

NAVARRE BEACH FIRE RESCUE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

**NAVARRE BEACH FIRE RESCUE DISTRICT
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
Navarre Beach Fire Rescue District

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Navarre Beach Fire Rescue District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund, as of September 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 the budgetary comparison information for the general fund, 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 a report dated August 5, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Warren Averett, LLC
Pensacola, Florida
August 5, 2024

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$1.4 million (net position). Of this amount, \$957,421 represents investments in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire these assets that is still outstanding; \$1,500 is restricted for capital expansion; and \$469,388 is unrestricted and may be used to meet the District's ongoing obligations to residents and creditors.
- The 2023 fiscal year was the District's first year of operations and financial activity. The District's governmental fund reported an ending fund balance of \$514,111, which is also the change in fund balance reported by the General Fund for fiscal year 2023.
- At the end of the current fiscal year, unassigned and assigned fund balance in the General Fund was \$495,625, or 62.0% of the total expenditures in the General Fund, which is available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, The District is principally supported by service revenues. The governmental activities of the District include public safety (fire and beach safety services) and debt service. The government-wide financial statements are found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports only one fund, the General Fund, which is a governmental fund.

Governmental Fund

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

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 12-15 of this report.

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

The District maintains one governmental fund (General Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered a major fund.

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 16 of this report are the notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1.4 million (net position) as of September 30, 2023, as reported in Table 1.

The largest portion of the District's net position, \$957,421 (or 67.0%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the District reports investment in its capital assets net of any related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since capital assets themselves cannot be used to liquidate such liabilities.

**TABLE 1
NAVARRE BEACH FIRE RESCUE DISTRICT
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023**

	Governmental Activities
	2023
Current, restricted, and other assets	\$ 568,470
Capital assets	1,409,930
Total assets	1,978,400
Long-term liabilities outstanding	380,011
Other liabilities	170,080
Total liabilities	550,091
Net investment in capital assets	957,421
Restricted - capital expansion	1,500
Unrestricted	469,388
Total net position	\$ 1,428,309

The District reported ending unrestricted net position of \$469,388 (or 32.9%), which may be used to meet the District's ongoing obligations to citizens and creditors.

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Governmental activities increased the District's net position by \$1.4 million, as reported in Table 2. This increase in net position is primarily attributable to the assumption of beginning net position transferred from Navarre Beach Fire Rescue, Inc. upon commencement of the District's operations in May 2023. Reported in Table 2 are the key elements of the increase in net position.

**TABLE 2
NAVARRE BEACH FIRE RESCUE DISTRICT
CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Governmental Activities
	2023
REVENUES	
Program revenues	
Charges for services	\$ 168,000
Operating grants and contributions	40,384
Capital grants and contributions	36,164
General revenues	
Interest income	5,811
Miscellaneous	2,342
Total revenues	252,701
EXPENSES	
Current	
Public safety	890,006
Debt service interest	4,253
Total expenses	894,259
DECREASE IN NET POSITION BEFORE SPECIAL ITEMS	(641,558)
Special item - net position assumed from transfer of operations	2,069,867
INCREASE IN NET POSITION	1,428,309
NET POSITION AT BEGINNING OF YEAR	-
NET POSITION AT END OF YEAR	\$ 1,428,309

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended September 30, 2023, expenditures fell short of budgetary expectations in the General Fund by \$915,814. This variance is primarily attributable to the transfer of operations to the District occurring later than originally planned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the District's capital assets for its governmental activities totaled \$1.4 million (net of accumulated depreciation). Capital assets include construction in progress, buildings, improvements, machinery, equipment and vehicles. The depreciation expense for fiscal year 2023 was \$119,623. The District's capital asset activity for the current and prior fiscal year is summarized in Table 3 on the next page. Additional information on the District's capital assets can be found in Note 4 of the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

**TABLE 3
NAVARRE BEACH FIRE RESCUE DISTRICT
CAPITAL ASSETS (NET OF DEPRECIATION)
AS OF SEPTEMBER 30, 2023**

	Governmental Activities
	2023
Construction in progress	\$ 34,664
Buildings and improvements	443,999
Furniture, vehicles and equipment	931,267
Total	\$ 1,409,930

Long-Term Liabilities

At the end of fiscal year 2023, the District had total long-term liabilities outstanding of \$489,175, which was comprised of accrued compensated absences and financing contracts payable. The District's outstanding long-term liabilities are summarized in Table 4 below. Additional information on the District's long-term debt can be found in Note 5 of the financial statements.

**TABLE 4
NAVARRE BEACH FIRE RESCUE DISTRICT
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2023**

	Governmental Activities
	2023
Compensated absences	\$ 36,666
Financing contracts payable	452,509
Total	\$ 489,175

**NAVARRE BEACH FIRE RESCUE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local special-purpose governments, such as the District, primarily rely upon non-ad valorem tax assessments, charges for services and a limited array of permitted other sources (such as impact fees) for their governmental activities. There are a limited number of state shared revenues and recurring and nonrecurring grants from both the state and federal government, which provide funding for specific programs, projects or activities.

The 2024 fiscal year will be the District's first full year of operations. As a result, there is a significant degree of uncertainty regarding estimates for revenues and expenditures for the District's General Fund.

For fiscal year 2024, the primary budgeted source of revenue for the District is non-ad valorem tax assessments levied on property owners within the District's boundaries. The non-ad valorem tax assessments comprise \$1.1 million (or 48.1%) of total budgeted revenues for fiscal year 2024. The budget also includes revenues from contract service charges for providing lifeguard and ancillary beach safety services to Santa Rosa County, Florida. The District's budgeted revenues from beach safety services are \$849,529 (or 38.3%) of total budgeted revenues for fiscal year 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fire Chief, 1413 Utility Drive, Navarre, FL 32566. The District's website address is <https://navarrebeachfire.org>. Inquiries may also be sent via e-mail to recordrequests@navarrebeachfire.org.

**NAVARRE BEACH FIRE RESCUE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 515,320
Due from other governments	34,664
Prepaid items	16,986
Restricted assets	
Cash and cash equivalents	1,500
Capital assets	
Non-depreciable	34,664
Depreciable, net	1,375,266
TOTAL ASSETS	1,978,400
LIABILITIES	
Accrued liabilities	54,359
Accrued interest	6,557
Non-current liabilities	
Due within one year	
Financing contracts payable	109,164
Due in more than one year	
Compensated absences	36,666
Financing contracts payable	343,345
TOTAL LIABILITIES	550,091
NET POSITION	
Net investment in capital assets	957,421
Restricted for capital expansion	1,500
Unrestricted	469,388
TOTAL NET POSITION	\$ 1,428,309

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government Activities					
Public safety	\$ 890,006	\$ 168,000	\$ 40,384	\$ 36,164	\$ (645,458)
Debt service interest	4,253	-	-	-	(4,253)
Totals	<u>\$ 894,259</u>	<u>\$ 168,000</u>	<u>\$ 40,384</u>	<u>\$ 36,164</u>	(649,711)
General Revenues					
					5,811
					2,342
					<u>8,153</u>
Special Items					
					2,069,867
					<u>1,428,309</u>
CHANGE IN NET POSITION					1,428,309
NET POSITION AT BEGINNING OF YEAR					-
NET POSITION AT END OF YEAR					<u>\$ 1,428,309</u>

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 515,320
Due from other governments	34,664
Prepaid items	16,986
Restricted assets	
Cash and cash equivalents	1,500
TOTAL ASSETS	\$ 568,470
LIABILITIES	
Accrued liabilities	\$ 54,359
FUND BALANCE	
Nonspendable	16,986
Restricted for capital expansion	1,500
Assigned for FY24 appropriations	25,000
Unassigned	470,625
Total fund balance	514,111
TOTAL LIABILITIES AND FUND BALANCE	\$ 568,470

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Fund balance – total governmental fund (page 12)		\$ 514,111
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable capital assets	\$ 34,664	
Governmental depreciable capital assets	2,413,616	
Less accumulated depreciation	<u>(1,038,350)</u>	
		1,409,930
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Accrued interest	(6,557)	
Financing contracts payable	(452,509)	
Compensated absences	<u>(36,666)</u>	
		<u>(495,732)</u>
Net position of governmental activities (page 10)		<u><u>\$ 1,428,309</u></u>

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund
REVENUES	
Intergovernmental	\$ 34,664
Charges for services	168,000
Impact fees	1,500
Miscellaneous	48,537
Total revenues	252,701
EXPENDITURES	
Current	
Public safety	
Personnel	675,620
Operating	89,267
Capital outlay	34,664
Total expenditures	799,551
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(546,850)
SPECIAL ITEMS	
Fund balance assumed - transfer of operations	1,060,961
NET CHANGE IN FUND BALANCE	514,111
FUND BALANCE AT BEGINNING OF YEAR	-
FUND BALANCE AT END OF YEAR	\$ 514,111

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance – governmental fund (page 14)		\$ 514,111
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated or amortized over the estimated useful lives of the assets.</p>		
Expenditures for capital assets	\$ 34,664	
Less current year depreciation	<u>(119,623)</u>	(84,959)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.</p>		
Change in accrued interest	(4,253)	
Change in compensated absences	<u>(5,496)</u>	(9,749)
<p>Governmental funds do not report capital assets received or long-term liabilities assumed in the transfer of fire protection operations to the District during the current fiscal year. The amount of capital assets and long-term liabilities initially received upon creation of the District are reported as special items in the statement of activities.</p>		
Net carrying value of capital assets received	1,494,889	
Net carrying value of long-term liabilities assumed	<u>(485,983)</u>	<u>1,008,906</u>
Change in net position of governmental activities (page 11)		<u><u>\$ 1,428,309</u></u>

See notes to the financial statements.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE DISTRICT

Description of the District

The Navarre Beach Fire Rescue District (the District) was established as an independent special district by the Florida Legislature in 2022 under Chapter 2022-235, Laws of Florida; for the purpose of providing fire suppression and related activities within the territorial jurisdiction of the District. The District's charter was enacted in June 2022. The District's boundaries generally include all land south of the Gulf Intracoastal Waterway (also known as Santa Rosa Sound), excluding any federal land, in Santa Rosa County, Florida. The District is governed by a five-member Board of Fire Commissioners (the Board), which was established, elected and organized in accordance with Chapter 191, Florida Statutes.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The Reporting Entity

In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements. Management utilized criteria set forth in GASB pronouncements for determining financial accountability of potential component units in evaluating all potential component units. As of September 30, 2023, the District had no component units.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate fund financial statements are provided for the governmental fund.

Measurement Focus and Basis of Accounting

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

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and is recognized as revenue of the current fiscal period. Intergovernmental revenues collected and held by other governments at year end on behalf of the District, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue recognition criteria for property taxes under GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2023 non-ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Basis of Presentation

The financial transactions of the District are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The following broad classification is used to categorize the fund type used by the District:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The District has the following major governmental fund.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

General Fund – This is the District's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance

Cash and Cash Equivalents

The District's cash on hand, demand deposits and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid debt instruments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deposits and Investments

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

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial cost more than \$5,000. Assets are recorded at cost if purchased or constructed, while donated capital assets are recorded at estimated acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-40 years
Improvements other than buildings	30-40 years
Vehicles	5-7 years
Equipment and furnishings	5-7 years

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Compensated Absences

The portion of paid time off (i.e., termination payments for unused leave) that is payable at the balance sheet date is recorded as an expenditure and a liability in the General Fund, while the remaining portion is recorded as a liability in the government-wide financial statements. On September 30, 2023, the District’s compensated absences liability is all reported as non-current.

The District has a collectively bargained contract with IAFF Local 4494 (Navarre Beach Professional Fire Fighters’ Association), which established the policy for accruing paid time off for full-time firefighters. Firefighters begin to accrue paid time off on their first day of employment but are not eligible to use that leave until they have completed 180 calendar days of service time with the District. Firefighters may carry over a maximum of 144 hours of accrued leave to the subsequent fiscal year.

The District’s employees accrue paid leave in accordance with the following schedule:

<u>Position</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
Union personnel - firefighters	11.08 hours per pay period	288.00 hours
Fire Chief	6.15 hours per pay period	160.00 hours
Non-union personnel	1.54 hours per pay period	40.00 hours

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net position.

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes 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 comprised of the following:

Nonspendable – Includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: deposits and prepaid items.

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – Includes amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government’s highest level of decision-making authority (the Board of Fire Commissioners). Commitments may be changed or lifted only by the District taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Intent is expressed by the Board of Fire Commissioners or an official to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes (the Fire Chief).

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 if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally considered to be spent from the most restrictive classification first.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund. Encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Net Position

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted, or unrestricted. The net investment in capital assets represents net position related to property and equipment, less any related debt. Restricted net position represents the net position restricted by enabling legislation. The District considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Subsequent Events

Management has evaluated subsequent events and transactions that occurred between September 30, 2023 through August 5, 2024, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. DEPOSITS

The investment of surplus funds is governed by Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

The District manages its custodial credit risk by maintaining its deposits at *Qualified Public Depositories*, as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a *Qualified Public Depository*, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all *Qualified Public Depositories*. Under this method, all District deposits, including any certificates of deposit, are considered fully insured or collateralized.

As of September 30, 2023, the value of the District's deposits with financial institutions was \$526,363. These deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

3. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments within the General Fund were comprised of proceeds from a cost-reimbursement grant due from Florida Department of Financial Services to purchase a fire rescue vessel. The amount due from the grantor was \$34,664 as of September 30, 2023.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 34,664	\$ -	\$ 34,664
Total capital assets not being depreciated	-	34,664	-	34,664
Capital assets being depreciated				
Building and improvements	-	-	656,557	656,557
Furniture, vehicles and equipment	-	-	1,757,059	1,757,059
Total capital assets being depreciated	-	-	2,413,616	2,413,616
Less accumulated depreciation				
Building and improvements	-	(8,781)	(203,777)	(212,558)
Furniture, vehicles and equipment	-	(110,842)	(714,950)	(825,792)
Total accumulated depreciation	-	(119,623)	(918,727)	(1,038,350)
Total capital assets being depreciated, net	-	(119,623)	1,494,889	1,375,266
Governmental Activities, Net	<u>\$ -</u>	<u>\$ (84,959)</u>	<u>\$ 1,494,889</u>	<u>\$ 1,409,930</u>

Assets Transferred from Navarre Beach Fire Rescue, Inc.

In May 2023, Navarre Beach Fire Rescue, Inc. transferred its capital assets to the District to establish the new government formed by the transfer of operations. In accordance with GASB guidance, the resources of the transferred operations are reported by the transferee government at their net carrying values as reported in the separate financial statements of the transferor entity as of the effective date of the transfer. The amounts reported as adjustments in the table above represent the net carrying values of the capital assets transferred. The District (as the transferee government) reported the transfer of operations as a transaction in the financial statements in the current fiscal year, which is when the transfer occurred. See Note 9 of this report for detailed disclosures related to the transfer of operations.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Public safety	<u>\$ 119,623</u>

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities of the District for the year ended September 30, 2023:

	<u>Beginning</u>				<u>Ending</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u>	<u>Current</u>
Governmental Activities						
<i>Direct placements</i>						
Financing contracts payable	\$ -	\$ -	\$ -	\$ 452,509	\$ 452,509	\$ 109,164
Compensated absences	-	17,488	(11,992)	31,170	36,666	-
Total Governmental Activities	<u>\$ -</u>	<u>\$ 17,488</u>	<u>\$ (11,992)</u>	<u>\$ 483,679</u>	<u>\$ 489,175</u>	<u>\$ 109,164</u>

In 2021, the District entered into a \$555,750 financing contract with financing company for a pumper fire truck. The contract requires annual payments of \$119,944 through February 2027, including interest at a rate of 2.38% per annum. The contract is secured by the fire truck. The financing contract does not contain any subjective acceleration clauses.

Additionally, the Board of County Commissioners of Santa Rosa County, Florida (the County) has formally committed annual appropriations of \$100,000 to the District to defray the annual debt service costs related to the fire truck financing contract. The source of the funding from the County is local option sales taxes, and the total funding to be provided over the life of the financing contract is \$500,000.

Liabilities Transferred from Navarre Beach Fire Rescue, Inc.

In May 2023, Navarre Beach Fire Rescue, Inc. transferred its long-term debt outstanding to the District to establish the new government formed by the transfer of operations. In accordance with GASB guidance, the liabilities assumed from the transferred operations are reported by the transferee government at their net carrying values as reported in the separate financial statements of the transferor entity as of the effective date of the transfer. The amounts reported as adjustments in the table above represent the net carrying values of the long-term liabilities assumed. The District (as the transferee government) reported the transfer of operations as a transaction in the financial statements in the current fiscal year, which is when the transfer occurred. See Note 9 of this report for detailed disclosures related to the transfer of operations.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued annual leave as of September 30, 2023, was as follows:

Year Ending	Financing Contracts		
	Principal	Interest	Total
September 30,			
2024	\$ 109,164	\$ 10,780	\$ 119,944
2025	111,765	8,179	119,944
2026	114,427	5,517	119,944
2027	117,153	2,791	119,944
	<u>\$ 452,509</u>	<u>\$ 27,267</u>	<u>\$ 479,776</u>

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance through commercial carriers to cover these risks. The coverage has been sufficient to cover all claims made during the fiscal year ended September 30, 2023.

7. DEFINED CONTRIBUTION PENSION PLAN

The District sponsors a defined contribution retirement plan (the Plan). The Plan is administered by National Financial Services. All non-probationary employees are eligible to participate in the Plan. The assets are held in trust for the employee's benefit. The plan participants individually select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their retirement accounts are invested, the District has no liability for investment losses. The District's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable. The authority for establishing and amending the Plan's provisions lies with the Board of Fire Commissioners. Contributions made to the Plan by the District totaled \$9,909 for the year ended September 30, 2023. The Plan was terminated in November 2023 upon the establishment of a new defined benefit pension plan. See Note 10 of this report for additional information on the new defined benefit pension plan.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal or state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

9. TRANSFER OF OPERATIONS – FIRE PROTECTION SERVICES

The Board of Fire Commissioners adopted a resolution on May 9, 2023, which effectively transferred fire protection operations from Navarre Beach Fire Rescue, Inc. (the transferor entity) to Navarre Beach Fire Rescue District. The resolution formally authorized the District to accept all assets of the transferor entity and assume all liabilities, debts, and employees of the transferor entity as of that date. The transferor entity was subsequently dissolved in January 2024.

The commencement of the District's operations is classified as an acquisition, and more specifically, a transfer of operations, under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. In the transfer of operations to a new government, the operations of the nongovernmental entity, including the underlying assets and liabilities, are transferred to a new government entity created to provide those same services. Since the services provided by the transferor entity and the transferee are the same, the transfer meets the service continuation requirement outlined in GASB Statement No. 69.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

The table below shows the amounts recognized by the District as of the effective transfer date.

	General Fund	Governmental Activities
Assets		
Current assets	\$ 1,060,961	\$ 1,060,961
Capital assets, net	-	1,494,889
Total assets	1,060,961	2,555,850
Liabilities		
Current liabilities		
Accrued interest	-	2,304
Non-current liabilities		
Due within one year		
Financing contracts payable	-	109,164
Due in more than one year		
Compensated absences	-	31,170
Financing contracts payable	-	343,345
Total liabilities	-	485,983
Fund balance / net position		
Fund balance		
Unassigned	1,060,961	-
Net position		
Net investment in capital assets	-	1,042,380
Unrestricted	-	1,027,487
Total fund balance / net position assumed	\$ 1,060,961	\$ 2,069,867

10. SUBSEQUENT EVENT

Firefighters Pension Trust Fund

In November 2023, the District established the Navarre Beach Fire Rescue District Trust Fund (the Plan) as a single-employer defined benefit pension plan for the sole benefit of the firefighters of the District. The plan will be administered by a five-member Board of Trustees. Upon commencement, the existing defined contribution retirement plan member balances were rolled over to the Plan in November 2023.

The Plan will operate under the provisions of Chapter 175, Florida Statutes, with administrative oversight provided by the Florida League of Cities. Chapter 175, Florida Statutes establishes minimum benefits and standards for the operation and funding of the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

**NAVARRE BEACH FIRE RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget – Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,050,000	\$ 1,050,000	\$ -	\$ (1,050,000)
Charges for services	672,000	672,000	168,000	(504,000)
Intergovernmental	35,000	35,000	34,664	(336)
Impact fees	-	-	1,500	1,500
Miscellaneous	8,000	8,000	48,537	40,537
Total revenues	<u>1,765,000</u>	<u>1,765,000</u>	<u>252,701</u>	<u>(1,512,299)</u>
EXPENDITURES				
Current				
Public safety				
Personnel	1,360,927	1,360,927	675,620	685,307
Operating	289,494	289,494	89,267	200,227
Capital outlay	45,000	45,000	34,664	10,336
Debt service	19,944	19,944	-	19,944
Total expenditures	<u>1,715,365</u>	<u>1,715,365</u>	<u>799,551</u>	<u>915,814</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,635	49,635	(546,850)	(596,485)
OTHER FINANCING SOURCES				
Fund balance assumed - transfer of operations	-	-	1,060,961	1,060,961
NET CHANGE IN FUND BALANCE	49,635	49,635	514,111	464,476
FUND BALANCE AT BEGINNING OF YEAR	<u>133,000</u>	<u>133,000</u>	<u>-</u>	<u>(133,000)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 182,635</u>	<u>\$ 182,635</u>	<u>\$ 514,111</u>	<u>\$ 331,476</u>

See notes to the required supplementary information.

**NAVARRE BEACH FIRE RESCUE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

The District adopts an annual budget for the General Fund by resolution each fiscal year in accordance with Section 189.016(3), Florida Statutes. Budgetary data reflected in the accompanying budgetary comparison schedule is established by the following procedures:

Prior to September 1st of each year, proposed budgets are received by the Board of Fire Commissioners (the Board) from the Fire Chief. The proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be carried forward are considered by the Board. The Board proposes revisions as deemed necessary, sets proposed non-ad valorem assessments, and establishes dates for the public budget hearing as prescribed by Florida Statutes.

Tentative proposed budgets are advertised in a newspaper of general circulation in the District and are posted to the District's website. A public budget hearing is conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all residents in attendance.

Prior to October 1st of each year, the budget for the General Fund is legally enacted through passage of a resolution. Budget amendments are periodically passed via resolution by the Board throughout the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior year unassigned fund balance to the level required to accomplish current year objectives. The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level.

The budgetary data reflected in the accompanying budgetary comparison schedule was adopted by Navarre Beach Fire Rescue, Inc. prior to the transfer of operations to the District in May 2023. A separate budget was not adopted via resolution by the District for the year ended September 30, 2023.

The District legally adopted the budget for the fiscal year ended September 30, 2024, via resolution on September 12, 2023.

COMPLIANCE SECTION

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE FLORIDA AUDITOR GENERAL**

To the Board of Fire Commissioners
Navarre Beach Fire Rescue District

We have examined Navarre Beach Fire Rescue District's (the District's) compliance with Section 218.415, Florida Statutes, with regards to investments for the year ended September 30, 2023.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements 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 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 the specified requirements for the year ended September 30, 2023.

Warren Averett, LLC
Pensacola, Florida
August 5, 2024

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

To the Board of Fire Commissioners
Navarre Beach Fire Rescue District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Navarre Beach Fire Rescue District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 5, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of This Report

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

Warren Averett, LLC

Pensacola, Florida

August 5, 2024

MANAGEMENT LETTER

To the Board of Fire Commissioners
Navarre Beach Fire Rescue District

Report on the Financial Statements

We have audited the financial statements of the Navarre Beach Fire Rescue District (the District), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated August 5, 2024.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Florida Auditor General*. Disclosures in those reports are dated August 5, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Florida Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The District did not have a preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Florida 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 can be found in Note 1 to the financial statements. There are no component units related to the District.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Florida 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 identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Florida 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 Florida Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Florida Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

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

- a. The total number of district employees compensated in the last pay period of the District's fiscal year as 37.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued regardless of contingency as \$580,602.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$9,870.
- e. The District has no construction projects with a total cost of \$65,000 approved by the District that are scheduled to begin on or after October 1st of the fiscal year being reported.
- f. No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the fiscal year being reported.

The specific information reported on the previous page has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Additional Matters

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

Purpose of This Letter

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

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

Warren Averett, LLC

Pensacola, Florida

August 5, 2024