

MIDWAY FIRE DISTRICT

**Financial Statements and
Supplemental Information**

September 30, 2008

MIDWAY FIRE DISTRICT

Financial Statements

September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Midway Fire District
Gulf Breeze, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Midway Fire District (the "District"), as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund, and the aggregate remaining fund information of the District, as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2009, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on page 34, and the Schedule of Contributions from the Employer and the State of Florida on page 35 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Sullivan Greel, LLP

July 13, 2009

Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

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, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$1,600,279 million (net assets). Of this amount of net assets, \$1,197,355 represents investments in capital assets (e.g. land, building, fire trucks, and equipment) net of related debt, \$58,885 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 \$344,039.
- The District's governmental funds reported ending fund balances of \$613,396, an increase of \$201,623.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$554,511, or 18% 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. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes. The governmental activities of the District include public safety (fire) and debt service. The government-wide financial statements are found on pages 13 - 16 of this report.

Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, 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.

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 13 and 15 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/statement of activities provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

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 17 - 18 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 19 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 represents 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 34 - 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,600,279 million (net assets) for the fiscal year ended 2008 as reported in Table 1.

By far the largest portion of the District's net assets, \$1,197,355 (or 75%) reflects its investment in capital assets (e.g. land, buildings, fire trucks, and equipment) less any related debt used to acquire those assets that are still outstanding.

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District reports 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, 2008**

Table 1

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30
(In Thousands of Dollars *)**

	Governmental Activities	
	2008	2007
Current and Other Assets	\$ 665	\$ 508
Capital Assets	4,407	4,498
Total Assets	5,072	5,006
Long-Term Liabilities Outstanding	3,325	3,562
Other Liabilities	147	196
Total Liabilities	3,472	3,758
Net Assets		
Invested in Capital Assets net of Related Debt	1,197	1,048
Restricted	59	109
Unrestricted	344	91
Total Net Assets	\$ 1,600	\$ 1,248

**all dollar amounts rounded to the nearest thousand*

**Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008**

GOVERNMENTAL ACTIVITIES

Governmental activities increased the District's net assets by \$352,640. Reported in Table 2 are the key elements of this increase.

Table 2

**CHANGE IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30
(In Thousands of Dollars *)**

	Governmental Activities	
	2008	2007
REVENUES		
Program revenues		
Charges for services	\$ 79	\$ 69
Intergovernmental	342	267
Licenses and fees	32	21
General revenues		
Property taxes	2,706	2,639
Impact fees	34	110
Other revenue	42	62
TOTAL REVENUES	<u>3,235</u>	<u>3,168</u>
EXPENSES		
Primary government		
Public safety	2,725	2,745
Debt service interest	158	174
TOTAL EXPENSES	<u>2,883</u>	<u>2,919</u>
Increase (decrease) in net assets	352	249
NET ASSETS BEGINNING	<u>1,248</u>	<u>999</u>
NET ASSETS ENDING	<u>\$ 1,600</u>	<u>\$ 1,248</u>

**all dollar amounts rounded to the nearest thousand*

**Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008**

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

As of the end of the current fiscal year, the District's governmental fund reported ending fund balances of \$613,396, an increase of \$201,623 in comparison with the prior year. Of the total fund balance, \$554,511 constitutes unreserved/undesignated fund balance, which is available for spending at the District's discretion.

During the current fiscal year, the fund balance of the District's General Fund increased by \$201,623. Key factors in this change are as follows:

Property tax revenue increased approximately \$67,000 from 2007 due to an increase in the taxable value of property within the district. The District has maintained the same millage rate since August 31, 2004 when the citizens of the Midway Fire District approved a referendum increasing the millage rate to 1.40 mils effective January 1, 2005.

It is the mission of the District "to provide the highest quality emergency and non-emergency services for the preservation of life, property, and the environment through education, professional development and dedication." The level of emergency services provided to District residents has steadily progressed over this past year as the District continued its aggressive delivery of Pre-hospital Emergency Medical Services, Fire Suppression, Fire Prevention, and Emergency Management services while utilizing other funding resources to minimize the tax burden to District residents. Motor vehicle crashes generated approximately \$24,000 in revenue and Impact Fees over \$34,200, and the District obtained more than \$342,000 in grant funds. These grant funds consist primarily of monies received under the SAFER grant, a grant from the Department of Homeland Security that provides a total of \$600,000 to fund six new firefighters for a period of five years, beginning in 2006, a grant of \$128,000 from FEMA to purchase new Scott air packs, and a grant from FEMA used to purchase the Fire Prevention Safety trailer for education in fire safety, weather emergencies, importance of fire sprinklers systems, and more.

Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The District requested a re-grading by ISO (Insurance Services Office) in December 2007 and has received an outstanding grade of 3, effective September 1, 2008. The District was previously a split class of 5/9. Homeowners and businesses stand to see substantial savings in their property's fire insurance rates due to the new rating.

The Fire Prevention Bureau conducted 56 plan reviews and performed 974 inspections. The Bureau reviews plans for all commercial occupancy construction and systems (fire alarm, sprinkler, etc.); reviews site plans for commercial occupancies and sub-divisions; and inspects all commercial occupancies on an annual basis, including public schools, day cares, and foster homes.

District personnel continue training throughout their career. Personnel are required to attend twenty hours per month of in-service training for fire suppression and four hours per month for medical in-service continuing education. In 2008, District personnel training totaled over 4,386 hours.

District personnel are required to be certified in CPR, Intermediate Trauma Life Support (ITLS), and Pediatric Emergencies for Pre-hospital Professionals (PEPP). Paramedics are also required to have Pediatric Advanced Life Support (PALS) and Advanced Cardiac Life Support (ACLS). Personnel are also required to be Hazardous Materials Technicians, and many are Technical Rescue qualified.

In 2008, the Midway Fire Academy held two Firefighter 2 classes with approximately 30 students becoming certified. The academy is open to the general public, and many of our graduates have gone on to work for other professional fire departments around the state such as Orange County Fire Rescue, Escambia County Fire Rescue, and the City of Pensacola Fire Department. By having its own academy, the District receives extra credit from ISO. Additionally, the academy provides a small source of revenue to the District as well as provides an opportunity for our personnel to teach and become subject matter experts.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, some revenues exceeded budgetary estimates. The most notable increases incurred in the following areas:

	<u>Actual</u>	<u>Budget</u>
• Property Taxes	\$ 2,705,573	\$ 2,642,365
• Licenses and fees income	\$ 31,655	\$ 6,177

**Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008**

Property taxes revenues consists of ad valorem tax revenues received from Santa Rosa County. Licenses and fees income consists primarily of monies received from Santa Rosa County for excess fees paid on ad valorem taxes. During the year, total budgetary revenues exceeded total budgetary expenditures. The addition of Amendment One has decreased the revenue that the District would have received prior to this amendment and has shown a negative affect on the ability to staff smaller programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investments in capital assets for its governmental activities as of September 30, 2008, amounts to \$4.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and apparatuses, and fire trucks and vehicles. The additions to the District's investment in capital assets for the current fiscal year were \$208,239 and the increase in accumulated depreciation totaled \$289,852.

Table 3

**Midway Fire District
CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 427,721	\$ 427,721
Buildings	2,651,555	2,726,912
Improvements	240	563
Equipment	361,017	305,063
Fire trucks and vehicles	966,134	1,037,412
Total	\$ 4,406,667	\$ 4,497,671

Additional information on the capital assets of the District can be found in Note 4 of this report.

LONG -TERM DEBT

At the end of the current fiscal year, the District had total debt outstanding of \$3.33 million. All of the District's debt, with the exception of compensated absences, represents bank loans secured solely by specified property and capital leases. Impact fees have been pledged as payment for one of the notes payable. The District has no general obligation or special assessment debt.

**Midway Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008**

Table 4

**Midway Fire District
OUTSTANDING DEBT
Notes Payable and Compensated Absences**

	Governmental Activities	
	2008	2007
Notes payable	\$ 681,636	\$ 774,886
Capital leases	2,527,676	2,675,097
Compensated absences	115,850	112,446
Total	\$ 3,325,162	\$ 3,562,429

Additional information on the District's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, does not have a state personal income tax, and, therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments such as the District primarily rely upon property taxes and a limited array of other taxes (such as impact fees and user fees) for their governmental activities. There are 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 tax with an ad valorem millage rate of 1.40 mils. Over the past several years, the District's jurisdiction has also experienced rapid growth and higher demand for services. Current trends and forecasts indicate the Midway Fire District will see decreases in revenue because of the economic turndown. The current millage rate should be able to maintain the service level required.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Treasurer, Midway Fire District, 1322 College Parkway, Gulf Breeze, FL 32563. The District's website address is www.midwayfire.com. Inquiries may also be sent via email to the fiscal agent at mdistrict@mchsi.com.

BASIC FINANCIAL STATEMENTS

Midway Fire District
BALANCE SHEET/STATEMENT OF NET ASSETS - GENERAL FUND
September 30, 2008

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 588,077	\$ -	\$ 588,077
Investments	21,953	-	21,953
Receivables, net	3,640	-	3,640
Due from other governments	29,987	-	29,987
Prepaid expenses	21,036	-	21,036
Capital assets			
Non-depreciable	-	427,721	427,721
Depreciable, net	-	3,978,946	3,978,946
TOTAL ASSETS	<u>\$ 664,693</u>	<u>4,406,667</u>	<u>5,071,360</u>
LIABILITIES			
Accounts payable	\$ 18,563	-	18,563
Accrued liabilities	32,353	-	32,353
Due to Employee Pension Fund	381	-	381
Accrued interest	-	94,622	94,622
Non-current liabilities			
Due within one year			
Notes payable	-	82,284	82,284
Capital leases	-	154,073	154,073
Due in more than one year			
Compensated absences	-	115,850	115,850
Notes payable	-	599,352	599,352
Capital leases	-	2,373,603	2,373,603
TOTAL LIABILITIES	<u>51,297</u>	<u>3,419,784</u>	<u>3,471,081</u>
FUND BALANCE / NET ASSETS			
Fund Balance			
Reserved for capital expenditures	58,885	(58,885)	
Unreserved and undesignated	554,511	(554,511)	
Total fund balance	613,396	(613,396)	
Total liabilities and fund balance	<u>\$ 664,693</u>		
Net Assets			
Invested in capital assets, net of related debt		1,197,355	1,197,355
Restricted - impact fees		58,885	58,885
Unrestricted		344,039	344,039
Total net assets		<u>\$ 1,600,279</u>	<u>\$ 1,600,279</u>

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

Midway Fire District
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2008

Fund balance - total governmental fund (page 13)	\$	613,396
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable assets	\$	427,721
Governmental depreciable assets		5,515,552
Less accumulated depreciation		<u>(1,536,606)</u>
		4,406,667
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Notes payable		(681,636)
Accrued interest		(94,622)
Capital leases		(2,527,676)
Compensated absences		<u>(115,850)</u>
		<u>(3,419,784)</u>
Net assets of governmental activities (page 13)	\$	<u>1,600,279</u>

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

Midway Fire District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES - GENERAL FUND
Year Ended September 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$ 2,705,573	\$ -	\$ 2,705,573
Intergovernmental revenues	342,633	-	342,633
Impact fees	34,271	-	34,271
Charges for services	79,341	-	79,341
Licenses and fees income	31,655	-	31,655
Interest income	19,661	-	19,661
Miscellaneous income	<u>22,515</u>	<u>-</u>	<u>22,515</u>
TOTAL REVENUES	3,235,649	-	3,235,649
EXPENDITURES			
Current			
Public safety - fire protection			
Personal services	1,737,232	3,404	1,740,636
Operating expenditures	684,911	9,391	694,302
Depreciation		289,852	289,852
Capital outlay	208,239	(208,239)	-
Debt service			
Principal	240,671	(240,671)	-
Interest	<u>162,973</u>	<u>(4,754)</u>	<u>158,219</u>
TOTAL EXPENDITURES	<u>3,034,026</u>	<u>(151,017)</u>	<u>2,883,009</u>
NET CHANGE IN FUND BALANCE	201,623	<u>(201,623)</u>	
Change in net assets		352,640	352,640
Fund balance/net assets:			
Beginning of the year	<u>411,773</u>		<u>1,247,639</u>
End of the year	<u>\$ 613,396</u>		<u>\$ 1,600,279</u>

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

Midway Fire District
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2008

Net change in fund balance - total governmental funds (page 15)	\$	201,623
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.		
Expenditures for capital assets	\$ 208,239	
Less current year depreciation	<u>(289,852)</u>	(81,613)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments	<u>240,671</u>	240,671
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest on long-term debt	4,754	
Change in long-term compensated absences	<u>(3,404)</u>	1,350
The net effect of various miscellaneous transactions involving sale of capital assets is to decrease net assets.		
		<u>(9,391)</u>
Change in net assets of governmental activities (page 15)	\$	<u>352,640</u>

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

**Midway Fire District
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2008**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,000
Investments, at fair value	836,256
Due from General Fund	381
Due from State of Florida	<u>157,010</u>
Total assets	998,647
LIABILITIES	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 998,647</u>

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

Midway Fire District
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended September 30, 2008

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 12,611
Plan members	52,308
State of Florida	<u>157,010</u>
Total contributions	<u>221,929</u>
Net decline in fair value of investments	(139,950)
Interest and dividend income	23,324
Less investment expense	<u>(11,525)</u>
Net investment loss	<u>(128,151)</u>
TOTAL ADDITIONS	93,778
DEDUCTIONS	
Benefits and refunds paid	19,983
Administrative expenses	<u>11,620</u>
TOTAL DEDUCTIONS	<u>31,603</u>
NET INCREASE IN NET ASSETS	62,175
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>936,472</u>
End of year	<u>\$ 998,647</u>

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

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 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 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 accounting principles generally accepted in the United States of America, these financial statements present Midway Fire District as the primary government. In evaluating the District as a reporting entity, management has concluded, based on the criteria set forth in GASB No. 14, 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 assets and the statement of changes in net assets) 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 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.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

B. Government-Wide and Fund Financial Statements -- (Continued)

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.

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 the following major governmental fund:

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

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.

Pension Trust Fund - used to report the resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plan administered by the Midway Fire District's 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.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

C. Measurement Focus and Basis of Accounting -- (Continued)

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 2008 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. 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, Liabilities, and Net Assets or Equity

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.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

D. Assets, Liabilities, and Net Assets or Equity -- (Continued)

Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund ("LGIP"), direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States Government obligations or repurchase agreements fully collateralized by such obligations.

The District's general fund participates in the LGIP, operated by Florida's State Board of Administration ("SBA"). The SBA is governed by Chapter 19-3 of the Florida Administrative Code ("FAC"). The FAC provides guidance and establishes the general operating procedures for the administration of the LGIP. In accordance with GASB Number 31, the LGIP 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.

In November of 2007, a restructuring of the LGIP assets resulted in the creation of a Fund B Surplus Funds Trust Fund ("Fund B"). Assets assigned to Fund B from the LGIP were of higher risk and longer maturity than those remaining in the LGIP. A proportional share of each depositor's LGIP balance was transferred to Fund B, and restrictions placed upon the availability of funds to depositors. This fund is accounted for as a fluctuating Net Asset Value pool.

Pension trust funds may invest in annuity and life insurance contracts with life insurance companies, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, bonds issued by the State of Israel, stocks, commingled funds administered by national or state banks, mutual funds or other evidences of indebtedness, provided that (a) all individually held securities in a commingled mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States or its territories and in the case of bonds shall hold a rating in one of the three highest classifications by a rating service; (b) up to ten percent (10%) of the

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

D. Assets, Liabilities, and Net Assets or Equity -- (Continued)

Investments -- (Continued)

assets may be invested in foreign securities; (c) the Board shall not invest more than five percent (5%) of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at cost exceed sixty percent (60%) of the assets of the Fund. During the year, the District maintained cash and investments in accordance with retirement fund plan documents. Investments are stated at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. The District does not engage in the acquisition of public domain (infrastructure) assets. The District capitalizes assets that have an estimated useful life in excess of one year and an initial cost more 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 assets' lives are not capitalized.

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

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

Compensated Absences

It is the District's policy to allow employees to accumulate a limited amount of earned but unused sick and vacation leave benefits which will be paid to employees 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, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

D. Assets, Liabilities, and Net Assets or Equity -- (Continued)

Fund Equity

In the fund financial statements, the general fund may report reservations of fund balance for amounts that are not available for appropriation or are restricted by outside parties for a specific purpose.

Net Assets

The government-wide financial statements utilize a net asset presentation. Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. Restricted Net Assets are liquid assets generated from impact fees which may only be used for growth necessitated capital expenditures. Unrestricted Net Assets represent unrestricted liquid assets.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 accounting principles generally accepted in the United States of America. 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 1.4000 mils. The maximum tax rate authorized is 3.7500 mils.

Budget workshops are held by the District in which proposed budget information is reviewed and discussed. A newspaper of general circulation in the District advertises the proposed budget. 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.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY -- (Continued)

The Santa Rosa County Tax Collector bills and collects property taxes for the District in accordance with the laws of the State of Florida. 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, 2008
Levy Date	November 1, 2008
Due Date	November 1, 2008
Delinquent Date	April 1, 2009

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

NOTE 3 - 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 investments which can be made by the District are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1-D.

General Fund

At September 30, 2008, the District had investments of \$16,400 with the LGIP. The fair value of the District's position in LGIP 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.

At September 30, 2008, the market value of the District's investment in Fund B, accounted for as a fluctuating Net Asset Value pool, was \$4,368. The book balance of these assets was \$5,552, reflecting an unrealized loss in value as of September 30, 2008 of \$1,184. The

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - CASH AND INVESTMENTS -- (Continued)

Investments -- (Continued)

District's LGIP and Fund B balances in the SBA accounts are included in the Investments total on the Balance Sheet.

Since the LGIP and Fund B are similar to money market funds where shares are owned in the fund rather than the actual underlying investments, disclosures for foreign currency risk are not applicable. In addition, there are no security lending activities for these funds as the District does not own the underlying shares. The SBA's interpretation of GASB Statement No. 40 is that information related to credit risk and interest rate risk are applicable to the SBA accounts as noted below.

Credit Quality

The LGIP is rated by Standard and Poors, and carries an AAAM rating. Fund B is not rated by a nationally recognized statistical rating agency.

Interest Rate Risk

As of September 30, 2008, the LGIP portfolio's weighted average days to maturity (WAM) was 8.5 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 LGIP to interest rate changes. As of September 30, 2008, the Fund B portfolio's weighted average life (WAL) was 9.36 years. A portfolio's WAL is the dollar-weighted average length of time until securities reach maturity. SBA Fund B is valued at 79.8% of book value (\$5,552), or \$4,368. As investments in this fund mature, the proportionate shares owned by the District are transferred to the LGIP account. As it is the SBA's intent to hold these investments to maturity, the interest rate risk from this investment is minimal.

Pension Trust Fund

At September 30, 2008, the District's pension trust fund also held the following mutual funds: \$476,951 in the Rockwood Capital Advisor Equity Fund and \$359,305 in the Rockwood Capital Advisor Fixed Unit Fund. These investments are reported at fair value.

Credit Risk

The District's pension trust fund investments are with U.S. Bank. All of the mutual bond fund investments are with investments allowed under Section 218.415, Florida Statutes. The pension trust fund investments are not rated by a nationally recognized statistical rating agency. The District has no credit risk policy.

Interest Rate Risk

The District does not have an interest rate risk policy.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, 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	34,644	-	-	34,644
Equipment	509,431	153,239	(9,550)	653,120
Fire trucks and vehicles	<u>1,723,491</u>	<u>55,000</u>	<u>-</u>	<u>1,778,491</u>
Total capital assets being depreciated	<u>5,316,862</u>	<u>208,239</u>	<u>(9,550)</u>	<u>5,515,551</u>
Less accumulated depreciation				
Buildings	(322,384)	(75,357)	-	(397,741)
Improvements	(34,081)	(323)	-	(34,404)
Equipment	(204,368)	(87,894)	159	(292,103)
Fire trucks and vehicles	<u>(686,079)</u>	<u>(126,278)</u>	<u>-</u>	<u>(812,357)</u>
Total accumulated depreciation	<u>(1,246,912)</u>	<u>(289,852)</u>	<u>159</u>	<u>(1,536,605)</u>
Total capital assets being depreciated, net	<u>4,069,950</u>	<u>(81,613)</u>	<u>(9,391)</u>	<u>3,978,946</u>
Governmental activities, net	<u>\$ 4,497,671</u>	<u>\$ (81,613)</u>	<u>\$ (9,391)</u>	<u>\$ 4,406,667</u>

Depreciation expense reported in the government-wide financial statement was \$289,852.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5 - 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 24 active plan members at September 30, 2008. The plan operates under the provisions of Chapter 175, Florida Statutes, with administrative oversight provided by the Municipal Police Officer and Firefighter Retirement Trust Funds Office, housed within the Florida Division of Retirement. 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 of that plan. The District does not issue a stand-alone financial report.

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 2008 for both the State of Florida and the District was 18.2%.

C. Required Supplementary Information

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

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance through commercial carriers to cover these risks. 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.

NOTE 7 - LONG-TERM DEBT

Changes in Long-Term Debt

The following table summarizes changes in long-term debt liabilities of the District for the year ended September 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 2,675,097	\$ -	\$ (147,421)	\$ 2,527,676	\$ 154,073
Notes payable	774,886	-	(93,250)	681,636	82,284
Compensated absences	112,446	68,114	(64,710)	115,850	-
Total governmental activities	<u>\$ 3,562,429</u>	<u>\$ 68,114</u>	<u>\$ (305,381)</u>	<u>\$ 3,325,162</u>	<u>\$ 236,357</u>

Description of Capital Leases and Notes Payable

	Current	Long-Term	Total
<i>Capital Leases</i>			
\$18,730 capital lease payable to Mears Motor Leasing, due in monthly payments of \$426, including interest at 13.62%, beginning December 2005 through December 2010. Collateralized by a GMC Canyon truck. The capitalized cost of the truck is \$18,730 and accumulated depreciation at September 30, 2008 is \$10,302.	\$ 3,698	\$ 5,843	\$ 9,541

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7 - LONG-TERM DEBT -- (Continued)

Description of Capital Leases and Notes Payable -- (Continued)

Capital Leases -- (Continued)	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<p>\$70,000 lease-purchase agreement payable to Bank of the West, due in annual payments of \$26,126 including interest at 6.67%, beginning February 2007 through February 2009. Collateralized by a generator. The capitalized cost of the generator is \$70,000 and accumulated depreciation at September 30, 2008 is \$14,583.</p>	24,495	-	24,495
<p>\$62,686 capital lease payable to Mears Motor Leasing, due in monthly payments of \$1,145, including interest at 3.41%, beginning January 2005 through December 2009. Collateralized by two Ford Expedition trucks. The capitalized cost of the trucks is \$62,686 and accumulated depreciation at September 30, 2008 is \$49,104.</p>	12,283	3,417	15,700
<p>\$2,116,664 construction lease-purchase agreement payable to Bank of the West to be repaid over two payment schedules. From January 2006 through January 2015, annual payments of \$169,883, including interest at 5%, are due. Remaining principal will be repaid in annual installments from January 2016 through January 2026, including interest at a rate to be determined in accordance with the terms of the agreement. Collateralized by the College Parkway fire station. The capitalized cost of the fire station is \$2,099,884 and accumulated depreciation at September 30, 2008 is \$262,486.</p>	74,078	1,840,843	1,914,921
<p>\$650,000 lease-purchase agreement payable to All Points Public Funding, LLC, due in annual installments of \$60,749, including interest at 4.89%, beginning January 15, 2006 and maturing on January 15, 2020. Collateralized by a ladder truck. The capitalized cost of the ladder truck is \$650,000 and accumulated depreciation at September 30, 2008 is \$130,000.</p>	34,247	507,479	541,726

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7 - LONG-TERM DEBT -- (Continued)

Description of Capital Leases and Notes Payable -- (Continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Capital Leases -- (Continued)			
\$10,842 lease-purchase agreement payable to National City Commercial Capital Company, LLC, due in monthly payments of \$235 including interest at 11.70%, beginning May 15, 2007 and maturing on April 15, 2012. Collateralized by an autopulse system. The capitalized cost of the autopulse system is \$10,842 and accumulated depreciation at September 30, 2008 is \$3,253.	1,999	5,912	7,911
\$17,500 lease-purchase agreement payable to CitiCapital, due in monthly payments of \$338, including interest at 9.89%, beginning May 1, 2007 and maturing on April 1, 2012. Collateralized by a defibrillator machine. The capitalized cost of the defibrillator machine is \$17,500 and accumulated depreciation at September 30, 2008 is \$5,250.	<u>3,273</u>	<u>10,109</u>	<u>13,382</u>
Total Capital Leases Payable	<u>\$ 154,073</u>	<u>\$ 2,373,603</u>	<u>\$ 2,527,676</u>
Notes Payable			
\$300,000 note payable to Bank of the West, due in annual payments of \$24,898, including interest at 5.42%, due beginning January 2007 with a final balloon payment due March 31, 2011. Payments are to be made only from impact fees.	9,483	268,445	277,928
\$914,410 note payable to Regions Bank; amended October 2008; due in monthly payments of \$7,510 including interest at approximately 64% of the prime rate (3.88% at September 30, 2008), with a final balloon payment due October 16, 2013. The note is unsecured.	<u>72,801</u>	<u>330,907</u>	<u>403,708</u>
Total Notes Payable	<u>\$ 82,284</u>	<u>\$ 599,352</u>	<u>\$ 681,636</u>

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7 - 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>
2009	\$ 82,284	\$ 25,222
2010	92,009	23,006
2011	342,732	22,987
2012	86,658	3,460
2013	77,953	1,007
Total	<u>\$ 681,636</u>	<u>\$ 75,682</u>

Maturities of the obligations under capital lease are as follows:

<u>Year Ending September 30</u>	<u>Future lease payments</u>		
	<u>Total minimum lease payments</u>	<u>Less amount representing interest</u>	<u>Net minimum lease payments</u>
2009	281,312	127,239	154,073
2010	246,448	118,873	127,575
2011	239,179	112,066	127,113
2012	234,404	105,463	128,941
2013	230,632	99,122	131,510
2014 - 2018	1,153,137	389,073	764,064
2019 - 2023	970,911	188,786	782,125
2024 - 2029	335,890	23,615	312,275
Total	<u>\$ 3,691,913</u>	<u>\$ 1,164,237</u>	<u>\$ 2,527,676</u>

NOTE 8 - LINE OF CREDIT

The District has a line of credit in the amount of \$400,000. Interest is payable monthly at a rate of approximately 64% of the prime rate (3.88% at September 30, 2008). The line of credit matures on October 16, 2011. As of September 30, 2008, the District had no balance outstanding on this line of credit.

Midway Fire District
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 9 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

Midway Fire District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 2,657,665	\$ 2,642,365	\$ 2,705,573	\$ 63,208
Intergovernmental	330,140	359,673	342,633	(17,040)
Impact fees	32,950	34,271	34,271	-
Charges for services	30,000	101,522	79,341	(22,181)
Licenses and fees income	3,000	6,177	31,655	25,478
Interest	28,000	20,014	19,661	(353)
Miscellaneous	<u>9,000</u>	<u>42,721</u>	<u>22,515</u>	<u>(20,206)</u>
TOTAL REVENUES	<u>3,090,755</u>	<u>3,206,743</u>	<u>3,235,649</u>	<u>28,906</u>
EXPENDITURES				
Current				
Public safety				
Personal services	1,754,339	1,762,506	1,737,232	25,274
Operating expenditures	578,869	690,058	684,911	5,147
Capital outlay	175,100	213,739	208,239	5,500
Debt service				
Principal	225,139	240,688	240,671	17
Interest	161,516	162,956	162,973	(17)
Contingency	<u>229,240</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,124,203</u>	<u>3,069,947</u>	<u>3,034,026</u>	<u>35,921</u>
NET CHANGE IN FUND BALANCE	(33,448)	136,796	201,623	64,827
FUND BALANCE - BEGINNING OF YEAR	<u>381,000</u>	<u>381,000</u>	<u>411,773</u>	<u>30,773</u>
FUND BALANCE - END OF YEAR	<u>\$ 347,552</u>	<u>\$ 517,796</u>	<u>\$ 613,396</u>	<u>\$ 95,600</u>

Midway Fire District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND THE STATE OF
FLORIDA
Unaudited

	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
September 30, 2008	\$ 176,523	\$ 12,611	\$ 157,010	96 %
September 30, 2007	\$ 207,016	\$ 80,600	\$ 163,946	118 %
September 30, 2006	\$ 135,409	\$ 22,090	\$ 84,781	79 %
September 30, 2005	\$ 96,329	\$ 32,840	\$ 66,860	103 %
September 30, 2004	\$ 53,858	\$ 14,093	\$ 53,905	126 %
September 30, 2003	\$ 51,385	\$ 28,051	\$ 36,613	126 %

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The aggregate actuarial cost method is used. This method does not identify or separately amortize unfunded actuarial accrued liabilities information about funded status. Because this method is used, information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funding progress of the plan. An actuarial study is performed every two years, with the latest valuation performed in October 2007 for fiscal year ended September 30, 2008.

Actuarial Assumptions Utilized:

Interest Rate	8.0%
Combined Inflation and Projected Salary Increase Rate	7.5%
Post Retirement Benefit Increase	0.0%
Asset Valuation Method	Market

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

Board of Commissioners
Midway Fire District
Gulf Breeze, Florida

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Midway Fire District (the "District") as of and for the year ended September 30, 2008, and have issued our report thereon dated July 13, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

2008-1 Audit Adjustments Not Recorded

Finding - Audit adjustments provided to management during the completion of the fiscal year September 30, 2007 audit were not completely represented in the general ledger balances provided for our audits. As a result, additional audit procedures were required to incorporate the effects of the prior year audit adjustments into the current year financial statements.

Recommendation - We recommend that the audit adjustments be recorded so that the General Fund's total fund balance, the Pension Fund's net assets, and the total of long-term debt and capital assets per the general ledger reconcile to the audited financial statements.

Management's Response - Management will ensure that all balances noted above reconcile to the audited financial statements.

2008-2 Year End Financial Reporting Process

Finding - The District should have adequate accounting, reconciliation, and review procedures in place to prepare financial statements in compliance with accounting principles generally accepted in the United States of America ("GAAP"). Responsibility for the financial statements of the District rests with the District's management. The preparation of the financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund-level financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund-level financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

As a result of this condition, the employees and management do not possess the qualifications necessary to prepare the District's annual financial statements and notes to the financial statements in accordance with GAAP. The District relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. We also proposed several significant adjustments to the general ledger during the audit in order to prepare the fund-level and government-wide financials in accordance with GAAP. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance (i.e., the Board of Commissioners) to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board of Commissioners should continually be aware of the financial reporting of the District and changes in reporting requirements. We recommend that the District consider alternatives to improve its control over the financial reporting process such as obtaining training for the appropriate employee, management, or Board member in order to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with GAAP.

Management's Response - The District has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to the external auditors, and to carefully review the draft financial statements and notes to the financial statements prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies noted above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated July 13, 2009, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of Commissioners, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

July 13, 2009

MANAGEMENT LETTER

Board of Commissioners
The District
Gulf Breeze, Florida

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Midway Fire District as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 13, 2009.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* dated July 13, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter as follows:

The *Rules of the Auditor General* (Section 10.554 (1) (i) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Findings 2005-3 and 2005-4 included in Attachment A are repeated.

As required by the *Rules of the Auditor General* (Section 10.554 (1) (i) 2.), we determined that the District is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

The *Rules of the Auditor General* (Section 10.554 (1) (i) 3.), require that we comment as to whether or not there were any recommendations made to improve the District's financial management, accounting procedures, and internal controls. See recommendation 2008-3 included in Attachment A.

The *Rules of Auditor General* (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. No items were identified which are required to be disclosed.

The *Rules of Auditor General* (Section 10.554 (1) (i) 5.) permit disclosure in the management letter based on professional judgment of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; improper expenditures or illegal acts that would have an immaterial effect on the financial statements; control deficiencies that are not significant deficiencies, including, but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor General (Section 10.554 (1) (i) 5.).

The *Rules of the Auditor General* (Section 10.554 (1) (i) 6.) also require 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 Midway Fire District is disclosed in Note 1 to the financial statements. There are no component units related to Midway Fire District.

As required by the *Rules of the Auditor General* (Section 10.554 (1) (i) 7.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that Midway Fire District did not meet any of the specified conditions described in 218.503(1), Florida Statutes, to be considered in a state of financial emergency.

As required by the *Rules of the Auditor General* (Section 10.554 (1) (i) 7.b.), we determined that the annual financial report for the Midway Fire District for the fiscal year ended September 30, 2008, 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, 2008.

As required by the *Rules of the Auditor General* (Sections 10.554 (1) (i) 7.c.), the scope of our audit included the use of financial condition assessment procedures, pursuant to the *Rules of the Auditor General* (Section 10.556 (7)), to aid in the detection of deteriorating financial conditions.

The District's responses to the recommendations identified in our audit are described in the attached Current Year Recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, the State of Florida Office of Auditor General, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Greel, LLP

July 13, 2009

CURRENT YEAR RECOMMENDATIONS

2005-3 Reconciliation of Fixed Asset Records

Finding - The District does not reconcile its inventory spreadsheet listing of current year capital asset additions maintained by the Chief to the general ledger capital outlay expenditure accounts. Certain expenditures for capital assets have been misclassified as operating expenditures (such as supplies expenditures or repair and maintenance expenditures) rather than in capital outlay.

Recommendation - The District should clearly identify purchases of capital assets on the purchase order or invoice to help ensure the items are recorded as capital outlay expenditures. Additionally, the District should reconcile the current year additions to to the inventory spreadsheet maintained by the Chief to the capital outlay expenditure accounts per the general ledger to ensure the accuracy of both.

Management's Response - Management will record all capital asset additions to the correct capital outlay expenditure account and reconcile capital asset additions per the the listing maintained by the Chief to capital outlay expenditures.

2005-4 Documentation for Credit Card Charges

Finding - The District has credit cards which are used occasionally for small purchases such as gas or travel expenditures. It is the policy of the District that credit card purchases be supported by documentation such as the original receipt or invoice. The supporting documentation is then reconciled to and attached to the monthly credit card statement. During our review of credit card statements, we noted certain credit card purchases on the credit card statement without supporting documentation attached.

Recommendation - The District should maintain supporting documentation for all credit card purchases for use by management during their review and approval of the monthly credit card statements.

Management's Response - Management will ensure that all purchases by credit card will be supported by documentation.

CURRENT YEAR RECOMMENDATIONS

2008-3 Impact Fees

Finding - During our audit procedures, we noted that there was a lack of segregation of duties related to collection and recording of impact fees. Impact fees are paid by customers on a walk-in basis. The accounting clerk receives monies for impact fees, issues a pre-numbered receipt, posts the receipts to the general ledger, and performs a monthly reconciliation of receipts to the deposits per the bank and to a listing of new construction building permits issued for residential and commercial structures in the district area as provided by Santa Rosa County's website.

Recommendation - We recommend that another employee or board member, independent of the cash receipt and recording process, reconcile the impact fee receipts to the deposits per the bank and to the listing of new construction building permits provided by Santa Rosa County, to ensure that all impact fees for the District have been collected and deposited.

Management's Response - Management plans to implement the recommendation.