

MIDWAY FIRE DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017

**MIDWAY FIRE DISTRICT
TABLE OF CONTENTS
SEPTEMBER 30, 2017**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Balance Sheet/Statement of Net Position - General Fund	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities - General Fund	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	13
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to the Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
Schedule of Changes in Net Pension Liability and Related Ratios	34
Schedule of Contributions	35
Schedule of Investment Returns	36
Notes to the Required Supplementary Information	37
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	38
INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	40
MANAGEMENT LETTER	41

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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinions

In our opinion, 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, 2017, 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 3 through 9, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund on page 33, and the pension related schedules on pages 34 through 36, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018, 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
May 4, 2018

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$2,280,518 (net position). Of this amount of net position, \$1,486,093 represents the net investment in capital assets (e.g. land, building, fire trucks, and equipment) net of related debt, \$219,165 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 \$575,260.
- The District's governmental fund reported ending fund balances of \$699,559, an increase of \$348,227. Of this amount, \$115,298 is restricted for future capital expenditures and improvements and \$286,935 is committed for a future District match to the pension plan for certain eligible contributions as outlined in Note 10.

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. 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 inflows of resources, deferred outflows of resources and liabilities, with reported net position being the amount assets and deferred outflows of resources exceed liabilities and deferred inflows of resources. 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 flows in future fiscal periods.

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 10 - 13 of this report.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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 10 and 13 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 33 of this report.

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 14 - 15 of this report.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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 33 - 37 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 outflows of resources exceeded liabilities and deferred inflow of resources by \$2,280,518 (net position) for the fiscal year as reported in the table on page 6.

By far the largest portion of the District's net position, \$1,486,093 (or 65%) 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.

Public safety expense increased \$1,038,151 from 2016 to 2017. This increase is due primarily to an increase in pension expense of \$888,467 during 2017 as a result of changes in plan provisions in the Chapter 175 local law pension plan effective for the plan year commencing October 1, 2017. These changes detailed in Note 7 include an increase in the benefit accrual rate from 3% to 4% and an increase in the member contribution rate from 5% to 10%.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 731,049	\$ 429,202
Capital Assets	3,181,070	3,358,881
Net pension asset	103,867	437,545
Total Assets	4,015,986	4,225,628
Pension related items - see note 7	584,223	657,249
Deferred charge on refunding, net	54,060	69,668
Deferred Outflows of Resources	638,283	726,917
Other Liabilities	61,267	111,537
Long-Term Liabilities Outstanding	2,007,512	2,229,920
Total Liabilities	2,068,779	2,341,457
Pension related items - see note 7	304,972	38,729
Deferred Inflows of Resources	304,972	38,729
Net Position		
Net investment in capital assets	1,486,093	1,404,006
Restricted	219,165	540,171
Unrestricted	575,260	628,182
Net Position	\$ 2,280,518	\$ 2,572,359

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the District's net position by \$291,841. Reported in the table below are the key elements of this decrease.

	Governmental Activities	
	2017	2016
REVENUES		
Program revenues		
Charges for services	\$ 4,561	\$ 56,313
Intergovernmental	10,050	64,800
Licenses and fees	2,319	7,754
General revenues		
Property taxes	2,718,651	2,464,406
Impact fees	53,126	72,587
Other revenue	340,311	59,438
Total revenues	<u>3,129,018</u>	<u>2,725,298</u>
EXPENSES		
Public safety	3,373,030	2,334,879
Debt service interest	47,829	54,864
Total expenses	<u>3,420,859</u>	<u>2,389,743</u>
INCREASE (DECREASE) IN NET POSITION	(291,841)	335,555
NET POSITION BEGINNING	<u>2,572,359</u>	<u>2,236,804</u>
NET POSITION ENDING	<u><u>\$ 2,280,518</u></u>	<u><u>\$ 2,572,359</u></u>

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 general fund reported ending fund balances of \$699,559, an increase of \$348,227 in comparison with the prior year.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Overall revenues increased approximately \$404,000 from 2017 to 2016. Property tax revenue increased approximately \$254,000 due to an increase in the millage rate of .10 mills set at 1.85 mills and rising property values. Charges for services decreased approximately \$54,000 due to the closing of the Fire Academy program at the end of the 2016 fiscal year. Intergovernmental revenues decreased due to completion of non-reoccurring grant projects during 2016.

Other revenues increased by approximately \$280,000 due to a non-recurring revenue and unique situation during the year. Due to the outcome of the Social Security (Section 218) Referendum vote held in August 2016, the District received a refund, with interest, from the Social Security Administration for the employer Social Security taxes paid for all four quarters of tax years 2013-2015 and for three quarters of taxes paid in 2016. See Note 10 for additional information.

Public safety expenditures increased approximately \$18,000 from 2016 to 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, total budgeted expenditures exceeded actual expenditures by approximately \$397,000 and actual revenues exceeded budgeted revenues by approximately \$244,000. There were no modifications to the preliminary budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Midway Fire District's investments in capital assets as of September 30, 2017, amounts to approximately \$3.2 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 \$78,589 and the increase in accumulated depreciation totaled \$254,191.

**CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 427,721	\$ 427,721
Buildings	1,973,339	2,048,696
Improvements	129,322	144,447
Equipment	95,487	110,122
Fire trucks and vehicles	555,201	627,895
Total	\$ 3,181,070	\$ 3,358,881

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

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

LONG -TERM DEBT

At the end of the current fiscal year, the District had total debt outstanding of \$2 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	
	2017	2016
Notes Payable	\$ 1,694,977	\$ 1,954,875
Compensated absence	312,535	275,045
Total	\$ 2,007,512	\$ 2,229,920

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, 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 is property taxes. The approved millage rate for the fiscal year 2018 is 2.00 mills, an increase of .15 mills from 2017.

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, Florida 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, 2017**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 334,835	\$ -	\$ 334,835
Investments	394,664	-	394,664
Accounts receivable	1,550	-	1,550
Capital assets			
Non-depreciable	-	427,721	427,721
Depreciable, net	-	2,753,349	2,753,349
Net pension asset	-	103,867	103,867
TOTAL ASSETS	<u>\$ 731,049</u>	<u>3,284,937</u>	<u>4,015,986</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items - see note 7		584,223	584,223
Deferred charge on refunding, net		54,060	54,060
		<u>638,283</u>	<u>638,283</u>
LIABILITIES			
Accounts payable	\$ 3,804	-	3,804
Accrued liabilities	27,686	-	27,686
Accrued interest	-	29,777	29,777
Non-current liabilities			
Due within one year			
Notes payable	-	242,609	242,609
Due in more than one year			
Compensated absences	-	312,535	312,535
Notes payable	-	1,452,368	1,452,368
TOTAL LIABILITIES	<u>31,490</u>	<u>2,037,289</u>	<u>2,068,779</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items - see note 7		304,972	304,972
FUND BALANCE / NET POSITION			
Fund Balance			
Restricted for capital expenditures	115,298	(115,298)	
Committed	286,935	(286,935)	
Unassigned	297,326	(297,326)	
Total fund balance	<u>699,559</u>	<u>(699,559)</u>	
Total liabilities and fund balance	<u>\$ 731,049</u>		
Net Position			
Net investment in capital assets		1,486,093	1,486,093
Restricted - impact fees/net pension asset		219,165	219,165
Unrestricted		575,260	575,260
Total Net Position		<u>\$ 2,280,518</u>	<u>\$ 2,280,518</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund balance, general fund (page 10)	\$	699,559
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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	5,690,983	
Less accumulated depreciation	<u>(2,937,634)</u>	
		3,181,070

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.	54,060
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Deferred outflows are reported for the difference in expected and actual experience and changes in assumptions of the pension plan.	584,223
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Deferred inflows are reported for the net difference between projected and actual earnings on pension plan investments.	(304,972)
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The net position of the pension trust fund is greater than the total pension liability; therefore a net pension asset exists. This asset is not reported in the general fund.	103,867
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Long-term liabilities are not due and payable in the current period and are not reported in the general fund.

Notes payable	(1,694,977)	
Accrued interest	(29,777)	
Compensated absences	<u>(312,535)</u>	<u>(2,037,289)</u>

Net position of governmental activities (page 10)	\$	<u>2,280,518</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, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$ 2,718,651	\$ -	\$ 2,718,651
Intergovernmental revenues	10,050	-	10,050
Impact fees	53,126	-	53,126
Charges for services	4,561	-	4,561
Licenses and fees income	2,319	-	2,319
Interest income	7,537	-	7,537
Miscellaneous income	332,774	-	332,774
Total revenues	<u>3,129,018</u>	<u>-</u>	<u>3,129,018</u>
EXPENDITURES			
Current			
Public safety - fire protection			
Personal services	1,936,704	710,437	2,647,141
Operating expenditures	453,881	2,209	456,090
Depreciation and amortization	-	269,799	269,799
Capital outlay	78,589	(78,589)	-
Debt service			
Principal	259,898	(259,898)	-
Interest	51,719	(3,890)	47,829
Total expenditures	<u>2,780,791</u>	<u>640,068</u>	<u>3,420,859</u>
NET CHANGE IN FUND BALANCE	348,227		
DECREASE IN NET POSITION			(291,841)
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>351,332</u>		<u>2,572,359</u>
END OF YEAR	<u>\$ 699,559</u>		<u>\$ 2,280,518</u>

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, 2017**

Net change in fund balance - general fund (page 12) \$ 348,227

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	78,589	
Less current year depreciation	<u>(254,191)</u>	(175,602)

Pension expense in the statement of activities takes into consideration the change in the net pension asset and related deferred inflows and outflows. (672,947)

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	(26,875)	
Accumulated depreciation associated with disposals	<u>24,666</u>	(2,209)

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	(15,608)	
Principal payments	<u>259,898</u>	244,290

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.

Change in accrued interest on long-term debt	3,890	
Change in long-term compensated absences	<u>(37,490)</u>	<u>(33,600)</u>

Change in net position of governmental activities (page 12) \$ (291,841)

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017**

ASSETS

Investments, at fair value	\$ 4,890,435
Accounts receivable	2,547
Due from other governments	<u>6,006</u>

TOTAL ASSETS

4,898,988

LIABILITIES

-

NET POSITION

Held in trust for pension benefits	<u><u>\$ 4,898,988</u></u>
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See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

ADDITIONS

Contributions	
Employer	\$ 50,000
Plan members	65,070
State of Florida	116,395
	231,465
Total contributions	231,465

Net increase (decrease) in fair value of investments	564,987
Less investment expense	(8,730)
	556,257
Net investment income (loss)	556,257

TOTAL ADDITIONS	787,722
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DEDUCTIONS

Benefits paid	29,403
Administrative expenses	9,545
	38,948

TOTAL DEDUCTIONS	38,948
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NET INCREASE IN NET POSITION	748,774
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS

BEGINNING OF YEAR	4,150,214
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END OF YEAR	\$ 4,898,988
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See notes to the financial statements.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. DESCRIPTION OF BUSINESS AND 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 activities) 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 general 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.

The following two broad classifications are used to categorize the fund types used by the District:

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

B. Government-Wide and Fund Financial Statements – Continued

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 2018 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. DESCRIPTION OF BUSINESS AND 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 Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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 Funds 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, an external investment pool 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 meets the criteria of GASB Statement 79 to measure its investments at amortized cost, which approximates fair value, 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and
Fund Balance or Net Position – Continued**

Capital Assets

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 \$1,500. 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.

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 - 15 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 two items that qualify for reporting in this category. The first item 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. The second item relates to changes in the pension assumptions and experience which is further disclosed in Note 7.

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 only item that qualifies for reporting as a deferred inflow is the difference between projected and actual earnings on the pension investments. This item is further disclosed in Note 7.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and
Fund Balance or Net Position – Continued**

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.

Fund Balances

In the fund financial statements, fund balances are reported 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. Committed fund balance consists of \$286,935 for a future District match to the pension plan for eligible contributions described in Note 10. Restricted fund balance consists of impact fees.

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 \$115,298 for impact fees which may only be used for growth necessitated capital expenditures; and \$103,867 relates to the net pension asset. Unrestricted net position represents the portion of net position that is neither restricted nor invested in capital assets (net of related debt).

Pension Plan

The government-wide financial statements present a net pension asset equal to the difference between the actuarial present value of projected benefits to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, and the amount of the pension plan's fiduciary net position. Additionally, pension expense and deferred outflows of resources and deferred inflows of resources are annually recognized from changes in the components of the net pension asset. See note 7 for more information.

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.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

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, 2018
Levy Date	November 1, 2018
Due Date	November 1, 2018
Delinquent Date	April 1, 2018

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

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, 2017, the District had investments of \$394,664 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 GASB Statement 79, Florida Prime qualifies for measuring its investments at amortized cost and management of the pool believes that the pool is exempt from the GASB 72 fair value hierarchy disclosures.

As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

Foreign Currency Risk

The Florida PRIME was not exposed to any foreign currency risk during the year ended September 30, 2017.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

General Fund – Continued

Security Lending

The Florida PRIME did not participate in a securities lending program during the year ended September 30, 2017.

Credit Quality

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

Interest Rate Risk

As of September 30, 2017, the Florida PRIME portfolio's weighted average days to maturity (WAM) was 51 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.

Pension Trust Fund

The District is a participating employer of the Florida Municipal Pension Trust Fund (FMPTF) which provides the District's pension plan with administrative and investment services. All employee pension plan assets are included in the trust's Master Trust Fund and are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the District, employees and beneficiaries. The FMIvT is Local Government Investment Pool (an external investment pool for GASB reporting purposes) and the District has a beneficial interest in FMIvT Portfolio A and not the individual securities held within the portfolio. Portfolio "A" strives for a ratio of 60% Equities/40% Fixed Income. These investments are reported at fair value within the pool. At September 30, 2017, the District's investment in the FMPTF was \$4,890,435.

The District measures and records the investment in the pool using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 Inputs – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3 Inputs – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Fair Value of Investments:

<u>Investment Funds</u>	<u>Asset Value at 9/30/2017</u>	<u>Fair Value Hierarchy Level</u>
Fixed Income Fund		
FMIvT Broad Market High Quality Bond	\$ 767,798	2
FMIvT Core Plus	1,129,691	3
Equity Portfolios		
FMIvT High Quality Growth	391,235	2
FMIvT Large Cap Diversified Value	386,344	2
FMIvT Russell 1000 Enhanced Index	1,139,471	2
FMIvT Diverse Small to Mid Cap Equity	537,948	2
FMIvT International Equity	518,387	2
Cash and Money Market	19,561	
Totals	<u>\$ 4,890,435</u>	

Credit Risk and Interest Rate Risk Information:

<u>Investment Funds</u>	<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 Quality Bond	15.70%	Aaf/S4	4.74	6.1
FMIvT Core Plus	23.10%	Not Rated	2.24	7.4
Equity Portfolios				
FMIvT High Quality Growth	8.00%	Not Rated		
FMIvT Large Cap Diversified Value	7.90%	Not Rated		
FMIvT Russell 1000 Enhanced Index	23.30%	Not Rated		
FMIvT Diverse Small to Mid Cap Equity	10.90%	Not Rated		
FMIvT International Equity	10.70%	Not Rated		
Cash and Money Market	0.40%	Not Rated		
Totals	<u>100%</u>			

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	<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	209,062	4,944	-	214,006
Equipment	529,049	19,344	-	548,393
Fire trucks and vehicles	1,851,862	54,301	(26,875)	1,879,288
Total capital assets being depreciated	<u>5,639,269</u>	<u>78,589</u>	<u>(26,875)</u>	<u>5,690,983</u>
Less accumulated depreciation				
Buildings	(1,000,600)	(75,357)	-	(1,075,957)
Improvements	(64,615)	(20,069)	-	(84,684)
Equipment	(418,927)	(33,979)	-	(452,906)
Fire trucks and vehicles	(1,223,967)	(124,786)	24,666	(1,324,087)
Total accumulated depreciation	<u>(2,708,109)</u>	<u>(254,191)</u>	<u>24,666</u>	<u>(2,937,634)</u>
Total capital assets being depreciated, net	<u>2,931,160</u>	<u>(175,602)</u>	<u>(2,209)</u>	<u>2,753,349</u>
Governmental activities, net	<u>\$ 3,358,881</u>	<u>\$ (175,602)</u>	<u>\$ (2,209)</u>	<u>\$ 3,181,070</u>

Depreciation expense reported in the government-wide financial statement was \$254,191.

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.

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.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. LINE OF CREDIT

The District has a line of credit up to \$500,000, collateralized by the General Fund's deposits and investments. 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 June 30, 2018. There were no draws during the year and there was no balance outstanding at September 30, 2017.

6. LONG-TERM DEBT

The following table summarizes changes in long-term debt of the District for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes payable	\$ 1,954,875	\$ -	\$ (259,898)	\$ 1,694,977	\$ 242,609
Compensated absences	275,045	170,180	(132,690)	312,535	-
Total governmental activities	<u>\$ 2,229,920</u>	<u>\$ 170,180</u>	<u>\$ (392,588)</u>	<u>\$ 2,007,512</u>	<u>\$ 242,609</u>

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>
2018	\$ 242,609	\$ 44,795
2019	232,529	38,677
2020	238,678	32,529
2021	186,260	26,217
2022	191,229	21,248
Thereafter	<u>603,672</u>	<u>32,574</u>
Total	<u>\$ 1,694,977</u>	<u>\$ 196,040</u>

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. LONG-TERM DEBT – CONTINUED

	Current	Long-Term	Total
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.	\$ 16,208	\$ -	\$ 16,208
\$2,220,978 refunding note payable to SunTrust Bank; due in annual payments of \$221,969 through January 2020 which then reduce to \$163,240 through January 2025, including interest at 2.54%. Secured by non-ad valorem revenues.	187,533	1,145,609	1,333,142
\$420,000 note payable to SunTrust Bank; due in annual payments of \$49,237 including interest at 3.00%. Payments began January 2015 and note will mature on January 13, 2025. This note is unsecured.	38,868	306,759	345,627
Total Notes Payable	\$ 242,609	\$ 1,452,368	\$ 1,694,977

7. DEFINED BENEFIT PENSION PLAN

Plan Description

Plan Administration

Midway Fire District Firefighters' Pension Trust Fund (Plan) is a single-employer defined benefit pension plan for the sole benefit of the firefighters of the District. The Plan was established in 1998 and is administered by a Board of Trustees. The Board consists of five Trustees, two of whom are appointed by the Fire District Commission; two of whom are full-time Firefighters (members of the Plan) elected by a majority vote of the members of the Plan; and a fifth Trustee chosen by a majority of the first four Trustees. Participation is mandatory for all firefighters. Through September 30, 2017, the Plan operated under the provisions of Chapter 175, Florida Statutes, as a "Chapter 175 Plan" 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 Plan does not issue a stand-alone audited financial report.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Effective October 1, 2017, the Plan changed to a Chapter 175 “Local Law” plan and the District has modified benefit terms and assumptions. These changes impacted the actuarial assumptions described below. Significant changes noted are the increase in the benefit accrual rate from 3% to 4% per year of service earned after October 1, 2017 and the member contribution rate was increased from 5% to 10%.

Measurement Date for Pension Reporting

The pension related amounts reported in the financial statements as of and for the year ended September 30, 2017 (employer reporting period) are based upon the net pension liability and the pension expense determined as of and for the year ended September 30, 2017 (the measurement date).

Benefits Provided

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

Normal Retirement:

Date: The earlier of: 1) age 55 and the completion of 10 years of Credited Service, or 2) the attainment of age 52 and the completion of 25 years of credited service.

Benefit: 3.00% of Average Final Compensation times years of Credited Service.

Early Retirement:

Date: Age 50 and 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3.00% per year.

Vesting:

Schedule: 100% after 10 years of Credited Service.

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

Disability:

Eligibility Service Incurred: Covered from Date of Employment.

Eligibility Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred) or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years based on the otherwise Normal or Early Retirement Date calculation.

Non-Vested: Refund of accumulated contributions without interest.

Plan Membership as of October 1, 2017:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	2
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	1
Active Plan Members	<u>26</u>
	<u><u>29</u></u>

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions

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 a discretionary portion of 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 2017 for both the State of Florida and the District was 14.5%, resulting in a total contribution rate of 24.5% of covered payroll.

Investments

The District's adopted asset allocation policy as of September 30, 2017 was a target allocation of 50% domestic equity, 10% international equities, and 40% fixed income.

Concentrations

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

Rate of Return

For the year ended September 30, 2017, the annual money weighted rate of return on Plan investments, net of Plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset)

The components of the Net Pension Liability (Asset) of the Sponsor based upon the measurement date of September 30, 2017 were as follows:

Total Pension Liability	\$ (4,795,121)
Plan Fiduciary Net Position	4,898,988
Sponsor's Net Pension Asset	\$ 103,867

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.92%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Mortality rates utilized are as follows:

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	5.10-5.60%
International equity	5.60%
Fixed Income	1.40-4.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Beginning Balances	\$ 3,712,669	\$ 4,150,214	\$ (437,545)
Changes:			
Service cost	279,487	-	279,487
Interest	319,753	-	319,753
Changes of benefit terms	590,445		590,445
Differences between expected and actual experience	(77,830)	-	(77,830)
Contributions – employer	-	50,000	(50,000)
Contributions – State	-	116,395	(116,395)
Contributions – employee	-	65,070	(65,070)
Net investment income	-	556,257	(556,257)
Benefit payments, including			
Refunds of employee contributions	(29,403)	(29,403)	-
Administrative expenses	-	(9,545)	9,545
Net changes	<u>1,082,452</u>	<u>748,774</u>	<u>333,678</u>
Balances at September 30, 2017	<u>\$ 4,795,121</u>	<u>\$ 4,898,988</u>	<u>\$ (103,867)</u>

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

	1% Decrease 6.00%	Current Discount Rate	1% Increase 8.00%
Sponsor's Net Pension (Asset)	\$ 797,553	\$ (103,867)	\$ (832,451)

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

For the year ended September 30, 2017, the District recognized a pension expenditure of \$50,000 (employer contributions) in the fund level financial statements, and a pension expense of \$672,947 in the government-wide financial statements. On September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 526,031	\$ 70,047
Changes of assumptions	58,192	-
Net difference between projected and actual earnings on Plan investments	-	234,925
Total	\$ 584,223	\$ 304,972

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

<u>Year ended September 30,</u>			
2018		\$	2,435
2019			2,436
2020			7,739
2021			13,444
2022			65,245
Thereafter			187,952
		\$	279,251

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, 2017.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017, the District had restricted fund balance in its General Fund, consisting of \$115,298 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, 2017, the District had \$286,935 of committed fund balances related to a future District match of specified firefighter contributions to the pension plan discussed in Note 10 below.

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, 2017, there were no assigned fund balances.

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, 2017, the District had unassigned fund balance in its General Fund of \$297,326.

10. SOCIAL SECURITY COVERAGE CHANGES

When the Midway Fire District began withholding Social Security from firefighter wages during 1998, it was under the belief that Social Security coverage was required. However, the firefighters were not automatically eligible to be covered by Social Security. In August 2016, the District administered a referendum by all eligible members of the District's Chapter 175 defined benefit pension plan to legally sanction the Social Security coverage provided to current firefighters who were additionally covered by the defined benefit pension plan. The majority of all eligible members elected against social security coverage. The referendum results are documented in the State's Section 218 agreement. The Section 218 agreement is the official documentation between the State and Social Security defining which public employees in Florida are covered by Social Security. As a result of the referendum, the District received refunds in 2017 for social security taxes paid for calendar years 2013-2015 and three quarters of 2016. The eligible members were refunded their portion of the rebated social security taxes as they were received by the District. The District agreed to match any firefighter contribution to the pension plan made from the refunded employee balances between October and December 2017 up to the employer amount refunded to the District of \$286,935. This balance was recorded as miscellaneous income and considered committed at September 30, 2017.

11. SUBSEQUENT EVENT

In April 2018, the District obtained financing totaling \$500,000 for the purchase of a new fire engine. Annual debt service payments of \$59,305 bearing interest of 3.23% will begin in April 2019.

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,805,304	\$ 2,805,304	\$ 2,718,651	\$ (86,653)
Intergovernmental	9,360	9,360	10,050	690
Impact fees	45,000	45,000	53,126	8,126
Charges for services	-	-	4,561	4,561
Licenses and fees income	-	-	2,319	2,319
Interest	2,800	2,800	7,537	4,737
Miscellaneous	22,800	22,800	332,774	309,974
Total revenues	<u>2,885,264</u>	<u>2,885,264</u>	<u>3,129,018</u>	<u>243,754</u>
EXPENDITURES				
Current				
Public safety				
Personal services	2,020,204	2,020,204	1,936,704	83,500
Operating expenditures	534,912	534,912	453,881	81,031
Capital outlay	55,000	55,000	78,589	(23,589)
Contingency	255,510	255,510	-	255,510
Debt service				
Principal	260,801	260,801	259,898	903
Interest	51,581	51,581	51,719	(138)
Total expenditures	<u>3,178,008</u>	<u>3,178,008</u>	<u>2,780,791</u>	<u>397,217</u>
NET CHANGE IN FUND BALANCE	(292,744)	(292,744)	348,227	(153,463)
FUND BALANCE - BEGINNING OF YEAR	-	-	351,332	351,332
FUND BALANCE - END OF YEAR	<u>\$ (292,744)</u>	<u>\$ (292,744)</u>	<u>\$ 699,559</u>	<u>\$ 992,303</u>

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2017**

Measurement Date	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability				
Service cost	\$ 279,487	\$ 217,690	N/A	\$ 193,505
Interest	319,753	195,649	N/A	169,188
Change in benefit terms	590,445	-	N/A	-
Differences between expected and actual experience	(77,830)	657,537	N/A	-
Changes of assumptions	-	72,738	N/A	-
Benefit payments, including refunds of employee contributions	<u>(29,403)</u>	<u>(16,483)</u>	<u>N/A</u>	<u>(1,249)</u>
Net change in total pension liability	1,082,452	1,127,131	N/A	361,444
Total pension liability – beginning	<u>3,712,669</u>	<u>2,585,538</u>	<u>N/A</u>	<u>2,224,094</u>
Total pension liability – ending (a)	<u>\$ 4,795,121</u>	<u>\$ 3,712,669</u>	<u>N/A</u>	<u>\$ 2,585,538</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 50,000	\$ 20,946	\$ 82,027	\$ 69,356
Contributions – State	116,395	140,062	175,557	186,648
Contributions – employee	65,070	59,138	58,443	53,377
Net investment income	556,257	291,707	(13,092)	235,028
Benefit payments, including refunds of employee contributions	(29,403)	(16,483)	-	(1,249)
Administrative expenses	<u>(9,545)</u>	<u>(6,122)</u>	<u>(7,236)</u>	<u>(5,207)</u>
Net change in plan fiduciary net position	748,774	489,248	295,699	537,953
Plan fiduciary net position – beginning	<u>4,150,214</u>	<u>3,660,966</u>	<u>3,365,267</u>	<u>2,827,314</u>
Plan fiduciary net position – ending (b)	<u>\$ 4,898,988</u>	<u>\$ 4,150,214</u>	<u>\$ 3,660,966</u>	<u>\$ 3,365,267</u>
Net pension liability (asset) – ending (a) – (b)	<u>\$ (103,867)</u>	<u>\$ (437,545)</u>	<u>N/A</u>	<u>\$ (779,729)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.17%	111.79%	N/A	130.16%
Covered employee payroll	\$ 1,301,400	\$ 1,182,767	\$ 1,168,860	\$ 1,067,540
Net pension liability (asset) as a percentage of covered employee payroll	8%	37%	N/A	73%

Notes to schedule:
Information not available for prior years.

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2017**

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially determined contribution	\$ 101,509	\$ 90,874	\$ 237,279	\$ 208,742
Contributions in relation to the actuarially determined contributions:				
State's contribution of excise tax on insurance premiums	116,395	140,062	175,557	186,648
Employer	<u>50,000</u>	<u>20,946</u>	<u>82,027</u>	<u>69,356</u>
Total contributions to Plan	166,395	161,008	257,584	256,004
Contribution deficiency (excess)	<u>\$ (64,886)</u>	<u>\$ (70,134)</u>	<u>\$ (20,305)</u>	<u>\$ (47,262)</u>
Covered employee payroll	\$ 1,301,400	\$ 1,182,767	\$ 1,168,860	\$ 1,067,540
Contributions as a percentage of covered employee payroll	12.79%	13.61%	22.04%	23.98%

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2017**

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return:				
Net of investment expense	13.24%	8.00%	-0.02%	7.89%

Notes to schedule:

This information is not available for previous years.

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

Budgets

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 1.85 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2018.

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
May 4, 2018

**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, 2017.

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, 2017.

Warren Averett, LLC

Pensacola, Florida
May 4, 2018

MANAGEMENT LETTER

To The Board of Commissioners
Midway Fire District

Report on the Financial Statements

We have audited the financial statements of Midway Fire District (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 4, 2018.

Auditor's Responsibility

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

Other 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 Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, if any, which are dated May 4, 2018, 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

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not 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 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

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, 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, 2017. 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 and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Pensacola, Florida
May 4, 2018