

MIDWAY FIRE DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2020

**MIDWAY FIRE DISTRICT
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SEPTEMBER 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Midway Fire District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund and the pension trust fund of Midway Fire District (the "District"), as of and for the year ended September 30, 2020, 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, 2020, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, and the pension related schedules, as listed in the table of contents 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 April 27, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the District's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
April 27, 2021

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$3,493,740 (net position). Of this amount of net position, \$1,749,013 represents the net investment in capital assets (e.g. land, building, fire trucks and equipment) net of related debt, \$395,599 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 \$1,349,128.
- The District's governmental fund reported ending fund balances of \$1,681,056, an increase of \$351,941. Of this amount, \$395,599 is restricted for future capital expenditures and improvements, and \$80,372 is assigned to the 2021 fiscal year budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended 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 outflows of resources, liabilities, and deferred inflows of resources, 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).

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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.

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 in 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.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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.

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 inflows of resources by \$3,493,740 (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, \$1,749,013 (or 50%) 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.

Property tax revenue increased by approximately \$321,000 (or 9%) primarily due to development growth within the District's region. The District's millage rate remained consistent at 2.20 mills.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 1,821,137	\$ 1,380,075
Capital Assets	3,144,199	3,364,430
Net pension asset	-	11,638
Total Assets	4,965,336	4,756,143
Pension related items – see note 7	646,937	523,866
Deferred charge on refunding, net	19,569	28,859
Deferred Outflows of Resources	666,506	552,725
Current and Other Liabilities	397,111	363,814
Long-Term Liabilities	1,561,490	1,760,547
Net pension liability	61,943	
Total Liabilities	2,020,544	2,124,361
Pension related items – see note 7	117,558	91,752
Deferred Inflows of Resources	117,558	91,752
Net Position		
Net investment in capital assets	1,749,013	1,686,897
Restricted	395,599	201,462
Unrestricted	1,349,128	1,204,396
Net Position	\$ 3,493,740	\$ 3,092,755

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GOVERNMENTAL ACTIVITIES

Governmental activities increased the District's net position by \$400,985. Reported in the table below are the key elements of this increase.

	Governmental Activities	
	2020	2019
REVENUES		
Program revenues		
Intergovernmental	\$ 20,174	\$ 12,600
Licenses and fees	8,092	9,778
General revenues		
Property taxes	3,995,304	3,674,273
Impact fees	206,071	67,826
Other revenue	47,474	74,922
Total revenues	4,277,115	3,839,399
EXPENSES		
Public safety	3,831,911	3,167,282
Debt service interest	44,219	50,661
Total expenses	3,876,130	3,217,943
INCREASE IN NET POSITION	400,985	621,456
NET POSITION BEGINNING	3,092,755	2,471,299
NET POSITION ENDING	\$ 3,493,740	\$ 3,092,755

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 general fund 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 \$1,681,056 an increase of \$351,941 in comparison with the prior year.

**MIDWAY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Property tax revenue increased approximately \$321,000 due to development growth within the District at the current millage rate of 2.20 mills and rising property values.

Public safety personal service expenditures increased approximately \$497,000 due to increases in wages of existing firefighters and hiring of additional firefighters.

Operating expenditures increased approximately \$160,000 due to increased purchases of gear for new staffing, and necessary repairs to ladder truck.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, total actual expenditures were under budgeted expenditures by approximately \$86,000 and budgeted revenues were equal to actual revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

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 \$52,273 which primarily consists of new radios and rescue task force vests.

**CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 427,721	\$ 427,721
Buildings	1,747,268	1,822,625
Improvements	83,849	98,560
Equipment	110,644	186,737
Fire trucks and vehicles	774,717	828,787
Total	\$ 3,144,199	\$ 3,364,430

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, 2020**

LONG-TERM DEBT

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 Absences)**

	Governmental Activities	
	2020	2019
Notes payable	\$ 1,395,186	\$ 1,677,533
Compensated absences	398,195	365,638
Total	\$ 1,793,381	\$ 2,043,171

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 2021 is 2.20 mills.

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 Administrative Chief, 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 Administrative Chief at missy.scarborough@midwayfire.com.

BASIC FINANCIAL STATEMENTS

**MIDWAY FIRE DISTRICT
BALANCE SHEET
STATEMENT OF NET POSITION – GENERAL FUND
SEPTEMBER 30, 2020**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 571,275	\$ -	\$ 571,275
Investments	1,249,209	-	1,249,209
Accounts receivable	653	-	653
Capital assets			
Non-depreciable	-	427,721	427,721
Depreciable, net	-	2,716,478	2,716,478
TOTAL ASSETS	<u>\$ 1,821,137</u>	<u>3,144,199</u>	<u>4,965,336</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items – see note 7		646,937	646,937
Deferred charge on refunding, net		19,569	19,569
		<u>666,506</u>	<u>666,506</u>
LIABILITIES			
Accounts payable	\$ 80,325	-	80,325
Accrued liabilities	59,756	-	59,756
Accrued interest	-	25,139	25,139
Due within one year			
Notes payable	-	231,891	231,891
Due in more than one year			
Compensated absences	-	398,195	398,195
Notes payable	-	1,163,295	1,163,295
Net pension liability	-	61,943	61,943
TOTAL LIABILITIES	<u>140,081</u>	<u>1,880,463</u>	<u>2,020,544</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items – see note 7		117,558	117,558
FUND BALANCE / NET POSITION			
Fund Balance			
Restricted for capital expenditures	395,599	(395,599)	
Assigned for use in 2021 budget	80,372	(80,372)	
Unassigned	1,205,085	(1,205,085)	
TOTAL FUND BALANCE	<u>1,681,056</u>	<u>(1,681,056)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,821,137</u>		
Net Position			
Net investment in capital assets		1,749,013	1,749,013
Restricted – impact fees		395,599	395,599
Unrestricted		1,349,128	1,349,128
TOTAL NET POSITION		<u>\$ 3,493,740</u>	<u>\$ 3,493,740</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION – GENERAL FUND
SEPTEMBER 30, 2020**

Fund balance, general fund (page 10)		\$ 1,681,056
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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; therefore, they are not reported in the general fund.

Governmental non-depreciable assets	\$ 427,721	
Governmental depreciable assets	6,349,588	
Less accumulated depreciation	<u>(3,633,110)</u>	
		3,144,199

The deferred charge on debt refunding is not an asset of the general fund, but is considered a deferred outflow on the Statement of Net Position.		19,569
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Deferred outflows are reported for the difference in expected and actual experience and changes in assumptions of the pension plan.		646,937
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Deferred inflows are reported for the net difference between projected and actual earnings on pension plan investments.		(117,558)
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The net position of the pension trust fund is less than the total pension liability; therefore, a net pension liability exists. This liability is not reported in the general fund.		(61,943)
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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	(1,395,186)	
Accrued interest	(25,139)	
Compensated absences	<u>(398,195)</u>	<u>(1,818,520)</u>

Net position of governmental activities (page 10)		<u>\$ 3,493,740</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, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$ 3,995,304	\$ -	\$ 3,995,304
Intergovernmental revenues	20,174	-	20,174
Impact fees	206,071	-	206,071
Licenses and fees income	8,092	-	8,092
Interest income	19,383	-	19,383
Miscellaneous income	28,091	-	28,091
Total revenues	<u>4,277,115</u>	<u>-</u>	<u>4,277,115</u>
EXPENDITURES			
Current			
Public safety - fire protection			
Personal services	2,897,777	8,873	2,906,650
Operating expenditures	643,467	-	643,467
Depreciation and amortization	-	281,794	281,794
Capital outlay	52,273	(52,273)	-
Debt service			
Principal	282,347	(282,347)	-
Interest	49,310	(5,091)	44,219
Total expenditures	<u>3,925,174</u>	<u>(49,044)</u>	<u>3,876,130</u>
EXCESS OF REVENUES OVER EXPENDITURES	351,941		-
INCREASE IN NET POSITION	-		400,985
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>1,329,115</u>		<u>3,092,755</u>
END OF YEAR	<u>\$ 1,681,056</u>		<u>\$ 3,493,740</u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - general fund (page 12)	\$	351,941
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 52,273	
Less current year depreciation	<u>(272,504)</u>	(220,231)
<p>Pension expense in the statement of activities takes into consideration the change in the net pension liability and related deferred inflows and outflows.</p>		
		23,684
<p>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.</p>		
Amortization of deferred amount on refunding	(9,290)	
Principal payments	<u>282,347</u>	273,057
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the general fund.</p>		
Change in accrued interest on long-term debt	5,091	
Change in long-term compensated absences	<u>(32,557)</u>	<u>(27,466)</u>
Change in net position of governmental activities (page 12)	\$	<u><u>400,985</u></u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

ASSETS	
Investments, at fair value	\$ 7,492,436
Due from state	<u>1,792</u>
TOTAL ASSETS	<u>7,494,228</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 7,494,228</u></u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

ADDITIONS

Contributions	
Employer	\$ 197,864
Plan members	174,234
State of Florida	<u>127,731</u>
Total contributions	499,829
Net increase in fair value of investments	458,066
Less investment expense	<u>(12,966)</u>
Net investment income	<u>445,100</u>
TOTAL ADDITIONS	944,929

DEDUCTIONS

Benefits paid	41,501
Administrative expenses	<u>32,897</u>
TOTAL DEDUCTIONS	<u>74,398</u>

NET INCREASE IN NET POSITION

870,531

NET POSITION HELD IN TRUST FOR PENSION BENEFITS

BEGINNING OF YEAR	<u>6,623,697</u>
END OF YEAR	<u><u>\$ 7,494,228</u></u>

See notes to the financial statements.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 fire 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 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.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

B. Government-Wide and Fund Financial Statements – Continued

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

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources). The District has only one governmental fund, the General Fund, which is the District's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 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 60 days of the current period be accrued. No accrual has been made for fiscal year 2020 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, 2020**

**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 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, 2020**

**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 and apparatuses	2 - 10 years
Fire trucks and vehicles	5 - 15 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows 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 inflows of resources*. This separate financial statement element, *deferred inflows 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, 2020**

**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. Restricted fund balance consists of impact fees.

Net Position

The government-wide financial statements utilize a net position presentation. The net investment 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 \$395,599 for impact fees, which may only be used for growth necessitated capital expenditures. Unrestricted net position represents the portion of net position that is neither restricted nor invested in capital assets (net of related debt).

Pension Plan

The government-wide financial statements present a net pension liability 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 liability. 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, 2020**

**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
Levy Date	November 1
Due Date	November 1
Delinquent Date	April 1

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, 2020, the District had investments of \$1,249,209 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, 2020, 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, 2020.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020.

Credit Quality

The Florida PRIME is rated by Standard and Poor's and carries an AAAM rating.

Interest Rate Risk

As of September 30, 2020, the Florida PRIME portfolio's weighted average days to maturity (WAM) was 48 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 a 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, 2020, the District's investment in the FMPTF was \$7,492,436.

The District measures and records the investment in the pool using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. 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, 2020**

2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Fair Value of Investments:

<u>Investment Funds</u>	<u>Asset Value at 9/30/2020</u>	<u>Fair Value Hierarchy Level</u>
Fixed Income Fund		
FMIvT Broad Market High Quality Bond	\$ 1,041,449	2
FMIvT Core Plus	1,048,941	3
Equity Portfolios		
FMIvT Diversified Large Cap Equity	2,704,769	2
FMIvT Diversified Small to Mid Cap Equity	764,228	2
FMIvT International Equity	1,191,297	2
FMIvT Core Real Estate Portfolio	681,812	3
Cash and Money Market	<u>59,940</u>	NA
Totals	<u>\$ 7,492,436</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	15.00%	Aaf/S4	5.52	6.60
FMIvT Core Plus	15.00%	Not Rated	3.35	5.82
Equity Portfolios				
FMIvT Diversified Large Cap Equity	34.00%	Not Rated		
FMIvT Diversified Small to Mid Cap Equity	11.00%	Not Rated		
FMIvT International Equity	15.00%	Not Rated		
FMIvT Core Real Estate Portfolio	10.00%	Not Rated		
Cash and Money Market	<u>0.00%</u>	Not Rated		
Totals	<u>100.00%</u>			

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year 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	219,713	5,913	-	225,626
Equipment	651,760	46,360	-	698,120
Fire trucks and vehicles	<u>2,376,546</u>	<u>-</u>	<u>-</u>	<u>2,376,546</u>
Total capital assets being depreciated	6,297,315	52,273	-	6,349,588
Less accumulated depreciation				
Buildings	(1,226,671)	(75,357)	-	(1,302,028)
Improvements	(121,153)	(20,624)	-	(141,777)
Equipment	(465,023)	(122,453)	-	(587,476)
Fire trucks and vehicles	<u>(1,547,759)</u>	<u>(54,070)</u>	<u>-</u>	<u>(1,601,829)</u>
Total accumulated depreciation	<u>(3,360,606)</u>	<u>(272,504)</u>	<u>-</u>	<u>(3,633,110)</u>
Total capital assets being depreciated, net	<u>2,936,709</u>	<u>(220,231)</u>	<u>-</u>	<u>2,716,478</u>
Governmental activities, net	<u>\$ 3,364,430</u>	<u>\$ (220,231)</u>	<u>\$ -</u>	<u>\$ 3,144,199</u>

Depreciation expense reported in the government-wide financial statement was \$272,504.

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, 2020**

5. LINE OF CREDIT

The District had a line of credit up to \$500,000, collateralized by the General Fund's deposits and investments with an interest rate of the 30-day LIBOR rate plus 2.50%. The line of credit expired in September 2020. There were no draws during the year and there was no balance outstanding at September 2020. The line of credit was renewed in October 2020 for \$600,000 with interest payable monthly at the 30-day PRIME rate plus 2.00% and a maturity date of October 2021.

6. LONG-TERM DEBT

The following table summarizes changes in long-term debt of the District for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes payable	\$ 1,677,533	\$ -	\$ (282,347)	\$ 1,395,186	\$ 231,891
Compensated absences	365,638	238,869	(206,312)	398,195	-
Total governmental activities	<u>\$ 2,043,171</u>	<u>\$ 238,869</u>	<u>\$ (488,659)</u>	<u>\$ 1,793,381</u>	<u>\$ 231,891</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>
2021	\$ 231,891	\$ 41,037
2022	238,609	34,319
2023	245,527	27,402
2024	252,649	20,280
2025	259,610	12,946
Thereafter	<u>166,900</u>	<u>10,903</u>
Total	<u>\$ 1,395,186</u>	<u>\$ 146,887</u>

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. LONG-TERM DEBT – CONTINUED

	Current	Long-Term	Total
Notes Payable			
\$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.	\$ 143,788	\$ 612,177	\$ 755,965
\$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 secured by the fire engine.	42,115	184,810	226,925
\$500,000 note payable to BB&T Bank; due in annual payments of \$59,305 including interest at 3.23%. Payments began April 13, 2019 and note will mature on April 13, 2028. This note is secured by the fire engine.	45,988	366,308	412,296
Total Notes Payable	\$ 231,891	\$ 1,163,295	\$ 1,395,186

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 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. Per Midway Fire District Resolution 17-03, the Plan was amended to provide benefit enhancements which impacted the actuarially determined cost of the Plan. Significant changes noted are the increase in the benefit accrual rate from 3% to 4% for all years of credited service on or after October 1, 2017 and the member contribution rate was increased from 5% of compensation to 10% of compensation.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Plan Description – Continued

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.

Measurement Date for Pension Reporting

The pension related amounts reported in the financial statements as of and for the year ended September 30, 2020 (employer reporting period) are based upon the net pension liability and the pension expense determined as of and for the year ended September 30, 2020 (the measurement date).

Benefits Provided

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

Retirement Age:

Normal: The date the member attains age 55 or older with ten or more years of Credited Service, or the date the member reaches 25 or more years of credited service regardless of age.

Early: date the member attains age 50 with ten or more years of Credited Service.

Retirement Benefits:

Normal: Tiered calculation of 3.00% of AFC for each year of Credited Service earned prior to October 1, 2017, plus 4.00% of AFC for each year of Credited Service earned on and after October 1, 2017, subject to a maximum of 100% of AFC.

Early: Tiered calculation same as normal benefits except reduction equal to 3.00% per year of retirement before age 55.

Disability Retirement:

Line-of-duty: Accrued retirement benefit or 42% of AFC, whichever is greater.

Non-line-of-duty: If vested, accrued normal retirement benefit or 25%, whichever is greater. If not vested, return of accumulated member contributions, without interest.

Pre-Retirement Death Benefits:

Vested member: Benefits, otherwise payable at early or normal retirement age, payable to beneficiary.

Non-vested member: Refund of accumulated member contributions without interest payable to beneficiary.

Termination Benefits:

Vested member: Benefits, otherwise payable upon attainment of early or normal retirement age.

Non-vested member: Refund of accumulated contributions without interest.

Share Plan:

Pursuant to Chapter 2015-39, Laws of Florida, a defined contribution supplemental retirement benefit incorporated by reference, but not funded pursuant to mutual agreement contained within L4192 Collective Bargaining Agreement.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	3
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	6
Active Plan Members	28
	37

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Plan Description – Continued

Contributions

The State legislature establishes, and may amend, minimum contribution rates for plan members. Employer contribution rates are actuarially determined by the plan's actuary. Effective 10/1/17, Resolution 17-03 increased plan member contributions to 10% of the member's base salary. This increase is 5% above the Chapter 175 minimum contribution. 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 actuarially determined combined contribution rate for 2020 for both the State of Florida and the District was 17.5%, resulting in a total contribution rate of 27.5% of covered payroll.

Investments

The District's adopted asset allocation was a target allocation of 45% domestic equity, 15% international equities, 10% real estate and 30% fixed income.

Concentrations

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

Rate of Return

For the year ended September 30, 2020, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 6.59%. 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, 2020, were as follows:

Total Pension Liability	\$ (7,556,171)
Plan Fiduciary Net Position	<u>7,494,228</u>
Sponsor's Net Pension Liability	<u><u>\$ (61,943)</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019, updated to September 30, 2020, 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, 2020**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Mortality rates utilized are as follows:

Mortality Rate Healthy Active Lives:

Female: RP2000 Generational, PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: RP2000 Generational, PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Inactive Lives

Female: RP2000 Generational, PubS.H-2010 for Healthy Retirees, set forward one year.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB. PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

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.

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

The date of the most recent experience study for which significant assumptions are based upon is not available. 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. For 2020 the inflation rate assumption of the investment advisor was 2.8%. 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Bonds	1.60%
Core Plus	2.10%
US Large Cap Equity	4.60%
US Small Cap Equity	5.50%
Non-US Equity	6.70%
Core Real Estate	5.00%

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, 2020**

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	\$ 6,612,059	\$ 6,623,697	\$ (11,638)
Changes:			
Service cost	368,177	-	368,177
Interest	487,164	-	487,164
Differences between expected and actual experience	211,294	-	211,294
Changes in assumptions	(82,672)	-	(82,672)
Contributions – Employer	-	197,864	(197,864)
Contributions – State	-	127,730	(127,730)
Contributions – Employee	-	172,584	(172,584)
Contributions – Buy Back	1,650	1,650	-
Net investment income	-	445,100	(445,100)
Benefit payments, including refunds of employee contributions	(41,501)	(41,501)	-
Administrative expenses	-	(32,896)	32,896
Net changes	944,112	870,531	73,581
Balances at September 30, 2020	<u>\$ 7,556,171</u>	<u>\$ 7,494,228</u>	<u>\$ 61,943</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 Liability (Asset)	\$ 1,313,126	\$ 61,943	\$ (966,321)

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

For the year ended September 30, 2020, the District recognized a pension expenditure of \$197,864 (employer contributions) in the fund level financial statements, and pension expense of \$301,910 in the government-wide financial statements. On September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 581,295	\$ 46,698
Changes of assumptions	36,370	70,860
Net difference between projected and actual earnings on Plan investments	29,272	-
Total	\$ 646,937	\$ 117,558

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

<u>Year ended September 30,</u>			
2021		\$	70,515
2022			122,316
2023			123,460
2024			104,593
2025			97,903
Thereafter			10,592
		\$	529,379

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.

**MIDWAY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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. As of September 30, 2020, the District did not have non-spendable fund balance in its General Fund.

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, 2020, the District had restricted fund balance in its General Fund, consisting of \$395,599 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, 2020, the District did not have a balance of committed fund balance.

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, 2020, the District had \$80,372 in assigned fund balance in its General Fund for use in the fiscal year 2021 budget.

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, 2020, the District had unassigned fund balance in its General Fund of \$1,205,085.

REQUIRED SUPPLEMENTARY INFORMATION

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 4,135,229	\$ 3,995,304	\$ 3,995,304	\$ -
Intergovernmental	12,500	21,674	20,174	(1,500)
Impact fees	60,000	205,788	206,071	283
Licenses and fees income	5,000	8,375	8,092	(283)
Interest	35,000	19,383	19,383	-
Miscellaneous	22,800	26,591	28,091	1,500
Total revenues	4,270,529	4,277,115	4,277,115	-
EXPENDITURES				
Current				
Public safety				
Personal services	2,917,735	2,897,777	2,897,777	-
Operating expenditures	731,838	629,956	643,467	(13,511)
Capital outlay	145,000	151,549	52,273	99,276
Contingency	364,957	-	-	-
Debt service				
Principal and interest	334,470	331,657	331,657	-
Total expenditures	4,494,000	4,010,939	3,925,174	85,765
EXCESS OF REVENUES OVER EXPENDITURES	(223,471)	266,176	351,941	(85,765)
FUND BALANCE - BEGINNING OF YEAR	223,471	-	1,329,115	1,329,115
FUND BALANCE - END OF YEAR	\$ -	\$ 266,176	\$ 1,681,056	\$ 1,414,880

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020**

Measurement Date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability						
Service cost	\$ 368,177	\$ 339,987	\$ 317,536	\$ 279,487	\$ 217,690	N/A
Interest	487,164	431,520	356,943	319,753	195,649	N/A
Change in benefit terms	-	(1,230)	-	590,445	-	N/A
Differences between expected and actual experience	211,294	-	114,265	(77,830)	657,537	N/A
Changes of assumptions	(82,672)	-	-	-	72,738	N/A
Contributions - Buy Back	1,650	31,850	284,781	-	-	N/A
Benefit payments, including refunds of employee contributions	(41,501)	(31,770)	(26,944)	(29,403)	(16,483)	N/A
Net Change in Total Pension Liability	944,112	770,357	1,046,581	1,082,452	1,127,131	-
Total Pension Liability – Beginning	6,612,059	5,841,702	4,795,121	3,712,669	2,585,538	N/A
Total Pension liability – Ending (a)	<u>\$ 7,556,171</u>	<u>\$ 6,612,059</u>	<u>\$ 5,841,702</u>	<u>\$ 4,795,121</u>	<u>\$ 3,712,669</u>	<u>\$ -</u>
Plan Fiduciary Net Position						
Contributions – Employer	\$ 197,864	\$ 139,050	\$ 125,148	\$ 50,000	\$ 20,946	\$ 82,027
Contributions – State	127,730	124,987	123,752	116,395	140,062	175,557
Contributions – Employee	172,584	146,939	135,470	65,070	59,138	58,443
Contributions – Buy Back	1,650	31,850	284,781	-	-	-
Net investment income	445,100	332,427	370,773	556,257	291,707	(13,092)
Benefit payments, including refunds of employee contributions	(41,501)	(31,770)	(26,944)	(29,403)	(16,483)	-
Administrative expenses	(32,896)	(21,708)	(10,046)	(9,545)	(6,122)	(7,236)
Net Change in Plan Fiduciary Net Position	870,531	721,775	1,002,934	748,774	489,248	295,699
Plan Fiduciary Net Position – Beginning	6,623,697	5,901,922	4,898,988	4,150,214	3,660,966	3,365,267
Plan Fiduciary Net Position – Ending (b)	<u>\$ 7,494,228</u>	<u>\$ 6,623,697</u>	<u>\$ 5,901,922</u>	<u>\$ 4,898,988</u>	<u>\$ 4,150,214</u>	<u>\$ 3,660,966</u>
Net Pension Liability (Asset) – Ending (a) – (b)	<u>\$ 61,943</u>	<u>\$ (11,638)</u>	<u>\$ (60,220)</u>	<u>\$ (103,867)</u>	<u>\$ (437,545)</u>	<u>N/A</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.18%	100.18%	101.03%	102.17%	111.79%	N/A
Covered Employee Payroll	\$ 1,725,837	\$ 1,469,395	\$ 1,354,698	\$ 1,301,400	\$ 1,182,767	\$ 1,168,860
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	4%	1%	4%	8%	37%	N/A

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2020**

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially determined contribution	\$ 270,956	\$ 213,062	\$ 196,431	\$ 101,509	\$ 90,874	\$ 237,279
Contributions in relation to the actuarially determined contributions	325,595	264,037	248,900	166,395	161,008	257,584
Contribution Deficiency (Excess)	<u>\$ (54,639)</u>	<u>\$ (50,975)</u>	<u>\$ (52,469)</u>	<u>\$ (64,886)</u>	<u>\$ (70,134)</u>	<u>\$ (20,305)</u>
Covered Employee Payroll	\$ 1,725,837	\$ 1,469,395	\$ 1,354,698	\$ 1,301,400	\$ 1,182,767	\$ 1,168,860
Contributions as a Percentage of Covered Employee Payroll	18.87%	17.97%	18.37%	12.79%	13.61%	22.04%

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2020**

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Annual money-weighted rate of return:						
Net of investment expense	6.59%	5.50%	7.10%	13.24%	8.00%	7.89%

Notes to schedule:

This information is not available prior to 2015.

See notes to required supplementary information.

**MIDWAY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020**

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 10% contingency. The tax rate in effect for the current year was 2.20 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.

Schedule of Changes in Net Pension Liability and Related Ratios

Changes of benefit terms:

For measurement date September 30, 2019, amounts reported as changes in benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

For measurement date September 30, 2017, amounts reported as changes of benefit terms resulted from the following changes:

- Effective October 1, 2017, the plan became a Chapter 175 "Local Law" plan.
- Implementation of a cost neutral Deferred Retirement Option Program (DROP).
- Plan members may purchase up to a combined five years of credited service for prior military and firefighter service at full actuarial cost.
- The benefit accrual rate was increased from 3.00% to 4.00% per year of credited service earned on and after October 1, 2017.
- The Normal Retirement Age was amended as the date the plan member attains the age of 55 or older with ten or more years of credited service or the date the plan member reaches 25 or more years of credited service regardless of age.
- The member contribution rate was increased from 5.0% of compensation to 10.0% of compensation, effective October 1, 2017.

Changes of assumptions:

For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

- The inflation assumption rate was lowered from 3.00% to 2.92%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**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 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Warren Averett, LLC

Pensacola, Florida
April 27, 2021

**INDEPENDENT ACCOUNTANTS' REPORT ON EXAMINATION OF
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 regard to investments for the year ended September 30, 2020.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence that we obtained is sufficient and appropriate to provide 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, 2020.

Warren Averett, LLC

Pensacola, Florida
April 27, 2021

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, 2020, and have issued our report thereon dated April 27, 2021.

Auditors' Responsibility

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

Other Reports

We have issued our 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*; 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 April 27, 2021, 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 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 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.b. 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.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate 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 communicate noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not 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

April 27, 2021