

Ocean City-Wright Fire
Control District

Financial Statements

September 30, 2010

Ocean City-Wright Fire Control District
Table of Contents
September 30, 2010

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-7
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	12 – 13
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Fiduciary Fund Financial Statements:	
Statement of Net Assets – Pension Trust Fund	15
Statement of Changes in Net Assets – Pension Trust Fund	16
Notes to Financial Statements	17 - 34
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedule – Governmental Fund	35 - 36
Schedule of Funding Progress – Pension Trust Fund (Unaudited)	37
Schedule of Funding Progress for Other Postemployment Benefits (Unaudited)	38
Compliance Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements In Accordance with <i>Government Auditing Standards</i>	39 - 40
Management Letter	41 - 43



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Ocean City-Wright Fire Control District
Fort Walton Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean City-Wright Fire Control District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ocean City-Wright Fire Control District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2011, 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 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35 through 36 and the schedule of funding progress - pension trust fund and the schedule of funding progress for other postemployment benefits on pages 37 and 38, 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.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
May 13, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis (MD&A) of the Ocean City-Wright Fire Control District (the "District") financial condition provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. The primary purpose of the District is to provide fire suppression, fire inspection, rescue and emergency medical services to the northern boundaries of the Greater Fort Walton Beach areas in Ocean City and Wright, Florida. The District covers approximately 11.5 square miles and serves approximately 40,000 residents. The District operates and maintains three fire stations covering the service area. Although it is important to the long-term existence of the District to maintain its financial health, net assets are accumulated only to the extent required by Florida statutes to ensure that the District has sufficient reserve funds for future operations and anticipated capital acquisitions.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

HIGHLIGHTS

- Total assets increased \$68,509
- Net assets decreased by \$328,028
- Total revenues and expenses were mixed as compared to prior year with total revenues declining \$293,346 and total expenses increasing \$401,078. The primary reason for the increase in expenses relates to higher personnel costs and additional depreciation expense.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended by Statement 37. The Statement of Net Assets and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, 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 District's operations in more detail than the government-wide financial statements by providing information about the District's funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Keys to understanding the financial condition of the District are the Statement of Net Assets and the Statement of Activities. These statements present financial information in a form similar to that used by private business enterprises. The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. The net assets of the District (the difference between assets and liabilities) are one indicator of the District's financial health or financial position.

CONDENSED STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets and is compared to the prior year.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Assets			
Current and other assets	\$ 3,198,428	\$ 3,835,104	\$ (636,676)
Capital assets, net	2,649,786	1,944,601	705,185
Total assets	<u>\$ 5,848,214</u>	<u>\$ 5,779,705</u>	<u>\$ 68,509</u>
Liabilities			
Current liabilities	\$ 400,618	\$ 248,770	\$ 151,848
Other liabilities	463,778	219,089	244,689
Total liabilities	<u>864,396</u>	<u>467,859</u>	<u>396,537</u>
Net assets			
Invested in capital assets, net of related debt	2,449,786	1,944,601	505,185
Restricted - impact fees	37,416	31,631	5,785
Restricted - debt obligation	311,860	-	311,860
Unrestricted	2,184,756	3,335,614	(1,150,858)
Total net assets	<u>4,983,818</u>	<u>5,311,846</u>	<u>(328,028)</u>
Total liabilities and net assets	<u>\$ 5,848,214</u>	<u>\$ 5,779,705</u>	<u>\$ 68,509</u>

For more detailed information, see the accompanying Statement of Net Assets.

Total assets increased \$68,509 during the fiscal year ended September 30, 2010. This increase occurred primarily due to the addition of capital assets during the year, offset by a reduction in other assets consisting of equipment deposits.

Liabilities increased from an increase in accrued payroll costs and the addition of a note payable to fund capital asset acquisitions. The net result was an approximate \$328,000 reduction in net assets during the year.

CONDENSED STATEMENTS OF ACTIVITIES

The following schedule compares the Statement of Activities for the current and previous fiscal year.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program revenues:			
Charges for services	\$ 63,309	\$ 91,717	\$ (28,408)
General revenues:			
Ad Valorem taxes	3,803,796	3,979,746	(175,950)
State retirement contributions	212,600	218,989	(6,389)
Grants and contributions	3,739	74,093	(70,354)
Investment interest	15,647	24,895	(9,248)
Miscellaneous	34,504	37,501	(2,997)
Total general revenues	<u>4,070,286</u>	<u>4,335,224</u>	<u>(264,938)</u>
Total revenues	<u>4,133,595</u>	<u>4,426,941</u>	<u>(293,346)</u>
Program expenses:			
Public safety			
Personal services	3,696,443	3,203,409	493,034
Operating services	523,346	666,054	(142,708)
Depreciation	240,210	185,321	54,889
Loss on disposal of capital assets	1,624	5,761	(4,137)
Total public safety expenses	<u>4,461,623</u>	<u>4,060,545</u>	<u>401,078</u>
Increase (decrease) in net assets	(328,028)	366,396	(694,424)
Net assets, beginning	<u>5,311,846</u>	<u>4,945,450</u>	<u>366,396</u>
Net assets, ending	<u>\$ 4,983,818</u>	<u>\$ 5,311,846</u>	<u>\$ (328,028)</u>

For more detailed information, see the accompanying Statement of Activities.

Ad valorem tax revenues declined 4% or \$175,950 from the previous year as a result of a decline in real estate values. Public safety expenses increased 10% or \$401,078 from the previous year. The District paid higher wages and additional retirement contributions as compared to the prior year. In addition, depreciation expense increased \$54,889 over the prior year due to recent capital asset acquisitions.

Overall, net assets decreased \$328,028 for fiscal year 2010.

GOVERNMENTAL FUND

As of September 30, 2010, the District's governmental fund (as presented on pages 10 - 14) reported a fund balance of \$2,811,844 which is a decrease of \$180,110 or 6% as compared to prior year.

During fiscal year 2010, the District reported \$200,000 of other financing sources due to a long-term debt borrowing. The District also incurred \$352,639 of capital outlay primarily related to a remodel of Station #2.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The District experienced a favorable increase in revenues as compared to the budget in the amount of \$362,640. This increase occurred due to additional unbudgeted miscellaneous income, additional revenues obtained from ad valorem taxes, unbudgeted state retirement contributions received from the State of Florida, and unbudgeted impact fees.

The District had an unfavorable increase in expenses with the budget in the amount of \$142,750. This increase occurred as a result of certain unbudgeted retirement expenditures and capital outlay expenditures.

Overall, the Governmental Fund has a favorable increase over budget in the amount of \$419,890 as reported in the Budgetary Comparison Schedule – Governmental Fund.

CAPITAL ASSETS

At September 30, 2010, the District had \$2,649,786 invested in capital assets (net of depreciation). This amount represents a net increase (including additions and deductions) of \$705,185 or 36% above the fiscal year 2009 total.

A listing of capital assets by major category for the current and prior year follows:

	2010	2009	Change
Land	\$ 45,168	\$ 45,168	\$ -
Buildings	766,312	436,344	329,968
Station equipment	84,834	84,834	-
Vehicles	12,065	12,065	-
Fire fighting equipment	2,624,177	2,029,797	594,380
Other equipment	1,071,614	1,054,116	17,498
Total, prior to depreciation	4,604,170	3,662,324	941,846
Accumulated depreciation	(1,954,384)	(1,717,723)	(236,661)
Net capital assets	<u>\$ 2,649,786</u>	<u>\$ 1,944,601</u>	<u>\$ 705,185</u>

More information about the District's capital assets is presented in Note 3 to the financial statements.

DEBT

At September 30, 2010, the District has debt which includes compensated absences and an estimated liability for other postemployment benefits ("OPEB"). The District's debt increased \$273,291 as compared to 2009.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Liability for compensated absences	\$ 413,749	\$ 354,166	\$ 59,583
OPEB liability	13,708	-	13,708
Note payable	200,000	-	200,000
Total debt	<u>\$ 627,457</u>	<u>\$ 354,166</u>	<u>\$ 273,291</u>

Additional information about the District's long-term debt is presented in Notes 4 and 5 to the financial statements.

FUTURE FINANCIAL FACTORS

Ocean City-Wright Fire Control District, an independent fire control district under the provisions of Chapter 191, Florida Statutes provides fire prevention and control as provided under Chapter 633. The District operates under an elected Board of Fire Commissioners. The Board establishes policy and sets the millage rate. The District has taxing authority as revenues are generated by ad valorem taxes. The Board has approved 2.00 for the millage rate assessed in fiscal year 2011 which is anticipated to provide the District adequate funds necessary for normal operations and future capital requirements. The maximum millage rate for the District is also 2.00.

BOARD OF FIRE COMMISSIONERS

Robert Jankowski
Chairman

Mark Baugh
Vice-Chairman

Cheryl Ward
Treasurer

Aaron Brown
Commissioner

Mike Urenda
Commissioner

MANAGEMENT

William Lord
Fire Chief

Fred Senkbeil
Fire Marshall

Linda A. Scott
Financial Administrator

Basic Financial Statements

Ocean City-Wright Fire Control District

Statement of Net Assets

<i>September 30,</i>	2010
Assets	
Cash and cash equivalents	\$ 2,789,293
Accounts receivable	65,321
Prepaid insurance and equipment deposit	31,954
Investments - restricted	311,860
Capital assets, net	2,649,786
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Total assets	5,848,214
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Liabilities	
Accrued salaries and benefits payable	236,939
Compensated absences - due within one year	149,645
Compensated absences - due in more than one year	264,104
Other postemployment liability	13,708
Note payable - due within one year	14,034
Note payable - due in more than one year	185,966
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Total liabilities	864,396
<hr/>	
Net assets	
Invested in capital assets, net of related debt	2,449,786
Restricted - Impact fees	37,416
Restricted - debt obligation	311,860
Unrestricted	2,184,756
<hr/>	
Total net assets	\$ 4,983,818
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See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Statement of Activities

<i>Year ended September 30,</i>	2010
Expenses	
Public safety - fire protection	
Personal services	\$ (3,696,443)
Operating services	(523,346)
Unallocated depreciation	(240,210)
Loss on disposal of capital assets	(1,624)
<hr/>	
Total program expenses	(4,461,623)
Program Revenues	
Charges for services	63,309
<hr/>	
Net program expense	(4,398,314)
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General revenues	
Ad valorem taxes	3,803,796
State retirement contributions	212,600
Grants and contributions	3,739
Investment interest	15,647
Miscellaneous	34,504
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Total general revenues	4,070,286
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Increase (decrease) in net assets	(328,028)
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Net assets - beginning of the year	5,311,846
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Net assets - end of the year	\$ 4,983,818
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See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Balance Sheet - Governmental Fund

September 30,

2010

	General Fund
Assets	
Cash and cash equivalents	\$ 2,789,293
Accounts receivable	65,321
Prepaid insurance	31,954
Investments - restricted	311,860
Total assets	\$ 3,198,428
Liabilities and Fund Balances	
Liabilities	
Accrued liabilities	\$ 236,939
Compensated absences	149,645
Total liabilities	386,584
Fund balances	
Reserved for encumbrances	8,003
Reserved for prepaids	31,954
Reserved for impact fees	37,416
Reserved for debt obligations	311,860
Designated for capital acquisitions	375,146
Unreserved, undesignated	2,047,465
Total fund balances	2,811,844
Total liabilities and fund balances	\$ 3,198,428

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Reconciliation of the Balance Sheet
to the Statement of Net Assets

<i>September 30,</i>	2010
Total fund balances, governmental fund	\$ 2,811,844
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	2,649,786
Other postemployment liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(13,708)
Note payable liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(200,000)
Long-term compensated absences do not consume current resources and therefore, are not reported in the governmental funds balance sheet.	(264,104)
Total net assets - governmental activities	\$ 4,983,818

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Fund

Year ended September 30,

2010

		General Fund
Revenues		
Ad valorem taxes, net of discounts	\$	3,803,796
Investment interest		15,647
State retirement contributions		212,600
Grants and donations		3,739
Impact fees		5,785
Miscellaneous		92,028
Total revenues		4,133,595
Expenditures		
Current		
Public safety		
Personal services		
Salaries		2,250,331
Group employee life and health insurance		298,277
Employees' retirement contribution		
Section 175 plan - District		617,681
Section 175 plan - State		212,600
401(a) plan		41,582
Taxes - payroll		153,178
Workers compensation		64,071
Education		45,624
Operating services		
Professional services		29,553
Fuel		29,926
Insurance		56,563
Advertising		1,263
Small equipment		43,185
Miscellaneous		32,496
Property appraiser		49,788
Repairs and maintenance		97,015
Supplies		
Administrative		4,576
Building		5,887

(continued)

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Fund (Continued)

<i>Year ended September 30,</i>	2010
General Fund	
Expenditures	
Current	
Operating services	
Uniforms	6,357
Utilities	44,269
Tax collector fee	76,074
Capital Outlay	
Building improvements and equipment	352,639
Debt Service	
Debt payments - interest	770
Total expenditures	4,513,705
Excess of expenses over revenues	(380,110)
Other Financing Sources	
Proceeds from note payable	200,000
Total other financing sources	200,000
Excess of expenditures over revenues and other financing sources	(180,110)
Fund balances, beginning of year	2,991,954
Fund balances, end of year	\$ 2,811,844

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Fund to the Statement of Activities

<i>Year ended September 30,</i>	2010
Net change in fund balances - governmental fund	\$ (180,110)
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in the Statement of Net Assets.	352,639
Depreciation expense on capital assets included in the Statement of Activities does not require the use of current financial resources; therefore it is not reported in the governmental fund.	(240,210)
Current change in other postemployment liabilities does not consume current resources and therefore is not reported in the governmental fund.	(13,708)
Losses on the disposal of fixed assets do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental fund.	(1,624)
Issuance of debt provides current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(200,000)
Current year change in long-term compensated absence liability does not consume current resources so therefore it is not reflected in the governmental fund.	(45,015)
Change in net assets of governmental activities	\$ (328,028)

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Statement of Net Assets
Pension Trust Fund

<i>September 30,</i>	2010
Assets	
Investments	\$ 4,127,598
Contribution receivable	146,464
Accrued investment income	15,991
Net Assets	
Held in trust for pension benefits	\$ 4,290,053

See accompanying notes to financial statements.

Ocean City-Wright Fire Control District

Statement of Changes in Net Assets
Pension Trust Fund

<i>Year ended September 30,</i>	2010
Additions	
Contributions - District	\$ 617,681
Contributions - Plan members	109,978
Contributions - State	212,600
Total contributions	940,259
Investment Income	
Net appreciation (loss) in fair value of investments	324,409
Interest	94,200
Total net investment income	418,609
Total additions	1,358,868
Deductions	
Administrative expense	52,046
Benefit payments	581,988
Total deductions	634,034
Change in net assets	724,834
Net assets, beginning of year	3,565,219
Net assets, end of year	\$ 4,290,053

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Ocean City-Wright Fire Control District (the District) is a special independent District created by Chapter 63-1685, Laws of Florida in 1963. The original charter was periodically amended, most recently by Chapter 94-472 in 1994. The District operates under an elected Board of Commissioners form of government and provides the following services: fire suppression, fire inspection, rescue, and emergency medical.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District's reporting entity, as defined by Government Accounting Standards Board (GASB) No. 14, "The Financial Reporting Entity"; is financial accountability. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no component units are reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

Measurement Focus, Basis of Accounting and Basis of Presentation

The basic financial statements include both government-wide and fund financial statements.

Government-wide Financial Statements – Government-wide financial statements, including the statement of net assets and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

The preparation of government-wide financial statements includes the application of both GASB pronouncements and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

Fund Financial Statements:

Governmental Funds are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Ad valorem taxes are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Taxes, reimbursements for incidents 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Pension Trust Fund – The Pension Trust Fund is custodial in nature and does not present results of operations or have a measurement focus. Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund).

Cash, Cash Equivalents, and Investments

Florida Statute 218.415 authorizes the District to invest surplus funds in obligations of the U.S. Treasury, agencies and instrumentalities, bank trust receipts, interest bearing time deposits or savings accounts in "Qualified Public Depositories" of the state or national banks organized under the laws of the United States, and savings and loan associations located in the state and organized under federal law, providing all deposits are secured by collateral as prescribed by law. Cash at September 30, 2010 consisted of \$2,789,293 in interest bearing checking accounts. Investments at September 30, 2010 consisted of \$311,860 in certificates of deposit which have been restricted as collateral for the note payable. The certificate of deposit renews annually and pays interest quarterly at an annual percentage rate of 2.5%.

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits and investments are fully insured or collateralized at the highest level of security as defined by *Governmental Accounting Standards Board, Statement Number 40, Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board, Statement Number 3)*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed.

Donated assets are recorded at estimated fair market 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment sold, destroyed or obsolete is removed from the accounts periodically. Property and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Furniture, fixtures and equipment	5 - 20
Vehicles and equipment	10 - 20
Computers and software	5
Buildings and improvements	40

Depreciation expense is not reported in the governmental fund financial statements. In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. For the year ended September 30, 2010, the District reported capital expenditures totaling \$352,639.

Accrued Compensated Absences

Unpaid vacation pay and sick leave is accrued for all employees. The District has accrued the unpaid compensation due its employees in the financial statements at September 30, 2010.

The amount recorded as accrued leave represents the total amount the District would owe its employees if all employees quit or were terminated. The amount of leave time that the District expects its employees to take in the current operating cycle is accounted for in the Governmental Fund. The current portion of compensated absences accrued is \$149,645. This amount plus the long-term portion of \$264,104 is reported in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental statement of net assets.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits

Effective October 1, 2009, the District implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effect of this adoption was to establish uniform reporting standards for other postemployment benefit (OPEB) expense and related liabilities, note disclosures, and required supplementary information (RSI) in annual financial reports of governmental entities. The effects of this implementation have been included in the District's financial statements. GASB Statement No. 45, improves the relevance and usefulness of financial reporting by: (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designation of fund balance represents tentative management plans that are subject to change and are thus called unreserved, designated fund balances in the Balance Sheet for governmental funds.

The following is a description of the District's various fund balance accounts:

Reserved for Encumbrances - This reserve is used for items that have been ordered but have not been received. Thus, a commitment has been made that requires that some of the net assets be used in the future to complete the transaction.

Reserved for Prepays - This reserve is used to denote that some of the net available assets have been earmarked for prepaid expenditures.

Reserved for Impact Fees - This reserve is used to set aside impact fees that are levied for new building permits. All impact fee funds must be earmarked for capital expenditures by the Fire District in accordance with statutes.

Reserved for debt obligations - This reserve includes the balance of investment funds that collateralize note payable obligations.

Designated for Capital Acquisitions - This designation is used to accumulate funds for future building renovations, as well as vehicle and equipment acquisitions.

Unreserved, undesignated - These are the District's remaining net available resources. These funds are not earmarked for a particular purpose and can be spent for any District use the Board determines is necessary.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad Valorem Tax Revenue

Significant dates relative to ad valorem tax revenue are as follows:

Assessment Date - January 1, 2010
Tax bills mailed out - November 1, 2010
Delinquent - April 1, 2011
Tax Certificates Sold - June 1, 2011

The Board of Commissioners approved for this fiscal year the millage rate of 1.8144. The District's charter establishes 2.00 mill as the highest rate the District can assess.

Encumbrances

To prevent over-expenditure of funds, the District has adopted an encumbrance system. Under this system, when approved purchase orders are outstanding at year-end, a reservation of fund balance is made. The amount reserved acts as a reminder that commitments (encumbrances) have been made and should not be included in Unreserved Fund Balance

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets

An appropriated budget is legally adopted for the general fund. Any revision to the budget must be approved by the Board of Commissioners. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorized amounts.

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

- A. Prior to September 1, the Fire Chief and a committee appointed by the Board of Commissioners submit to the Board 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 for the upcoming year. The budget is submitted in summary form, but a more detailed line item budget is included for administrative control. The level of control for the detailed budget is at the department head level.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

- B. Upon tentative approval by the Board of Commissioners, public hearings are conducted to obtain taxpayer comment.
- C. Prior to September 30, the budget is legally enacted through approval by the Board.
- D. Formal budgetary integration is employed as a management control device during the year for the general fund.
- E. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Appropriations lapse at the end of each fiscal year.
- G. The Board of Commissioners may authorize supplemental appropriations during the year.

NOTE 3 – CHANGES IN CAPITAL ASSETS

The District elected not to capitalize and report general infrastructure assets (e.g., roads, bridges, sidewalks; and other assets that are immovable and of value only to the government) retroactively. The District did not have any general infrastructure asset additions during the fiscal year ending September 30, 2010.

The following is a summary of changes in the capital assets for the year ended September 30, 2010:

	October 1, 2009	Additions	Retirements and Transfers	September 30, 2010
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 45,168	\$ -	\$ -	\$ 45,168
Construction in progress - Buildings	28,574	319,976	(348,550)	-
Total capital assets not being depreciated	73,742	319,976	(348,550)	45,168
<i>Capital assets being depreciated:</i>				
Buildings	407,770	9,992	348,550	766,312
Improvements	84,834	-	-	84,834
Furniture and fixtures	12,065	-	-	12,065
Vehicles/ Apparatus	2,029,797	594,380	-	2,624,177
Other equipment	1,054,116	22,671	(5,173)	1,071,614
Total capital assets being depreciated	3,588,582	627,043	343,377	4,559,002
<i>Less accumulated depreciation</i>	<i>(1,717,723)</i>	<i>(240,210)</i>	<i>3,549</i>	<i>(1,954,384)</i>
Total capital assets being depreciated, net	1,870,859	386,833	346,926	2,604,618
Governmental activities capital assets, net	\$ 1,944,601	\$ 706,809	\$ (1,624)	\$ 2,649,786

Ocean City-Wright Fire Control District

Notes to Financial Statements

NOTE 3 – CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense for fiscal year ended September 30, 2010, totaled \$240,210 for governmental activities.

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009		Additions	Reductions	Balance September 30, 2010
Government-wide activities:					
Liability for compensated absences	\$ 219,089	\$ 45,015	\$ -	\$ -	\$ 264,104
Liability for OPEB obligation	-	13,708	-	-	13,708
Note payable	-	185,966	-	-	185,966
Total long-term liabilities	\$ 219,089	\$ 244,689	\$ -	\$ -	\$ 463,778

NOTE 5 – NOTE PAYABLE

The District entered into a financing agreement on September 7, 2010 with a maximum borrowing potential of \$310,000. At September 30, 2010, the District had borrowed \$200,000 as part of this agreement. Interest accrues at an annual rate of 4.47 percent. The loan is collateralized using a \$310,000 certificate of deposit held at the same financial institution issuing the debt.

Debt payments are payable by the District on a quarterly basis. The note matures on December 10, 2014. Quarterly payments of principal and interest total \$5,330. The following is a schedule by years of future minimum debts payments.

<i>Year ending September 30,</i>	Principal	Interest	Total
2011	\$ 14,034	\$ 8,801	\$ 22,835
2012	13,091	8,229	21,320
2013	13,717	7,603	21,320
2014	14,349	6,971	21,320
2015	144,809	1,636	146,445
Total minimum debt payments	200,000	\$ 33,240	\$ 233,240
Less current portion	(14,034)		
Long-term debt	\$ 185,966		

NOTE 6 – RETIREMENT PLAN

Defined Contribution Plan

The District sponsors a 401(a) defined contribution plan (the Plan) for all non-firefighter employees beginning on the first day of the calendar year after their hire date. Contributions to the plan for the year ended September 30, 2010 were based on 15% of the employee's base salary. Total District contributions under this plan for the year ended September 30, 2010 equaled \$41,582.

Defined Benefit Plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund)

Plan Description

The District began participating in a Florida Statute Chapter 175 Firefighters Pension Trust Fund (Chapter 175 Plan for full-time state certified firefighters) in 2005. The Chapter 175 Plan is a single-employer defined benefit pension plan administered by the Board of Trustees. It was established to provide retirement, disability, and death benefits for covered employees. Florida Statute 175 establishes eligibility and vesting requirements and benefits provisions. Membership is compulsory for all full-time firefighters. Non firefighter personnel of the District are excluded from this Plan. The District does not issue stand-alone financial statements for this Plan.

During 2007, the District amended its retirement plan with an early retirement option as adopted by Resolution 07-01. Members opting to take the early retirement incentive prior to March 31, 2008 would not receive an early retirement penalty and the multiplier used to calculate the retirement benefit would be 3.5% of Average Final Compensation times the years of credited service rather than the standard 3.0% multiplier.

The Board of Trustees who administer the plan consists of five trustees, two of whom are residents of the District who are appointed by the District's Board of Commissioners; two of whom are members of the Fund who are elected by a majority of the members of the Fund, and a fifth trustee who is chosen by a majority of the first four trustees. Each trustee serves a two-year term.

Vesting

Vesting occurs after 7 years of credited service.

Eligibility for Retirement

Members are eligible for normal retirement at the earlier of age 55 and 10 years of credited service, or age 52 and 25 years of credited service. Early retirement may be taken after 10 years of credited service and attaining age 50; however, the accrued benefit will be actuarially reduced.

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Benefits

Normal retirement benefits are based on credited service and average final compensation. Credited service is the period of employment measured in years with allowable breaks in service such as serving the military. Average final compensation is defined as the average salary for the best 3 of the last 5 years employed.

The normal retirement benefit is calculated by multiplying 3.0% times the years of credited service times the average final compensation. Payments commence on the first day of the month following the last day of employment. The benefit is for life, but the participant or the participant's beneficiary shall receive at least 120 monthly benefit payments.

Early retirement benefits are calculated the same as normal benefits beginning on the date of which the participant would have qualified for normal retirement, or if starting immediately, the amount of the benefit is reduced by 3.0% for each year that payments precede the normal retirement date.

Disability retirement may be applied for when a participant becomes totally and permanently unable to perform services as a firefighter. If the injury is service connected, a benefit equal to 2.5% of average final compensation multiplied by the total years of service, but not less than 42% of average final compensation will be paid. If the injury or disease is not service connected, a benefit equal to 2.5% of final average compensation multiplied by the total years of credited service provided the participant has at least 10 years of credited service.

A Deferred Retired Option Program (DROP) has been established in conjunction with this Fund. It permits employees eligible for normal retirement under the Fund to defer receipt of monthly benefits payment while continuing employment with the District. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Fund and accrue interest.

At September 30, 2010, the Plan had 34 active members, of which no members were eligible for normal retirement and none were participating in DROP. The Plan also had 9 retiree participants and 5 vested deferred participants.

Basis of Accounting

The accrual basis of accounting is used for the Pension Trust Fund. Contributions made by the District/State are recognized as revenue when due and the employer has made a formal commitment to provide the contributions. Contributions for the District's employees are recognized as revenue when due. Investment income is recognized as income when earned. Plan liabilities for benefit and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Valuation of Investments

Investments are reported at fair value. The fair value of U.S. government obligations and investments in bond and equity funds is based on quoted market prices. Investments in certificates of deposit and money market funds are reported at cost which approximates fair market value. During the fiscal year ended September 30, 2010, all of the Chapter 175 Plan assets were being managed by Salem Trust Company.

Funding Policy

The plan members are required to contribute 5% of their annual covered salary to the Plan. The District/State is required to contribute at an actuarially determined rate. The current rate of the District/State is 34.7% of employees' salaries for a combined contribution rate of 39.7% of annual covered payroll. This rate was determined from an actuarial report as of October 1, 2009, using the entry age normal actuarial cost method.

Plan members can earn credited service for prior years of employment or for military service by contributing additional amounts based on past time served. These contributions are referred to as "buy-back" contributions.

Annual Pension Cost

For the year ended September 30, 2010, The District's annual pension cost including member contributions was \$872,200 which was \$68,059 less than the actual contribution of \$940,259.

Florida Statute Chapter 175 authorized special fire control districts to levy a tax upon certain insurance companies who engage in the business of property insurance. The proceeds from this tax are used in partial support of the Chapter 175 Plan. For the year ended September 30, 2010, the District received \$212,600 from the State of Florida as proceeds from this tax. This amount was used to help fund the required contribution.

The required contribution of \$872,200 was determined as part of the actuarial valuation as of October 1, 2009, using the entry age normal actuarial cost method. While contributions to the Plan are currently funded through these various sources, it is ultimately the responsibility of Ocean City-Wright Fire Control District to fund the Plan.

The actuarial assumptions used to determine the Annual Required Contribution included an 8% investment rate of return (net of investment related expenses) and a 6% projected salary increase per year until the assumed retirement age. The assumptions did not include inflation rates or post retirement benefit increases, which are funded by the State appropriations when granted.

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Annual Pension Cost (Continued)

Three -Year Trend Information				
Year Ended September 30	Annual Pension Cost (APC)	Amount Contributed	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 872,200	\$ 940,259	108%	\$ -
2009	489,912	568,273	116%	-
2008	446,829	527,120	118%	-

Schedule of Contributions by Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	District Contribution	State Contribution	Percentage Contribution
2010	\$ 780,001	\$ 617,681	\$ 212,600	106%
2009	403,825	249,588	218,989	116%
2008	364,841	201,107	239,990	121%

Investments

The following table presents the fair value of the Plan's investments at September 30, 2010:

	Fair Value	Fair Value as a % of Plan Net Assets
<i>Investments for which Fair Value was Determined by Quoted Market Price:</i>		
US Government and Treasury Obligations	\$ 60,189	1%
Corporate Bonds	747,264	18%
Equities	2,927,314	71%
Total	3,734,767	90%
<i>Investments for which Cost approximates Fair Market Value:</i>		
Cash	1,417	
Goldman Sachs Money Market Funds	391,414	10%
Total	\$ 4,127,598	100%

The Plan limits the aggregate investment in corporate equities to 75% of the Plan assets at fair market value. At September 30, 2010, this percentage was approximately 71% which falls within the threshold established by the Plan. In addition, the Plan limits equity positions in any single company to 5% of the Plan assets at fair market value. At September 30, 2010, the plan's largest equity position in one company equaled approximately 3% of the Plan's total assets at fair market value. At September 30, 2010, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Investments (Continued)

Florida Statutes authorize the District to invest surplus funds in obligations of the U.S. Treasury, agencies and instrumentalities, bank trust receipts, interest bearing time deposits or savings accounts in qualified public depositories of the state or national banks organized under the laws of the United States, and savings and loan associations located in the state and organized under federal law, providing all deposits are secured by collateral as prescribed by law. The Pension Trust Funds are also authorized to invest in corporate stocks, bonds, asset-backed and mortgage-backed securities, mutual funds and commingled trust funds listed on major stock exchanges which receive one of the three highest ratings by a financial rating service such as Moody's or Standard & Poor's.

Credit Risk: The District's Investment Policy for the Retirement Plan does not explicitly address credit risk (CR). The investment policy specifies the market sectors and the benchmark for each sector. See below for a schedule of investments held by the District as of September 30, 2010 subject to credit risk.

Foreign Currency Risk: The District's Investment Policy for the Retirement Plan does not explicitly address foreign currency risk (FCR). The investment policy specifies the market sectors and the benchmark for each sector.

Interest Rate Risk: The District's Investment Policy for the Retirement Plan does not explicitly address interest rate risk (IRR). The investment policy specifies the market sectors and the benchmark for each sector. See below for a schedule of investments held by the District as of September 30, 2010 subject to interest rate risk.

Corporate Bonds

Maturity schedule (IRR)	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>10+ years</u>
	\$ 747,264	\$ 743	\$ 468,347	\$ 131,190	\$ 146,984

S & P Rating (CR)	<u>Fair Value</u>	<u>AAA to A-</u>	<u>BBB+ to B-</u>	<u>CCC to C-</u>	<u>NR</u>
	\$ 747,264	\$ 346,234	\$ 324,083	\$ 24,433	\$ 52,514

The other significant plan asset at September 30, 2010 includes a money market fund investment which was with Goldman Sachs Financial Square Treasury Obligation Fund. This money market fund was rated AAAM/Aaa and has a weighted average maturity of 0 days.

Required Supplementary Information

The schedule of funding progress can be found in the supplemental information of this annual financial report.

NOTE 7 – RISK MANAGEMENT

The District is exposed to risk of loss for claims and judgments for unemployment compensation and employee medical insurance deduction. Descriptions of each program are as follows:

Unemployment Compensation

The District retains the entire risk for unemployment compensation claims. As of September 30, 2010, the District had no reserve for unemployment compensation. Because the amount of future loss cannot be estimated, no liability for these claims has been recognized in the financial statements. No claims were incurred or paid in the current year.

Other

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Accrued Leave

Vested or accumulated vacation leave that is used and paid for with expendable available financial resources is reported as an expenditure. The current and long-term portion of leave is recorded as an expense and a liability in the government-wide financial statements.

Any change during the year in the long-term compensated absence liability is a reconciling item between the government-wide financial statements and the fund financial statements. The long-term compensated absence liability at September 30, 2010 was \$264,104.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The methods of accrual are in accordance with standards established by the National Council on Governmental Accounting.

The policy of the District and the Ocean City-Wright Professional Fire Fighters Association, IAFF Local #2879 (“the Union”) for vacation leave is as follows:

<u>Employment</u>	<u>Shift Employees</u>	<u>40 hour employees</u>
1 year	72 hours/ year	40 hours/ year
2 - 4 years	144 hours/ year	80 hours/ year
5 - 9 years	216 hours/ year	120 hours/ year
10 or more years	288 hours/ year	160 hours/ year

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Accrued Leave (Continued)

According to the Union contract, upon termination, employees will be paid for all accumulated unused vacation. Employees may accumulate and carry over vacation leave up to ½ of their vacation time for the hours earned in a year. Employees are not allowed to trade, transfer or give away earned vacation hours. Discharged employees will receive no payment for vacation hours accumulated.

The policy of the District and the Union for sick leave is that all shift employees will accrue sick leave at a rate of 13 hours per month or 6 hours per pay period. Regular employees will accrue at a rate of 7 hours per month or 3 hours per pay period. Upon resignation or retirement, sick leave may be payable under the following guidelines: For shift employees - maximum of 250 hours with 10 years of service, maximum of 375 hours with 15 years of service, and 500 hours with 20 years or service. For regular employees, maximum of 83 hours with 10 years of service, maximum of 111 hours with 15 years of service, and 166 hours with 20 years or service. In addition, employees who do not use sick leave may accrue up to 100 additional hours over the maximum payout as noted above. Employees who resign with less than 10 years of service will receive no payment for sick leave. Also, discharged employees will receive no payment for sick leave. There is no maximum number of sick leave hours to be accumulated. The District pays biweekly. Employees are not allowed to trade, transfer, or give away earned sick leave hours.

Holiday pay for the union depends on the shift that works the holiday. Shift employees shall receive either 7 or 17 hours straight pay for the 10 recognized holidays. If a shift is not scheduled to work on the holiday, then the shift receives no holiday pay. The total amount of the unpaid accrued leave at September 30, 2010, was \$413,749.

NOTE 9 – RESERVED FUND BALANCE ACCOUNTS

The District's Fund Balance was reserved by the Board at September 30, 2010 for the following purposes:

Encumbrances	\$	8,003
Prepays		31,954
Impact fees		37,416
Debt obligations		311,860
<hr/>		
Total reserved fund balance	\$	389,233
<hr/>		

Ocean City-Wright Fire Control District

Notes to Financial Statements

NOTE 10 – CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES

The following is a summary of the changes to Fund Balance for the year ending September 30, 2010:

	Balance at October 1, 2009	Board Approved Transfers	Excess of Revenues Over Expenditures	Current Year Reclassifications	Balance at September 30, 2010
Reserved for encumbrances	\$ 2,591	\$ -	\$ -	\$ 5,412	\$ 8,003
Reserved for prepaids	28,921	-	-	3,033	31,954
Reserved for impact fees	31,631	-	5,785	-	37,416
Reserved for debt obligations	-	-	-	311,860	311,860
Designated for capital acquisitions	375,146	-	-	-	375,146
Unreserved fund balance	2,553,665	-	(185,895)	(320,305)	2,047,465
Totals	\$ 2,991,954	\$ -	\$ (180,110)	\$ -	\$ 2,811,844

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Contribution requirements of the District and plan members are established and may be amended through action from the District Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-2010 fiscal year, five retirees received postemployment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with government accounting standards. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<i>Year ended September 30,</i>	2010
Normal Cost (service cost for one year)	\$ 12,071
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	29,358
Interest on Normal Cost and Amortization	1,729
Annual Required Contribution (ARC)	43,158
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	43,158
Contributions made	(29,450)
Increase (decrease) in Net OPEB Obligation	13,708
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, end of year	\$ 13,708

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010 are as follows:

Fiscal year Ending	Annual OPEB Cost	Amount Contributed	Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 43,158	\$ 29,450	68.24%	\$ 13,708

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of October 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$499,728 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$499,728. The covered payroll (annual payroll of active participating employees) was \$1,749,241 for the 2009-2010 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 28.6%.

Actuarial Method and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of October 1, 2009, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2010 and to estimate the District's 2009-2010 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5% discount rate. The actuarial assumptions also included a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 8% initially for the 2009-2010 fiscal year, reduced to an ultimate rate of 5% by the 2011-2012 fiscal year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2010, is 30 years.

NOTE 12 - PASS THROUGH GRANT FUNDS

During 2009-2010, state financial assistance of \$43,181 was passed through the District to Okaloosa County Fire Rescue Association, Inc. These funds have not been recorded as revenues or expenditures of the District.

Required Supplementary Information
(Other than MD&A)

Ocean City-Wright Fire Control District

Budgetary Comparison Schedule - Governmental Fund

Year ended September 30,

2010

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Ad valorem taxes collected	\$ 3,722,295	\$ 3,722,295	\$ 3,803,796	\$ 81,501
Investment interest	30,000	30,000	15,647	(14,353)
State retirement contributions	-	-	212,600	212,600
Grants and donations	-	-	3,739	3,739
Impact fees	-	-	5,785	5,785
Miscellaneous	18,660	18,660	92,028	73,368
Total revenues	3,770,955	3,770,955	4,133,595	362,640
Expenditures				
Current				
Personal services				
Salaries	2,294,923	2,294,923	2,250,331	44,592
Employee life and health insurance	298,780	298,780	298,277	503
Employees' retirement contribution				
Section 175 plan - District	645,888	645,888	617,681	28,207
Section 175 plan - State	-	-	212,600	(212,600)
401(a) plan	-	-	41,582	(41,582)
Taxes - payroll	175,562	175,562	153,178	22,384
Workers compensation	97,386	97,386	64,071	33,315
Education	59,125	59,125	45,624	13,501
Operating services				
Professional services	46,000	46,000	29,553	16,447
Central dispatch	13,000	13,000	-	13,000
Fuel	40,000	40,000	29,926	10,074
Insurance	65,000	65,000	56,563	8,437
Advertising	5,000	5,000	1,263	3,737
Small equipment	38,360	38,360	43,185	(4,825)
Miscellaneous	101,250	101,250	32,496	68,754
Property appraiser	54,361	54,361	49,788	4,573
Repairs and maintenance	146,150	146,150	97,015	49,135
Supplies				
Administrative	9,400	9,400	4,576	4,824
Building	10,000	10,000	5,887	4,113
Uniforms	12,000	12,000	6,357	5,643
Utilities	56,800	56,800	44,269	12,531
Tax collector fee	79,110	79,110	76,074	3,036

(continued)

Ocean City-Wright Fire Control District

Budgetary Comparison Schedule - Governmental Fund (Continued)

<i>Year ended September 30,</i>	2010			
	Original	Budget	Actual	Variance Favorable (Unfavorable)
Capital Outlay				
Building Improvements and equipment	122,860	122,860	352,639	(229,779)
Debt Service				
Debt payments - Interest	-	-	770	(770)
Total expenditures	4,370,955	4,370,955	4,513,705	(142,750)
Excess of expenditures over revenues	(600,000)	(600,000)	(380,110)	219,890
Other Financing Sources				
Proceeds from debt obligation	-	-	200,000	200,000
Total other financing sources	-	-	200,000	200,000
Excess of expenditures over revenues and other financing sources	(600,000)	(600,000)	(180,110)	419,890
Fund balances, beginning of year	2,991,954	2,991,954	2,991,954	-
Fund balances, end of year	\$ 2,391,954	\$ 2,391,954	\$ 2,811,844	\$ 419,890

Ocean City-Wright Fire Control District

Required Supplementary Information
 Schedule of Funding Progress - Pension Trust Fund
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/10	\$ 4,650,376	\$ 13,647,287	\$ 8,996,911	34.08%	\$ 1,795,693	501.03%
10/01/09	4,216,929	12,973,095	8,756,166	32.51%	1,841,544	475.48%
10/01/08	4,301,951	11,235,156	6,933,205	38.29%	1,476,770	469.48%
10/01/07	4,164,383	8,902,451	4,738,068	46.78%	1,600,239	296.09%
10/01/06	3,090,129	7,072,770	3,982,641	43.69%	1,712,476	232.57%
10/01/05	2,549,243	5,682,630	3,133,387	44.86%	1,482,727	211.33%

Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation can be found in Note 6 to the financial statements.

Ocean City-Wright Fire Control District

Schedule of Funding Progress for Other Postemployment Benefits
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/09	\$ -	\$ 499,728	\$ 499,728	0.00%	\$ 1,749,241	28.6%

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 Board of Commissioners
Ocean City-Wright Fire Control District
Fort Walton Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean City-Wright Fire Control District (hereinafter called the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We identified the following deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Preparation of Financial Statements in Accordance to GAAP

The preparation of financial statements in accordance with generally accepted accounting principles requires the preparer to have knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. Generally this knowledge is obtained through continued education courses and experience in a public accounting firm. Since most small governmental organizations are not adequately staffed to prepare full disclosure financial statements, this task is left to the certified public accounting firm engaged by the District. Before the financial statements could be prepared, we were also required to propose significant adjustment as follows: General Fund adjustments to rollforward fixed assets, accruals, and fund balances. In addition, Pension Fund activity adjustments were also proposed to rollforward prior year activity and current year activity. Since the District must rely on our firm to propose these significant adjustments, and to prepare its annual financial statements in accordance with generally accepted accounting principles, this is considered a material weakness in the District's internal control.

District Response

The costs of internally preparing the annual financial statements outweigh the benefit; therefore, the District has elected to outsource this task to the external auditor. Adjustments proposed during the audit have been posted and the financial statements per the District match the audited financial statements as of September 30, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of Management, the Board of Commissioners, and the Auditor General of the State of Florida, and is not intended to be, and should not be, used by anyone other than those specified parties.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
May 13, 2011

MANAGEMENT LETTER

To the Board of Commissioners
Ocean City-Wright Fire Control District
Fort Walton Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ocean City-Wright Fire Control District (the District) for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2011.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in this report which is dated May 13, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

- 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. There were two (2) recommendations made in the preceding annual audit report and corrective actions have not been completed. A follow-up recommendation is included as item 10-01.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have one (1) recommendation as noted below under the heading "Current Year Recommendations".
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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 this management letter, unless disclosed in the notes to the financial statements. The District has no component units. The information required is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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 Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), 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.

Current Year Recommendations

10-01 Year End Adjustments

Numerous journal entries were proposed in order to rollforward accounting records from the prior year for fixed assets, accruals, and fund balances. In addition, a journal entry was proposed to roll forward the pension fund. During the current period, numerous entries were proposed to adjust September 30, 2010 year end balances for fixed assets, accruals, and fund balances.

We recommend that the District maintain the pension fund in a separate accounting program in order to reduce confusion between the two separate funds. In addition, we recommend the District reconcile the adjusted records with the audit report to ensure the accounting records match year ending amounts. At year end, current year accruals should be adjusted to account for labor expenses incurred but not paid until after year end.

District Response to Current Year Recommendations

10-1 Year End Adjustments

Guidelines and procedures have been established for management to accurately record year end adjustments from the prior year and current year prior to the start of the audit.

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

Carly Riggs & Ingram, L.L.C.

Miramar Beach, Florida
May 13, 2011