

MIDWAY FIRE DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2014

**MIDWAY FIRE DISTRICT
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SEPTEMBER 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Midway Fire District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the pension trust fund of Midway Fire District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

As more fully described in Note 7 to the financial statements, the District has not implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, which was effective for the District as of September 30, 2014 and requires enhanced note disclosures and additional schedules be presented as required supplementary information. The effects of this departure from accounting principles generally accepted in the United States of America on the note disclosures related to the pension trust fund have not been determined.

Qualified Opinion

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 67, as described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the pension trust fund of the District, as of September 30, 2014, 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund on page 31, be presented to supplement the basic financial statements. Such information, 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.

As discussed in the Basis for Qualified Opinion paragraph above, management has not implemented GASB Statement No. 67, and therefore, has omitted required supplementary information related to the pension trust fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a required 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. Our opinion on the basic financial statements is not affected by this missing information.

Prior to the effective date of GASB Statement No. 67, accounting principles generally accepted in the United States of America required that the Schedule of Funding Progress on page 32 and the Schedule of Contributions from the Employer and the State of Florida on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, was required by the Governmental Accounting Standards Board, who considered 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 April 24, 2015, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the District's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
April 24, 2015

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

As management of Midway Fire 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, 2014.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the District exceeded its liabilities by \$1,272,559 (net position). Of this amount of net position, \$1,129,231 represents the net investment in capital assets (e.g. land, building, fire trucks, and equipment) net of related debt, \$7,456 is restricted for future obligations, and the unrestricted portion, which may be used to meet the District's ongoing obligations to citizens and creditors, has a balance of \$135,872.
- The District's governmental funds reported ending fund balances of \$322,260, an increase of \$53,894.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$241,629, or 10% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the District's basic financial statements. Midway Fire 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 required supplementary information in addition to the basic financial statements. As permitted by GASB 34, the District has elected to present the government-wide financial statements and fund financial statements in a combined presentation with a column containing the adjustments to reconcile the two financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position presents information on all of the District's assets, deferred outflow of resources and liabilities, with reported net position being the amount assets and deferred outflow of resources exceed liabilities. 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.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

The government-wide financial statements distinguish functions of the District that are principally supported by taxes. The governmental activities of the District consist of public safety (fire suppression and emergency response). The government-wide financial statements are found on pages 12 - 15 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. Midway Fire 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 can be divided into two categories: governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS

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

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 12 and 14 of this report are the basic governmental fund financial statements.

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.

Midway Fire 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.

Midway Fire District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with the budget on page 31 of this report.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District has one fiduciary fund (Pension Trust Fund). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are found on pages 16 - 17 of this report.

NOTES TO 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 18 of this report are the notes to the financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget and progress in funding its obligation to provide pension benefits to its employees. The required supplementary information is found on pages 31 - 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities by \$1,272,559 (net position) for the fiscal year ended 2014 as reported in the table on page 7.

By far the largest portion of the District's net position, \$1,129,231 (or 89%) reflects its investment in capital assets (e.g. land, buildings, fire trucks, and equipment) less any related debt still outstanding that was used to acquire those assets.

Midway Fire District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District reports the investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013 (restated)*</u>
Current and Other Assets	\$ 345,767	\$ 348,460
Capital Assets	3,128,188	3,258,400
Total Assets	<u>3,473,955</u>	<u>3,606,860</u>
Deferred charge on refunding, net	106,203	126,871
Deferred Outflow of Resources	<u>106,203</u>	<u>126,871</u>
Other Liabilities	55,543	100,900
Long-Term Liabilities Outstanding	2,252,056	2,417,851
Total Liabilities	<u>2,307,599</u>	<u>2,518,751</u>
Net Position		
Net investment in capital assets	1,129,231	1,180,696
Restricted	7,456	6,815
Unrestricted	135,872	27,469
Net Position	<u>\$ 1,272,559</u>	<u>\$ 1,214,980</u>

*2013 restated for GASB 65 implementation

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

GOVERNMENTAL ACTIVITIES

Governmental activities increased the District's net position by \$57,579. Reported in the table below are the key elements of this increase.

**CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30**

	Governmental Activities	
	2014	2013
REVENUES		
Program revenues		
Charges for services	\$ 48,837	\$ 69,335
Intergovernmental	151,811	83,389
Licenses and fees	2,848	1,022
General revenues		
Property taxes	2,271,266	2,056,939
Impact fees	34,316	30,150
Other revenue	33,004	54,142
TOTAL REVENUES	2,542,082	2,294,977
EXPENSES		
Primary government		
Public safety	2,430,645	2,326,206
Debt service interest	53,858	66,230
TOTAL EXPENSES	2,484,503	2,392,436
Increase (decrease) in net position	57,579	(97,459)
NET POSITION BEGINNING	1,214,980	1,312,439
NET POSITION ENDING	\$ 1,272,559	\$ 1,214,980

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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

As of the end of the current fiscal year, the District's governmental fund reported ending fund balances of \$322,260, an increase of \$53,894 in comparison with the prior year. Of the total fund balance, \$241,629 constitutes unassigned fund balance, which is available for spending at the District's discretion.

Overall revenues exceeded expenditures as a result of increased revenue and focused efforts to reduce spending.

The District has increased the millage rate to 1.75, up from the 2013 rate of 1.6, which, along with valuations, has led to an increase in tax revenue of approximately \$214,000.

Charges for services decreased approximately \$20,000 due to the closure of the EMT Academy in fiscal year 2013.

The intergovernmental revenue recognized in 2014 consists mainly of funds received under the Department of Homeland Security SAFER Grant. This SAFER grant will provide a total of \$359,000 to fund four new firefighters for a period of three years, which began in 2013. A total of approximately \$144,000 was received from this grant during 2014.

Public safety expenditures increased approximately \$84,000 from 2013 as a result of increased personal expenses related to a 4% salary increase effective December 1, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, total budgetary expenditures exceeded total budgetary revenue with beginning budgeted fund balance being used to balance the budget. There were no modifications to the budget during the year.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Midway Fire District's investments in capital assets for its governmental activities as of September 30, 2014, amounts to \$3.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and fire trucks and vehicles. The additions to the District's capital assets for the current fiscal year were \$61,193 and the increase in accumulated depreciation totaled \$186,088.

**CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 427,721	\$ 427,721
Buildings	2,199,410	2,274,767
Improvements	27,460	24,289
Equipment	30,590	40,183
Fire trucks and vehicles	443,007	491,440
Total	\$ 3,128,188	\$ 3,258,400

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

LONG -TERM DEBT

At the end of the current fiscal year, the District had total debt outstanding of \$2.3 million. All of the District's debt, with the exception of compensated absences, represents bank loans secured solely by specified property and non-ad valorem revenues. Midway Fire District has no general obligation or special assessment debt.

**OUTSTANDING DEBT
(Notes payable and Compensated Absence)**

	Governmental Activities	
	2014	2013
Notes Payable	\$ 1,998,957	\$ 2,077,704
Compensated absence	253,099	213,276
Total	\$ 2,252,056	\$ 2,290,980

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

Additional information on the District's long-term debt can be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District primarily relies upon property taxes and a limited array of other taxes (such as impact fees and user fees) to fund its activities. There are also a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal government which provide funding for specific programs, projects, or activities.

The primary source of revenue for the District are property taxes. The approved millage rate for the fiscal year 2015 is 1.75 mills, and did not change from 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Financial Administrator, Midway Fire District, 1322 College Parkway, Gulf Breeze, FL 32563. Midway Fire District's website address is www.midwayfire.com. Inquiries may also be sent via email to the Financial Administrator at missy.scarborough@midwayfire.com.

BASIC FINANCIAL STATEMENTS

**MIDWAY FIRE DISTRICT
BALANCE SHEET/STATEMENT OF NET POSITION - GENERAL FUND
SEPTEMBER 30, 2014**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 87,284	\$ -	\$ 87,284
Investments	258,383	-	258,383
Accounts receivable	100	-	100
Capital assets			
Non-depreciable	-	427,721	427,721
Depreciable, net	-	2,700,467	2,700,467
TOTAL ASSETS	<u>\$ 345,767</u>	<u>3,128,188</u>	<u>3,473,955</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding, net		106,203	106,203
LIABILITIES			
Accounts payable	\$ 380	-	380
Accrued liabilities	23,127	-	23,127
Accrued interest	-	32,036	32,036
Non-current liabilities			
Due within one year			
Notes payable	-	210,650	210,650
Due in more than one year			
Compensated absences	-	253,099	253,099
Notes payable	-	1,788,307	1,788,307
TOTAL LIABILITIES	<u>23,507</u>	<u>2,284,092</u>	<u>2,307,599</u>
FUND BALANCE / NET POSITION			
Fund Balance			
Restricted for capital expenditures	7,456	(7,456)	
Assigned	73,175	(73,175)	
Unassigned	241,629	(241,629)	
Total fund balance	<u>322,260</u>	<u>(322,260)</u>	
Total liabilities and fund balance	<u>\$ 345,767</u>		
Net Position			
Net investment in capital assets		1,129,231	1,129,231
Restricted - impact fees		7,456	7,456
Unrestricted		135,872	135,872
Total Net Position		<u>\$ 1,272,559</u>	<u>\$ 1,272,559</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Fund balance, general fund (page 12)	\$	322,260
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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 general fund.

Governmental non-depreciable assets	427,721	
Governmental depreciable assets	5,370,183	
Less accumulated depreciation	<u>(2,669,716)</u>	
		3,128,188

The deferred charge on debt refunding is not an asset of the general fund but is considered a deferred outflow on Statement of Net Position.

106,203

Long-term liabilities are not due and payable in the current period and are not reported in the general fund.

Notes payable	(1,998,957)	
Accrued interest	(32,036)	
Compensated absences	<u>(253,099)</u>	
		<u>(2,284,092)</u>

Net position of governmental activities (page 12)	\$	<u><u>1,272,559</u></u>
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See notes to the financial statements.

**MIDWAY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$ 2,271,266	\$ -	\$ 2,271,266
Intergovernmental revenues	151,811	-	151,811
Impact fees	34,316	-	34,316
Charges for services	48,837	-	48,837
Licenses and fees income	2,848	-	2,848
Interest income	875	-	875
Miscellaneous income	32,129	-	32,129
	<u>2,542,082</u>	<u>-</u>	<u>2,542,082</u>
Total revenues	\$ 2,542,082	\$ -	\$ 2,542,082
EXPENDITURES			
Current			
Public safety - fire protection			
Personal services	1,704,578	39,823	1,744,401
Operating expenditures	460,037	19,452	479,489
Depreciation and amortization	-	206,755	206,755
Capital outlay	61,193	(61,193)	-
Debt service			
Principal	205,618	(205,618)	-
Interest	56,762	(2,904)	53,858
	<u>2,488,188</u>	<u>(3,685)</u>	<u>2,484,503</u>
Total expenditures	2,488,188	(3,685)	2,484,503
NET CHANGE IN FUND BALANCE	53,894		
CHANGE IN NET POSITION			57,579
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>268,366</u>		<u>1,214,980</u>
END OF YEAR	<u>\$ 322,260</u>		<u>\$ 1,272,559</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - general fund (page 14) \$ 53,894

Amounts reported for governmental activities in the Statement of Activities are different because:

The general fund reports capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	61,193	
Less current year depreciation	<u>(186,088)</u>	(124,895)

The general fund does not report capital assets on the balance sheet; however, they are reported in the government wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income on the governmental financial statements and a gain or loss is reported in the statement of activities.

Disposals of capital assets	(19,143)	
Accumulated depreciation associated with disposals	<u>13,826</u>	(5,317)

The issuance of long-term debt provides current financial resources to the general fund, while the repayment of the principal of long-term debt consumes the current financial resources of the general fund. Neither transaction, however, has any effect on net position. Also, the general fund reports the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of deferred amount on refunding	(20,667)	
Principal payments	<u>205,618</u>	184,951

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 general fund.

Write off of debt issuance costs	(14,135)	
Change in accrued interest on long-term debt	2,904	
Change in long-term compensated absences	<u>(39,823)</u>	(51,054)

Change in net position of governmental activities (page 14) \$ 57,579

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

ASSETS	
Investments, at fair value	\$ 3,298,701
Accounts receivable	<u>66,566</u>
TOTAL ASSETS	3,365,267
LIABILITIES	
	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 3,365,267</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

ADDITIONS	
Contributions	
Employer	\$ 69,356
Plan members	53,377
State of Florida	<u>186,648</u>
Total contributions	<u>309,381</u>
Net increase in fair value of investments	241,028
Less investment expense	<u>(5,999)</u>
Net investment income (loss)	<u>235,029</u>
TOTAL ADDITIONS	<u>544,410</u>
DEDUCTIONS	
Benefits and refunds paid	1,249
Administrative expenses	<u>5,208</u>
TOTAL DEDUCTIONS	<u>6,457</u>
NET INCREASE IN NET POSITION	537,953
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>2,827,314</u>
END OF YEAR	<u><u>\$ 3,365,267</u></u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midway Fire District (the "District") is a body corporate and politic, created pursuant to Chapter 82-377, Laws of Florida in 1982, as amended in 1997 by House Bill 1741 of the Florida House of Representatives and in 2003 by Chapter 2003-364, Laws of Florida, House Bill 1225 of the Florida House of Representatives. The purpose of the District is to raise funds for the operations of the Midway Fire Department (the "Department") through the levy of ad valorem taxes on property within the District. The District is served by a five-member Board of Commissioners elected at large from the residents of the District. The District is authorized to provide equipment and funds to the Department and to enter into debt agreements on its behalf.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The following is a summary of the District's accounting policies applied in the preparation of the financial statements.

A. The Reporting Entity

As required by GAAP, these financial statements present Midway Fire District as the primary government. In evaluating the District as a reporting entity, management has concluded there are no component units which are required to be included in these financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements include presentations of both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. Since only one governmental fund is utilized, there is no interfund activity which requires elimination. Governmental activities of the District are primarily supported by taxes and intergovernmental revenues. There are no business-type activities conducted by the District which rely, to a significant extent, on fees and charges for support.

As permitted by GAAP, the District has elected to present the government-wide financial statements and fund financial statements in a combined presentation with a column containing the adjustments to reconcile the two financial statements.

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

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The following two broad classifications are used to categorize the fund types 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). The District has only one governmental fund, the General Fund, which 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.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The District has one type of fiduciary fund, the Pension Trust Fund, which reports the resources required to be held in trust for the members and beneficiaries of the defined benefit pension plan administered by the Midway Fire District Firefighters' Pension Trust Fund Board of Trustees.

C. 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*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded 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.

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 sixty days of the end of the current fiscal period, except for certain grant revenues which are recognized as revenues in the same period the grant expenditures occurred, or, when received in advance, deferred until expenditures are made. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within sixty days of the current period be accrued. No accrual has been made for fiscal year 2014 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. The pension trust fund is used to account for the assets held by the District in a trustee capacity for the pension plan's participants.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Plan contributions to the pension trust fund are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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.

D. Assets, Deferred Outflow of Resources, Liabilities, and Fund Balance or Net Position

Cash and Cash Equivalents

The District's cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased are considered cash and cash equivalents.

Investments

Section 218.415, Florida Statutes, prescribes certain allowable investments including the Local Government Surplus Trust Fund (Florida PRIME), Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, or direct obligations of the U.S. Treasury.

The District's general fund investments are invested in the Florida PRIME, operated by Florida's State Board of Administration ("SBA"). The SBA is governed by Chapter 19-7 of the Florida Administrative Code ("FAC"). The FAC provides guidance and establishes the general operating procedures for the administration of the Florida PRIME. The Florida PRIME is a "2A-7 like" pool and the reported investment balance is equal to the value of the pooled shares. The Florida Auditor General performs an operational audit of activities and investments of the SBA.

Florida PRIME manages credit risk by purchasing only high quality securities and monitors the credit risks of its portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain nationally recognized statistical rating organizations. Florida PRIME manages interest rate risk by purchasing only short-term fixed income securities.

Investments of the Firefighters' Pension Trust Fund are invested with the Florida Municipal Investment Trust (FMIvT), which is managed by the Florida Municipal Pension Trust Fund (FMPTF). The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool. The Firefighters' Pension Trust Fund has a beneficial interest in the shares of the FMIvT portfolio, not in the individual securities held within the portfolio. The Midway Fire District has adopted the investment policy of the FMPTF as the investment policy for the Firefighters' Pension Trust Fund. Under this policy, a wide array of investments are allowable.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Deferred Outflow of Resources, Liabilities, and Fund Balance or Net Position - Continued

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. The District capitalizes assets that have an estimated useful life in excess of one year and an initial cost greater than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not capitalized.

Capital Assets

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

<u>Assets</u>	<u>Years</u>
Buildings	5-40 Years
Improvements	5-10 Years
Equipment & apparatuses	2-10 Years
Fire trucks & vehicles	5-15 Years

Deferred Outflow/Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflow of resources*. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflow of resources*. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The District did not have any deferred inflow of resources as of September 30, 2014.

Compensated Absences

The District allows employees to accumulate sick and vacation leave benefits which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability in the government-wide financial statements when the benefits are earned. For governmental funds, these expenditures are recognized when payments are made to the employees.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Deferred Outflow of Resources, Liabilities, and Fund Balance or Net Position - Continued

Fund Balances

In the fund financial statements, fund balances are reported in accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, as either non-spendable or as restricted, committed, assigned, and unassigned, based on the extent to which there are external and internal constraints on the use of these fund balances.

Net Position

The government-wide financial statements utilize a net position presentation. Net investments in capital assets reflects the portion of net position which is associated with capital assets less outstanding capital asset related debt. Restricted net position consists of impact fees which may only be used for growth necessitated capital expenditures. Unrestricted net position represents the portion of net position that is neither restricted nor invested in capital assets (net of related debt).

E. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Property Tax

The Santa Rosa County Tax Collector bills and collects property taxes for the District. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2015

Beginning in November, discounts are granted of 1% for each month taxes are paid prior to the following March.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. CASH AND INVESTMENTS

Cash

The District's deposits at year-end were held by a financial institution designated as a "Qualified Public Depository" as defined by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

Investments

The types of allowable investments are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed is in Note 1-D.

General Fund

At September 30, 2014, the District had investments of \$258,383 with the Florida PRIME. The fair value of the District's position in Florida PRIME is the same as the value of the pool shares. In accordance with the regulation of "2a7-like" pools, the method used to determine the participants' share sold and redeemed is the amortized cost method.

Foreign Currency Risk

The Florida PRIME was not exposed to any foreign currency risk during the year ended September 30, 2014.

Security Lending

The Florida PRIME did not participate in a securities lending program during the year ended September 30, 2014.

Credit Quality

The Florida PRIME is rated by Standard and Poors, and carries an AAAM rating.

Interest Rate Risk

As of September 30, 2014, the Florida PRIME portfolio's weighted average days to maturity (WAM) was 39 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME to interest rate changes.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Pension Trust Fund

The District is a participating employer of the Florida Municipal Pension Trust Fund (FMPTF) and the FMPTF provides the District's pension plan with administrative and investment services. All employee pension plan assets are invested in Investment Portfolio "A" of the Florida Municipal Investment Trust (FMIvT), in a ratio of 60% Equities/40% Fixed Income. These investments are reported at fair value. At September 30, 2014, the District's investment in the FMPTF was \$3,298,701.

Credit Risk and Interest Rate Risk Information

Investment Funds	<u>Asset Allocation</u>	<u>Credit Risk (Fitch Rating)</u>	<u>Interest Rate Risk (Years) - Modified Duration</u>	<u>Interest Rate Risk (Years) - WAM</u>
Fixed Income Fund				
FMIvT Broad Market High QualityBond	16.0%	AA/V4	4.77	6.47
FMIvT Core Plus	23.4%	Not Rated	2.91	6.52
Equity Portfolios				
FMIvT High Quality Growth	8.0%			
FMIvT Large Cap Diversified Value	8.2%			
FMIvT Russell 1000 Enhanced Index	23.4%			
FMIvT Diversified Small to Mid Cap Equity	10.9%			
FMIvT International Equity	9.5%			
Cash and Money Market	0.6%			
Totals	<u>100%</u>			

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

3. CHANGES IN CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 427,721	\$ -	\$ -	\$ 427,721
Total Capital assets not being depreciated	<u>427,721</u>	<u>-</u>	<u>-</u>	<u>427,721</u>
Capital assets being depreciated				
Buildings	3,049,296	-	-	3,049,296
Improvements	63,531	10,600	-	74,131
Equipment	462,968	-	-	462,968
Fire trucks and vehicles	1,752,338	50,593	(19,143)	1,783,788
Total capital assets being depreciated	<u>5,328,133</u>	<u>61,193</u>	<u>(19,143)</u>	<u>5,370,183</u>
Less accumulated depreciation				
Buildings	(774,529)	(75,357)	-	(849,886)
Improvements	(39,242)	(7,429)	-	(46,671)
Equipment	(422,785)	(9,593)	-	(432,378)
Fire trucks and vehicles	(1,260,898)	(93,709)	13,826	(1,340,781)
Total accumulated depreciation	<u>(2,497,454)</u>	<u>(186,088)</u>	<u>13,826</u>	<u>(2,669,716)</u>
Total capital assets being depreciated, net	<u>2,830,679</u>	<u>(124,895)</u>	<u>(5,317)</u>	<u>2,700,467</u>
Governmental activities, net	<u>\$ 3,258,400</u>	<u>\$ (124,895)</u>	<u>\$ (5,317)</u>	<u>\$ 3,128,188</u>

Depreciation expense reported in the government-wide financial statement was \$186,088.

4. 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. There have been no significant reductions in insurance coverage during the current year. Settlements have not exceeded insurance coverage in each of the past three years.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

4. RISK MANAGEMENT – CONTINUED

The District's worker's compensation is insured under a retrospectively rated policy in which the initial premium is adjusted based on actual experience during the period of coverage. Premiums are paid on the basis of the carrier's estimated cost of providing insurance to similar groups.

5. LINE OF CREDIT

The District has a line of credit up to \$500,000, secured by non-ad valorem revenues. This line of credit bears interest payable monthly at the 30 day LIBOR rate plus 2.50%. The maturity date of this line of credit is February 27, 2015. There was no balance outstanding at September 30, 2014.

6. LONG-TERM DEBT

Changes in Long-Term Debt

The following table summarizes changes in long-term debt of the District for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes payable	\$ 2,204,575	\$ -	\$ (205,618)	\$ 1,998,957	\$ 210,650
Compensated absence	213,276	117,458	(77,635)	253,099	-
Total governmental activities	<u>\$ 2,417,851</u>	<u>\$ 117,458</u>	<u>\$ (283,253)</u>	<u>\$ 2,252,056</u>	<u>\$ 210,650</u>

Description of Notes Payable

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Notes Payable			
\$252,387 note payable to Regions Bank, due in monthly payments of \$3,368 , including interest at 3.243%, payments began March 2011 and note will mature on February 8, 2018. Secured by non-ad valorem revenues.	\$ 36,735	\$ 93,425	\$ 130,160
\$2,220,978 refunding note payable to Suntrust Bank; due in annual payments of \$221,969 including interest at 2.54%, payments began January 2013 and note will mature on January 30, 2025. Secured by non-ad valorem revenues.	173,915	1,694,882	1,868,797
Total Notes Payable	<u>\$ 210,650</u>	<u>\$ 1,788,307</u>	<u>\$ 1,998,957</u>

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

6. LONG-TERM DEBT – Continued

Annual Requirements to Amortize Debt Outstanding

The annual debt service requirements to maturity to retire notes payable are as follows:

<u>Year Ending September 30</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	210,650	51,731
2016	216,329	46,052
2017	222,162	40,218
2018	203,959	34,427
2019	192,495	29,474
Thereafter	953,362	73,869
Total	<u>\$ 1,998,957</u>	<u>\$ 275,771</u>

7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

Midway Fire District Firefighters' Pension Trust Fund ("FPTF") is a single-employer defined benefit pension plan for the sole benefit of the firefighters of the District. The Pension Trust Fund was established in 1998 and is administered by a five member Board of Trustees. It provides retirement, disability, and death benefits to plan members and beneficiaries. Participation is mandatory for all firefighters. Membership in the Plan consisted of 25 active plan members at September 30, 2014. The plan operates under the provisions of Chapter 175, Florida Statutes, with administrative oversight provided by the Florida League of Cities. Chapter 175 establishes minimum benefits and minimum standards for the operation and funding of the plan. The financial activity of the plan is reported as a Pension Trust Fund in the District's fiduciary fund financial statements. The plan's assets may be used only for the payment of benefits to members. The District does not issue a stand-alone financial report. As a Chapter 175 Plan, the Florida Department of Management Services (FDMS), Retirement Division, hires Foster and Foster Actuaries and Consultants to conduct an actuarial valuation of the Plan every third year. The enhanced note disclosures required by GASB Statement No 67; *Financial Reporting for Pension Plans*, are produced by Foster and Foster within the actuarial valuation of the plan. The September 30, 2014 audited financial statements must be submitted to FDMS by June 30, 2014. The September 30, 2014 actuarial valuation of the Plan is scheduled to be completed after the June 30th submission deadline in late summer of 2015, per FDMS.

Since the actuarial data required by GASB 67 was not available, the District has not implemented the provisions of GASB 67 as of September 30, 2014. GASB 67 requires additional note disclosures regarding the pension plan and additional and expanded supplementary schedules providing more information about the status of the plan's funding and 10 year trend histories. The impact in fiscal year 2014 relates to the note disclosures and required supplementary information only. The District intends to implement GASB 67 and GASB 68 with respect to the Midway Fire District Firefighters' Pension Trust Fund in fiscal year 2015.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

B. Contributions, Funding Policy and Annual Pension Cost

Contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 5% of their base salary to the Plan. The State of Florida contributes the 1.85% excise tax imposed on insurance premiums on property within the District into the Plan. The District is required to contribute at an actuarially determined rate so that sufficient assets will be available to pay benefits when due. The actuarially determined combined contribution rate for 2014 for both the State of Florida and the District was 20.3%.

The following is a summary of the valuation method and assumptions and annual pension cost for the FPTF:

	<u>FPTF</u>
Actuarial valuation date	10/1/2011
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value
Actuarial assumptions	
Invested rate of return	7.5%
Projected salary increases*	7.0%
* Includes inflation at	3.0%

⁽¹⁾ The aggregate actuarial cost method is used to determine the annual required contribution. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funding progress of the plan. The projection of benefits for financial statement reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

<u>Three-Year Trend Information</u>			
<u>Year Ending September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 53,500	102%	\$ (130,261)
2010	\$ 47,757	153%	\$ (129,050)
2009	\$ 9,735	139%	\$ (103,872)

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

B. Contributions, Funding Policy and Annual Pension Cost –Continued

The components of net pension cost, the increase in net pension asset, and the net pension asset for the year ended September 30, 2011, for the FPTF are as follows:

	FPTF
Actuarially determined contribution	\$ 54,652
Interest on net pension asset	(10,324)
Adjustment to actuarially determined contribution	9,172
Annual pension cost	53,500
Contributions made	(54,711)
Increase in net pension asset	(1,211)
Net pension asset - beginning of 2011	(129,050)
Net pension asset - end of year 2011*	\$ (130,261)

*These numbers are based on the most recent actuarial valuation report dated October 1, 2011.

C. Required Supplementary Information

The Schedule of Funding Progress, presented in the required supplementary information section of this annual financial report, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Schedule of Contributions from the Employer and the State of Florida is presented in the required supplementary information section of this annual financial report.

8. COMMITMENTS AND CONTINGENCIES

The District may be contingently liable with respect to lawsuits and claims incidental to the ordinary course of its operations. In the opinion of management, there are no claims, either asserted or unasserted, which are likely to have a material effect on the financial position of the District.

9. GOVERNMENTAL FUND BALANCES

Fund balance at year end consists of the following:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. There were no non-spendable fund balances as of September 30, 2014.

**MIDWAY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. GOVERNMENTAL FUND BALANCES – CONTINUED

Remaining fund balances are classified as follows depending on the District's ability to control the spending of these fund balances.

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2014, the District had restricted fund balance in its General Fund, consisting of \$7,456 for future capital expenditures and improvements.

Committed fund balances can only be used for specific purposes imposed internally by the District's formal action of highest level of decision making authority. As of September 30, 2014, there were no committed fund balances.

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2014, the District had \$73,175 of assigned fund balances related to the fiscal year 2015 budgeted use of fund balance.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been restricted, committed, or assigned. As of September 30, 2014, the District had \$241,629 in unassigned fund balances.

10. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended September 30, 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities as one of the four financial statement elements: (1) deferred outflows of resources, (2) deferred inflows of resources, (3) outflows of resources, or (4) inflows of resources. Accounting changes to comply with GASB Statement No. 65 were applied upon implementation during fiscal year 2014. The effect of implementation in the current year reduced the District's governmental activities' net position by \$14,135 as a result of the write off of prior year debt issuance costs.

11. SUBSEQUENT EVENT

Effective January 13, 2015, the District is obligated under a capital lease for a new fire engine costing approximately \$403,000. The District anticipates delivery of the new equipment in April 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**MIDWAY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,345,721	\$ 2,345,721	\$ 2,271,266	\$ (74,455)
Intergovernmental	151,612	151,612	151,811	199
Impact fees	20,000	20,000	34,316	14,316
Charges for services	55,000	55,000	48,837	(6,163)
Licenses and fees income	-	-	2,848	2,848
Interest	1,200	1,200	875	(325)
Miscellaneous	22,800	22,800	32,129	9,329
Total revenues	<u>2,596,333</u>	<u>2,596,333</u>	<u>2,542,082</u>	<u>(54,251)</u>
EXPENDITURES				
Current				
Public safety				
Personal services	1,646,000	1,646,000	1,704,578	(58,578)
Operating expenditures	469,100	469,100	460,037	9,063
Capital outlay	80,000	80,000	61,193	18,807
Contingency	211,510	211,510	-	211,510
Debt service				
Principal	205,620	205,620	205,618	2
Interest	56,762	56,762	56,762	-
Total expenditures	<u>2,668,992</u>	<u>2,668,992</u>	<u>2,488,188</u>	<u>180,804</u>
NET CHANGE IN FUND BALANCE	(72,659)	(72,659)	53,894	(235,055)
FUND BALANCE - BEGINNING OF YEAR	<u>72,659</u>	<u>72,659</u>	<u>268,366</u>	<u>195,707</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,260</u>	<u>\$ 322,260</u>

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2011	\$ 1,752,004	\$ 2,318,913	\$ 566,909	75.55%	\$ 923,852	61.36%
10/1/2008	\$ 938,056	\$ 1,621,083	\$ 683,027	57.87%	\$ 908,053	75.22%
10/1/2006	\$ 548,002	\$ 1,133,859	\$ 585,857	48.33%	\$ 869,271	67.40%

Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated. The FPTF is funded in accordance with the Aggregate Cost Method. In accordance with GASB 50, the AAL above has been calculated in accordance with the Entry Age Normal Cost Method, for the purpose of calculating and disclosing the funded ratio. The information presented here is intended to serve as a surrogate for the funding progress of the plan. In accordance with paragraph 13 of the standard, the schedule of funding progress contains the required elements of information as of the most recent valuation date. In subsequent years, more information will be added based on future actuarial valuation dates, until the full required schedule of funding progress is complete.

Additional information as of the latest actuarial valuation can be found in Note 7 to the financial statements.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND THE STATE OF FLORIDA
SEPTEMBER 30, 2014**

	Annual Required Contribution	Employer Contribution	State Contribution	Percentage Contributed
September 30, 2011	\$ 177,380	\$ 54,711	\$ 122,728	100%
September 30, 2010	\$ 176,607	\$ 72,934	\$ 127,922	114%
September 30, 2009	\$ 168,485	\$ 13,574	\$ 157,849	102%
September 30, 2008	\$ 176,523	\$ 12,230	\$ 171,835	104%
September 30, 2007	\$ 162,554	\$ 80,600	\$ 120,334	124%
September 30, 2006	\$ 106,787	\$ 22,090	\$ 77,464	93%

Note: The information presented on this schedule was determined as part of the latest valuation performed in October 2011.

**MIDWAY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

Revenues and expenditures are controlled by a formal budget adopted by the Board of Commissioners of the District. The budget is prepared on a basis consistent with GAAP. The legal level of control for appropriations is exercised at the total expenditure level, including a ten-percent contingency. The tax rate in effect for the current year was 1.75 mills. The District may only increase the millage rate 2/10ths of a mill annually up to the State maximum allowed millage of 3.75 mills.

Budget workshops are held by the District to plan, review, and discuss the proposed budget prior to its advertisement in a newspaper of general circulation. Public hearings are conducted for the purpose of hearing requests and complaints from the public. The final budget is adopted by District resolution. Any subsequent amendments must be enacted in the same manner as the original budget, except for individual line item transfers, which are approved by the Board of Commissioners.

**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 Commissioners
Midway Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statements of the governmental activities, the general fund, and the pension trust fund of Midway Fire District (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 24, 2015. In that report we qualified the opinion for the effects of non-implementation of GASB Statement No.67.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, where applicable, 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 determination of financial statement amounts. 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
April 24, 2015

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

To The Board of Commissioners
Midway Fire District

We have examined Midway Fire District's (hereinafter referred to as "the District") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2014.

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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Warren Averett, LLC

Pensacola, Florida
April 24, 2015

MANAGEMENT LETTER

To The Board of Commissioners
Midway Fire District

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the general fund, and the pension trust fund of Midway Fire District (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 24, 2015, which was qualified for the effects of non-implementation of GASB Statement No. 67.

Auditor's Responsibility

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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, if any, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit. No recommendations were 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 the management letter, unless disclosed in the notes to the financial statements. The legal authority for the District is disclosed in Note 1 to the financial statements. There are no component units related to the District.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the specified conditions described in 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have 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, other granting agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Pensacola, Florida
April 24, 2015