30.93%	34.62%	33.69%

The following assumptions were used to determine the Actuarially Determined Contribution for the plan year ended September 30, 2025:

Calculation Timing	The Actuarially Determined Contribution is calculated using aOctober 1, 2023 valuation date.
Interest Rate	7.50%
Assumptions	All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2023 Actuarial Valuation Report for the Palm Harbor Special Fire Control and Rescue District Firefighter's Pension Plan prepared by Foster & Foster Actuaries and Consultants.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
175 PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual money-weighted rate of return net of investment expense	11.75%	14.86%	12.86%	3.13%	14.69%	18.88%	13.63%	15.10%	29.94%	15.02%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of the FRS net pension liability	0.012149081%	0.008316990%	0.007015218%	0.005092236%	0.002998794%	0.002700238%	0.001955191%	0.001476928%	0.001165427%	0.001105941%
District's proportionate share of the FRS pension liability	$ 3,067,652	$ 2,460,109	$ 2,113,020	$ 1,753,695	$ 1,299,722	$ 203,972	$ 727,488	$ 588,509	$ 450,842	$ 343,230
District's covered employee payroll	$ 1,516,088	$ 1,625,426	$ 1,442,946	$ 1,196,127	$ 746,868	$ 606,115	$ 539,234	$ 472,497	$ 376,292	$ 431,487
District's proportionate share of the FRS pension liability as a percentage of its covered employee payroll	202.34%	151.35%	146.44%	146.61%	174.02%	33.65%	134.91%	124.55%	119.81%	79.55%
FRS plan fiduciary net position as a percentage of the FRS total pension liability FRS total pension liability	84.88%	83.89%	92.61%	82.61%	78.85%	96.40%	82.89%	82.38%	83.70%	87.26%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 296,275	$ 216,512	$ 199,928	$ 157,896	$ 99,637	$ 102,867	$ 83,432	$ 71,050	$ 65,994	$ 66,032
FRS contributions in relation to the contractually required FRS contribution	296,275	216,512	199,928	157,896	99,637	102,867	83,432	71,050	65,994	66,032
FRS contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Covered employee payroll	$ 1,516,088	$ 1,623,426	$ 1,442,946	$ 1,196,127	$ 746,868	$ 606,115	$ 539,234	$ 472,497	$ 376,292	$ 431,487
FRS contributions as a percentage of covered employee payroll	19.54%	13.34%	13.86%	13.20%	13.34%	16.97%	15.47%	15.04%	17.54%	15.30%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of the HIS net pension liability	0.006428462%	0.004983282%	0.004464855%	0.003451749%	0.002097085%	0.001971540%	0.001523206%	0.001171419%	0.000945810%	0.000942697%
District's proportionate share of the HIS pension liability	$ 749,211	$ 532,836	$ 472,565	$ 386,216	$ 256,051	$ 241,840	$ 161,332	$ 186,037	$ 141,882	$ 120,830
District's covered employee payroll	$ 1,516,088	$ 1,623,426	$ 1,442,946	$ 1,196,127	$ 746,868	$ 606,115	$ 539,234	$ 472,497	$ 376,292	$ 431,487
District's proportionate share of the HIS pension liability as a percentage of its covered employee payroll	49.42%	32.82%	32.75%	32.29%	34.28%	39.90%	29.92%	39.37%	37.71%	28.00%
HIS plan fiduciary net position as a percentage of the HIS total pension liability HIS total pension liability	0.98%	81.00%	92.00%	2.63%	3.00%	3.56%	4.81%	4.12%	4.80%	6.36%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
LAST TEN YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required HIS contribution	$ 32,950	$ 26,373	$ 24,213	$ 19,167	$ 12,085	$ 11,589	$ 9,217	$ 7,706	$ 8,008	$ 8,425
HIS contributions in relation to the contractually required HIS contribution	32,950	26,373	24,213	19,167	12,085	11,589	9,217	7,706	8,008	8,425
HIS contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Covered employee payroll	$ 1,516,088	$ 1,623,426	$ 1,442,946	$ 1,196,127	$ 746,868	$ 606,115	$ 539,234	$ 472,497	$ 376,292	$ 431,487
HIS contributions as a percentage of covered employee payroll	2.17%	1.62%	1.68%	1.60%	1.62%	1.91%	1.71%	1.63%	2.13%	1.95%

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed for the period July 1, 2018, through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS pension plan.

The total pension liability for the FRS and HIS plan was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.

- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.

- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST EIGHT YEARS (1)

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability:								
Service cost	$ 22,441	$ 22,062	$ 27,416	$ 25,048	$ 26,941	$ 13,661	$ 13,679	$ 29,342
Interest	20,510	22,063	16,751	20,238	17,083	19,810	19,074	39,469
Differences between expected and actual experience	–	–	–	–	(183,101)	–	–	–
Changes of assumptions	(11,470)	37,364	(17,878)	8,471	(88,878)	(4,488)	116,318	(48,277)
Experienced gain	–	–	280,764	–	–	–	478,377	–
Benefit payments	(37,966)	(44,899)	(51,962)	(100,874)	(126,061)	(77,649)	(56,825)	(46,234)
Net change in total OPEB liability	(6,485)	36,590	255,091	(47,117)	(354,016)	(48,666)	570,623	(25,700)
Total OPEB liability – Beginning	604,990	598,505	635,095	890,186	843,069	489,053	440,387	1,011,010
Total OPEB liability – Ending	$ 598,505	$ 635,095	$ 890,186	$ 843,069	$ 489,053	$ 440,387	$ 1,011,010	$ 985,310
Covered-employee payroll	$ – (2)	$ – (2)	$ 5,745,569	$ 6,156,604	$ 6,571,671	$ 7,025,900	$ 7,702,031	$ 9,120,227
Total OPEB liability as a percentage of covered-employee payroll	0.0%	0.0%	15.5%	13.7%	7.4%	6.3%	13.1%	10.8%

(1) This schedule is intended to have ten years of data. Additional data will be complied as information becomes available.
(2) Information is not available.

Notes to Schedule:

The OPEB benefits are unfunded and there is no separate trust fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation.

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:

2025	4.50%
2024	3.88%
2023	4.63%
2022	4.40%
2021	2.19%
2020	2.41%
2019	2.75%
2018	3.83%

Benefit Changes: The District did not change the benefits during the fiscal year ending on September 30, 2025.

OTHER REPORTS

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

To the Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and aggregate remaining fund information of Palm Harbor Special Fire Control and Rescue District (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 8, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as 2025-01 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as 2025-02.

District's Response to Findings

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

Purpose of This Report

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

CS&L CPAs

CS&L CPAs, P.A.

June 8, 2026
Tampa, Florida

MANAGEMENT LETTER

To the Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Report on the Financial Statements

We have audited the financial statements of Palm Harbor Special Fire Control and Rescue District (District) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 8, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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*; Schedule of Findings; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 8, 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 financial audit report. Corrective actions have been taken to address the findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

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Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. These recommendations are included in the Schedule of Findings as Finding 2025-01 and 2025-02.

Specific Information for an Independent Special District

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

a. The total number of District employees compensated in the last pay period of the District's fiscal year was 82.

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

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was $8,105,375.

d. All compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency was $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 was $3,755,606 for the construction of Station 68.

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes. The budget variance is presented on page 55.

Specific Information for an Independent Special District that Imposes Ad Valorem Taxes

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

a. The millage rate or rates imposed by the District was 2.00.

b. The total amount of ad valorem taxes collected by or on behalf of the District was $13,664,847.

c. The total amount of outstanding bonds issued by the District and the terms of such bonds was $0, as there were none.

Additional Matters

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

Purpose of this Letter

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

CS&L CPAs

CS&L CPAs, P.A.

June 8, 2026
Tampa, Florida

2025-01 Bank Reconciliation Review

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. An effective system of internal control includes the timely preparation and independent review of monthly bank reconciliations. The independent review should be documented to provide evidence that reconciliations were reviewed for accuracy, completeness, and the timely resolution of reconciling items.

Condition: During our testing of internal controls over cash, we noted that monthly bank reconciliations were prepared throughout the fiscal year. However, the District was unable to provide evidence that the reconciliations were independently reviewed. No signatures, initials, electronic approvals, or other documentation of review were maintained.

Content/Cause: The District has not implemented procedures requiring the documentation of independent supervisory review of bank reconciliations.

Effect: Without documented supervisory review, errors or irregularities in cash balances and other transactions may not be detected and corrected in a timely manner. Additionally, the District was unable to demonstrate that a key internal control activity was performed.

Recommendation: We recommend that management establish procedures requiring the documentation of an independent review of all bank reconciliations. The review should be documented through signatures, initials, electronic approvals, or other evidence indicating the reviewer and date of review. Management should also ensure that any unusual or unreconciled items are investigated and resolved promptly.

2025-02 Transparency – Budget on Website

Criteria: In accordance with Florida Statute 189.016, the District is required to post the final adopted budget on the District’s website with 30 days after adoption, and it should remain on the website for at least two years.

Condition: During our audit, we noted that the final adopted budget for the District’s 2025-26 fiscal year was not posted to the District’s website.

Content/Cause: A review of the District’s website as part of our audit procedures identified that the final adopted budget for the District’s 2025-26 fiscal year was not posted to the District’s website.

Effect: The District did not post the final adopted budget to the District’s website pursuant to Florida Statute 189.016.

Recommendation: We recommend that the District establish a policy that ensures the final adopted budget is posted on the District’s website pursuant to Florida Statutes.

PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT
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Scott J. Sanford
Chief of Department

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
MANAGEMENT RESPONSE TO AUDIT FINDINGS
Fiscal Year Ended September 30, 2025

Finding 2025-01 – Bank Reconciliation Review

Management concurs with the finding.

The District maintained monthly bank reconciliations throughout the fiscal year; however, documentation evidencing an independent supervisory review of those reconciliations was not consistently retained. While management believes appropriate oversight occurred, the District acknowledges that the review process was not sufficiently documented to demonstrate compliance with internal control best practices.

The District is currently conducting a comprehensive evaluation of its financial processes and internal control environment. As part of this effort, management is reviewing existing financial controls and will implement appropriate corrective measures to strengthen oversight, improve documentation, and ensure independent review procedures are formally documented and consistently applied.

Finding 2025-02 – Transparency – Budget on Website

Management concurs with the finding.

The District's adopted Fiscal Year 2025-2026 budget was inadvertently omitted from the District website and was not available at the time of the audit. Upon becoming aware of the omission, the District promptly corrected the issue and posted the adopted budget to its website.

To prevent future occurrences, the District will implement additional administrative procedures to verify compliance with statutory posting requirements and ensure required documents are maintained on the website in accordance with Florida law.

Respectfully submitted,

Scott J. Sanford

Scott J. Sanford
Chief of Department
Palm Harbor Special Fire Control and Rescue District

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

We have examined Palm Harbor Special Fire Control and Rescue District's (District's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the District complied in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds for the year ended September 30, 2025.

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

CS&L CPAs

CS&L CPAs, P.A.

June 8, 2026
Tampa, Florida

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