

CITY OF MIDWAY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**CITY OF MIDWAY
 AUDITED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council,
City of Midway, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of the City of Midway, (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's 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.

Auditor's 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 statement 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 auditor's 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 City'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the City as of September 30, 2018, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(concluded)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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 Standard 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial positioning, where applicable, of the major fund, only for the portion of the major fund, of City of Midway that is attributable to the City. They do not purport to, and do not, present fairly the financial position of City of Midway, as of September 30, 2018, and the changes in its financial position, where applicable, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moran & Smith LLP

Moran & Smith LLP

June 26, 2019

Quincy, Florida

**CITY OF MIDWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Our discussion and analysis of the City of Midway's financial performance provides an overview of the City's financial activities for the year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The assets of the City as reported in the government-wide financial statements exceeded the liabilities as of September 30, 2018, by \$1,403,821 (net position). This amount represents an increase of \$181,017 from the prior year due to a significant decrease in expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 9. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statement by providing information about the City's most financially significant funds.

Government-wide Financial Statements

Our analysis of the City as a whole begins on page 4. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps explain if the City as a whole is better off or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and the City's liabilities, is one way to measure the City's financial health. An increase in the City's net assets is an indicator that the City's financial position is improving and a decrease in the City's net assets is an indicator that the City's financial position is deteriorating.

Fund Financial Statements

The analysis of the City's major funds begins on page 9. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State or Federal law; however, the City establishes many other funds to help control and manage money for particular purposes. The City only has governmental funds.

Governmental Funds: The City's services are reported in one governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**CITY OF MIDWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Overview of the Financial Statements (continued)

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 13 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also contains additional elements that are required by Governmental Auditing Standards, The Office of Management and Budget, and the Rules of the Auditor General of the State of Florida.

FINANCIAL ANALYSIS

Government-Wide Analysis

The government-wide statements report the City's net position and how they have changed. Table A-1 presents net position to help identify differences between the City's assets and liabilities, a way to measure the City's financial health, or position. Our analysis of the Financial Statements begins below.

A summary of the City's statements of net position is presented in Table A-1.

Table A-1

Condensed Statement of Net Position

	<u>2017</u>	<u>2018</u>	Increase (Decrease)
Current Assets	\$ 243,463	\$ 356,921	\$ 113,457
Capital Assets, Net	<u>2,297,410</u>	<u>2,052,938</u>	<u>(252,010)</u>
Total Assets	<u>2,540,873</u>	<u>2,409,859</u>	<u>(138,553)</u>
Deferred Outflows of Resources	456,697	361,035	(95,662)
Current Liabilities	689,871	382,417	(307,454)
Long-term Liabilities	<u>948,744</u>	<u>779,698</u>	<u>(169,046)</u>
Total Liabilities	<u>1,638,615</u>	<u>1,162,115</u>	<u>(476,500)</u>
Deferred Inflows of Resources	136,150	204,958	68,808
Net Assets:			
Investment in Capital Assets	1,988,097	1,831,119	(156,978)
Restricted	0	50,000	50,000
Unassigned	<u>(765,292)</u>	<u>(477,298)</u>	<u>287,995</u>
Total Net Position	<u>\$ 1,222,805</u>	<u>\$ 1,403,821</u>	<u>\$ 181,017</u>

**CITY OF MIDWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As of September 30, 2018 and 2017 the City's total assets exceeded its total liabilities by \$1,403,821 and \$1,222,804 respectively, an increase of \$181,017 from 2017.

Unrestricted net position at September 30, 2018 and 2017, were approximately (\$427,298) and (\$765,292) respectively.

The City's net investment in capital assets was \$1,831,119 and \$1,988,097 as of September 30, 2018 and 2017, respectively.

Table A-2 illustrates the revenues and expenses that caused the change in the City's total net position.

Table A-2

Condensed Statement of Activities

	<u>2017</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Revenues			
General Revenues			
Property Tax	\$ 606,525	\$ 741,973	\$ 135,448
Intergovernmental Revenue	620,228	550,449	(69,779)
Other	37,524	40,441	2,917
Program Revenues			
Charges for services	191,370	203,431	12,061
Operating Grants and Contributions	78,766	64,707	(14,059)
Capital Grants and Contributions	<u>0</u>	<u>103,523</u>	<u>103,523</u>
Total Revenues	<u>1,534,413</u>	<u>1,704,524</u>	<u>170,111</u>
Expenses			
General Government	843,843	572,310	(271,533)
Public Safety	487,484	416,605	(70,879)
Physical Environment	139,057	139,535	478
Transportation	114,245	102,933	(11,312)
Culture and Recreation	<u>197,722</u>	<u>292,124</u>	<u>94,402</u>
Total Expenses	<u>1,782,351</u>	<u>1,523,507</u>	<u>(258,844)</u>
Change in Net Position	(247,938)	181,017	428,955
Net Position, Beginning	<u>1,470,743</u>	<u>1,222,804</u>	<u>(247,938)</u>
Net Position, Ending	<u>\$ 1,222,805</u>	<u>\$ 1,403,821</u>	<u>\$ 181,017</u>

**CITY OF MIDWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Financial Analysis (concluded)

In 2018, the City's total revenues of \$1,704,524 were an increase of \$170,111 when comparing to fiscal year 2017. The majority of the increase in revenue was \$103,523 for a capital grant.

Total expenditures for the year ended September 30, 2018, were \$1,523,507 versus \$1,782,351 in 2017, a decrease of \$258,844.

Capital Assets and Debt Administration

For the years ended September 30, 2018 and 2017, the City had approximately \$2,052,938 and \$2,297,410 in fixed assets, respectively, net of accumulated depreciation. There was approximately a \$244,472 decrease to capital assets for the year ended September 30, 2018.

Individual Fund Analysis

Since the City only has governmental funds activities, the explanations provided above for the Statement of Activities regarding changes in net position also substantially explain the change in fund balance as a result of the Statement of Revenues, Expenditures, and Changes in Fund Balance which are applicable only to the Statement of Activities' presentation.

General Fund Budgetary Highlights

Over the course of the fiscal year, the original budget was reviewed for progress related to paying off delinquent Accounts payables. There was significant progress realized in extinguishing prior year payable obligations budgeted to be paid.

Economic Factors and Next Year's Budget

The City's grants are contingent upon its renewal and its ability to obtain new grants and, therefore, its revenues may vary from year to year. In setting its budget for fiscal year 2018, various factors, such as delivering at least the same level of expertise in fiscal year 2017, and adding new programs and grants were considered.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Manager
Post Office Box 438
Midway, Florida 32343

CITY OF MIDWAY, FLORIDA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

**CITY OF MIDWAY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 153,103
Receivables (Net)	8,679
Due from Other Governments	145,139
Restricted Assets:	
Cash and Cash Equivalents	50,000
Total Current Assets	356,921
Noncurrent Assets:	
Capital Assets, not being depreciated	69,860
Capital Assets, being depreciated (Net)	1,983,078
Total Noncurrent Assets	2,052,938
Total Assets	2,409,859
 Deferred Outflows of Resources	
Pension Related	361,035
 LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	326,540
Accrued Wages Payable	5,612
Bank Line of Credit	0
Notes Payable	44,356
Accrued Compensated Absences	5,909
Total Current Liabilities	382,417
Noncurrent Liabilities:	
Accrued Compensated Absences	17,727
Notes Payable	177,463
Net Pension Liability	584,508
Total Noncurrent Liability	779,698
Total Liabilities	1,162,115
 Deferred Inflows of Resources	
Pension Related	204,958
 NET POSITION	
Net Investment in Capital Assets	1,831,119
Restricted	50,000
Unassigned	(477,298)
Total Net Position	\$ 1,403,821

See accompanying notes to Financial Statements

**CITY OF MIDWAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General Government	\$ 564,658	\$ 0	\$ 0	\$ (483,973)
Public Safety	416,605	0	0	(295,626)
Physical Environment	242,468	64,707	103,523	(74,237)
Transportation	0	0	0	0
Culture and Recreation	292,124	1,767	0	(290,358)
Interest on Long-term Debt	7,653	0	0	(7,653)
Total Primary Government	\$ 1,523,508	\$ 64,707	\$ 103,523	\$ (1,151,847)

General Revenues		
Taxes:		\$
Property Taxes		669,160
Franchise and Utility Taxes		154,348
Infrastructure Surtax		188,143
Local Option Gas Tax		31,678
Sales Tax and Other Shared Revenues		249,093
Investment Earnings		0
Miscellaneous		40,441
Total General Revenues		1,332,863
Change in Net Position		181,017
Net Position Beginning of Year		1,222,804
Net Position End of Year		\$ 1,403,821

**CITY OF MIDWAY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General Fund
Assets	
Cash and Cash Equivalent	\$ 153,102
Accounts Receivables (Net)	8,679
Due from Other Governments	145,139
Restricted:	
Cash and Cash Equivalent	50,000
Total Assets	356,920
 Liabilities	
Accounts Payable and Accrued Expenses	326,541
Accrued Wages Payable	5,612
Total Liabilities	332,153
 Deferred Inflows of Resources	53,129
 Fund Balances	
Nonspendable	0
Restricted	50,000
Committed	0
Assigned	0
Unassigned	(78,361)
Total Fund Balances	(28,361)
 Total Liabilities and Fund Balance	\$ 356,921

See accompanying notes to Financial Statements

CITY OF MIDWAY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Total Fund Balances of Governmental Funds \$ (28,361)

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,052,938

Receivables that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 53,130

Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:

Deferred Outflows Related to Pensions	361,035	
Deferred Inflows Related to Pensions	(204,958)	156,077

Long-term liabilities at year-end consist of:

Bonds and Installment Notes Payable	(221,819)	
Bank Line of Credit	0	
Accrued Compensated Absences	(23,636)	
Net Pension Liability	(584,508)	(829,963)

Total Net Position of Governmental Activities \$ 1,403,821

CITY OF MIDWAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund
Revenues	
Taxes	\$ 759,169
Licenses and Permits	80,685
Intergovernmental Revenues	726,440
Charges for Services	1,767
Fines and Forfeitures	94,397
Miscellaneous Revenues	40,441
Total Revenues	1,702,899
Expenditures	
Current:	
General Government	522,641
Public Safety	365,821
Physical Environment	139,535
Transportation	0
Culture and Recreation	201,596
Debt Service:	
Principal	125,744
Interest	7,653
Capital Outlay	0
Total Expenditures	1,362,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	339,909
Other Financing Sources (Uses)	
Sale of Fixed Assets	0
Proceeds from Long-term Debt	0
Total Other Financing Sources (Uses)	0
Net Change in Fund Balance	339,909
Fund Balance, Beginning of Year	(368,270)
Fund Balance, End of Year	\$ (28,361)

See accompanying notes to Financial Statements

CITY OF MIDWAY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Net Change in Fund Balances - Total Governmental Funds. \$ 339,909

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Expenditures for Capital Assets	0	
Less: Current Year Depreciation	<u>(244,472)</u>	(244,472)

Repayment of long-term debt principal is reported as an expenditure in the governmental funds, but as a reduction of long-term liabilities in the statement of net position.		125,744
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The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.		0
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Receivables that do not provide current financial resources are reported as deferred inflows of resources in the governmental fund.		1,657
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Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension plans made after the measurement date:

Deferred Inflows Related to Pensions	(95,660)	
Deferred Outflows Related to Pensions	<u>(68,808)</u>	(164,468)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences	14,048	
Net Pension Liability	<u>108,599</u>	122,647

Change in Net Position of Governmental Activities		<u><u>\$ 181,017</u></u>
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CITY OF MIDWAY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 – Summary of Significant Accounting Policies

Reporting entity

The City of Midway (the “City”) is a municipal corporation created under a special act of the Florida Legislature in 1986 by House Bill 1430, Chapter 86-471, Laws of Florida. It is governed by a five-member council. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

Description of Government Wide and Fund Financial Statements

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position (statement of activities)) report information on all of the activities of the City. Governments typically report activities as either governmental activities, which normally are supported by taxes and intergovernmental revenues, or business-type activities, which rely to a significant extent on fees and charges for support. The City reports only governmental activities as it has no business-type activities.

Fund Financial Statements

The fund financial statements provide information about the government’s funds.

Basis of Presentation of Government Wide and Fund Financial Statements

Government-wide Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund.

Fund Financial Statements

The fund financial statements provide information about the government’s funds.

The City reports the following major governmental fund:

The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Intergovernmental and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

The government fund financial statements use 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when obligations are incurred, except for expenditures related to claims and judgments, which are recorded only when payment is due.

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriated budget is prepared by function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Accounting Estimates

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

Deposits and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposit accounts and highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

State statutes authorize the government to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds, Trust Funds, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state certified public depositories.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are recorded as capital outlay expenditures in the governmental activities column in the government-wide financial statements, at the time goods are received and a liability is incurred. For reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. These assets are then capitalized at cost in the statement of net position. Fixed assets are depreciated using the straight-line method over five to thirty-nine years for furniture and equipment, and the remaining lease period for leasehold improvements. The depreciation expense is recorded in the statement of activities.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-39
Infrastructure	15
Office Equipment	7
Vehicles	5-10
Computer Equipment	5

CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies (concluded)

General Revenues

Amounts reported as program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions (including special assessments) that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for special purposes, and other internally dedicated resources, are reported as general revenues rather than as program revenues.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources reported on applicable governmental fund types represent revenues which are measurable but not available in accordance with the modified accrual basis of accounting. The deferred inflows will be recognized as revenue in the fiscal year they are earned or become available. Deferred outflows of resources represent consumption of net position that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets.

Pension Related—Pension Related Deferred Inflows and Outflows represent the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension liability, and the differences between expected and actual earnings on pension plan investments, and changes in the County's proportionate share of pension contributions. These amounts are reported as deferred inflows or outflows of resources, to be recognized in expense over time. Also included in deferred outflows are amounts contributed to the pension plans subsequent to the measurement date. See Note 8 for more information on Pension Related Deferred Inflows and Outflows.

Unavailable Revenues—Unavailable revenues are revenues which are measurable, but not available because they have not been received within the County's period of availability. These revenues are deferred and recorded as deferred outflows of resources in governmental funds financial statements.

Compensated Absences

The City's policy is to permit regular employees to accumulate earned and unused vacation and sick pay benefits. All vacation pay and sick pay are accrued when incurred in the government-wide financial statements. The liability for these amounts is reflected in the statement of net position only if they have matured, for example, as a result of employee resignations and retirements.

Property Taxes

Property taxes are billed and collected for the government by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**CITY OF MIDWAY
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

Note 2 - Cash and Cash Equivalents

Deposits

Custodial credit risks-deposits- In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2018, the City's bank balance was \$203,103. Of the bank balance, \$203,103 was covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Public Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

At September 30, 2018, the Council's cash and investments consisted of the following:

	General Fund
Unrestricted cash and cash equivalents:	
Full Analysis	\$ 66,589
Red Light Camera Checking	86,514
Total unrestricted cash and cash equivalents	153,103
Restricted cash and cash equivalents:	
CDBG Grant 3517	50,000
Total restricted cash and cash equivalents	50,000
Total cash and cash equivalents	\$ 203,103

The carrying value of the above cash and investments equals fair value.

Note 3 - Receivables

	General Fund
Receivables:	
Receivables	\$ 8,679
Intergovernmental Receivables	145,139
Total net receivables	\$ 153,818

CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 4 - Capital Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 69,860	\$ 0	\$ 0	\$ 69,860
Construction Work in Progress	0	0	0	0
Total Capital Assets, Not Being Depreciated	<u>69,860</u>	<u>0</u>	<u>0</u>	<u>69,860</u>
Capital Assets, Being Depreciated:				
Building and Improvements	2,640,924	0	0	2,640,924
Roads	1,345,208	0	0	1,345,208
Equipment, Furniture, Fixtures and Vehicles	796,892	0	0	796,892
Total Capital Assets, Being Depreciated	<u>4,783,024</u>	<u>0</u>	<u>0</u>	<u>4,783,024</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,149,370)	(93,689)	0	(1,243,059)
Roads	(862,831)	(89,681)	0	(952,512)
Equipment, Furniture, Fixtures, and Vehicles	(543,273)	(61,102)	0	(604,375)
Total Accumulated Depreciation	<u>(2,555,474)</u>	<u>(244,472)</u>	<u>0</u>	<u>(2,799,946)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,227,550</u>	<u>(244,472)</u>	<u>0</u>	<u>1,983,078</u>
Governmental Activities, Capital Assets, Net	<u><u>\$ 2,297,410</u></u>	<u><u>\$ (244,472)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,052,938</u></u>

Depreciation expense was charged to functions/programs as follows:

General Government	\$ 33,750
Public Safety	21,731
Physical Environment	98,463
Culture and Recreation	90,528
Total	<u><u>\$ 244,472</u></u>

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 5 – Payables

The City had numerous payables from the end of 2015, that were still payables at the end of 2018. Included in those payables are unpaid payroll taxes, unpaid retirement contributions, and a substantial IRS penalty. As of September 30 2018, all of the City's past unpaid payables were paid, except unpaid retirement contributions.

Note 6 - Long-term Liabilities

Note Payable-State Revolving Loan

The City attained a State Revolving Loan at 1.095% note payable with the State of Florida. Semiannual payments of \$2,405, to begin November 15, 2016, collateralized by general revenues. The loan will be repaid in 40 semiannual loan payments. Year-end balance was \$69,610. The City received a notice that a portion of the loan has been forgiven as a grant. As of September 30, 2018, the City is making principal and interest payments.

Note Payable- Line of Credits

The City borrowed \$95,600 on a \$100,000 line of credit note with Capital City Bank. Loan #225877050 has an interest rate of 5% with interest accruing monthly. This loan has been repaid.

On July 24, 2017, the City borrowed \$30,000 on another line of credit of \$90,000 with Capital City Bank with an interest rate of 4.25% pledging their first payment of ad valorem revenues for repayment. This loan has been paid in full.

Note Payable – Equipment Loan - Police cars

The City financed three Police vehicles on November 10, 2015 for a total obligation of \$64,561. The notes are financed with Community Partners Funding Inc, (DBA – BancLease Acceptance Corp.) The interest rate is at 6.5% with eighteen scheduled quarterly payments of \$3,777. The City no longer has one of the pledged vehicles, but did not pay off the loan with the insurance proceeds. The City is behind schedule on making payments.

Note Payable – Equipment Loan - Red Light Camera equipment

The City financed a Red Light camera License Plate Reader System on October 20, 2015 for a total obligation of \$19,701. The Notes are financed by KS StateBank. The interest rate is 5% with 4 annual payments scheduled of \$ 5,560.

Note Payable – Equipment Lease Purchase – John Deere Backhoe

The City financed on August 25, 2016 the lease purchase of John Deere 310L Loader Backhoe (1T0310LXHGF300669). The Lease is with Deere Credit Inc. (0065099) with an interest rate of 4.25% and 5 annual payments of \$15,182 with the first payment due August 25, 2017.

Note Payable – Equipment Lease Purchase – John Deere 5085E Utility Tractor and Mower

The City financed on September 29, 2016 the lease purchase of John Deere 5085E Utility Tractor (1LV5085EKFY440604) and a mower. The Lease is with Deere Credit Inc. (0042472) with an interest rate of 4.25% and 5 annual payments of \$12,980 with the first payment due September 29 2017.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 6 - Long-term Liabilities (concluded)

Note Payable – Equipment Lease Purchase – John Deere (2) HPX Gator 4x4 Utility Vehicles

The City financed on December 20, 2016, the lease purchase of two John Deere HPX Gator 4x4 Utility Vehicles (1MOHPXGSLGM140947) and (1MOHPXGSCGM141298). The Lease is with Deere Credit Inc. (0042472-002) with an interest rate of 4.50% with an initial payment of \$3,500 and four annual payments of \$4,088 with the first payment due December 21, 2016.

Governmental Activities	Balance 10/01/17	Additions	(Deductions)	Balance 9/30/18
N/P State Revolving Loan	\$ 101,611	\$ 0	\$ 32,001	\$ 69,610
N/P Line of Credit	8,250	0	8,250	0
N/P Line of Credit	30,000	0	30,000	0
Equipment Loan JD Tractor	57,247	0	12,769	44,478
Equip. Loan JD 4x4 Gator (2)	18,136	0	4,031	14,105
Equipment Loan JD Backhoe	66,961	0	14,936	52,025
Equip. Loan Plate Scanners	15,132	0	5,040	10,092
Equipment Loan Police Car	50,226	0	18,717	31,509
Compensated Absences	37,683	0	14,048	23,635
Net Pension Liability	693,107	0	108,599	584,508
Total General Long-term Debt	\$ 1,078,353	\$ 0	\$ 248,391	\$ 829,962

As of September 30, 2018, the current portion of long-term debt is \$50,264, which includes 25% of the compensated absences.

Year	Principal	Interest
2019	\$ 44,356	\$ 6,032
2020	47,669	5,923
2021	33,740	3,626
2022	96,054	2,405
2023	0	0
Total	\$ 221,819	\$ 17,986

Note 7 – Contingencies

Grant Programs

Amounts received or receivables from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Related Party Transaction

We noted that a council member also owns a business that was utilized as a vendor by the City during the year ended September 30, 2018.

Note 8 - Employee Benefit Plans

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

General Information about the Florida Retirement System

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238 Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. Comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

FRS Pension Plan

Plan Description

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP available for eligible employees. The general classes of membership applicable to the City are as follows:

- Regular Class- Members of the FRS who do not qualify for membership in other classes.
- Elected City Officer Class- Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC)- Members in senior management level positions.
- Special Risk Class- Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

Note 8 - Employee Benefit Plans (continued)

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned.

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected City Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the City's 2017-2018 fiscal year were as follows:

Class	Year Ended June 30, 2018		Year Ended June 30, 2019	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer(2)	Employee	Employer(2)
FRS, Regular	3.00	6.20	3.00	6.54
FRS, Elected City Officials	3.00	43.78	3.00	46.78
FRS, Senior Management Service	3.00	20.99	3.00	22.34
FRS, Special Risk Regular	3.00	21.55	3.00	22.78
DROP-Applicable to Members				
from All of the Above Classes	0.00	11.60	0.00	12.37
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

(2) These rates include the normal cost and unfunded actuarial liability contributions, but do not include the contribution for Retiree Health Insurance Subsidy of 1.66% and the fee of 0.06% for administration of the FRS Investment Plan and provision of education tools for both plans.

The City's contributions (employer) to the FRS Plan totaled \$44,698 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2018, the City reported a liability of \$472,406 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the City's proportion was 0.001568386%, which was an increase of 0.000250786% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$99,923 related to the Plan.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	7.00%
Long-term Expected Rate of Return, Net of Investment Expense	7.00%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Annual Target Allocation</u>	<u>Annual Arithmetic Return ⁽¹⁾</u>	<u>Geometric Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	<u>100%</u>			
Assumed Inflation-Mean			2.6%	1.9%

Note: (1) As outlined in the Plan's Investment Policy

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.10% in the July 1, 2017 valuation.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

FRS-City:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability	\$ 862,161	\$ 472,406	\$ 148,692

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description

The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided

For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2018 and 2017, the contribution rates were 1.66% of payroll pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$5,744 for the fiscal year ended September 30, 2018.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

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

At September 30, 2018, the City reported a net pension liability of \$112,102 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was 0.00105915%, which was a decrease of 0.000390533% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$4,743 related to the HIS Plan.

Actuarial Assumptions

The total pension liability for the HIS Pension Plan was determined by an actuarial valuation as of July 1, 2017, and recalculated as of June 30, 2018, using a standard actuarial roll-forward technique. The following actuarial assumptions, applied to all periods included in the measurement, were used to determine the total pension liability:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	3.87%
Long-term Expected Rate of Return, Net of Investment Expense	N/A
Municipal Bond	3.87%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used to determine the total pension liability as of June 30, 2018, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City's Proportionate Share of the Net Pension Liability	\$127,678	\$112,012	\$99,119

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Additional Disclosures- Defined Benefit Plans

Net Pension Liability

	FRS	HIS	Total
Net Pension Liability	\$ 472,406	\$ 112,102	\$ 584,508

Deferred Outflows of Resources

	FRS	HIS	Total
Employer Contributions After Measurement Date	\$ 9,772	\$ 1,254	\$ 11,026
Difference Between Expected and Actual Experience	40,020	1,716	41,736
Changes in Assumptions	154,359	12,467	166,826
Changes in Proportion	105,638	35,740	141,378
Net Difference Between Projected and Actual Earnings on Investments	0	69	69
Total Deferred Outflows of Resources	\$ 309,789	\$ 51,246	\$ 361,035

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (continued)

Deferred Inflows of Resources

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 1,453	\$ 190	\$ 1,643
Changes in Proportion	87,914	67,050	154,964
Changes in Assumptions	<u>36,499</u>	<u>11,852</u>	<u>48,351</u>
Total Deferred Inflows of Resources	<u>\$ 125,866</u>	<u>\$ 79,092</u>	<u>\$ 204,958</u>

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$11,026 will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year <u>Ending</u>	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
2020	\$ 79,512	\$ (2,057)	\$ 77,455
2021	55,244	(2,062)	53,182
2022	502	(6,968)	(6,466)
2023	23,847	(9,165)	14,682
2024	15,108	(1,569)	13,539
Thereafter	<u>(60)</u>	<u>(7,281)</u>	<u>(7,341)</u>
	<u>\$ 174,153</u>	<u>\$ (29,102)</u>	<u>\$ 145,051</u>

There were certain changes in assumptions from the previous valuation related to the two plans described above. The assumption changes include the following:

- FRS - In the July 1, 2018 actuarial valuation, the discount rate used to determine total pension liability decreased from 7.10% to 7.00%.
- HIS - In the July 1, 2017 actuarial valuation, the discount rate used to determine total pension liability increased from 3.58% to 3.87%.

FRS-Defined Contribution Pension Plan

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 8 - Employee Benefit Plans (concluded)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances amount various approved investment choices. Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2018</u>		<u>Year Ended June 30, 2019</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	3.30	3.00	3.30
FRS, Elected City Officials	3.00	8.34	3.00	8.34
FRS, Senior Management Service	3.00	4.67	3.00	4.67
FRS, Special Risk Regular	3.00	11.00	3.00	11.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**CITY OF MIDWAY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 9 - State of Financial Emergency

The City met the requirements of Florida Statutes Section 218.503(1) and has been listed in a state of deteriorating financial condition. They have met the definition since the 2012-2013 fiscal year. The City has managed to pay down a significant amount of their outstanding obligations during the 2017-2018 fiscal year. However, they still have some uncontested payables that are more than 90 days' delinquent at year end.

Note 10 - Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Subsequent events should be disclosed in the financial statements if exclusion of such disclosure would cause the financial statements to be misleading. The City was in a declared federal disaster area as a result of Hurricane Michael, and suffered substantial damage. The full financial impact of the storm has not yet been determined. Management has evaluated all other subsequent events through June 26, 2019, the date the financial statements were available to be issued, and does not believe that there are any such additional events or transactions that require disclosure.

Note 11 – Fund Balance

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Restricted- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The amount is restricted for law enforcement trust and forfeiture.
- Unassigned- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal fund balance policy.

CITY OF MIDWAY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

CITY OF MIDWAY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
SEPTEMBER 30, 2018

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the Net Pension Liability	0.001568386%	0.001819172%	0.001439300%	0.002109951%
City's Proportionate Share of the Net Pension Liability	\$ 472,406	\$ 538,099	\$ 363,434	\$ 272,529
City's Covered-Employee Payroll (FYE 9/30)	328,990	450,110	429,445	427,959
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	143.59%	119.55%	84.63%	63.68%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%

Notes to Schedule:
The amounts presented for the Net Pension Liability were determined using a measurement date of June 30.
The Covered-Employee Payroll is for the fiscal year shown.
This schedule will build to 10 years as information becomes available.

**CITY OF MIDWAY
 FLORIDA RETIREMENT SYSTEM PENSION PLAN
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Contractually Required Contributions	\$ 44,698	\$ 46,621	\$ 39,702	\$ 45,473
Contributions in Relation to the Contractually Required Contribution	(44,698)	(46,621)	(39,702)	(45,473)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
County's Covered-Employee Payroll	\$ 328,990	\$ 450,110	\$ 429,445	\$ 427,959
Contributions as a Percentage of Covered-Employee Payroll	13.59%	10.36%	9.24%	10.63%

Notes to Schedule:
 This schedule will build to 10 years as information becomes available.

**CITY OF MIDWAY
HEALTH INSURANCE SUBSIDY PENSION PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
SEPTEMBER 30, 2018**

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the Net Pension Liability	0.001059157%	0.001449690%	0.111900000%	0.001640369%
City's Proportionate Share of the Net Pension Liability	\$ 112,102	\$ 155,008	\$ 130,415	\$ 167,292
City's Covered-Employee Payroll (FYE 9/30)	\$ 328,990	\$ 450,110	\$ 429,445	\$ 427,959
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	34.07%	34.44%	30.37%	39.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%

Notes to Schedule:

The amounts presented for the Net Pension Liability were determined using a measurement date of June 30.

The Covered-Employee Payroll is for the fiscal year shown.

This schedule will build to 10 years as information becomes available.

**CITY OF MIDWAY
HEALTH INSURANCE SUBSIDY PENSION PLAN
SCHEDULE OF THE CITY'S CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Contractually Required Contributions	\$ 5,744	\$ 7,505	\$ 6,505	\$ 5,615
Contributions in Relation to the Contractually Required Contribution	(5,744)	(7,505)	(6,505)	(5,615)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
County's Covered-Employee Payroll	\$ 328,990	\$ 450,110	\$ 429,445	\$ 427,959
Contributions as a Percentage of Covered-Employee Payroll	1.75%	1.67%	1.51%	1.31%

Notes to Schedule:
This schedule will build to 10 years as information becomes available.

CITY OF MIDWAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 738,434	\$ 738,434	\$ 759,169	\$ 20,735
Licenses and Permits	65,500	65,500	80,685	15,185
Intergovernmental Revenues	1,299,432	1,299,432	726,440	(572,992)
Charges for Services	75,000	75,000	1,767	(73,234)
Fines and Forfeitures	50,000	50,000	94,397	44,397
Other Income	35,000	35,000	40,441	5,441
Total Revenues	<u>2,263,366</u>	<u>2,263,366</u>	<u>1,702,899</u>	<u>(560,467)</u>
Expenditures				
General Government	536,865	536,865	722,999	186,134
Public Safety	335,821	335,821	298,860	(36,961)
Physical Environment	147,941	147,941	139,535	(8,406)
Culture and Recreation	1,242,739	1,242,739	201,596	(1,041,143)
(Total Expenditures)	<u>2,263,366</u>	<u>2,263,366</u>	<u>1,362,990</u>	<u>(900,376)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>339,909</u>	<u>339,909</u>
Other Financing Sources (Uses)				
Proceeds from Long-term Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	339,909	339,909
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>(368,270)</u>	<u>(368,270)</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (28,361)</u>	<u>\$ (28,361)</u>

**CITY OF MIDWAY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 1- Budgetary Requirements

The City of Midway (“the City”) prepares an annual operating budget for the general fund which is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- Revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
- The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF MIDWAY, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2018

**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**

To the Honorable City Council,
City of Midway, Florida:

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the City of Midway, Florida, (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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*.

**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***
(concluded)

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 City'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, Florida

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415 FLORIDA STATUTES**

The Honorable City Council
City of Midway, Florida

We have examined the City of Midway, Florida (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City'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 City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with specific 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 our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be used by anyone other than these specified parties.

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, Florida

**INDEPENDENT AUDITOR'S MANAGEMENT
LETTER**

To the Honorable City Council,
City of Midway, Florida.

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Midway, Florida (the City), as of and for the year ended September 30, 2018, and have issued our report thereon June 26, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual 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 is disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City met a condition described in Section 218.503(1), Florida Statutes. The following condition resulted from a deteriorating financial condition:

- The City failed to pay uncontested claims from creditors within 90 days after the claim was presented, as a result of a lack of funds.

**INDEPENDENT AUDITOR'S MANAGEMENT
LETTER
(concluded)**

We recommend the City establish a financial plan to pay all its past due payables and stay current on amounts due.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Midway, Florida. It is management's responsibility to monitor the City'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 the same.

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

Additional Matters

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

Purpose of the 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 the City of Midway, Florida, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, Florida