

Comprehensive Annual Financial Report



CITY OF FORT WALTON BEACH, FLORIDA

**With Compliance Matters and Responses
Fiscal Year Ended September 30, 2010**



City of Fort Walton Beach, Florida

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**for the
Fiscal Year Ended
September 30, 2010**

**Prepared by
The Finance Department
City of Fort Walton Beach
107 Miracle Strip Parkway
Fort Walton Beach, Florida 32548
WWW.FWB.ORG**

**CITY OF FORT WALTON BEACH, FLORIDA
CITY OFFICIALS**

CITY COUNCIL



Mike Anderson
Mayor



Mike Holmes
Seat 1



joyce gosson
Seat 2



Dennis Reeves
Seat 3



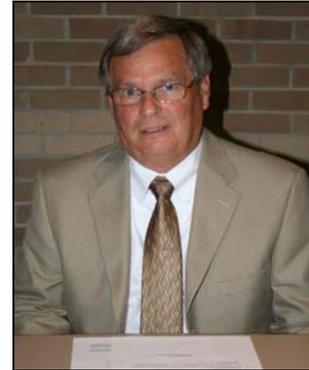
Mike Minich
Seat 4



Bobby Nabors
Seat 5



C.H. 'Bull' Rigdon
Seat 6



Dick Rynearson
Seat 7

CITY MANAGER

Robert T. Mearns

FINANCE DIRECTOR

Brandy Wunker

CITY CLERK

Helen Spencer

CITY ATTORNEY

Hayward Dykes, Jr.

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City of Fort Walton Beach, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2010

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City of Fort Walton Beach

America's Most Beautiful Beaches

107 Miracle Strip Parkway, SW * Fort Walton Beach, FL 32548
(850) 833-9500 * Fax (850) 833-9640 *

www.fwb.org



March 1, 2011

Honorable Mayor, City Council Members,
and Citizens of the City of Fort Walton Beach
City of Fort Walton Beach
107 Miracle Strip Parkway SW
Fort Walton Beach, FL 32548

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Fort Walton Beach, Florida for the fiscal year ended September 30, 2010 is hereby submitted herewith pursuant to Florida Statutes Chapter 218.32(1)(d) requiring each local government entity to complete an audit report within twelve months after the end of the fiscal year.

This report consists of management's representations concerning the finances of the City of Fort Walton Beach, Florida. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fort Walton Beach has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP (Generally Accepted Accounting Principles). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the City of Fort Walton Beach have been audited by O'Sullivan Creel LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fort Walton Beach's financial statements for the fiscal year ending September 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II - Financial Section as the first component of this section of the report.

The independent audit of the financial statements of the City of Fort Walton Beach was part of a broader, state mandated “Single Audit” designed to meet the special needs of state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the Compliance section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Fort Walton Beach’s MD&A can be found immediately following the report of the independent auditor.

GOVERNMENT PROFILE

Originally chartered as a municipality under the laws of the State of Florida, actual formation of the City was in 1941 when the Florida legislature officially named it the Town of Fort Walton. In 1953, the Florida Legislature granted the City a new charter at which time the name was changed to Fort Walton Beach.

The City of Fort Walton Beach, Florida prides itself on being a small, family-oriented seaside community boasting a downtown area that was home to a significant prehistoric Native American community on the Gulf Coast of Northwest Florida. Situated at the junction of two major highways - US 98 (Miracle Strip Parkway) and SR 85 (Eglin Parkway) - Fort Walton Beach enjoys the benefits of its crossroads location along the coastal portion of the Northwest Florida regional transportation network.

The City offers a full-service government that utilizes a Council-manager form of government. The City provides police and fire protection; cultural and recreational activities including parks, a library, a museum, and two 18-hole golf courses; planning and zoning; public works such as street, sidewalk, right-of-way, and cemetery maintenance; utilities service including water, sewer, and storm water; and garbage collection to a coastal community of 18,880 full-time residents.

The financial reporting entity (the government) includes all the funds and account groups of the City of Fort Walton Beach, Florida, as well as discretely presented component units. Component units are legally separate entities for which the primary government is financially accountable. Accordingly, the Fort Walton Beach Community Redevelopment Agency is reported as a discretely presented component unit of the City of Fort Walton Beach.

The annual budget serves as a foundation for the City of Fort Walton Beach’s financial planning and control. The City of Fort Walton Beach prepares a budget designed to meet the highest standards of performance in municipal budgeting.

The budget process begins in February with individual strategic planning meetings held with the Mayor, City Council, City Manager, and Department Directors. A Budget Policy Workshop is held with City Council in May to determine City Council's priorities and position on issues critical to development of the operational and capital budgets. City Council's decisions on the issues presented provide the framework under which the upcoming year's budget is prepared to meet City Council's programmatic objectives within available fiscal resources. Department Directors, with the assistance of their division managers, are responsible for identifying their staffing needs, operational funding needs within budget development parameters, five-year capital requests, as well as corresponding revenue sources to fund their needs. In addition, they must conduct a comprehensive review of departmental objectives, accomplishments, and performance measures. The City Charter charges the City Manager with the duty of presenting a balanced budget to City Council. The budget is considered balanced if the total of all available financial resources (either on hand at the beginning of the year or generated during the year) equals or exceeds the total of all financial requirements. In order to accomplish this goal, a Budget Committee is formed comprised of the City Manager, Finance Director, and the Budget & Grants Manager. The Committee conducts comprehensive meetings with Department Directors and Division Managers to review their budget requests and a collaborative effort is undertaken to achieve City Council and department goals within fiscal constraints.

The City Council is required by Florida State Statute and City Charter to hold public hearings on the proposed budget and adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, department (e.g. administrative services), and division (e.g. information technology). Department Directors may request transfers of appropriations within a department and between divisions to transfer appropriations between line items, not to increase the total budget or to transfer resources between funds. Transfers of appropriations between funds require the approval of the City Council. The budget may be amended at any time by Resolution of City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 21 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules, section D of this report, which starts on page 80.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Fort Walton Beach operates.

Local Economy

The City of Fort Walton Beach currently faces many of the same economic challenges that are affecting the global economy due to the recessionary environment. Retail sales are lower than the previous year and the unemployment rate has risen. Housing affordability has decreased.

Being located on the Gulf of Mexico in Northwest Florida, tourism is a large part of the regional economy. Regional accolades continue to enhance the area's image, promote visibility, and generate additional tourism and sales tax dollars. Local tourism has benefited from the national shift to vacation sites accessible by driving instead of flying. The Fort Walton Beach-Destin area is a popular drive destination in Florida, according to a survey of auto visitors by Visit Florida.

The Fort Walton Beach area economy is anticipated to see growth in future years due to increases in federal spending for defense and homeland security. Eglin Air Force Base is the world's largest Department of Defense installation spanning 724 square miles and defense contractor companies are established throughout the Northwest Florida region. It is estimated that local military bases (Eglin and Hurlburt Air Force Bases and Duke Field) currently represent a \$6.6 billion annual economic impact on the area, with approximately 70% of the local economy supported by the military. Additionally, the Department of Defense's 2005 Base Realignment and Closure (BRAC) recommendation to realign personnel and missions to Eglin Air Force Base will impact our area by an estimated \$451.3 million dollars in increased economic activity and the addition of 6,241 military and civilian personnel by 2015.

Long-Term Financial Planning

The City undertakes several processes to assist in future planning, such as:

- A 5-year CIP (Capital Improvement Program) Plan is developed and approved by City Council each year during the annual budget process.
- 5-year replacement plans for capital equipment are also developed and approved by Management each year during the annual budget process

Relevant Financial Policies

The city has several financial policies that are utilized during daily operations, as well as during the budget and financial planning processes. The City utilizes fund balance reserves only for one-time non-recurring expenditures. In addition, the City maintains its fund balance level in the General Fund at 30% of fund expenditures – this policy helps to ensure that the City has sufficient funding in place for emergency and disaster relief.

Major Initiatives

The City's financial policies, as well as other indicators, were taken into account when adopting the City's budget for fiscal year 2011. The City's total budget for fiscal year 2011 totals \$35.7 million, which is \$358,601 less than the fiscal year 2010 approved budget. Projected declines in interest earnings and prior year budgeted use of reserves account for much of the revenue decline. The 2010 budget allocates \$17.6 million, a 5.2% decline as compared to the fiscal year 2009 budget, to the General fund, \$13.9 million to the Enterprise funds, and \$4.2 million to other funds.

For the fiscal year 2011 budget, the ad valorem rate increased to 4.5383 mills. A 3% increase in water and sewer rates is included in the budget; no other significant changes to the City's various rate and fees are included in the fiscal year 2011 budget.

Personnel expenses account for approximately 48.6% of the City's budget. The City's fiscal year 2011 budget includes a net decrease of 17 positions and reduced hours for another 11 positions, bringing the budgeted full time equivalent staff count to 297.74.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Walton Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This was the twenty-fourth consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report satisfying both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2010. This was the fifteenth consecutive year that the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report.

We would also like to thank the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fort Walton Beach's finances and for their attention in conducting the financial operations of the City in a responsible and progressive manner.

Appreciation is also expressed to the accounting firm of O'Sullivan Creel LLP for their continued assistance and professionalism.

Respectfully submitted,



Robert T. Mearns
City Manager



Brandy Wunker
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Walton Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

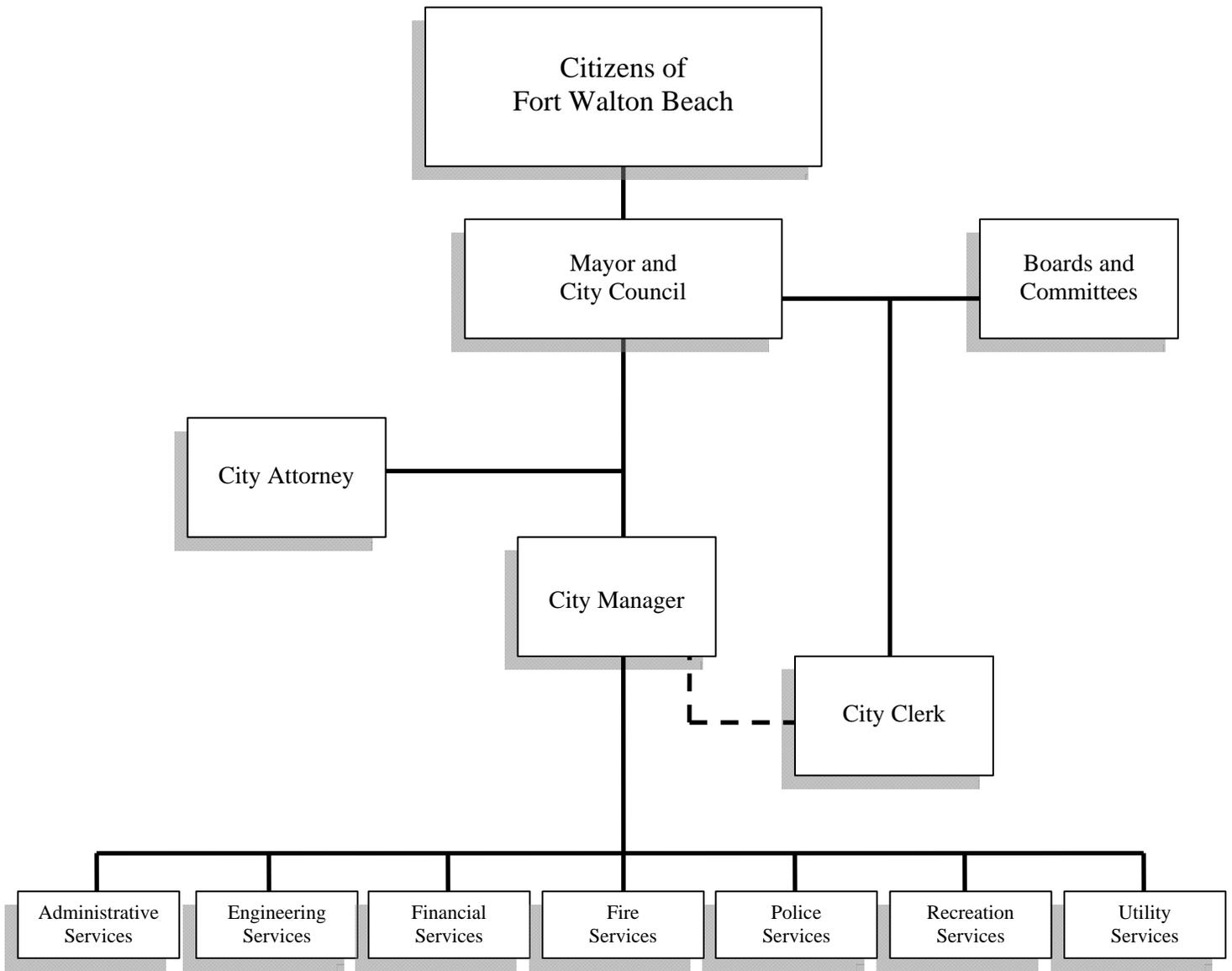


President

Executive Director

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City of Fort Walton Beach Organizational Chart



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II. FINANCIAL SECTION

- **INDEPENDENT AUDITOR'S REPORT**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
 - GOVERNMENT-WIDE FINANCIAL STATEMENTS**
 - FUND FINANCIAL STATEMENTS**
 - NOTES TO FINANCIAL STATEMENTS**
- **REQUIRED SUPPLEMENTARY INFORMATION**
- **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Walton Beach, Florida'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general 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 a report dated March 1, 2011, on our consideration of the City of Fort Walton Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Independent Auditor's Report (Continued)

The Management's Discussion and Analysis on pages 3-14, the Schedule of Funding Progress on page 77, and Schedule of Contributions From the Employer and Other Contributing Entities on page 78 are not a required part of the basic financial statements, but are supplementary information 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Walton Beach, Florida's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Fort Walton Beach, Florida. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

O'Sullivan Creel, LLP

March 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Walton Beach, Florida, we offer readers of the City of Fort Walton Beach's financial statements this narrative overview and analysis of the financial activities of the City of Fort Walton Beach for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-viii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Fort Walton Beach exceeded its liabilities by \$58.6 million (net assets). Of this amount, \$15.8 million represents unrestricted net assets that are available to meet the City's ongoing obligations to citizens and creditors.
- The government's net assets decreased by \$392,317, primarily due to early retirement incentives offered to employees, the sale of land, and a change in estimate for the depreciation on previously purchased water meters.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds reported combined ending fund balances of \$12.1 million, a decrease of \$337,745 in comparison with the prior year. Approximately 74.5% of this amount, or \$9.0 million, is available for spending at the discretion of City Council.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$9.3 million, or 49% percent of total General Fund expenditures.
- The City of Fort Walton Beach's total debt decreased by \$965,332, or 4.9%, during the fiscal year. The key factor in this decrease was the payoff of an equipment lease, and several obligations nearing maturity in near-future fiscal years within the City's enterprise funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the City of Fort Walton Beach's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The focus of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 is on both the City as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Government-Wide Financial Statements

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which sum to a total for Primary Government. This provides readers with a broad overview of the City of Fort Walton Beach's finances in a manner similar to a private-sector business. Two statements, the statement of net assets and the statement of activities, are utilized to provide information on a government-wide basis.

The statement of net assets presents information on all of the City of Fort Walton Beach's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates the governmental funds' current financial resources (short-term available resources) with capital assets and long-term obligations. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the City of Fort Walton Beach.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Fort Walton Beach that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fort Walton Beach include general government (city clerk, city council, city manager, human resources, finance, purchasing, fleet maintenance, service maintenance, and non-departmental expenses), public safety (police, fire, and code enforcement services), physical environment (cemetery), transportation (engineering, streets, public works, and right-of-way), economic development (Community Development Block Grant Program), culture and recreation (parks, library, and museum), and debt service interest. The business-type activities of the City of Fort Walton Beach include utilities (water, sewer, and storm water), sanitation, and golf.

The government-wide financial statements include not only the City of Fort Walton Beach itself (known as the primary government), but a component unit, the Community Redevelopment Agency (CRA), which is a legally separate entity for which the City of Fort Walton Beach is financially accountable. Reported separately from the financial information presented for the primary government itself, is the financial information for the component unit. The government-wide financial statements are found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fort Walton Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fort Walton Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting, the focus of which is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are on pages 17-21 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Fort Walton Beach maintains six individual governmental funds (General Fund, Law Enforcement Trust Fund, Law Enforcement Training Fund, Debt Service Fund, Community Development Block Grant Fund, and Beal Memorial Cemetery Perpetual Care Fund). Information is presented

separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fort Walton Beach adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds

All proprietary funds of the City of Fort Walton Beach are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the statement of net assets and the statement of activities. The City of Fort Walton Beach uses enterprise funds to account for its utilities operations (water operations and distribution, sewer collections and treatment, and storm water management), sanitation operations (garbage), and golf club operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on utilities operations, sanitation operations, stormwater operations, and golf club operations, all of which are considered major funds of the City of Fort Walton Beach. The basic proprietary fund financial statements are found on pages 22-26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary funds include the Pension Trust Funds (general employees, police officers, and firefighters). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fort Walton Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are found on pages 27-28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fort Walton Beach's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information is found on pages 77-79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds immediately follow the required supplementary information on Pension funds and can be found beginning on page 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Walton Beach, assets exceeded liabilities by \$58.6 million (net assets), as reported in Table 1. The government's net assets decreased by \$392,317 for the fiscal year ended September 30, 2010.

By far, the largest portion of the City's net assets, \$39.5 million or 67.5%, reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt still

outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fort Walton Beach reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets, 5.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15.8 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1

Statement of Net Assets						
As of September 30						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other	\$ 13,858	\$ 13,918	\$ 14,712	\$ 15,075	\$ 28,570	\$ 28,993
Capital Assets	25,361	25,494	26,886	27,175	52,247	52,669
Total Assets	39,219	39,412	41,598	42,250	80,817	81,662
Long-Term Liabilities						
Outstanding	5,225	5,453	13,349	14,150	18,574	19,603
Other Liabilities	1,675	1,408	1,736	1,677	3,411	3,085
Total Liabilities	6,900	6,861	15,085	15,827	21,985	22,688
Net Assets						
Invested in Capital						
Net of Related Debt	20,605	20,564	18,928	17,773	39,533	38,337
Restricted	2,738	2,679	543	570	3,281	3,249
Unrestricted	8,975	9,308	6,792	8,080	15,767	17,388
Total Net Assets	\$ 32,318	\$ 32,551	\$ 26,263	\$ 26,423	\$ 58,581	\$ 58,974

The overall decrease in the City's net assets was \$392,317 during the fiscal year. The governmental activities experienced a decrease, primarily related to early retirement incentives offered to employees and reduced inter-fund transfers, both of which were slightly offset by the sale of land. The business activities experienced a slight decrease due primarily to reduced inter-fund transfers to the general fund, early retirement incentives offered to employees, and a change in estimate for the depreciation on previously purchased water meters. The details related to this decrease are analyzed further in the Financial Impacts section of this discussion.

Reported in Table 2 are the key elements of the decrease in net assets for the current year.

Table 2

	Governmental Activities		Business-Type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$4,008,506	\$4,364,638	\$12,668,076	\$12,623,971	\$16,676,582	\$16,988,609
Operating Grants and Contributions	639,370	1,119,033	-	-	639,370	1,119,033
Capital Grants & Contributions	731,275	88,941	173,370	555,698	904,645	644,639
General Revenue:						
Property Taxes	4,380,221	4,631,028	-	-	4,380,221	4,631,028
Other Taxes	5,857,699	5,432,650	-	4,597	5,857,699	5,437,247
Other Revenue	2,153,573	1,036,619	436,522	580,468	2,590,095	1,617,087
Total Revenues	17,770,644	16,672,909	13,277,968	13,764,734	31,048,612	30,437,643
Expenses						
Primary Government:						
General Government	5,306,003	4,625,871	-	-	5,306,003	4,625,871
Public Safety	9,231,632	9,908,644	-	-	9,231,632	9,908,644
Physical Environment	304,907	350,374	-	-	304,907	350,374
Transportation	1,543,310	1,672,741	-	-	1,543,310	1,672,741
Economic Development	98,996	266,132	-	-	98,996	266,132
Culture & Recreation	2,944,221	3,028,285	-	-	2,944,221	3,028,285
Debt Service Interest	240,940	247,703	-	-	240,940	247,703
Business-Type Activities:						
Utilities	-	-	6,725,349	5,474,550	6,725,349	5,474,550
Sanitation	-	-	2,466,881	2,493,357	2,466,881	2,493,357
Golf	-	-	2,203,739	2,479,804	2,203,739	2,479,804
Other	-	-	374,951	469,421	374,951	469,421
Total Expenses	19,670,009	20,099,750	11,770,920	10,917,132	31,440,929	31,016,882
Increase in Net Assets before Transfers	(1,899,365)	(3,426,841)	1,507,048	2,847,602	(392,317)	(579,239)
Transfers	1,667,644	2,310,464	(1,667,644)	(2,310,464)	-	-
Special Item - Impairment Loss	-	-	-	(3,836,055)	-	(3,836,055)
Increase (Decrease) in Net Assets	(231,721)	(1,116,377)	(160,596)	(3,298,917)	(392,317)	(4,415,294)
Net Assets – 10/01/09	32,550,570	33,666,947	26,423,455	29,722,372	58,974,025	63,389,319
Net Assets – 09/30/10	\$32,318,849	\$32,550,570	\$26,262,859	\$26,423,455	\$58,581,708	\$58,974,025

Current Year Impacts – Governmental Activities

Governmental activities decreased the City’s net assets by \$231,722, thereby accounting for 0.71% of the total decline in net assets for the fiscal year ended September 30, 2010. Key elements of this change are as follows:

- Operating grants for governmental activities decreased \$479,663 or 42.9% primarily due to decreased funding from the library cooperative and the Community Development Block Grant, as well as additional reimbursement from FEMA for Hurricane Ivan closeout received in the prior year.
- Capital grants for governmental activities increased \$642,334 or 722.2% due to funding received through the American Recovery and Reinvestment Act.
- Other revenue for governmental activities increased \$1,116,954 or 107.7%. Municipal revenue sharing, interest income, disposal of assets, insurance proceeds, donations and other miscellaneous revenue sources comprise this revenue category. The sale of property to Waste Management and increased donations and municipal revenue sharing account for this increase.
- Overall, expenses for governmental activities decreased \$429,741 or 2.1% primarily due to increased fiscal control of expenditures due to the recessionary economy, a portion of which was offset by payments to employees’ for early retirement incentives. Economic Environment experienced a decrease of \$167,136 or 62.8% due to prior year funding received for projects through the Community Development Block Grant.
- Inter-fund transfers from the business-type activities decreased \$642,820 or 27.8% as a result of an updated cost allocation plan and a decrease in the amount of surplus funds transferred to support general City operations.

Chart 1

Expenses and Program Revenue – Governmental Activities

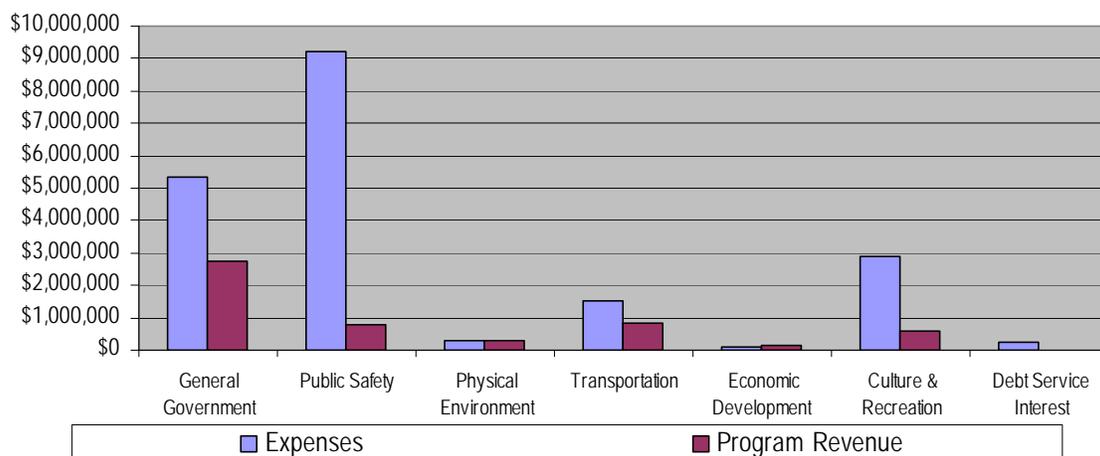
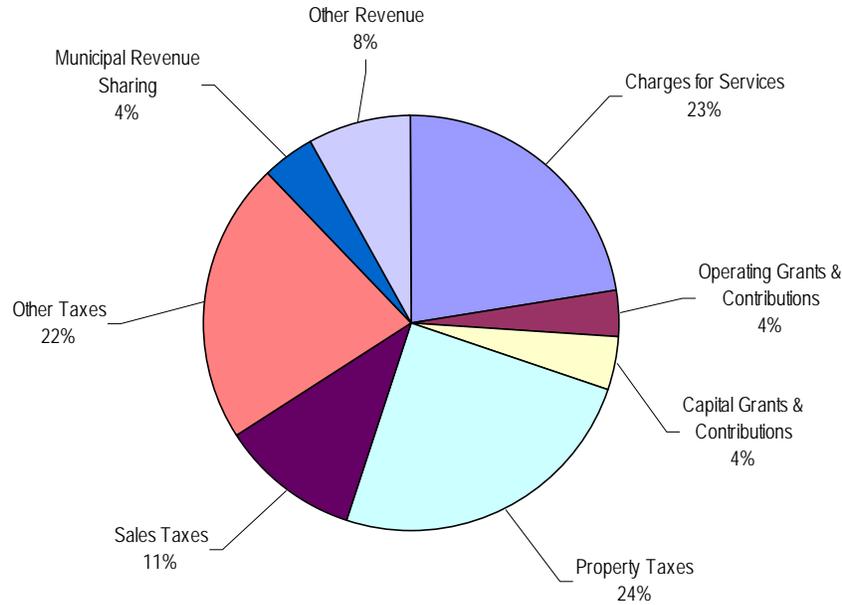


Chart 2
Revenues by Source – Governmental Activities



Current Year Impacts – Business-Type Activities

Business-type activities decreased the City’s net assets by \$160,596, thereby accounting for 0.61% of the total decline in net assets for the fiscal year ended September 30, 2010. Key elements of this change are as follows:

- Capital Grants and Contributions for business-type activities decreased \$382,328, or 68.8% due to funding received in the prior fiscal year through State Financial Assistance for CBIR grants in the Utilities and Stormwater Funds, as well as Florida Forever Grant funding in the Stormwater Fund, which was not received in the current year.
- Other Revenue for business type activities decreased \$143,946, or 24.8% primarily due to decreased interest earnings and capital asset transfers.
- Expenses throughout the Enterprise Funds increased \$853,788 or 7.8%. The Utilities fund experienced an increase due to the City’s contract with Okaloosa County for wastewater treatment services, as well as increased depreciation expense due to a change in estimate on previously purchased water meters. The Sanitation, Golf, and Stormwater funds experienced decreases due to cost saving measures enacted because of declining revenues.

Chart 3
Expenses and Program Revenue - Business-Type Activities

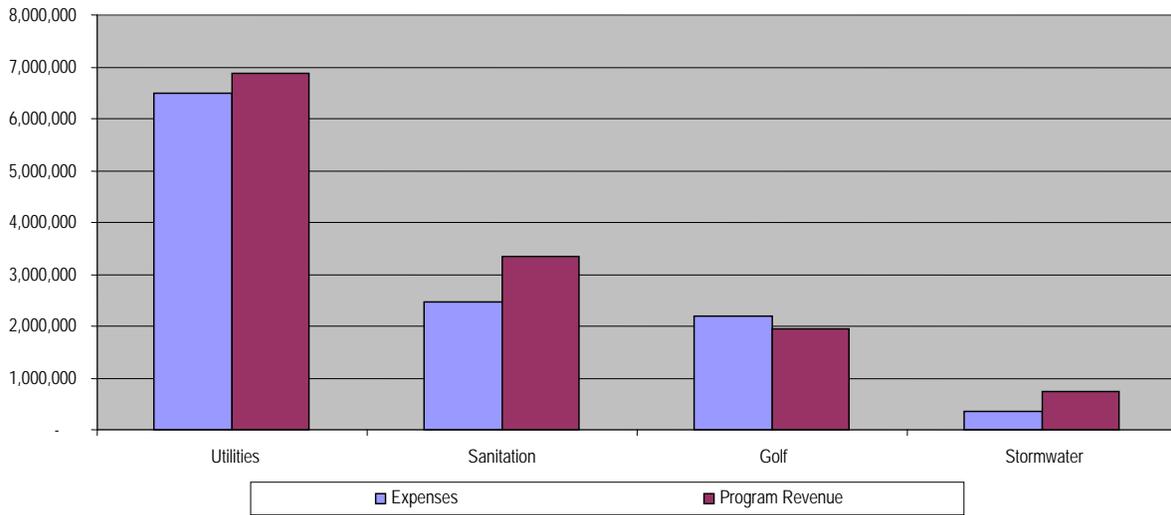
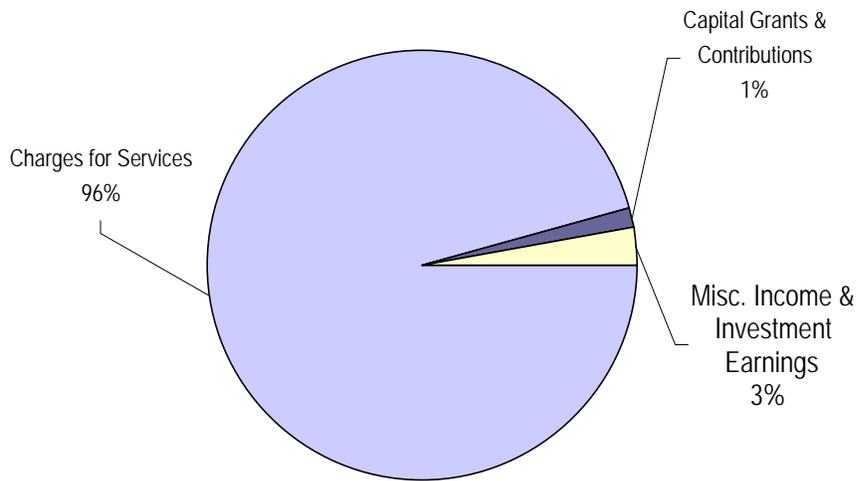


Chart 4
Revenues by Source - Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Fort Walton Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2010, the City of Fort Walton Beach's governmental funds have combined ending fund balances of \$12.1 million, a decrease of \$337,745 in comparison with the prior year. Approximately 74.5% of this total amount, \$9.0 million, constitutes unreserved/undesignated fund balance in the General Fund, which is available for spending at the City Council's discretion. The remainder of fund balance is reserved and/or designated by management. Details of the reserved and designated fund balance can be found on page 17 of this report.

The General Fund is the chief operating fund of the City. At the end of this fiscal year, unreserved/undesignated fund balance of the General Fund was \$9.0 million, while total fund balance reached \$9.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved/undesignated fund balance and total fund balance to total expenditures. Unreserved/undesignated fund balance represents 47.3% of the total General Fund expenditures, while total fund balance represents 51.6% of that same amount.

During the 2010 fiscal year, the fund balance of the City's General Fund decreased by \$377,855. This decrease is attributable to budgeted use of reserves.

Proprietary Funds

The City of Fort Walton Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds totaled \$6.8 million at September 30, 2010, of which the Utilities Fund amounted to \$4.8 million, the Sanitation Fund totaled \$1.9 million, and the Stormwater Utility Fund was \$376,330. The Golf Fund has deficit unrestricted net assets of \$288,540, an improvement from the prior year of \$37,902. The Golf Fund experienced a net gain of \$492, bringing the Fund's net asset balance to \$241,790. In total, net assets of the proprietary funds decreased \$160,595. The factors concerning the finances of these three funds have already been addressed in the discussion of the City of Fort Walton Beach's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

A schedule comparing the original to the final budget and the variance from the final budget to the actual results is included on page 21 of the financial statements.

Differences between the original budget and the final amended budget were \$3.0 million. Significant information related to this difference is summarized as follows:

- Unanticipated donations of \$148,848 were received and utilized during the year.
- Early retirement incentives were paid out to employees, including accrued sick and vacation leave, in the amount of \$787,013.
- Unanticipated expenses including equipment purchased for the new Department of Corrections contract, a GIS study and medical and other insurance solicitations were incurred totaling \$92,521.

- Grants received during the year totaled \$2.0 million and included funding from the American Recovery and Reinvestment Act of \$1.6 million.

Actual budget results, when compared to the final budget, show a variance of \$2.0 million. This variance is primarily due to amending the budget for grant amounts awarded versus actual amounts expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of September 30, 2010, was \$52.2 million (net of accumulated depreciation). This represents a net decrease of \$421,189, or 0.80%. Highlights are summarized as follows:

- Fewer assets were purchased that were over the GASB 34 threshold.
- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- A change in estimate was recorded related to previously purchased water meters, which accelerated the depreciation schedule, and resulted in \$312,868 of additional depreciation expense and loss on disposal, when compared to the prior year.

Table 3

	Total Capital Assets					
	Net of Accumulated Depreciation					
	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land	\$ 9,630,172	\$ 9,643,584	\$ 765,078	\$ 765,078	\$10,395,251	\$10,408,662
Buildings	7,570,534	8,017,290	2,336,254	2,402,506	9,906,789	10,419,796
Improvements Other Than Buildings	2,293,721	2,472,588	19,147,799	18,992,157	21,441,519	21,464,745
Infrastructure	4,520,970	3,971,020	-	-	4,520,970	3,971,020
Machinery and Equipment	1,223,752	1,234,444	2,813,432	3,318,663	4,037,183	4,553,106
Equipment under Capital Lease	122,479	152,474	221,412	299,543	343,891	452,016
Construction in Progress	213	1,999	1,601,945	1,397,605	1,602,159	1,399,604
	<u>\$25,361,841</u>	<u>\$25,493,398</u>	<u>\$26,885,920</u>	<u>\$27,175,552</u>	<u>\$52,247,761</u>	<u>\$52,668,950</u>

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 5 of this report on page 48.

Long-Term Debt

As shown in the following table, as of September 30, 2010, the City had total bonded debt and capital leases outstanding of \$19.7 million. All of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) and capital leases. The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum.

Table 4

City of Fort Walton Beach's Outstanding Debt Revenue Bonds and Capital Leases						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue Bonds	\$4,708,784	\$4,836,605	\$13,836,725	\$14,543,458	\$18,545,509	\$19,380,063
Capital Leases	47,374	93,003	141,737	226,886	189,111	319,889
Total	<u>\$4,756,158</u>	<u>\$4,929,608</u>	<u>\$13,978,462</u>	<u>\$14,770,344</u>	<u>\$18,734,620</u>	<u>\$19,699,952</u>

Additional information on the City of Fort Walton Beach's long-term debt can be found in Note 13 and 14 of this report on pages 63-68.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic indicators and factors that are useful for evaluating the framework within which the City operates are discussed below.

- The Consumer Price Index (CPI) is 1.1% higher than a year ago. This indicator translates into a higher cost of providing services to residents.
- Northwest Florida retail sales are 2.0% lower than the previous year due to the recessionary economy. This indicator adversely affects sales tax revenues, a portion of which is passed on to the City by the State.
- Housing Affordability decreased by 2.2%. This indicator affects the City's ability to recruit and retain employees.
- Unemployment is 9.0% and has increased approximately 2.0% from a year ago. Although low unemployment is beneficial for the community, this indicator impacts the City's ability to recruit and retain staff.
- The military has a significant presence in our community. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$6.6 billion annual impact on Okaloosa County's economy, with approximately 70% of our local economy supported by the military.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2011. The City's total budget for fiscal year 2011 totals \$35.7 million, which is \$358,601 less than the fiscal year 2010 approved budget. Projected declines in interest earnings and prior year budgeted use of reserves account for much of the revenue decline. The 2010 budget allocates \$17.6 million, a 5.2% decline as compared to the fiscal year 2009 budget, to the General fund, \$13.9 million to the Enterprise funds, and \$4.2 million to other funds.

For the fiscal year 2011 budget, the ad valorem rate increased to 4.5383 mills. A 3% increase in water and sewer rates is included in the budget; no other significant changes to the City's various rate and fees are included in the fiscal year 2011 budget.

Personnel expenses account for approximately 48.6% of the City's budget. The City's fiscal year 2011 budget includes a net decrease of 17 positions and reduced hours for another 11 positions, bringing the budgeted full time equivalent staff count to 297.74.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City of Fort Walton Beach's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 107 Miracle Strip Parkway S.W., City of Fort Walton Beach, Florida, 32548. This document and other financial information are available on the City's website at www.fwb.org. Inquiries may also be sent via email to the Finance Department at finance@fwb.org.

City of Fort Walton Beach, Florida
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency
ASSETS				
Cash and cash equivalents	\$ 11,855,582	\$ 7,128,543	\$ 18,984,125	\$ 3,579,531
Receivables, net	216,588	713,336	929,924	73,841
Internal balances	271,527	(271,527)	-	-
Due from other governments	823,827	68,418	892,245	-
Inventory, at cost	207,023	31,823	238,846	-
Prepays	6,719	8,106	14,825	86
Restricted assets				
Cash and cash equivalents	92,880	6,721,352	6,814,232	-
Capital assets				
Non-depreciable	9,630,386	2,367,024	11,997,410	578,078
Depreciable, net	15,731,455	24,518,896	40,250,351	4,330,607
Other assets				
Bond issue costs, net	144,578	312,092	456,670	-
Net pension asset	239,173	-	239,173	-
TOTAL ASSETS	<u>39,219,738</u>	<u>41,598,063</u>	<u>80,817,801</u>	<u>8,562,143</u>
LIABILITIES				
Accounts payable	165,873	330,249	496,122	42,862
Accrued liabilities	1,097,393	395,349	1,492,742	6,145
Due to other governments	2,794	15,406	18,200	-
Due to depositors	5,000	-	5,000	-
Unearned revenue	-	36,477	36,477	-
Payable from restricted assets				
Accrued interest	57,880	151,149	209,029	-
Customer deposits	-	158,790	158,790	-
Non-current liabilities				
Due within one year				
Compensated absences	158,790	52,705	211,495	904
Leases payable	47,374	75,619	122,993	-
Revenues bonds payable	140,000	769,963	909,963	-
Due in more than one year				
Compensated absences	476,370	158,119	634,489	2,710
Leases payable	-	66,118	66,118	-
Revenue bonds payable	4,568,784	13,066,762	17,635,546	-
Other post-employment benefits	180,632	58,497	239,129	-
TOTAL LIABILITIES	<u>6,900,890</u>	<u>15,335,203</u>	<u>22,236,093</u>	<u>52,621</u>
NET ASSETS				
Invested in capital assets, net of related debt	20,605,683	18,928,438	39,534,121	4,908,685
Restricted				
Debt service	92,880	481,023	573,903	-
System improvements	-	61,559	61,559	-
Public safety	269,600	-	269,600	-
Perpetual care - expendable	1,898,445	-	1,898,445	-
Other purposes	477,194	-	477,194	-
Unrestricted	8,975,046	6,791,840	15,766,886	3,600,837
TOTAL NET ASSETS	<u>\$ 32,318,848</u>	<u>\$ 26,262,860</u>	<u>\$ 58,581,708</u>	<u>\$ 8,509,522</u>

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

City of Fort Walton Beach, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency
Government activities								
General government	\$ 5,306,003	\$ 2,759,080	\$ 335	\$ -	\$ (2,546,588)	\$ -	\$ (2,546,588)	\$ -
Public safety	9,231,632	467,835	295,780	-	(8,468,017)	-	(8,468,017)	-
Physical environment	304,907	289,654	100	-	(15,153)	-	(15,153)	-
Transportation	1,543,310	83,586	10,966	731,275	(717,483)	-	(717,483)	-
Economic environment	98,996	-	161,174	-	62,178	-	62,178	-
Culture and recreation	2,944,221	408,351	171,015	-	(2,364,855)	-	(2,364,855)	-
Debt service interest	240,940	-	-	-	(240,940)	-	(240,940)	-
Total government activities	<u>19,670,009</u>	<u>4,008,506</u>	<u>639,370</u>	<u>731,275</u>	<u>(14,290,858)</u>	<u>-</u>	<u>(14,290,858)</u>	<u>-</u>
Business-type activities								
Utilities	6,725,349	6,761,654	-	52,312	-	88,617	88,617	-
Sanitation	2,466,881	3,345,127	-	-	-	878,246	878,246	-
Golf	2,203,739	1,934,392	-	-	-	(269,347)	(269,347)	-
Other programs	374,951	626,903	-	121,058	-	373,010	373,010	-
Total business-type activities	<u>11,770,920</u>	<u>12,668,076</u>	<u>-</u>	<u>173,370</u>	<u>-</u>	<u>1,070,526</u>	<u>1,070,526</u>	<u>-</u>
Total primary government	<u>\$ 31,440,929</u>	<u>\$ 16,676,582</u>	<u>\$ 639,370</u>	<u>\$ 904,645</u>	<u>\$ (14,290,858)</u>	<u>\$ 1,070,526</u>	<u>\$ (13,220,332)</u>	<u>\$ -</u>
Community Redevelopment Agency	<u>\$ 955,144</u>	<u>\$ -</u>	<u>\$ 103,449</u>	<u>\$ 73,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (778,255)</u>
General Revenues								
Taxes								
Property taxes					\$ 4,380,221	\$ -	\$ 4,380,221	\$ 952,259
Sales taxes					1,943,337	-	1,943,337	-
Utility service taxes					3,914,362	-	3,914,362	-
Intergovernmental, unrestricted					712,776	-	712,776	746,162
Gain (loss) on sale of assets					795,860	56,795	852,655	-
Miscellaneous					492,052	177,657	669,709	285
Investment earnings					152,884	202,071	354,955	44,303
Transfers					<u>1,667,644</u>	<u>(1,667,644)</u>	<u>-</u>	<u>-</u>
Total general revenues, transfers and special item					<u>14,059,136</u>	<u>(1,231,121)</u>	<u>12,828,015</u>	<u>1,743,009</u>
Change in net assets					(231,722)	(160,595)	(392,317)	964,754
Net assets - beginning of year					<u>32,550,570</u>	<u>26,423,455</u>	<u>58,974,025</u>	<u>7,544,768</u>
Net assets - end of year					<u>\$ 32,318,848</u>	<u>\$ 26,262,860</u>	<u>\$ 58,581,708</u>	<u>\$ 8,509,522</u>

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

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 9,673,343	\$ 2,182,239	\$ 11,855,582
Receivables	216,377	211	216,588
Due from other funds	272,271	-	272,271
Due from other governments	815,306	8,521	823,827
Inventory, at cost	207,023	-	207,023
Prepays	6,369	350	6,719
Restricted assets			
Cash and cash equivalents	-	92,880	92,880
TOTAL ASSETS	<u>\$ 11,190,689</u>	<u>\$ 2,284,201</u>	<u>\$ 13,474,890</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 158,090	\$ 7,783	\$ 165,873
Accrued liabilities	1,086,260	11,133	1,097,393
Due to other funds	-	744	744
Due to other governments	2,794	-	2,794
Due to depositors	5,000	-	5,000
Deferred revenue	125,019	-	125,019
Total liabilities	<u>1,377,163</u>	<u>19,660</u>	<u>1,396,823</u>
Fund balance			
Reserved			
Encumbrances	22,190	12,433	34,623
Prepays	6,369	350	6,719
Library	263,802	-	263,802
Inventory	207,023	-	207,023
Unreserved			
Designated			
Special projects	312,040	-	312,040
Debt service	-	92,880	92,880
Other designated items	7,423	5,117	12,540
Undesignated general fund	8,994,679	-	8,994,679
Undesignated special revenue funds	-	2,153,761	2,153,761
Total fund balance	<u>9,813,526</u>	<u>2,264,541</u>	<u>12,078,067</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,190,689</u>	<u>\$ 2,284,201</u>	<u>\$ 13,474,890</u>

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

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2010

Fund balance - total governmental funds (page 17)	\$ 12,078,067
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental non-depreciable assets	9,630,386	
Governmental depreciable assets	38,313,992	
Less accumulated depreciation	<u>(22,582,537)</u>	25,361,841

Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Net pension asset	239,173	
Bond issuance costs	204,512	
Less related accumulated amortization	<u>(59,934)</u>	383,751

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Special assessment for street resurfacing	125,019
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue bonds payable	(4,755,000)	
Discount on bonds payable	46,216	
Accrued interest	(57,880)	
Capital leases	(47,374)	
Compensated absences	(635,160)	
Other post employment benefits	<u>(180,632)</u>	<u>(5,629,830)</u>

Net assets of governmental activities (page 15)	<u>\$ 32,318,848</u>
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The accompanying notes are an integral
part of these financial statements.

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended September 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 9,414,513	\$ -	\$ 9,414,513
Permits and fees	2,406,916	-	2,406,916
Intergovernmental	3,137,530	365,374	3,502,904
Charges for services	907,476	-	907,476
Fines and forfeits	190,143	14,706	204,849
Miscellaneous	<u>1,293,764</u>	<u>76,313</u>	<u>1,370,077</u>
TOTAL REVENUES	<u>17,350,342</u>	<u>456,393</u>	<u>17,806,735</u>
EXPENDITURES			
Current			
General governmental services	5,095,790	-	5,095,790
Public safety	8,828,810	43,614	8,872,424
Physical environment	250,691	-	250,691
Transportation	1,207,449	-	1,207,449
Economic environment	-	98,996	98,996
Culture and recreation	2,535,682	-	2,535,682
Capital outlay	1,094,771	240,598	1,335,369
Debt service			
Principal	-	175,629	175,629
Interest	-	239,716	239,716
Other debt service costs	<u>-</u>	<u>377</u>	<u>377</u>
TOTAL EXPENDITURES	<u>19,013,193</u>	<u>798,930</u>	<u>19,812,123</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,662,851)</u>	<u>(342,537)</u>	<u>(2,005,388)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,902,611	439,615	2,342,226
Transfers out	<u>(617,615)</u>	<u>(56,968)</u>	<u>(674,583)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,284,996</u>	<u>382,647</u>	<u>1,667,643</u>
NET CHANGE IN FUND BALANCE	(377,855)	40,110	(337,745)
FUND BALANCE - BEGINNING OF YEAR	<u>10,191,381</u>	<u>2,224,431</u>	<u>12,415,812</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,813,526</u>	<u>\$ 2,264,541</u>	<u>\$ 12,078,067</u>

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

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Net change in fund balances - total governmental funds (page 19)	\$	(337,745)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.

Expenditures for capital assets	1,233,282	
Less current year depreciation	<u>(1,353,786)</u>	(120,504)

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities.

Disposals of capital assets and adjustments	(1,932,012)	
Accumulated depreciation associated with disposals and adjustments	<u>1,918,601</u>	(13,411)

Net transfer of capital assets and related lease liabilities from governmental funds to proprietary funds

Transfer of capital assets to business activity	8,832	
Accumulated depreciation associated with asset transfer	<u>(6,472)</u>	2,360

Special assessment revenue in the governmental funds is recognized when due; however, the revenue was recognized in the Statement of Activities when it was earned (when levied).

Special assessment for street resurfacing		(16,910)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt principal payments	175,629	
Amortization of current year bond discount	(2,179)	
Amortization of bond costs	(6,820)	
Change in accrued interest on long-term debt	<u>1,332</u>	167,962

Some expenses report in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension asset	5,538	
Change in long-term compensated absences	155,145	
Change in other post-employment benefits	<u>(74,157)</u>	<u>86,526</u>

Change in net assets of governmental activities (page 16)	\$	<u>(231,722)</u>
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The accompanying notes are an integral
part of these financial statements.

City of Fort Walton Beach, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 8,573,913	\$ 8,573,913	\$ 9,414,513	\$ 840,600
Permits and fees	2,354,810	2,354,810	2,406,916	52,106
Intergovernmental	2,242,260	4,179,596	3,137,530	(1,042,066)
Charges for services	1,206,982	1,254,926	907,476	(347,450)
Fines and forfeits	152,200	152,200	190,143	37,943
Miscellaneous	<u>909,085</u>	<u>1,002,155</u>	<u>1,293,764</u>	<u>291,609</u>
TOTAL REVENUES	<u>15,439,250</u>	<u>17,517,600</u>	<u>17,350,342</u>	<u>(167,258)</u>
EXPENDITURES				
Current				
General government services	4,294,645	5,330,199	5,095,790	234,409
Public safety	9,208,491	9,081,235	8,828,810	252,425
Physical environment	255,122	255,121	250,691	4,430
Transportation	1,398,100	1,343,573	1,207,449	136,124
Culture and recreation	2,613,054	2,685,145	2,535,682	149,463
Capital outlay	<u>213,284</u>	<u>2,322,039</u>	<u>1,094,771</u>	<u>1,227,268</u>
TOTAL EXPENDITURES	<u>17,982,696</u>	<u>21,017,312</u>	<u>19,013,193</u>	<u>2,004,119</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,543,446)</u>	<u>(3,499,712)</u>	<u>(1,662,851)</u>	<u>1,836,861</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,891,174	1,906,729	1,902,611	(4,118)
Transfers out	<u>(626,625)</u>	<u>(626,625)</u>	<u>(617,615)</u>	<u>9,010</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,264,549</u>	<u>1,280,104</u>	<u>1,284,996</u>	<u>4,892</u>
NET CHANGE IN FUND BALANCE	(1,278,897)	(2,219,608)	(377,855)	1,841,753
FUND BALANCE - BEGINNING OF YEAR	<u>1,278,897</u>	<u>2,219,608</u>	<u>10,191,381</u>	<u>7,971,773</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,813,526</u>	<u>\$ 9,813,526</u>

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

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2010

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,832,140	\$ 1,936,967	\$ -	\$ 359,436	\$ 7,128,543
Restricted assets - cash and cash equivalents	448,032	3,970	248,370	-	700,372
Receivables, net	486,195	185,010	1,743	40,388	713,336
Due from other governments	68,418	-	-	-	68,418
Prepaid expenses	8,106	-	-	-	8,106
Inventory - at cost	-	-	31,823	-	31,823
Total current assets	<u>5,842,891</u>	<u>2,125,947</u>	<u>281,936</u>	<u>399,824</u>	<u>8,650,598</u>
Non-current assets					
Restricted assets					
Cash and cash equivalents	<u>6,020,980</u>	-	-	-	<u>6,020,980</u>
Total restricted assets	<u>6,020,980</u>	-	-	-	<u>6,020,980</u>
Capital assets, net					
Non-depreciable	2,311,624	-	55,400	-	2,367,024
Depreciable, net	<u>19,464,332</u>	<u>1,081,286</u>	<u>3,141,695</u>	<u>831,583</u>	<u>24,518,896</u>
Total capital assets	<u>21,775,956</u>	<u>1,081,286</u>	<u>3,197,095</u>	<u>831,583</u>	<u>26,885,920</u>
Other assets					
Bond issue costs, net	<u>211,748</u>	-	<u>100,344</u>	-	<u>312,092</u>
Total other assets	<u>211,748</u>	-	<u>100,344</u>	-	<u>312,092</u>
Total non-current assets	<u>28,008,684</u>	<u>1,081,286</u>	<u>3,297,439</u>	<u>831,583</u>	<u>33,218,992</u>
TOTAL ASSETS	<u>\$ 33,851,575</u>	<u>\$ 3,207,233</u>	<u>\$ 3,579,375</u>	<u>\$ 1,231,407</u>	<u>\$ 41,869,590</u>

Continued...

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

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2010

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
LIABILITIES					
Current liabilities					
Accounts payable	209,340	92,204	24,132	4,573	330,249
Accrued liabilities					
Compensated absences	32,828	9,344	8,503	2,030	52,705
Wages	71,823	30,147	33,471	9,908	145,349
Other	250,000	-	-	-	250,000
Due to other governments	-	7,471	7,935	-	15,406
Due to other funds	-	-	271,527	-	271,527
Leases payable	7,621	-	50,837	17,161	75,619
Revenue bonds payable	592,500	-	177,500	-	770,000
Payable from restricted assets					
Accrued interest	120,175	-	30,974	-	151,149
Customer deposits	154,820	3,970	-	-	158,790
Unearned revenue	18,070	-	18,407	-	36,477
Total current liabilities	<u>1,457,177</u>	<u>143,136</u>	<u>623,286</u>	<u>33,672</u>	<u>2,257,271</u>
Non-current liabilities					
Accrued liabilities					
Compensated absences	98,484	28,034	25,511	6,090	158,119
Leases payable	-	-	66,118	-	66,118
Revenue bonds payable	10,446,045	-	2,620,680	-	13,066,725
Other post-employment benefits	38,369	17,245	1,990	893	58,497
Total non-current liabilities	<u>10,582,898</u>	<u>45,279</u>	<u>2,714,299</u>	<u>6,983</u>	<u>13,349,459</u>
TOTAL LIABILITIES	<u>12,040,075</u>	<u>188,415</u>	<u>3,337,585</u>	<u>40,655</u>	<u>15,606,730</u>
NET ASSETS					
Invested in capital assets, net of related debt					
Restricted	16,750,770	1,081,286	281,960	814,422	18,928,438
Debt service					
System improvements	232,653	-	248,370	-	481,023
Unrestricted	61,559	-	-	-	61,559
	<u>4,766,518</u>	<u>1,937,532</u>	<u>(288,540)</u>	<u>376,330</u>	<u>6,791,840</u>
TOTAL NET ASSETS	<u>\$ 21,811,500</u>	<u>\$ 3,018,818</u>	<u>\$ 241,790</u>	<u>\$ 1,190,752</u>	<u>\$ 26,262,860</u>

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

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended September 30, 2010

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
OPERATING REVENUES					
Charges for services	\$ 6,761,654	\$ 3,345,127	\$ 1,934,392	\$ 626,903	\$ 12,668,076
OPERATING EXPENSES					
Personal services	1,940,425	898,717	1,014,318	249,661	4,103,121
Operating	2,823,907	1,379,556	708,358	63,807	4,975,628
Depreciation	1,428,340	188,608	302,720	60,272	1,979,940
TOTAL OPERATING EXPENSES	6,192,672	2,466,881	2,025,396	373,740	11,058,689
OPERATING INCOME	568,982	878,246	(91,004)	253,163	1,609,387
NON-OPERATING REVENUES (EXPENSES)					
Rental income	14,990	-	99,919	-	114,909
Intergovernmental	52,312	-	-	121,058	173,370
Interest expense	(503,287)	-	(169,065)	(1,211)	(673,563)
Amortization	(27,733)	-	(9,278)	-	(37,011)
Other debt services costs	(1,657)	-	-	-	(1,657)
Gain (loss) on disposal of capital assets	21,726	624	15,131	19,314	56,795
Interest	178,615	22,049	-	1,407	202,071
Grants in aid	41,000	-	-	-	41,000
Miscellaneous	16,400	3,221	1,789	338	21,748
TOTAL NON-OPERATING REVENUES (EXPENSES)	(207,634)	25,894	(61,504)	140,906	(102,338)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	361,348	904,140	(152,508)	394,069	1,507,049
Transfers in	40,000	-	178,000	-	218,000
Transfers out	(1,097,641)	(748,003)	(25,000)	(15,000)	(1,885,644)
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,057,641)	(748,003)	153,000	(15,000)	(1,667,644)
CHANGE IN NET ASSETS	(696,293)	156,137	492	379,069	(160,595)
NET ASSETS - BEGINNING OF YEAR	22,507,793	2,862,681	241,298	811,683	26,423,455
NET ASSETS - END OF YEAR	\$ 21,811,500	\$ 3,018,818	\$ 241,790	\$ 1,190,752	\$ 26,262,860

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

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2010

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 6,800,989	\$ 3,337,434	\$ 2,039,728	\$ 620,178	\$ 12,798,329
Payments to suppliers	(2,439,262)	(1,390,191)	(709,482)	(189,007)	(4,727,942)
Payments to employees	(1,957,559)	(895,905)	(1,015,734)	(252,604)	(4,121,802)
Miscellaneous income	16,399	3,221	1,789	338	21,747
Net cash provided by operating activities	<u>2,420,567</u>	<u>1,054,559</u>	<u>316,301</u>	<u>178,905</u>	<u>3,970,332</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Borrowings (repayments)					
Interfund balances	-	-	(73,601)	(16,901)	(90,502)
Change in intergovernmental balances	(41,553)	7,471	(2,668)	320,194	283,444
Grants and aids	41,000	-	-	-	41,000
Intergovernmental revenues received	52,312	-	-	121,058	173,370
Transfers in	40,000	-	178,000	-	218,000
Transfers out	(1,097,641)	(748,003)	(25,000)	(15,000)	(1,885,644)
Net cash provided (used) by non-capital financing activities	<u>(1,005,882)</u>	<u>(740,532)</u>	<u>76,731</u>	<u>409,351</u>	<u>(1,260,332)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(1,235,434)	(219,054)	-	(231,645)	(1,686,133)
Proceeds from disposal of capital assets	-	624	19,834	24,748	45,206
Principal paid on leases payable	(13,954)	-	(49,076)	(22,119)	(85,149)
Principal paid on notes payable	(571,250)	-	(173,845)	-	(745,095)
Interest paid on bonds, loans, and leases payable	(486,459)	-	(180,391)	(1,211)	(668,061)
Other debt service costs	(1,657)	-	-	-	(1,657)
Net cash provided (used) by capital and related financing activities	<u>(2,308,754)</u>	<u>(218,430)</u>	<u>(383,478)</u>	<u>(230,227)</u>	<u>(3,140,889)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	178,615	22,049	-	1,407	202,071
Net cash provided by investing activities	<u>178,615</u>	<u>22,049</u>	<u>-</u>	<u>1,407</u>	<u>202,071</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(715,454)	117,646	9,554	359,436	(228,818)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR					
	<u>12,016,606</u>	<u>1,823,291</u>	<u>238,816</u>	<u>-</u>	<u>14,078,713</u>
CASH AND CASH EQUIVALENTS - END OF YEAR					
	<u>\$ 11,301,152</u>	<u>\$ 1,940,937</u>	<u>\$ 248,370</u>	<u>\$ 359,436</u>	<u>\$ 13,849,895</u>

Continued...

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

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2010

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
CONSIST OF					
Current assets	\$ 4,832,140	\$ 1,936,967	\$ -	\$ 359,436	\$ 7,128,543
Restricted assets, current	448,032	3,970	248,370	-	700,372
Restricted assets, non-current	<u>6,020,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,020,980</u>
Total cash and cash equivalents	<u>\$ 11,301,152</u>	<u>\$ 1,940,937</u>	<u>\$ 248,370</u>	<u>\$ 359,436</u>	<u>\$ 13,849,895</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 568,982	\$ 878,246	\$ (91,004)	\$ 253,163	\$ 1,609,387
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,428,340	188,608	302,720	60,272	1,979,940
Rental income	-	-	99,919	-	99,919
Amortization	27,733	-	9,278	-	37,011
Miscellaneous revenue	16,400	3,221	1,789	338	21,748
(Gain) loss on disposal of capital assets	31,310	(624)	(15,131)	(19,314)	(3,759)
Decrease (increase) in assets					
Accounts receivable	(63,160)	(3,923)	4,504	(6,725)	(69,304)
Prepaid expenses	(8,106)	-	-	-	(8,106)
Inventory	-	-	(2,900)	-	(2,900)
Increase (decrease) in liabilities					
Accounts payable	136,744	(13,266)	7,629	(105,886)	25,221
Compensated absences payable	(5,451)	(1,597)	5,650	(692)	(2,090)
Wages	8,295	(3,479)	623	(563)	4,876
Other liabilities	250,000	-	-	-	250,000
Other post-employment benefits	-	7,888	(7,689)	(1,688)	(1,489)
Accrued interest	(6,875)	-	-	-	(6,875)
Customer deposits	15,013	(515)	-	-	14,498
Other post-employment benefits	19,978	-	-	-	19,978
Deferred revenue	<u>1,364</u>	<u>-</u>	<u>913</u>	<u>-</u>	<u>2,277</u>
Net cash provided by operating activities	<u>\$ 2,420,567</u>	<u>\$ 1,054,559</u>	<u>\$ 316,301</u>	<u>\$ 178,905</u>	<u>\$ 3,970,332</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS					
Amortization of bond issue costs	<u>\$ 19,217</u>	<u>\$ -</u>	<u>\$ 6,955</u>	<u>\$ -</u>	<u>\$ 26,172</u>
Amortization of discounts and deferred loss on refunding	<u>\$ 22,702</u>	<u>\$ -</u>	<u>\$ 5,564</u>	<u>\$ -</u>	<u>\$ 28,266</u>

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

City of Fort Walton Beach, Florida
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2010

	<u>Employee Retirement Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,187,347
Investments, at market	
U.S. government and agency obligations	10,485,664
Corporate obligations	9,036,521
Corporate equity	18,145,780
Mutual funds	<u>16,133,190</u>
Total investments	53,801,155
Due from other funds	<u>34,072</u>
TOTAL ASSETS	<u><u>\$ 57,022,574</u></u>
 LIABILITIES	
Due to other funds	<u>\$ 14,028</u>
Total liabilities	<u>14,028</u>
 NET ASSETS	
Held in trust for pension and employee retirement benefits	<u><u>\$ 57,008,546</u></u>

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

City of Fort Walton Beach, Florida
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended September 30, 2010

	<u>Employee Retirement Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 2,568,883
Plan members	570,794
State of Florida	<u>330,397</u>
Total contributions	<u>3,470,074</u>
Investment income	5,009,472
Less investment expense	<u>(230,454)</u>
Net investment income	4,779,018
Miscellaneous revenue	<u>52,908</u>
TOTAL ADDITIONS	<u>8,302,000</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	3,924,091
Disability payments	179,796
Refunds	<u>186,591</u>
Total benefits and refunds paid	<u>4,290,478</u>
Administrative expenses	
Legal	30,331
Contractual services	141,151
Other	<u>26,369</u>
Total administrative expenses	<u>197,851</u>
TOTAL DEDUCTIONS	<u>4,488,329</u>
NET INCREASE (DECREASE)	3,813,671
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>53,194,875</u>
END OF YEAR	<u><u>\$ 57,008,546</u></u>

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

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Walton Beach, Florida, (the City) was created as a municipality by a Special Act of the Florida Legislature in 1937. The City Manager-Council form of government was established in 1953. As authorized by its charter, the City provides the following services: public safety (police, fire, and inspection), highways and streets, water and sewer, sanitation, stormwater, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

A. The Reporting Entity

A seven member City Council and a Mayor govern the City, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in it by State Statute and the City Charter, and their governmental powers cannot be delegated.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Fort Walton Beach (the primary government) and its component unit. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB No. 14 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 14, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

As of September 30, 2010, the City of Fort Walton Beach had one component unit, as defined by GASB 14, which has been presented in the financial statements of the primary government as a "discretely presented component unit." The Fort Walton Beach Community Redevelopment Agency (the Agency) was formed to prepare a community redevelopment plan for a designated geographic area within the City of Fort Walton Beach, Florida. The members of the Agency's governing board are appointed by the City Council of Fort Walton Beach, Florida. However, the Agency is fiscally dependent upon the City because City Council approves the Agency's budget, grants final approval to community redevelopment plans, and must approve any debt issuances and acquisition and disposal of property. The Agency is classified and presented as a governmental fund type. Complete financial statements for the Agency are presented in the Combining and Individual Fund Statements and Schedules section of this report.

The Fort Walton Beach Housing Authority (the Authority) is considered a related organization to the City rather than a component unit. The City Council of Fort Walton Beach, Florida appoints the board members of the Authority. However, the Authority's board operates independently of the City Council and does not create a financial burden or benefit to the City.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 6 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise 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. Only the portion of special assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The Okaloosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2010
Levy Date	November 1, 2010
Due Date	November 1, 2010
Delinquent Date	April 1, 2011

Discounts of 1% for each month taxes are paid prior to March 2011, are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2010 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private sector guidance.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City considers all impact fee revenue as capital contributions for the water and sewer system; therefore, no amount from the impact fee is included in operating revenue. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The City has the following major governmental fund:

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

Proprietary

Proprietary funds focus on the determination of net income, changes in net assets, financial position, and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City:

Utilities Fund - Used to account for the operations of the City, which provides distribution of potable water, sales and service and sanitary wastewater collection, treatment and disposal.

Sanitation Fund - Accounts for the operation of the City that provides for solid waste collection and disposal.

Golf Fund - Accounts for the operations and maintenance of the City-owned golf courses.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The City has the following type of Fiduciary funds:

Pension Trust Funds - Used to report the resources that are required to be held in trust for the members and beneficiaries of the three defined benefit pension plans administered by the City: General Employees' Retirement Fund, Police Officers' Retirement Fund, and Firefighters' Retirement Fund.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased, and investments with the State Board of Administration (SBA), to be cash equivalents. Additionally, each fund's equity in the City's investment pool (see Note 3) is considered to be cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited Statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with "Qualified Public Depositories." The City maintains a cash and investment pool available for use by all funds and the Community Redevelopment Agency. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund.

In addition, restricted cash accounts, certificates of deposit, and other investments are separately maintained by a few City funds in accordance with bond ordinances, retirement fund plan documents and other contractual agreements. Investments are stated at fair value, based on quoted market prices.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Deposits and Investments (Continued)

The City's cash and investment pool and certain individual funds participate in the Local Government Surplus Trust Fund, operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-1 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Trust Funds. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. In accordance with GASB Statement Number 31, Local Government Surplus Trust Fund is a "2A-7 like" pool and thus, SBA investments are valued using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis, subject to limitations described in Note 3.

Pension Trust Funds may invest in direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, bonds or indebtedness of United States corporations rated BAA or better, stocks of U.S. corporations which are listed on the national stock exchanges (limited to 50% of the assets of the fund) and investment accounts maintained by major national banks and insurance companies given the top rating by Best. In addition to the above investment options, the Firefighters' Retirement Pension Trust Fund may invest up to 20% of its assets at cost in real estate.

Bond Sinking Fund Investments are limited by bond ordinances to investments in direct obligations of the United States government or other marketable securities eligible as security of trust funds under regulations of the Board of Governors of the Federal Reserve System. The maturity date on Sinking Fund Investments is limited by the individual bond ordinances to correspond to the related debt service payments.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All proprietary fund receivables are shown net of an allowance for uncollectibles. The allowance is computed by considering 100% of receivables in excess of 90 days, past trends on collections of accounts, and current year account write-offs.

Inventory

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. A portion of the General Fund balance equal to the inventory amount has been reserved in the fund financial statements to indicate that it is not available for appropriation.

Restricted Assets

Certain resources in the following funds are restricted for specific purposes: in the Debt Service Fund, for the repayment of the Capital Improvement Bonds, Series 2001; in the Utility Fund, for the repayment of the Utility System Revenue Bonds, Series 2005; in the Utility and Golf Enterprise Funds, for repayment of the Public Improvement Revenue Refunding Bonds, Series 1998; customer utility deposits and impact fees received are restricted in the Utilities Fund; and, various funds are set aside in the Golf Fund for repayment of Capital Improvement Revenue Bonds, 1999A.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost more than the following:

Land		All
Buildings and improvements	\$	10,000
Infrastructure	\$	10,000
Improvements - other	\$	10,000
Equipment, vehicles, computers	\$	1,000
Library books		All

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through various allowable estimating techniques. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until the completion of the project with interest earned on the invested proceeds over the same period.

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

Assets	Years
Buildings	20-50 Years
Improvements other than buildings	7-40 Years
System infrastructure	20-40 Years
Machinery and equipment	3-10 Years

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave based on the length of service to the City.

All vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave is accrued in the government-wide and proprietary fund financial statements based on a ratio of the sum of sick leave paid over the last several years to the total balance of sick leave at the end of each fiscal year. A liability for the amounts of vacation and sick leave is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences of the governmental activities are primarily paid from the General Fund.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective and straight-line interest methods. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for use as a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to September 1 of each year, proposed budgets are received by the City Council from the City Manager. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed millages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1, the budget for all governmental and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. Appropriations lapse at year-end except for appropriations related to multi-year capital projects. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years unreserved/undesignated fund balance to the level required to accomplish current year objectives.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets (Continued)

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The City Manager and Finance Director are authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the City Council by revision of fund totals. All amendments to originally adopted amounts were made in a legally permissible manner.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (except Pension Trust Funds) participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, pooled investments of the Local Government Surplus Trust Fund, and funds held in the Reserve U.S. Government money market fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on average daily balances.

The City's cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Custodial Credit Risk - It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

At year-end, the value of the City's deposits was \$28,955,081, all of which was held by qualified public depositories under Chapter 280, Florida Statutes.

Investments

As of September 30, 2010, the City's investments consists of those held in the various pension trust funds. The types of investments, which can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1-E.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of September 30, 2010, the City held the following investments and related maturities (non-current restricted non-cash cash equivalents held by the City are also listed in the "Money market funds and investment pools" classification, and are maintained in the City's proprietary funds):

	Fair Value	INVESTMENT MATURITIES (YEARS)							
		<1	1-5	5-10	10-15	15-20	20-25	25-30	>30
Investments subject to interest rate risk									
Corporate debt	\$ 8,764,737	\$ 86,702	\$ 2,553,571	\$ 5,720,272	\$ 53,042	\$ 31,468	\$ 22,212	\$ 238,160	\$ 59,310
Corporate CMOs	271,784	-	-	-	-	42,736	-	91,279	137,769
U.S. Treasury	6,359,854	477,007	3,446,083	1,668,342	-	-	-	768,422	-
U.S. Government Agencies	2,165,303	369,419	998,799	630,949	-	111,111	55,025	-	-
U.S. Government Agency Pools	1,960,507	-	70,305	228,265	1,196,272	-	204,364	261,301	-
	<u>\$ 19,522,185</u>	<u>\$ 933,128</u>	<u>\$ 7,068,758</u>	<u>\$ 8,247,828</u>	<u>\$ 1,249,314</u>	<u>\$ 185,315</u>	<u>\$ 281,601</u>	<u>\$ 1,359,162</u>	<u>\$ 197,079</u>
Investments not subject to interest rate risk									
Money market funds and investment pools	\$ 8,404,904								
Corporate equities	18,145,780								
Mutual funds	16,133,190								
	<u>42,683,874</u>								
Total	<u>\$ 62,206,059</u>								

Interest Rate Risk - The City's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The City's policy encourages shorter-term investments for operating funds in order to meet the anticipated cash flows requirements. The General Employee's Pension Plan strives to maintain an average duration of its total fixed income portfolio to not less than 75% nor more than 125% of the duration of the Merrill Lynch Bond Index. The investment policies of the Police and Firefighters' Pension Plans do not specifically address interest rate risk.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Rate Risk - State law limits investments of surplus public funds to those investments described above. According to the City's General Employees' Pension Plan investment policy, investment in all domestic corporate fixed income securities is limited to those securities rated Baa or higher by Moody's rating service. As of September 30, 2010, the General Employees' Pension Plan held one insignificant investment, valued at \$11,189, whose rating was below Baa; the Plan's intent, in compliance with Florida Statutes 112.661(5)(b), is to sell any investment, whose rating falls below the policy threshold, as soon as it is economically feasible. Investments with less than an "A" rating will be limited to no more than 10% of the total cost of the fixed income securities. Investments in the General Employees' Pension Plan whose rating was less than "A" at September 30, 2010, comprised 5% of the total cost of fixed income securities in the Plan. The Police Officers' Pension Fund limits investment in fixed income securities to those rated "A" or higher by Moody's or Standard and Poor's rating services. The Firefighters' Pension Fund limits investment in fixed income securities to those securities rated "A" or higher by Moody's or Standard & Poor's rating services. Each Pension Plan was in compliance with its respective investment policy regarding credit rate risk as of September 30, 2010.

The range of ratings of the different classes of investments, held by each respective plan at September 30, 2010, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Money market funds	Aaa-A	Aaa-A	Aaa-A
Corporate CMOs	Aaa-Caa3	N/A	N/A
Corporate debt	Aa2-Baa3	Aa2-A3	Aa3-A3

Concentration Credit Risk - The City places no limit on the amount that may be invested in any one issuer, in regards to its general operations investments. The City encourages portfolio diversification to minimize each of the types of risk related to investments.

The General Employees' Pension Fund limits investment of fixed income securities of any single issuer to no more than 10% of the cost of all fixed income securities. Investments in collateralized mortgage obligations are limited to 25% of the market value of the total fixed income portfolio and are restricted to securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA), or that are rated "Aaa" or "AAA" by Moody's or Standard and Poor's bond rating services, respectively. It is expected that the average duration of the total fixed income portfolio will not be less than 75% nor more than 125% of the duration of the Merrill Lynch Bond Index. As of September 30, 2010, the largest investment in a single corporate issuer of debt was below 3% of the cost of all fixed income securities. Total investments in collateralized mortgage obligations (CMOs) were 17% of the total market value of the total fixed income portfolio.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration Credit Risk (Continued)

No more than 10% of the market value of the total fixed income portfolio in the Police Officers' Pension Fund may be invested in the securities of any single corporate issuer. Investments in collateralized mortgage obligations are limited to 25% of the market value of the total fixed income portfolio and are further restricted by the same requirements as outlined above for the General Employees' Pension Fund. As of September 30, 2010, the largest investment in a single corporate issuer of debt was 7% of the value of all corporate fixed income securities. The Police Officers' Pension Fund did not hold any investments in collateralized mortgage obligations as of September 30, 2010.

The Firefighters' Pension Fund Investment Policy establishes a target assets allocation of the entire Pension Fund based on the market value of the invested assets as 50% invested in large cap domestic securities, 10% in small/midcap domestic equities and 40% in fixed income securities. In regards to fixed income securities, no more than 10% of the market value of the total fixed income investments may be held in any single corporate issuer. Investments in collateralized mortgage obligations are limited to 25% of the market value of the total fixed income portfolio and are restricted to issues backed by securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA), and those issues which pass the FFIEC High Risk Security Test on an annual basis. As of September 30, 2010, the largest investment in a single corporate issuer of debt was 17% of the market value of all fixed income securities; the Plan's intent, in compliance with Florida Statutes 112.661(5)(b), is to sell any investments that exceed the policy threshold when it is economically feasible. Total investments in collateralized mortgage obligations were 13% of the total market value of the total fixed income portfolio.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits Held in Florida State Board of Administration's Local Government Investment Pool

In addition to the investments subject to credit risk, listed above, the City maintains investments in the Florida State Board of Administration's (SBA) Local Government Surplus Funds Trust Pools, and these deposits are included in the City's pooled cash accounts. At September 30, 2010, the City maintained \$351,397 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool B (Fund B). Fund B consists of assets that have defaulted on payment, paid more slowly than expected, and/or were assessed as having significant credit and liquidity risk. Fund B has been "frozen" by the SBA since December 2007, but has distributed portions of the pool to participants since that date. Since December 2007, the City has received \$1,328,122 in distributions from Fund B, including \$102,878 received during the year ended September 30, 2010. Fund B will continue to distribute funds to all participants as the assets within the Fund are able to be liquidated. The primary goal of the Fund is to make members "whole" and not realize a loss on the investment. Fund B has not received a credit rating by any of the nationally-recognized rating agencies as of September 30, 2010. The City believes that it will not incur a loss on the realizable value of the remaining investments held in the Fund.

Due to the nature of securities in Fund B, the interest rate risk information required by GASB 40 is not available. However, an estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at September 30, 2010, is estimated at 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

The City also maintains \$180,907 invested in the SBA's Florida PRIME. The Florida PRIME current credit rating is AAAM by Standard and Poor's. The weighted average to maturity (WAM) of the Florida PRIME at September 30, 2010, is 52 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 4 - RECEIVABLES

Receivables at September 30, 2010, were as follows:

	Governmental Activities			Discretely Presented Component Unit
	Other Govern- mental Funds			Community Redevelop- ment Fund
	General	Total	Total	
Taxes	\$ 15,426	\$ -	\$ 15,426	\$ -
Accounts	74,527	211	74,738	401
Assessments	125,019	-	125,019	73,440
Other	1,405	-	1,405	-
Total receivables	<u>\$ 216,377</u>	<u>\$ 211</u>	<u>\$ 216,588</u>	<u>\$ 73,841</u>

	Business-Type Activities				
				Other Proprietary Funds	Total
	Utilities	Sanitation	Golf		
Accounts	\$ 526,665	\$ 202,192	\$ -	\$ 44,402	\$ 773,259
Less allowance for doubtful accounts	(59,223)	(17,182)	-	(4,014)	(80,419)
Assessments	18,753	-	-	-	18,753
Other	-	-	1,743	-	1,743
Total receivables	<u>\$ 486,195</u>	<u>\$ 185,010</u>	<u>\$ 1,743</u>	<u>\$ 40,388</u>	<u>\$ 713,336</u>

Due from Other Governments

The City's receivables from other governments for governmental activities and business-type activities as of September 30, 2010, are \$823,827 and \$68,418, respectively. Due from other governments consist of \$800,073 due from the federal government and \$78,144 due from the State of Florida. All receivables from the federal government are related to grant revenues, primarily American Recovery and Reinvestment Act (ARRA) funds related to street paving. The receivables due from the State of Florida also represent grant revenues, primarily related the golf course water re-use system expansion. The remainder of the balance, \$14,028, is receivable from the City's Pension Plans for reimbursement for payment of the Pension Plan's fiduciary insurance premiums.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 9,643,584	\$ -	\$ (13,411)	\$ 9,630,173
Construction in progress	<u>1,999</u>	<u>213</u>	<u>(1,999)</u>	<u>213</u>
Total capital assets not being depreciated	<u>9,645,583</u>	<u>213</u>	<u>(15,410)</u>	<u>9,630,386</u>
Capital assets being depreciated				
Buildings	14,009,710	-	-	14,009,710
Improvements other than buildings	4,893,199	22,300	4,848	4,920,347
Infrastructure	12,167,366	820,796	(860,838)	12,127,324
Machinery and equipment	7,618,471	389,973	(1,051,780)	6,956,664
Equipment under capital lease	<u>299,948</u>	<u>-</u>	<u>-</u>	<u>299,948</u>
Total capital assets being depreciated	<u>38,988,694</u>	<u>1,233,069</u>	<u>(1,907,770)</u>	<u>38,313,993</u>
Less accumulated depreciation				
Buildings	(5,992,421)	(446,756)	-	(6,439,177)
Improvements other than buildings	(2,420,612)	(205,491)	(524)	(2,626,627)
Infrastructure	(8,196,346)	(270,846)	860,838	(7,606,354)
Machinery and equipment	(6,384,025)	(400,698)	1,051,813	(5,732,910)
Equipment under capital lease	<u>(147,475)</u>	<u>(29,995)</u>	<u>-</u>	<u>(177,470)</u>
Total accumulated depreciation	<u>(23,140,879)</u>	<u>(1,353,786)</u>	<u>1,912,127</u>	<u>(22,582,538)</u>
Total capital assets being depreciated, net	<u>15,847,815</u>	<u>(120,717)</u>	<u>4,357</u>	<u>15,731,455</u>
Governmental activities, net	<u>\$ 25,493,398</u>	<u>\$ (120,504)</u>	<u>\$ (11,053)</u>	<u>\$ 25,361,841</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 765,078	\$ -	\$ -	\$ 765,078
Construction in progress	<u>1,397,605</u>	<u>369,943</u>	<u>(165,602)</u>	<u>1,601,946</u>
Total capital assets not being depreciated	<u>2,162,683</u>	<u>369,943</u>	<u>(165,602)</u>	<u>2,367,024</u>
Capital assets being depreciated				
Buildings	3,567,232	51,483	-	3,618,715
Improvements other than buildings	41,014,838	921,281	157,546	42,093,665
Machinery and equipment	11,074,858	354,988	(398,251)	11,031,595
Equipment under capital lease	<u>532,696</u>	<u>-</u>	<u>-</u>	<u>532,696</u>
Total capital assets being depreciated	<u>56,189,624</u>	<u>1,327,752</u>	<u>(240,705)</u>	<u>57,276,671</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-Type Activities (Continued)				
Less accumulated depreciation				
Buildings	(1,164,726)	(117,735)	-	(1,282,461)
Improvements other than buildings	(22,022,681)	(905,185)	(18,001)	(22,945,867)
Machinery and equipment	(7,756,195)	(878,889)	416,921	(8,218,163)
Equipment under capital lease	<u>(233,153)</u>	<u>(78,131)</u>	<u>-</u>	<u>(311,284)</u>
Total accumulated depreciation	<u>(31,176,755)</u>	<u>(1,979,940)</u>	<u>398,920</u>	<u>(32,757,775)</u>
Total capital assets being depreciated, net	<u>25,012,869</u>	<u>(652,188)</u>	<u>158,215</u>	<u>24,518,896</u>
Business-type activities, net	<u>\$ 27,175,552</u>	<u>\$ (282,245)</u>	<u>\$ (7,387)</u>	<u>\$ 26,885,920</u>

Discretely Presented Component Unit

Activity for the Community Redevelopment Agency for the year ended September 30, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 193,928	\$ 137,160	\$ -	\$ 331,088
Construction in progress	<u>183,561</u>	<u>246,990</u>	<u>(183,561)</u>	<u>246,990</u>
Total capital assets not being depreciated	<u>377,489</u>	<u>384,150</u>	<u>(183,561)</u>	<u>578,078</u>
Capital assets being depreciated				
Buildings	-	48,083	70,280	118,363
Improvements other than buildings	5,069,817	430,794	113,282	5,613,893
Infrastructure	44,200	-	-	44,200
Machinery and equipment	<u>105,427</u>	<u>19,465</u>	<u>(1,682)</u>	<u>123,210</u>
Total capital assets being depreciated	<u>5,219,444</u>	<u>498,342</u>	<u>181,880</u>	<u>5,899,666</u>
Less accumulated depreciation				
Buildings	-	(3,945)	-	(3,945)
Improvements other than buildings	(1,179,596)	(296,960)	-	(1,476,556)
Infrastructure	(6,814)	-	-	(6,814)
Machinery and equipment	<u>(71,303)</u>	<u>(12,122)</u>	<u>1,681</u>	<u>(81,744)</u>
Total accumulated depreciation	<u>(1,257,713)</u>	<u>(313,027)</u>	<u>1,681</u>	<u>(1,569,059)</u>
Total capital assets being depreciated, net	<u>3,961,731</u>	<u>185,315</u>	<u>183,561</u>	<u>4,330,607</u>
Total, net	<u>\$ 4,339,220</u>	<u>\$ 322,475</u>	<u>\$ 183,561</u>	<u>\$ 4,908,685</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit (Continued)

Amortization of equipment under capital lease is included with depreciation expense in the financial statements. Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 136,666
Public safety	415,325
Physical environment	58,870
Transportation	338,274
Culture and recreation	<u>404,651</u>
Total depreciation expense - governmental activities	<u>\$ 1,353,786</u>
Business-Type Activities	
Utilities Fund	\$ 1,428,340
Sanitation Fund	188,608
Golf Fund	302,720
Other Proprietary Funds	<u>60,272</u>
Total depreciation expense - business-type activities	<u>\$ 1,979,940</u>

Construction Commitments

The City has begun certain projects which remain open at year-end. These projects are as follows:

As part of the City's renewal and replacement plan, the City has spent a total of \$781,453 installing new commercial and residential water meters as the existing meters are reaching the end of their useful life. The replacement is funded from net assets of the Utility Fund.

The City is in the process of upgrading lift stations at various locations. The decision was made to close the City's existing Waste Water Treatment Plant (WWTP) due to aging, and the potential cost of upgrading the facility. The redirection of the City's effluent discharge to Okaloosa County's WWTP created the need to install larger pumps due to increased head pressure. As of September 30, 2010, the City has spent \$124,728 on these upgrades which are slated for completion in 2011.

The City has expended \$56,891 thus far on the City's water line to the new Okaloosa County Judicial Center. This project is funded with impact fees and is expected to be completed in 2011.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Construction Commitments (Continued)

The City entered into an agreement with the Florida Department of Transportation (FDOT) to replace the existing strain poles with mast arms to support the signal lights at the intersection of state road 85 and Hollywood Boulevard. The City has provided \$246,990 to-date for this project, which will be completed by FDOT. This project is being constructed within the community redevelopment area and is included in the component unit, Community Redevelopment Agency.

The City is continuing the expansion of the water reuse line. This project began as a partnership between Hurlburt Field and the City to install over 30,000 linear feet of re-use water main. Initial funding received from the Florida Defense Infrastructure Grant (FDIG) program allowed the installation of approximately 11,500 linear feet. No funding was expended on the Hurlburt Reuse line in fiscal year 2010. The City has expended \$1,232,002 on this project to-date and is pursuing a State Revolving Fund (SRF) loan through the Florida Department of Environmental protection (DEP) to complete the remaining phases of this project.

NOTE 6 - CHANGE IN ESTIMATE OF USEFUL LIVES

During the year ended September 30, 2010, the City determined that the water meters used in the City's utility operations were aging, and should be replaced. As a result, the City re-assessed the assets' useful lives and determined that the original estimated useful lives for the meters of twenty to thirty years should be adjusted due to the current condition of the meters. The City estimated that many of the meters were no longer useful for service and that the remaining meters had a useful life of six months as of September 30, 2010. The change in the estimated useful life of the meters resulted in additional depreciation on the meters of the meters of \$312,868 for the year ending September 30, 2010. As a result, of the additional depreciation, operating income and change in assets has been decreased in the Utilities Fund by \$312,868 for the year ending September 30, 2010.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 6 - CHANGE IN ESTIMATE OF USEFUL LIVES (CONTINUED)

Had the change in estimated useful lives not occurred during the year, future years' change in net assets would be decreased by the following amount, as a result of depreciation expense recognized in the future years, as follows:

Effect of the Change on Future Operating Income	
<i>Future operating income would decrease by:</i>	
2011	\$ 24,957
2012	\$ 49,914
2013	\$ 49,914
2014	\$ 49,914
2015	\$ 49,914
2016	\$ 49,914
2017	\$ 25,465
2018 - 2031	\$ 12,883

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The City of Fort Walton Beach, Florida sponsors three single-employer defined benefit pension plans: the General Employees' Retirement Fund (GERF), Police Officers' Retirement Fund (PORF) and the Firefighters' Retirement Fund (FRF). These plans provide benefits for all qualifying employees of the City. The financial activity of each plan is reported as a Pension Trust Fund in the City of Fort Walton Beach, Florida's internal combined financial statements and can also be found in Section E of this note. There is no separate report available for the individual pension plans.

A. Basis of Accounting and Method Used to Value Investments

Each plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Administrative costs are financed from each respective fund's investment earnings.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Plan Descriptions

Membership of each plan consisted of the following at September 30, 2010, the date of the latest actuarial valuation:

	GERF	PORF	FRF
Retirees and beneficiaries receiving benefits	129	37	24
Terminated plan members entitled to but not yet receiving benefits	12	9	-
Disabled participants	6	5	1
Active plan members	154	43	37
Total	301	94	62

General Employees' Retirement Fund (GERF) - Plan Description

Plan Description - The GERF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all full-time general municipal employees hired after May 14, 1996 through December 31, 2009. Employees hired after this date are not eligible to participate. Cost-of-living increases of up to 3% are provided to retirees and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the City.

Police Officers' Retirement Fund (PORF) - Plan Description

Plan Description - The PORF is administered by the Police Officers' Pension Fund Board of Trustees. The PORF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all certified police officers. Cost-of-living increases of up to 3% are provided to retirees and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the Board of Trustees.

Firefighters' Retirement Fund (FRF) - Plan Description

Plan Description - The FRF is administered by the Firefighters' Pension Fund Board of Trustees. The FRF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all firefighters. Cost-of-living increases of up to 3% are provided to retirees and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the Board of Trustees.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions, Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the City are established annually and amended by City ordinance. Plan members are required to contribute at a set percentage of their annual covered salaries. The City is required to contribute at an actuarially determined rate. The State of Florida also contributes to the Police Officers' Retirement Fund (PORF) and the Firefighters' Retirement Fund (FRF). Contributions from the State for the PORF of \$165,213 and \$165,184 for the FRF are included in the governmental activities revenue and expenses for the year ending September 30, 2010.

None of the three Plans addresses maximum contribution rates.

The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>GERF</u>	<u>PORF</u>	<u>FRF</u>
Contribution rates (percentage of covered payroll)			
City	26.4 %	20.3 %	25.3 %
Plan members	5.0 %	5.0 %	6.6 %
Annual pension cost	\$ 1,477,777	\$ 500,007	\$ 574,278
Contributions made			
Employer	\$ 1,477,777	\$ 516,828	\$ 574,278
State of Florida	\$ -	\$ 165,213	\$ 165,184
Net pension obligation (asset)	\$ (2,105)	\$ (55,259)	\$ (181,809)
Actuarial valuation date	9/30/2010	10/1/2009	10/1/2009
Actuarial cost method	Individual Entry Age	Entry Age Normal	Entry Age Normal
Amortization method	Normal Cost, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	15 years	24 years	30 Years
Asset valuation method	5-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions			
Invested rate of return	8.0 %	8.0 %	8.0 %
Projected salary increases*	4.0-8.0%	7.5 %	6.5 %
* Includes inflation at	4.0 %	3.0 %	3.0 %
Post retirement COLA	3.0 %	3.0 %	3.0 %

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions, Funding Policy and Annual Pension Cost (Continued)

		Three-Year Trend Information		
	Year Ending	Actuarially Determined Contribution	Percentage Contribution	Net Pension Obligation (Asset)
GERF	September 30, 2008	\$ 1,231,168	100 %	\$ (2,584)
	September 30, 2009	1,268,019	100 %	(2,261)
	September 30, 2010	1,477,777	100 %	(2,105)
PORF	September 30, 2008	306,805	100 %	(41,485)
	September 30, 2009	407,159	100 %	(41,030)
	September 30, 2010	500,007	103 %	(55,259)
FRF	September 29, 2008	193,079	100 %	(192,457)
	September 30, 2009	421,935	110 %	(190,344)
	September 30, 2010	574,278	100 %	(181,809)

The components of net pension cost, the increase in Net Pension Asset, and the Net Pension Asset for the year ended September 30, 2010, for the General Employees', Police Officers' and Firefighters' Retirement Funds are as follows:

	General Employees'	Police Officers'	Firefighters'
Actuarially determined contribution	\$ 1,477,777	\$ 500,007	\$ 574,278
Interest on net pension asset	(181)	(3,282)	(15,228)
Adjustment to actuarially determined annual pension cost	337	5,874	23,763
Annual pension cost	1,477,933	502,599	582,813
Contribution made	1,477,777	516,828	574,278
Change in net pension asset	(156)	14,229	(8,535)
Net pension asset - beginning of year	2,261	41,030	190,344
Net pension asset - end of year	<u>\$ 2,105</u>	<u>\$ 55,259</u>	<u>\$ 181,809</u>

The funded status of each plan as of September 30, 2010, the most recent actuarial valuation date is as follows (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll
GERF	\$ 34,352,072	\$ 40,510,991	\$ 6,158,919	84.80 %	\$ 5,595,076	110.08 %
PORF	18,874,149	24,702,783	5,828,634	76.40 %	2,195,529	265.48 %
FRF	10,591,930	17,167,805	6,575,875	61.70 %	2,116,516	310.69 %

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Required Supplementary Information

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

E. Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERF, PORF and FRF) for the year ended September 30, 2010:

	<u>COMBINING STATEMENT OF PLAN NET ASSETS</u>			<u>Total Employee Retirement Funds</u>
	<u>Employee Retirement Funds</u>			
	<u>General Employees' Retirement</u>	<u>Police Officers' Retirement</u>	<u>Firefighters' Retirement</u>	
ASSETS				
Cash and cash equivalents	\$ 1,423,372	\$ 1,429,507	\$ 334,468	\$ 3,187,347
Due from City	-	-	34,072	34,072
Investments, at market				
U.S. Government and agency obligations	5,461,079	3,232,280	1,792,305	10,485,664
Corporate obligations	5,126,766	2,200,410	1,709,345	9,036,521
Corporate equity	11,349,173	6,796,607	-	18,145,780
Mutual funds	<u>6,626,208</u>	<u>3,593,937</u>	<u>5,913,045</u>	<u>16,133,190</u>
Total investments, at market	<u>28,563,226</u>	<u>15,823,234</u>	<u>9,414,695</u>	<u>53,801,155</u>
TOTAL ASSETS	<u>\$ 29,986,598</u>	<u>\$ 17,252,741</u>	<u>\$ 9,783,235</u>	<u>\$ 57,022,574</u>
LIABILITIES				
Due to City	<u>\$ 5,776</u>	<u>\$ 4,126</u>	<u>\$ 4,126</u>	<u>\$ 14,028</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	<u>\$ 29,980,822</u>	<u>\$ 17,248,615</u>	<u>\$ 9,779,109</u>	<u>\$ 57,008,546</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Fund Financial Statements (Continued)

	COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS			Total Employee Retirement Funds
	Employee Retirement Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ADDITIONS				
Contributions				
Employer	\$ 1,477,777	\$ 516,828	\$ 574,278	\$ 2,568,883
Plan members	322,527	108,768	139,499	570,794
State of Florida	-	165,213	165,184	330,397
Total contributions	<u>1,800,304</u>	<u>790,809</u>	<u>878,961</u>	<u>3,470,074</u>
Investment income (loss)	2,677,998	1,361,863	969,611	5,009,472
Less investment expense	<u>(111,054)</u>	<u>(84,250)</u>	<u>(35,150)</u>	<u>(230,454)</u>
Net investment income (loss)	2,566,944	1,277,613	934,461	4,779,018
Miscellaneous revenue	<u>51,060</u>	<u>1,462</u>	<u>386</u>	<u>52,908</u>
TOTAL ADDITIONS	<u>4,418,308</u>	<u>2,069,884</u>	<u>1,813,808</u>	<u>8,302,000</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	1,944,640	1,005,184	974,267	3,924,091
Disability payments	63,055	92,107	24,634	179,796
Refunds	<u>119,321</u>	<u>40,366</u>	<u>26,904</u>	<u>186,591</u>
Total benefits and refunds paid	<u>2,127,016</u>	<u>1,137,657</u>	<u>1,025,805</u>	<u>4,290,478</u>
Administrative expenses				
Legal	13,564	11,209	5,558	30,331
Contractual services	68,800	39,354	32,997	141,151
Other	<u>8,338</u>	<u>5,439</u>	<u>12,592</u>	<u>26,369</u>
Total administrative expenses	<u>90,702</u>	<u>56,002</u>	<u>51,147</u>	<u>197,851</u>
TOTAL DEDUCTIONS	<u>2,217,718</u>	<u>1,193,659</u>	<u>1,076,952</u>	<u>4,488,329</u>
NET INCREASE (DECREASE)	2,200,590	876,225	736,856	3,813,671
BEGINNING OF YEAR	<u>27,780,232</u>	<u>16,372,390</u>	<u>9,042,253</u>	<u>53,194,875</u>
END OF YEAR	<u>\$ 29,980,822</u>	<u>\$ 17,248,615</u>	<u>\$ 9,779,109</u>	<u>\$ 57,008,546</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

General Employees Defined Benefit Pension Plan

In December 2009, Council passed resolutions to close the General Employees Defined Benefit Plan to employees as of December 31, 2009. All full-time employees hired after January 1, 2010 became members of the City of Fort Walton Beach Defined Contribution Retirement Plan (Plan). The Plan is a money purchase defined contribution retirement plan administered by ICMA Retirement Corporation, with the City serving as trustee. All funds are held in the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust. The City Finance Director serves as the coordinator for the Plan. The Plan requires a 5% payroll contribution by the employee with a 5% employer (City) match, and employees can increase their contribution by an additional 2½%, which would also be matched by the employer (City). Members of the General Employees Defined Benefit Pension Plan who are not fully or partially vested may transfer their contribution to the Plan. Elections to make the transfer are irrevocable. Members of the General Employees Defined Benefit Pension Plan who are fully vested may also transfer to the Plan and shall be eligible for a deferred vested benefit based on their vested interest in the Plan, credited service and final average earnings as of the date they join the Plan.

The authority for establishing and amending the Plan's provisions lies with the City Council. The City Council also has the authority for amending contribution requirements. Contributions made to the Plan by the employees and by the City were \$20,033 and \$20,033, respectively, for the year ending September 30, 2010.

NOTE 9 - DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary before federal income taxes to a retirement account. The assets are held in trust for the employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable.

In accordance with GASB Statement No. 32, the assets and liabilities of the plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Assets of the plan have a fair value of \$2,242,098 at September 30, 2010. Contributions made by plan members during the year ended September 30, 2010, were \$217,940.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit eligible retirees (as defined in the City's pension plans) and their eligible dependents to participate in the health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended 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 City provides this benefit to its employees through a single-employer defined benefit plan. The plan does not issue a separate report.

B. Funding Policy

The City is financing the post employee benefits on a "pay-as-you-go" basis. For fiscal year 2010, 56 retirees and/or dependents received health care benefits. Annual required implied contributions were \$328,899 for the current fiscal year, towards which the City made an implied contribution of \$236,253. Retiree contributions totaled \$325,556 for the fiscal year ended September 30, 2010. At September 30, 2010, the City recorded a net OPEB obligation of \$106,474 for governmental activities and \$40,008 for business-type activities in its government-wide statement of net assets. The OPEB obligation is a function of the annual required contribution, interest, adjustments to the annual required contribution, annual pension costs, and actual employers' contributions made to the plan.

C. Membership

At September 30, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	56
Terminated employees entitled to benefits but not receiving them	-
Active employees	<u>190</u>
Total	<u>246</u>
Participating employers	<u>1</u>

D. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed thirty years.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Annual required contribution	\$ 331,300
Interest on net OPEB obligation	6,592
Adjustment to annual required contribution	<u>(8,993)</u>
Annual OPEB cost (expense) total	328,899
Employer contributions	<u>(236,253)</u>
Increase in net OPEB obligation	92,646
Net OPEB obligation - beginning of year	<u>146,482</u>
Net OPEB obligation - end of year	<u>\$ 239,128</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past two years (fiscal year ending September 30, 2009 was the first year of implementation), were as follows:

	Three-Year Trend Information			Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	City* Contributions	Percentage Contributed	
September 30, 2008	\$ -	\$ -	- %	\$ -
September 30, 2009	442,811	296,328	67.00 %	146,482
September 30, 2010	328,899	236,253	72.00 %	239,128

*Limited to the difference between age-adjusted and composite premiums paid for retirees during the year.

E. Required Supplementary Information

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of employer contributions can also be found in the supplemental information of this comprehensive annual report.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Required Supplementary Information (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan 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 plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. 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.

In the actuarial valuation as of September 30, 2010, the Projected Unit Credit Actuarial Costs Method (PUC) was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare costs trend rate of 9% initially (fiscal year ending September 30, 2010), reduced by decrements to an ultimate rate of 5% beginning in fiscal year ending September 30, 2014. Both rates included a 5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a thirty-year period, utilizing the level dollar payment method. Amortizations were assumed to begin on October 1, 2009, and to continue monthly for the 30 remaining years.

The actuarial accrued liability was \$4,768,818 for the year ended September 30, 2010, and is equal to the unfunded actuarial accrued liability.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 11 - 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; injuries to employees; employee medical benefits and natural disasters. The City purchases insurance through commercial carriers. Insurance coverage for workers' compensation, liability, casualty, inland marine, flood, police accidental death, public officials' bonds, fiduciary and fuel tanks were purchased from several commercial carriers during the year ended September 30, 2010. There has been no significant reduction in insurance coverage from the prior year. Commercial insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

During fiscal year 1997, the City Council approved a self-insured dental program for its employees, retirees and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants. As part of this program, the City originally purchased aggregate stop-loss coverage; however, it was discontinued beginning in fiscal year 1999 as paid claims did not exceed the stop-loss amount in either of the two previous fiscal years. The City contracts with a service agent and third party administrator to process claims. The risk financing activities are recorded in each individual fund.

During September 30, 2010, all funds of the City participated in the City's dental self-insurance program and made payments on historical cost information of the amounts needed to pay prior and current year claims.

Changes in the Fund's claim liability amount in fiscal year 2010 and 2009 are as follows:

	<u>Beginning of Year Claims Liability</u>	<u>Incurred Claims</u>	<u>Payment of Claims</u>	<u>End of Year Claims Liability</u>
Fiscal Year 2009	\$ -	\$ 166,864	\$ 166,864	\$ -
Fiscal Year 2010	-	133,301	133,301	-

NOTE 12 - OPERATING LEASES

Lessor

The City receives rental income from leasing various parcels of land under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2010, was \$233,265 in the General Fund, \$14,990 in the Utilities Funds and \$33,040 in the Golf Fund.

In addition, the City also leases a portion of its Golf Clubhouse for retail and food service operations. The rent received for this lease for the fiscal year ended September 30, 2010, totaled \$66,879.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 12 - OPERATING LEASES (CONTINUED)

Lessor (Continued)

Future minimum lease payments receivable are as follows:

Year Ending September 30	Governmental	Business-Type Activities	
	Activities	Utilities	Golf
2011	\$ 214,911	\$ 15,141	\$ 101,368
2012	207,812	15,444	90,877
2013	210,740	15,753	69,223
2014	202,872	16,068	69,915
2015	<u>202,744</u>	<u>16,389</u>	<u>70,614</u>
Total minimum lease payments	<u>\$ 1,039,079</u>	<u>\$ 78,795</u>	<u>\$ 401,997</u>

Lessee

The City leases golf course equipment in the Golf Fund in an operating lease, through a finance company. The lease term began July 1, 2009, and terminates January 1, 2013. Monthly lease payments are \$9,593 per month. Lease expense for the year ending September 30, 2010, was \$115,116.

Future minimum lease payments are as follows:

Year Ending September 30	Business-Type
	Activities
	Golf
2011	\$ 115,116
2012	115,116
2013	<u>28,779</u>
Total minimum lease payments	<u>\$ 259,011</u>

NOTE 13 - CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of certain public safety vehicles, land moving equipment, golf system equipment, and various other types of equipment. The lease agreements qualify as capital leases for accounting purposes as a result of the transfer of title or bargain purchase option and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund and the Utilities, Golf, and Stormwater Enterprise Funds respectively.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 13 - CAPITAL LEASES (CONTINUED)

The assets acquired through capital leases are as follows:

Assets	Governmental Activities	Business-Type Activities		
		Utilities	Golf	Other Enterprise Funds
Golf carts	\$ -	\$ -	\$ -	\$ -
Golf lawn maintenance equipment	-	-	248,639	-
Backhoes	-	63,813	-	-
Wheel loaders	-	76,546	-	-
Fire truck	299,948	-	-	-
Street sweeper	-	-	-	143,698
Total leases acquired	<u>299,948</u>	<u>140,359</u>	<u>248,639</u>	<u>143,698</u>
Accumulated depreciation	<u>(177,470)</u>	<u>(69,542)</u>	<u>(87,006)</u>	<u>(76,605)</u>
Net assets acquired by lease	<u>\$ 122,478</u>	<u>\$ 70,817</u>	<u>\$ 161,633</u>	<u>\$ 67,093</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2010, are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities		
		Utilities	Golf	Other Enterprise Funds
2011	\$ 48,496	\$ 7,770	\$ 54,148	\$ 17,497
2012	-	-	54,148	-
2013	-	-	13,537	-
Total minimum lease payments	<u>48,496</u>	<u>7,770</u>	<u>121,833</u>	<u>17,497</u>
Less amount representing interest	<u>(1,122)</u>	<u>(149)</u>	<u>(4,878)</u>	<u>(336)</u>
Present value of minimum lease payments	<u>\$ 47,374</u>	<u>\$ 7,621</u>	<u>\$ 116,955</u>	<u>\$ 17,161</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 14 - LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

The following is a summary of changes in long-term debt liabilities of the City for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital improvement revenue bonds Series 2001	\$ 4,885,000	\$ -	\$ (130,000)	\$ 4,755,000	\$ 140,000
Less deferred amounts for issuance costs	(48,395)	-	2,179	(46,216)	-
*Capital leases	93,003	-	(45,629)	47,374	47,374
Compensated absences	<u>790,304</u>	<u>288,150</u>	<u>(443,295)</u>	<u>635,159</u>	<u>158,790</u>
Total governmental activities	<u>\$ 5,719,912</u>	<u>\$ 288,150</u>	<u>\$ (616,745)</u>	<u>\$ 5,391,317</u>	<u>\$ 346,164</u>
Business-Type Activities					
Public improvement refunding bonds Series 1998	\$ 725,000	\$ -	\$ (355,000)	\$ 370,000	\$ 370,000
Less deferred amounts for issuance discount	(6,887)	-	3,849	(3,038)	-
Less deferred amounts for loss on refunding	(31,672)	-	17,677	(13,995)	-
Capital improvement revenue bonds Series 1999	2,810,000	-	(75,000)	2,735,000	85,000
Less deferred amounts for issuance discount	(27,338)	-	1,353	(25,985)	-
Florida municipal loan revenue bonds Series 2000	295,000	-	(145,000)	150,000	150,000
Less deferred amounts for issuance discount	(334)	-	297	(37)	(37)
Utility system revenue bonds Series 2005	10,910,000	-	(160,000)	10,750,000	165,000
Less deferred amounts for issuance discounts	(130,311)	-	5,091	(125,220)	-
Compensated absences	212,914	133,601	(135,691)	210,824	52,705
* Capital leases	<u>226,886</u>	<u>-</u>	<u>(85,149)</u>	<u>141,737</u>	<u>75,619</u>
Total business-type activities	<u>\$ 14,983,258</u>	<u>\$ 133,601</u>	<u>\$ (927,573)</u>	<u>\$ 14,189,286</u>	<u>\$ 898,287</u>

*Adjusted for capital lease transferred to business-type activities.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 14 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
<i>Revenue Bonds</i>			
\$5,740,000 City of Fort Walton Beach, Florida, Capital Improvement Bonds, Series 2001, due in annual installments of \$55,000 to \$350,000 through 2031; interest at 2.5% to 5.0%. Available non-ad valorem revenues are pledged for payment of the bonds. Proceeds used for construction of certain capital improvements.	\$ 140,000	\$ 4,615,000	\$ 4,755,000
Less unamortized bond discount	-	(46,216)	(46,216)
<i>Total revenue bonds</i>	140,000	4,568,784	4,708,784
<i>Leases</i>			
\$299,948 capital lease payable, 2005, due in monthly installments of \$12,124 through August 2011, collateralized by a fire pumper.	47,374	-	47,374
<i>Total leases</i>	47,374	-	47,374
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types.	158,790	476,369	635,159
TOTAL GOVERNMENTAL ACTIVITIES	\$ 346,164	\$ 5,045,153	\$ 5,391,317
BUSINESS-TYPE ACTIVITIES			
<i>Revenue bonds</i>			
\$10,910,000 Utility System Revenue Bonds, Series 2005, due in annual installments of \$160,000 to \$690,000 beginning 2010 through 2035, with interest-only payments from 2005 through 2009; interest at 3.1% to 4.6%. Net revenues derived by the City from the utility operations are pledged for the payment of the bonds. Proceeds used for water system and wastewater system improvements.	\$ 165,000	\$ 10,585,000	\$ 10,750,000
Less unamortized bond discount	-	(125,220)	(125,220)
\$1,250,000 Florida Municipal Loan Council Revenue Bonds, Series 2000B, due in annual installments of \$105,000 to \$150,000 through November 2010; interest at 4.25% to 4.75%. Available non-ad valorem and net revenues from Sewer Fund services are pledged for payment of the bonds. Proceeds used for constructing City sewer system improvements.	150,000	-	150,000
Less unamortized bond discount	(37)	-	(37)

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 14 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<i>Revenue bonds (Continued)</i>			
\$4,680,000 City of Fort Walton Beach, Florida, Public Improvement Revenue Refunding Bonds, Series 1998, due in annual installments of \$200,000 to \$500,000 through 2011; interest at 3.100% to 4.250%. Available half-cent sales taxes are pledged for payment of the bonds. Proceeds used for sewer and golf system improvements. The liability is recorded pro rata in the respective funds.	370,000	-	370,000
Less unamortized bond discount	-	(3,038)	(3,038)
Less unamortized deferred loss on refunding	-	(13,995)	(13,995)
\$3,055,000 City of Fort Walton Beach, Florida, Capital Improvement Bonds, Series 1999A, due in annual installments of \$25,000 to \$200,000 through 2029; interest at 4.00% to 5.75%. Available non-ad valorem and net revenues from golf course recreation facilities are pledged for payment of the bonds. Proceeds used for capital improvements of golf recreation facilities.	85,000	2,650,000	2,735,000
Less unamortized bond discount	-	(25,985)	(25,985)
<i>Total revenue bonds</i>	769,963	13,066,762	13,836,725
<i>Leases</i>			
\$248,589 capital lease payable, 2008, due in monthly installments of \$4,512 through December 2012, collateralized by lawn maintenance equipment.	50,837	66,118	116,955
\$63,813 capital lease payable, 2004, due in quarterly installments of \$2,590 through May 2011, collateralized by an extend-a-hoe.	7,621	-	7,621
\$143,698 capital lease payable, 2004, due in quarterly installments of \$5,832 through May 2011, collateralized by a street sweeper.	17,161	-	17,161
<i>Total leases</i>	75,619	66,118	141,737
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds.	52,705	158,119	210,824
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 898,287	\$ 13,290,999	\$ 14,189,286
GRAND TOTAL LONG-TERM DEBT			\$ 19,580,603

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 14 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2010, are as follows:

Governmental Activities

Year Ending September 30	Revenue Bonds		Leases	
	Principal	Interest	Principal	Interest
2011	\$ 140,000	\$ 231,520	\$ 47,374	\$ 1,122
2012	145,000	225,640	-	-
2013	150,000	219,405	-	-
2014	155,000	212,805	-	-
2015	165,000	205,830	-	-
2016-2020	935,000	905,905	-	-
2021-2025	1,190,000	652,785	-	-
2026-2030	1,525,000	323,750	-	-
2031-2035	350,000	17,500	-	-
Total	<u>\$ 4,755,000</u>	<u>\$ 2,995,140</u>	<u>\$ 47,374</u>	<u>\$ 1,122</u>

Business-Type Activities

Year Ending September 30	Municipal Loan/Revenue Bonds		Leases	
	Principal	Interest	Principal	Interest
2011	\$ 770,000	\$ 637,468	\$ 75,619	\$ 3,796
2012	360,000	608,174	52,661	1,487
2013	375,000	594,101	13,457	79
2014	390,000	578,954	-	-
2015	405,000	562,781	-	-
2016-2020	2,175,000	2,534,894	-	-
2021-2025	2,840,000	2,029,093	-	-
2026-2030	3,520,000	1,288,025	-	-
2031-2035	3,170,000	440,325	-	-
Total	<u>\$ 14,005,000</u>	<u>\$ 9,273,815</u>	<u>\$ 141,737</u>	<u>\$ 5,362</u>

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES

Public Improvement Refunding Revenue Bonds, Series 1998

1. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the Utilities and Golf Enterprise Funds are shown in the financial statements section of the report.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Public Improvement Refunding Revenue Bonds, Series 1998 (Continued)

2. The City is required to establish Sinking Fund amounts sufficient to pay 1/6 of all interest becoming due on the Bonds on the next semi-annual interest payment date and 1/12 of all principal maturing on the Bonds in the current Bond Year.

	<u>Principal/Interest Payments Due</u>	<u>Sinking Fund Requirement at September 30, 2010</u>	<u>Utilities Fund Allocation</u>	<u>Golf Fund Allocation</u>
Principal due at July 1, 2011	\$ 370,000	\$ 92,500	\$ 74,000	\$ 18,500
Interest due at January 1, 2011	<u>7,863</u>	<u>3,932</u>	<u>3,146</u>	<u>786</u>
Total	<u>\$ 377,863</u>	<u>\$ 96,432</u>	<u>\$ 77,146</u>	<u>\$ 19,286</u> ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Statement of Net Assets of the respective funds.

3. The payment of regularly scheduled debt service on the 1998 Bonds is insured by a policy of municipal bond insurance issued by Financial Security Assurance, Inc. (FSA). The City is required to establish a reserve in the amount of the Reserve Requirement established in the ordinance authorizing the issuance of the 1999 Bonds. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City has satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy. The City expects to issue a Notice of Material Event with respect to the 1998 Bonds based on a change in the rating status of FSA.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2010.
5. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Revenue Bonds, Series 1999

1. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the Golf Enterprise Fund are shown in the financial statements section of the report.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Capital Improvement Revenue Bonds, Series 1999 (Continued)

2. The City is required to establish Sinking Fund amounts sufficient to pay 1/6 of all interest becoming due on the bonds on the next semi-annual interest payment date and 1/12 of all principal maturing on the bonds in the current bond year. Additionally, the City is required to establish additional Sinking Fund amounts sufficient to cover the cost of operations and maintenance for the next ensuing month.

	Annual O&M, Interest, and Principal Costs	Sinking Fund Requirement at September 30, 2010
Operation and maintenance costs	\$ 2,010,567	\$ 167,547
Principal due at July 1, 2011	85,000	21,250
Interest due at January 1, 2011	80,573	40,287
Total	\$ 2,176,140	\$ 229,084 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Statement of Net Assets of the Golf Fund.

3. The payment of regularly scheduled debt service on the 1999 Bonds is insured by a policy of municipal bond insurance issued by Ambac Assurance Corporation (AMBAC). The City is required to establish a reserve in the amount of the Reserve Requirement established in the ordinance authorizing the issuance of the 1999 Bonds. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy from AMBAC. The City expects to issue a Notice of Material Event with respect to the 1999 Bonds based on a change in the rating status of AMBAC.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2010.
5. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Revenue Bonds, Series 2001

1. The Balance Sheet and Statement of Revenues, Expenses, and Changes in Fund Balance of the Debt Service Fund are shown in the financial statements section of the report.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Capital Improvement Revenue Bonds, Series 2001 (Continued)

2. The City is required to establish Sinking Fund amounts sufficient to pay 1/6 of all interest becoming due on the bonds on the next semi-annual interest payment date and 1/12 of all principal maturing on the bonds in the current bond year.

	Principal/Interest Payments Due	Sinking Fund Requirement at September 30, 2010
Principal due at July 1, 2011	\$ 140,000	\$ 35,000
Interest due at January 1, 2011	115,760	57,880
Total	\$ 255,760	\$ 92,880 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Balance Sheet of the Debt Service Fund.

3. The payment of regularly scheduled debt service on the 2001 Bonds is insured by a policy of municipal bond insurance issued by Ambac Assurance Corporation (AMBAC). The City is required to establish a reserve in the amount of the Reserve Requirement established in the ordinance authorizing the issuance of the 2001 Bonds. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy from AMBAC. The City expects to issue a Notice of Material Event with respect to the 2001 Bonds based on a change in the rating status of AMBAC.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2010.
5. The City is not aware of any noncompliance with the bond ordinances.

Utility System Revenue Bonds, Series 2005

1. The Balance Sheet and Statement of Revenues, Expenses, and Changes in Fund Balance of the Debt Service Fund are shown in the financial statements section of the report.
2. The City is required to establish Sinking Fund amounts sufficient to pay 1/6 of all interest becoming due on the Bonds on the next semi-annual interest payment date and 1/12 of all principal maturing on the Bonds in the current Bond Year.

	Principal/Interest Payments Due	Sinking Fund Requirement at September 30, 2010
Principal due at July 1, 2010	\$ 165,000	\$ 41,250
Interest due at January 1, 2010	228,517	114,259
Total	\$ 393,517	\$ 155,509 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Balance Sheet of the Utility Fund.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Utility System Revenue Bonds, Series 2005 (Continued)

3. The payment of regularly scheduled debt service on the 2005 Bonds is insured by a policy of municipal bond insurance issued by Ambac Assurance Corporation (AMBAC). The City is required to establish a reserve in the amount of the Reserve Requirement established by the ordinance authorizing the issuance of the 2001 Bonds. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy from AMBAC. The City expects to issue a Notice of Material Event with respect to the 2005 Bonds based on a change in the rating status of AMBAC.
4. Insurance schedules are included in the Statistical Section of the insurance in force at September 30, 2010.
5. The City is not aware of any noncompliance with the bond ordinances.

NOTE 16 - DEFERRED AND UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources received, but not yet earned. At September 30, 2010, the various components of deferred and unearned revenue were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<i>Governmental Funds</i>			
Special assessment for street resurfacing not yet due	\$ 125,019	\$ -	\$ 125,019
<i>Utilities Fund</i>			
Prepaid utility bills	-	18,070	18,070
<i>Golf Fund</i>			
Prepaid lease revenue	-	2,216	2,216
Gift and prepaid cards	-	16,191	16,191
Total Golf Fund	-	18,407	18,407
Total	\$ 125,019	\$ 36,477	\$ 161,496

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 17 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

<i>Due to/from Other Funds</i>	Receivable Fund	Payable Fund	Amount
	General	Nonmajor Governmental Fund	\$ 744
	General	Golf	271,527
			\$ 272,271

General Fund receivables from the Nonmajor Proprietary Fund (Community Development Block Grant Fund) in the amount of \$744 and from the Golf Fund in the amount of \$271,527 are the result of eliminating temporary deficit cash balances.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Govern- mental Fund</u>	<u>Utility Fund</u>	<u>Golf Fund</u>	
General	\$ -	\$ 439,615	\$ -	\$ 178,000	\$ 617,615
Nonmajor governmental	56,967	-	-	-	56,967
Utilities	1,097,641	-	-	-	1,097,641
Sanitation	708,003	-	40,000	-	748,003
Golf	25,000	-	-	-	25,000
Nonmajor proprietary	15,000	-	-	-	15,000
	\$ 1,902,611	\$ 439,615	\$ 40,000	\$ 178,000	\$ 2,560,226

The transfers out of the General Fund of \$617,615 consist of a \$416,889 transfer to the Debt Service Fund (nonmajor governmental fund) for principal and interest payments on debt, a \$22,726 transfer to the Cemetery Perpetual Care Fund (nonmajor governmental fund) for maintenance, and a \$178,000 transfer to the Golf fund as part of the City's approved two-year plan to forgive the Golf Fund's cash deficit.

Transfers in to the General Fund of \$1,902,611 consist of a \$15,555 transfer from the Beal Cemetery Perpetual Care Fund (nonmajor governmental fund) to cover improvements made to the Beal Memorial Cemetery. The remaining transfers from all other funds are to cover shared expenses per the City's cost allocation plan.

The transfer of \$40,000 from the Sanitation Fund to the Utility Fund is for reimbursement of billing and administration services.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

Soundside Apartments Planned Unit Development

In June 2010, the City entered into a Memorandum of Understanding with the City of Fort Walton Beach Community Redevelopment Agency, the Fort Walton Beach Housing Authority, and Soundside Apartments, LLC for the Soundside Apartments planned unit development (PUD). According to the Memorandum, Germany Terrace, a 50-unit public housing development, will be redeveloped into a 200-unit affordable housing complex. The City also entered into a related Interlocal Agreement whereby the City approved the use of \$2.5 million in Community Redevelopment Agency Special Revenue Trust Funds for site demolition, infrastructure improvements, site restoration and other costs for the project. The total amount will be assessed to, and eventually repaid by the property owner, Soundside LLC, to the City, at no more than \$119,000 per year at 1.5% interest, and shall become payable no sooner than 2 years after the closing date, payable over a 30-year period. This Soundside special assessment is included in the Community Redevelopment Agency (component unit). The special assessment receivable at September 30, 2010 was \$73,440.

Decommission of Wastewater Treatment Facility

The City is in the preliminary phase of decommissioning its wastewater treatment plant that was closed in March 2010. Some progress has been made and to date, nominal costs have been incurred. The City has approval to use proceeds from the 2010 Utility System Revenue Bonds to fund the project. Based on uncertainties in the scope of work and planned future use of the facility, an estimate of \$250,000 for these closure costs has been recorded at September 30, 2010. The estimate is subject to change in the near term as the type of fill material the Florida Department of Environmental Protection will require the City to use is uncertain.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 18 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Wastewater Service Interlocal Agreement with Okaloosa County

On August 11, 2009, the City adopted the Wastewater Service Interlocal Agreement with Okaloosa County (Agreement). The Agreement outlines a long-term association with Okaloosa County Water & Sewer for the treatment of the City's influent wastewater flow at a set percentage of the County's base sewer rate plus a locked-in annual rate escalator. The agreement provides other ancillary benefits to the City such as the provision of "no cost" tertiary treated effluent for use as irrigation water at the City's 36-hole municipal Golf Club. The Agreement is effective for 30 years and can be automatically extended for up to two additional terms for a period of ten years for each extension term.

On a monthly basis, the County will bill the City at a rate equal to \$2.46 per each 1,000 gallons of wastewater flow. Additionally, the City will pay to the County the Sewer Readiness To Serve Fee, which is equal to \$3,750 per month. Beginning March 2011, and each year thereafter, the Readiness to Serve Fee will increase by 3%, annually. Service to the City is scheduled to begin March 2010. The minimum commitment by the City under the Agreement is as follows:

Fiscal Year Ending September 30,	
2011	\$ 45,788
2012	46,589
2013	47,404
2014	48,234
2015	49,078
2016 through 2020	258,576
2021 through 2025	282,007
2026 through 2030	307,562
2031 through 2035	335,432
2036 through 2039	<u>290,102</u>
Total	<u>\$ 1,710,772</u>

Fees paid during the year ended September 30, 2010, were \$1,043,698.

Oil Spill

The City, along with all of Northwest Florida, was impacted by the explosion of the Deepwater Horizon oil rig in April 2010. The City has filed claims for lost income in its golf club, utilities, and sanitation operation, as well as lost sales tax. No amounts have been received as of the date of this report. The impacts of the spill to the City in both the short and long-term is uncertain.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 19 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, will be effective for the City beginning with its year ending September 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is based to observe constraints imposed upon the use of the resources reporting in the governmental funds. Management has not determined what impact, if any, this GASB statement may have on its financial statements.

NOTE 20 - SUBSEQUENT EVENTS

State Revolving Loan Agreement

The City adopted Resolution 2010-35 in November 2010, approving a Revolving Loan Grant Agreement with the State of Florida in the amount of \$2,183,598. The loan has an interest rate of 2.57%, with a payback period of 20 years. Funds from the loan and proceeds from a \$500,000 Defense Infrastructure grant will be used to complete the Hurlburt Field Reuse Water Main.

Defeasance of Capital Improvement Revenue Bonds, Series 1999 A & B

On November 15, 2010, the City's General Fund loaned the Golf Fund \$2,735,000 for the defeasance of the Capital Improvement Revenue Bonds, Series A and B. The loan from the General Fund will be paid back over a 20-year period at an interest rate of 1.50%.

City Council as Community Redevelopment Agency

In January 2011, City Council voted to direct the City Manager and City Attorney to take necessary actions to appoint the Council as the governing body of the Community Redevelopment Agency. Prior to this action, the Community Redevelopment Agency was governed by a board appointed by Council, as described in Note 1-A.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Walton Beach, Florida
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
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)	Annual Covered Payroll (c)	UAAL as % of Payroll
General Employees' Retirement Fund						
September 30, 2010	\$ 34,352,072	\$ 40,510,991	\$ 6,158,919	84.80 %	\$ 5,595,076	110.08 %
September 30, 2009	33,336,278	38,412,778	5,076,500	86.78 %	7,252,396	70.00 %
September 30, 2008	33,388,423	37,349,742	3,961,319	89.39 %	7,521,520	52.67 %
September 30, 2007	32,271,940	34,783,263	2,511,323	92.78 %	8,199,930	30.63 %
September 30, 2006	29,449,082	33,885,353	4,436,271	86.91 %	7,715,643	57.50 %
September 30, 2005	27,938,158	31,397,476	3,459,318	88.98 %	7,190,199	48.11 %
September 30, 2004	27,560,774	27,815,278	254,504	99.09 %	7,064,964	3.60 %
September 30, 2003	27,329,284	26,020,734	(1,308,550)	105.03 %	6,823,892	N/A
September 30, 2002	26,084,080	24,690,082	(1,393,998)	105.65 %	6,687,895	N/A
September 30, 2001	26,691,964	22,847,320	(3,844,644)	116.83 %	6,127,128	N/A
Police Officers' Retirement Fund*						
September 30, 2010	\$ 18,874,149	\$ 24,702,783	\$ 5,828,634	76.40 %	\$ 2,195,529	265.48 %
September 30, 2009	18,858,173	23,738,682	4,880,509	79.44 %	2,557,811	190.81 %
September 30, 2008	18,832,627	22,743,407	3,910,780	82.80 %	2,530,182	154.57 %
September 30, 2007	18,586,034	21,595,595	3,009,561	86.06 %	2,602,616	115.64 %
September 30, 2006	17,266,489	19,896,104	2,629,615	86.78 %	2,257,286	116.49 %
September 30, 2005	16,143,601	18,672,706	2,529,105	86.46 %	2,426,479	104.23 %
September 30, 2004	15,294,319	16,603,462	1,309,143	92.12 %	2,245,042	58.31 %
September 30, 2003	14,898,774	14,898,774	-	100.00 %	2,222,145	N/A
September 30, 2002	14,464,798	14,464,798	-	100.00 %	2,066,386	N/A
September 30, 2001	14,100,143	14,100,143	-	100.00 %	1,913,535	N/A
Firefighters' Retirement Fund						
September 30, 2010	\$ 10,591,930	\$ 17,167,805	\$ 6,575,875	61.70 %	\$ 2,116,516	310.69 %
September 30, 2009	10,492,503	15,950,522	5,458,019	65.78 %	1,988,762	274.44 %
September 30, 2008	10,537,442	14,539,341	4,001,899	72.48 %	1,632,275	245.17 %
September 30, 2007	10,264,599	13,579,972	3,315,373	75.59 %	1,409,038	235.29 %
September 30, 2006	9,499,462	11,757,764	2,258,302	80.79 %	1,807,962	124.91 %
September 30, 2005	8,907,687	10,992,666	2,084,979	81.03 %	1,455,105	143.29 %
September 30, 2004	8,602,487	9,919,601	1,317,114	86.72 %	1,293,587	101.82 %
September 30, 2003	8,479,212	8,404,972	(74,240)	100.88 %	1,111,281	N/A
September 30, 2002	8,363,938	8,340,554	(23,384)	100.28 %	1,085,453	N/A
September 30, 2001	8,248,667	8,266,552	17,885	99.78 %	974,435	1.84 %
	7,927,640	7,998,087	70,447	99.12 %	910,811	7.73 %

* The aggregate method of valuation used for the Police Officers' Retirement Fund does not identify or separately amortize the unfunded actuarial liabilities.

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 7 to the financial statements.

City of Fort Walton Beach, Florida
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES
Unaudited

General Employees' Retirement Fund

	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Other Entity Contribution</u>	<u>Percentage Contributed</u>
September 30, 2010	\$ 1,477,933	\$ 1,477,777	\$ -	99.99 %
September 30, 2009	1,477,777	1,477,777	-	100.00 %
September 30, 2008	1,267,684	1,268,260	-	100.05 %
September 30, 2007	1,231,003	1,231,004	-	100.00 %
September 30, 2006	1,070,599	1,071,742	-	100.11 %
September 30, 2005	678,947	680,552	-	100.24 %
September 30, 2004	491,258	491,258	-	100.00 %
September 30, 2003	467,351	467,351	-	100.00 %
September 30, 2002	192,318	192,318	-	100.00 %
September 30, 2001	201,782	201,782	-	100.00 %
	267,431	267,431	-	100.00 %

Police Officers' Retirement Fund

	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
September 30, 2010	\$ 665,220	\$ 516,828	\$ 165,213	102.53 %
September 30, 2009	578,670	407,159	171,511	100.00 %
September 30, 2008	488,381	306,805	181,576 *	100.00 %
September 30, 2007	516,528	334,952	181,576 *	100.00 %
September 30, 2006	433,829	252,252	181,576 *	100.00 %
September 30, 2005	460,501	278,925	181,576 *	100.00 %
September 30, 2004	360,576	179,000	181,576	100.00 %
September 30, 2003	335,420	153,845	181,576	100.00 %
September 30, 2002	253,331	78,699	174,632	100.00 %
September 30, 2001	318,302	171,511	150,027	101.02 %
	279,869	131,134	148,736	100.00 %

* "Frozen" at \$181,576 per Chapter 185, as amended, though actual contribution has been higher.

Firefighters' Retirement Fund

	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
September 30, 2010	\$ 708,063	\$ 574,278	\$ 165,184	104.43 %
September 30, 2009	555,720	421,935	133,785 *	100.00 %
September 30, 2008	326,864	225,055	133,785 *	109.78 %
September 30, 2007	299,027	169,381	129,646 *	100.00 %
September 30, 2006	240,332	110,686	129,646 *	100.00 %
September 30, 2005	200,627	77,963	122,664 *	100.00 %
September 30, 2004	174,346	51,682	122,664	100.00 %
September 30, 2003	163,705	83,839	121,103	125.19 %
September 30, 2002	102,044	21,328	112,125	130.78 %
September 30, 2001	123,692	44,990	111,156	126.24 %
	79,143	-	103,941	131.33 %

* "Frozen" per Chapter 175, as amended, though actual contribution has been higher.

Additional information as of the latest actuarial valuation can be found in Note 7 to the financial statements.

City of Fort Walton Beach, Florida
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OTHER POST-EMPLOYMENT OBLIGATIONS
Unaudited

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as % of Payroll
September 30, 2010	\$ 4,768,818	\$ -	\$ 4,768,818	- %	\$ 8,291,828	57.51 %
September 30, 2009	6,496,763	-	6,496,763	-	9,000,120	72.19 %
September 30, 2008	-	-	-	-	-	-

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**CITY OF
FORT WALTON BEACH, FLORIDA**

**Combining and Individual
Fund Statements and Schedules**

These financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type. Individual fund statements are necessary to present budgetary comparisons.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

Law Enforcement Trust Special Revenue Fund

To account for funds received from the sale of confiscated property to be utilized for drug enforcement.

Law Enforcement Trust Training Special Revenue Fund

To account for funds received from court fines to be used for additional police department training.

Community Development Block Grant Special Revenue Fund

To account for funds received under the Community Development Block Grant and expenditures of such funds in accordance with federal guidelines.

Beal Memorial Cemetery Perpetual Care Special Revenue Fund

To accumulate funds to meet the requirements of maintaining the City owned cemetery.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest in accordance with bond ordinances.

**City of Fort Walton Beach, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2010**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 276,917	\$ 7,061	\$ -	\$ 1,898,261	\$ -	\$ 2,182,239
Accounts receivable	27	-	-	184	-	211
Prepays	-	350	-	-	-	350
Due from other governments	4,147	-	4,374	-	-	8,521
Cash and cash equivalents - restricted	-	-	-	-	92,880	92,880
TOTAL ASSETS	\$ 281,091	\$ 7,411	\$ 4,374	\$ 1,898,445	\$ 92,880	\$ 2,284,201
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 7,769	\$ -	\$ 14	\$ -	\$ -	\$ 7,783
Accrued expenses and other liabilities	10,462	671	-	-	-	11,133
Due to other funds	-	-	744	-	-	744
Total liabilities	18,231	671	758	-	-	19,660
Fund balance						
Reserved for debt service	-	-	-	-	92,880	92,880
Reserved for prepaids	-	350	-	-	-	350
Reserved for encumbrances	1,544	-	10,889	-	-	12,433
Unreserved, designated	5,117	-	-	-	-	5,117
Unreserved/undesignated	256,199	6,390	(7,273)	1,898,445	-	2,153,761
Total fund balance	262,860	6,740	3,616	1,898,445	92,880	2,264,541
TOTAL LIABILITIES AND FUND BALANCE	\$ 281,091	\$ 7,411	\$ 4,374	\$ 1,898,445	\$ 92,880	\$ 2,284,201

City of Fort Walton Beach, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended September 30, 2010

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care		
REVENUES						
Intergovernmental	\$ 204,127	\$ -	\$ 161,247	\$ -	\$ -	\$ 365,374
Fines and forfeits	4,396	10,310	-	-	-	14,706
Miscellaneous	54,448	122	27	21,716	-	76,313
TOTAL REVENUES	262,971	10,432	161,274	21,716	-	456,393
EXPENDITURES						
Current						
Public safety	19,324	24,290	-	-	-	43,614
Economic environment	-	-	98,996	-	-	98,996
Capital outlay	205,646	-	34,952	-	-	240,598
Debt service						
Principal	-	-	-	-	175,629	175,629
Interest	-	-	-	-	239,716	239,716
Other debt service costs	-	-	-	-	377	377
TOTAL EXPENDITURES	224,970	24,290	133,948	-	415,722	798,930
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,001	(13,858)	27,326	21,716	(415,722)	(342,537)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	22,726	416,889	439,615
Transfers out	(8,952)	-	(32,461)	(15,555)	-	(56,968)
TOTAL OTHER FINANCING SOURCES (USES)	(8,952)	-	(32,461)	7,171	416,889	382,647
NET CHANGE IN FUND BALANCE	29,049	(13,858)	(5,135)	28,887	1,167	40,110
FUND BALANCE - BEGINNING OF YEAR	233,811	20,598	8,751	1,869,558	91,713	2,224,431
FUND BALANCE - END OF YEAR	\$ 262,860	\$ 6,740	\$ 3,616	\$ 1,898,445	\$ 92,880	\$ 2,264,541

City of Fort Walton Beach, Florida
LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 166,604	\$ 204,127	\$ 37,523
Fines and forfeits	-	1,385	4,396	3,011
Miscellaneous	<u>5,700</u>	<u>5,700</u>	<u>54,448</u>	<u>48,748</u>
TOTAL REVENUES	<u>5,700</u>	<u>173,689</u>	<u>262,971</u>	<u>89,282</u>
EXPENDITURES				
Current operations				
Public safety	10,825	19,801	19,324	477
Capital outlay	<u>-</u>	<u>210,967</u>	<u>205,646</u>	<u>5,321</u>
TOTAL EXPENDITURES	<u>10,825</u>	<u>230,768</u>	<u>224,970</u>	<u>5,798</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,125)</u>	<u>(57,079)</u>	<u>38,001</u>	<u>95,080</u>
OTHER FINANCING SOURCES				
Transfers Out	<u>(6,000)</u>	<u>(8,952)</u>	<u>(8,952)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(11,125)	(66,031)	29,049	95,080
FUND BALANCE - BEGINNING OF YEAR	<u>11,125</u>	<u>66,031</u>	<u>233,811</u>	<u>167,780</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,860</u>	<u>\$ 262,860</u>

City of Fort Walton Beach, Florida
LAW ENFORCEMENT TRUST TRAINING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Fines and forfeits	\$ 12,000	\$ 12,000	\$ 10,310	\$ (1,690)
Miscellaneous	<u>600</u>	<u>600</u>	<u>122</u>	<u>(478)</u>
TOTAL REVENUES	<u>12,600</u>	<u>12,600</u>	<u>10,432</u>	<u>(2,168)</u>
EXPENDITURES				
Current operations				
Public Safety	<u>30,580</u>	<u>30,580</u>	<u>24,290</u>	<u>6,290</u>
TOTAL EXPENDITURES	<u>30,580</u>	<u>30,580</u>	<u>24,290</u>	<u>6,290</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(17,980)</u>	<u>(17,980)</u>	<u>(13,858)</u>	<u>4,122</u>
NET CHANGE IN FUND BALANCE	(17,980)	(17,980)	(13,858)	(31,838)
FUND BALANCE - BEGINNING OF YEAR	<u>17,980</u>	<u>17,980</u>	<u>20,598</u>	<u>2,618</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,740</u>	<u>\$ (29,220)</u>

City of Fort Walton Beach, Florida
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 142,221	\$ 160,964	\$ 161,247	\$ 283
Miscellaneous	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
TOTAL REVENUES	<u>142,221</u>	<u>160,964</u>	<u>161,274</u>	<u>310</u>
EXPENDITURES				
Current operations				
Economic environment	113,777	174,478	98,996	75,482
Capital outlay	<u>-</u>	<u>-</u>	<u>34,952</u>	<u>34,952</u>
TOTAL EXPENDITURES	<u>113,777</u>	<u>174,478</u>	<u>133,948</u>	<u>110,434</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	28,444	(13,514)	27,326	40,840
Transfers out	<u>(28,444)</u>	<u>(31,026)</u>	<u>(32,461)</u>	<u>(1,435)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(28,444)</u>	<u>(31,026)</u>	<u>(32,461)</u>	<u>(1,435)</u>
NET CHANGE IN FUND BALANCE	-	(44,540)	(5,135)	39,405
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>44,540</u>	<u>8,751</u>	<u>(35,789)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,616</u>	<u>\$ 3,616</u>

City of Fort Walton Beach, Florida
BEAL MEMORIAL CEMETERY PERPETUAL CARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 30,000	\$ 30,000	\$ 21,716	\$ (8,284)
TOTAL REVENUES	<u>30,000</u>	<u>30,000</u>	<u>21,716</u>	<u>(8,284)</u>
EXPENDITURES				
Physical environment	<u>47,900</u>	<u>47,900</u>	<u>-</u>	<u>47,900</u>
TOTAL EXPENDITURES	<u>47,900</u>	<u>47,900</u>	<u>-</u>	<u>47,900</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(17,900)</u>	<u>(17,900)</u>	<u>21,716</u>	<u>39,616</u>
OTHER FINANCING SOURCES				
Transfers in	32,900	32,900	22,726	-
Transfers out	<u>(15,000)</u>	<u>(30,555)</u>	<u>(15,555)</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES	<u>17,900</u>	<u>2,345</u>	<u>7,171</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCE	-	(15,555)	28,887	44,442
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>-</u>	<u>15,555</u>	<u>1,869,558</u>	<u>1,854,003</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,445</u>	<u>\$ 1,898,445</u>

City of Fort Walton Beach, Florida
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	175,629	175,629	175,629	-
Interest	239,716	239,716	239,716	-
Other debt service costs	<u>377</u>	<u>377</u>	<u>377</u>	<u>-</u>
TOTAL EXPENDITURES	<u>415,722</u>	<u>415,722</u>	<u>415,722</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(415,722)</u>	<u>(415,722)</u>	<u>(415,722)</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in	<u>415,722</u>	<u>415,722</u>	<u>416,889</u>	<u>1,167</u>
NET CHANGE IN FUND BALANCE	-	-	1,167	1,167
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>91,713</u>	<u>91,713</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,880</u>	<u>\$ 92,880</u>

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NON-MAJOR FUND

ENTERPRISE FUND

Stormwater Fund

Accounts for the operations and maintenance of the City's stormwater system.

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2010

	<u>Stormwater Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 359,436
Receivables, net	<u>40,388</u>
Total current assets	<u>399,824</u>
Capital assets, net	
Depreciable, net	<u>831,583</u>
Total capital assets	<u>831,583</u>
TOTAL ASSETS	<u>\$ 1,231,407</u>
LIABILITIES	
Current liabilities	
Accounts payable	4,573
Accrued liabilities	
Compensated absences	2,030
Wages	9,908
Leases payable	<u>17,161</u>
Total current liabilities	<u>33,672</u>
Non-current liabilities	
Accrued liabilities	
Compensated absences	6,090
Other post-employment benefits	<u>893</u>
Total non-current liabilities	<u>6,983</u>
TOTAL LIABILITIES	<u>40,655</u>
NET ASSETS	
Invested in capital assets, net of related debt	814,422
Unrestricted	<u>376,330</u>
TOTAL NET ASSETS	<u>\$ 1,190,752</u>

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
September 30, 2010

	Stormwater Fund
OPERATING REVENUES	
Charges for services	\$ 626,903
OPERATING EXPENSES	
Personal services	249,661
Operating	63,807
Depreciation	60,272
TOTAL OPERATING EXPENSES	373,740
OPERATING INCOME	253,163
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	121,058
Interest expense	(1,211)
Gain (loss) on disposal of capital assets	19,314
Interest	1,407
Miscellaneous	338
TOTAL NON-OPERATING REVENUES (EXPENSES)	140,906
INCOME (LOSS) BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	394,069
Transfer out	(15,000)
TOTAL TRANSFERS	(15,000)
CHANGE IN NET ASSETS	379,069
NET ASSETS - BEGINNING OF YEAR	811,683
NET ASSETS - END OF YEAR	\$ 1,190,752

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
September 30, 2010

	<u>Stormwater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 620,178
Payments to suppliers	(189,007)
Payments to employees	(252,604)
Miscellaneous income	<u>338</u>
Net cash provided by operating activities	<u>178,905</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Borrowings (repayments)	
Interfund balances	(16,901)
Change in intergovernmental balances	320,194
Intergovernmental revenues received	121,058
Transfers out	<u>(15,000)</u>
Net cash provided (used) by non-capital financing activities	<u>409,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions of capital assets	(231,645)
Proceeds from disposal of capital assets	24,748
Principal paid on leases payable	(22,119)
Interest paid on bonds, loans, and leases payable	<u>(1,211)</u>
Net cash provided (used) by capital and related financing activities	<u>(230,227)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,407</u>
Net cash provided by investing activities	<u>1,407</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	359,436
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 359,436</u>

Continued...

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
September 30, 2010

	<u>Stormwater Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 253,163
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	60,272
Miscellaneous revenue	338
(Gain) loss on disposal of capital assets	(19,314)
Decrease (increase) in assets	
Accounts receivable	(6,725)
Increase (decrease) in liabilities	
Accounts payable	(105,886)
Compensated absences payable	(692)
Wages	(563)
Other post employment benefits	(1,688)
Net cash provided by operating activities	<u>\$ 178,905</u>

**DISCRETELY PRESENTED
COMPONENT UNIT**

Fort Walton Beach Community Redevelopment Agency
To account for funds relating to the Fort Walton Beach Community
Redevelopment activities.

**Fort Walton Beach Community Redevelopment Agency
GENERAL FUND
BALANCE SHEET
September 30, 2010**

ASSETS	
Cash and cash equivalents	\$ 3,579,531
Prepays	86
Accounts receivable	401
Assessments receivable	<u>73,440</u>
TOTAL ASSETS	<u>\$ 3,653,458</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 42,862
Accrued liabilities	6,145
Deferred revenue	<u>73,440</u>
Total liabilities	<u>122,447</u>
Fund balance	
Prepays	86
Unreserved	
Designated	
Encumbrances	271,751
Capital projects	<u>3,259,174</u>
Total fund balance	<u>3,531,011</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,653,458</u>

Fort Walton Beach Community Redevelopment Agency
GENERAL FUND
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2010

Fund balance - Community Redevelopment Agency (page 91)	\$	3,531,011
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental non-depreciable capital assets	578,078	
Governmental depreciable capital assets	5,899,666	
Less accumulated depreciation	<u>(1,569,059)</u>	4,908,685
<p>Deferred revenue in the governmental funds is susceptible to full accrual on the entity-wide financial statements</p>		
Special assessment for affordable housing		73,440
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences		<u>(3,614)</u>
Net assets of Community Redevelopment Agency (page 16)	\$	<u><u>8,509,522</u></u>

Fort Walton Beach Community Redevelopment Agency
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 952,259	\$ 952,259	\$ 952,259	\$ -
Intergovernmental	748,340	748,340	746,162	(2,178)
Miscellaneous	<u>83,650</u>	<u>83,650</u>	<u>148,038</u>	<u>64,388</u>
TOTAL REVENUES	<u>1,784,249</u>	<u>1,784,249</u>	<u>1,846,459</u>	<u>62,210</u>
EXPENDITURES				
Current operations				
Public safety	-	110,528	125,964	(15,436)
Economic environment	733,539	1,073,895	458,922	614,973
Capital outlay	<u>351,614</u>	<u>752,329</u>	<u>937,867</u>	<u>(185,538)</u>
TOTAL EXPENDITURES	<u>1,085,153</u>	<u>1,936,752</u>	<u>1,522,753</u>	<u>429,435</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>699,096</u>	<u>(152,503)</u>	<u>323,706</u>	<u>476,209</u>
NET CHANGE IN FUND BALANCE	699,096	(152,503)	323,706	476,209
FUND BALANCE - BEGINNING OF YEAR	<u>(699,096)</u>	<u>152,503</u>	<u>3,207,305</u>	<u>3,054,802</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,531,011</u>	<u>\$ 3,531,011</u>

Fort Walton Beach Community Redevelopment Agency
GENERAL FUND
RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Net change in fund balance - Community Redevelopment Agency (page 93)	\$	323,706
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	882,492	
Less current year depreciation	<u>(313,027)</u>	569,465
Disposal of capital assets	(1,681)	
Accumulated depreciation associated with disposals	<u>1,681</u>	-
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Special assessments for affordable housing		73,440
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences		<u>(1,857)</u>
Change in net assets of Community Redevelopment Agency (page17)	\$	<u>964,754</u>

III. STATISTICAL SECTION

This section contains statistical tables reflecting various supplemental financial data concerning General Government and Proprietary Fund Operations. When applicable, a 10-year history has been depicted to disclose trends in finance-related matters. These tables have been included as a part of this report for information purposes only, and therefore, have not been subjected to audit by the City's independent certified public accountants.

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

***Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

City of Fort Walton Beach, Florida
SCHEDULE 1
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(full accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities									
Invested in capital assets, net of related debt	\$ 16,643,589	\$ 19,494,125	\$ 19,401,390	\$ 17,236,582	\$ 21,097,792	\$ 22,013,431	\$ 21,095,355	\$ 20,563,790	\$ 20,605,683
Restricted									
Debt service	92,478	91,691	92,153	92,544	92,788	92,730	91,713	91,713	92,880
System improvements	-	-	-	-	-	-	-	-	-
Capital projects	3,193,992	966,147	685,174	700,975	241,114	56,550	-	-	-
Public safety	340,793	324,450	301,230	305,647	266,492	307,983	307,983	254,409	269,600
Perpetual care - expendable	1,359,719	1,425,913	1,488,402	1,556,661	1,663,521	1,787,789	1,877,086	1,869,558	1,898,445
Other purposes	387,071	395,990	817,932	533,486	474,924	657,116	473,655	463,168	477,194
Unrestricted	8,323,881	9,789,683	10,131,552	13,959,800	11,385,751	8,564,657	9,821,155	9,347,576	8,975,046
Total governmental activities net assets	<u>\$ 30,341,523</u>	<u>\$ 32,487,999</u>	<u>\$ 32,917,833</u>	<u>\$ 34,385,695</u>	<u>\$ 35,222,382</u>	<u>\$ 33,480,256</u>	<u>\$ 33,666,947</u>	<u>\$ 32,590,214</u>	<u>\$ 32,318,848</u>
Business-Type Activities									
Invested in capital assets net of related debt	\$ 19,914,970	\$ 20,225,644	\$ 19,907,722	\$ 20,014,208	\$ 20,352,399	\$ 21,051,160	\$ 21,043,965	\$ 17,577,019	\$ 18,928,438
Restricted									
Debt service	380,072	323,917	317,444	319,139	333,522	323,430	316,153	471,441	481,023
System improvements	-	60,726	160,754	352,360	106,434	39,414	60,709	98,292	61,559
Unrestricted	8,258,643	7,640,124	7,820,602	7,652,753	8,358,417	9,011,906	8,301,545	8,276,703	6,791,840
Total business-type activities net assets	<u>\$ 28,553,685</u>	<u>\$ 28,250,411</u>	<u>\$ 28,206,522</u>	<u>\$ 28,338,460</u>	<u>\$ 29,150,772</u>	<u>\$ 30,425,910</u>	<u>\$ 29,722,372</u>	<u>\$ 26,423,455</u>	<u>\$ 26,262,860</u>
Primary Government									
Invested in capital assets net of related debt	\$ 36,558,559	\$ 39,719,769	\$ 39,309,112	\$ 37,250,790	\$ 41,450,191	\$ 43,064,591	\$ 42,139,320	\$ 38,140,809	\$ 38,728,907
Restricted	5,754,125	3,588,834	3,863,089	3,860,812	3,178,795	3,265,012	3,127,299	3,257,332	3,297,029
Unrestricted	16,582,524	17,429,807	17,952,154	21,612,553	19,744,168	17,576,563	18,122,700	17,624,279	16,805,772
Total primary government net assets	<u>\$ 58,895,208</u>	<u>\$ 60,738,410</u>	<u>\$ 61,124,355</u>	<u>\$ 62,724,155</u>	<u>\$ 64,373,154</u>	<u>\$ 63,906,166</u>	<u>\$ 63,389,319</u>	<u>\$ 59,022,420</u>	<u>\$ 58,831,708</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Note: Schedule reported only 9 years due to the City implementing GASB 34 in 2002, years prior to 2002 not available.

City of Fort Walton Beach, Florida
SCHEDULE 2
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(full accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities									
General government	\$ 3,615,300	\$ 3,396,418	\$ 5,884,025	\$ 6,935,799	\$ 4,841,926	\$ 4,563,855	\$ 5,494,094	\$ 4,625,871	\$ 5,306,003
Public safety	6,050,460	6,317,104	6,952,351	7,623,363	8,032,018	9,641,338	10,048,884	9,908,644	9,231,632
Physical environment	267,990	283,558	276,987	276,525	299,362	354,439	343,411	350,374	304,907
Transportation	1,482,662	1,478,559	1,562,995	1,678,395	1,791,455	1,943,966	2,135,639	1,672,741	1,543,310
Economic environment	206,625	204,133	210,649	199,284	313,153	335,185	127,355	266,132	98,996
Culture and recreation	2,371,853	2,487,468	2,712,947	2,754,947	2,989,900	3,115,151	3,097,289	3,028,285	2,944,221
Debt service interest	220,715	272,858	267,160	238,090	309,094	331,771	302,948	247,703	240,940
Total governmental activities	14,215,605	14,440,098	17,867,114	19,706,403	18,576,908	20,285,705	21,549,620	20,099,750	19,670,009
Business-type activities									
Utilities	4,217,715	4,257,184	4,403,421	4,938,340	5,329,682	5,859,301	5,809,192	5,474,550	6,725,349
Sanitation	2,429,908	2,617,919	2,738,742	2,945,209	2,888,403	3,008,205	2,609,129	2,493,357	2,466,881
Golf	2,353,526	2,558,102	2,596,450	2,603,460	2,631,289	2,780,632	2,547,992	2,479,804	2,203,739
Other programs	-	-	-	-	-	-	-	469,421	374,951
Total business-type activities	9,001,149	9,433,205	9,738,613	10,487,009	10,849,374	11,648,138	10,966,313	10,917,132	11,770,920
Total primary government expenses	\$ 23,216,754	\$ 23,873,303	\$ 27,605,727	\$ 30,193,412	\$ 29,426,282	\$ 31,933,843	\$ 32,515,933	\$ 31,016,882	\$ 31,440,929
Program Revenues									
Governmental activities									
Charges for services									
General government	\$ 379,829	\$ 1,857,731	\$ 1,973,238	\$ 2,108,169	\$ 2,381,669	\$ 2,456,663	\$ 2,752,330	\$ 2,921,887	\$ 2,759,080
Public safety	441,515	579,453	567,601	873,041	600,259	579,365	641,941	642,364	467,835
Physical environment	341,484	352,335	345,529	302,727	342,815	316,520	348,838	286,623	289,654
Transportation	231,872	81,299	102,068	68,402	72,815	241,622	93,987	87,654	83,586
Economic environment	-	-	-	-	-	-	-	-	-
Culture and recreation	326,269	354,062	351,450	382,858	400,175	421,733	417,253	426,110	408,351
Debt service interest	-	-	-	-	-	-	-	-	-
Operating grants and contributions	427,188	343,034	2,541,755	3,228,819	642,631	1,266,681	903,079	1,119,033	639,370
Capital grants and contributions	2,005,348	1,197,540	56,332	261,332	373,994	233,878	50,687	88,941	731,275
Total governmental activities program revenues	4,153,505	4,765,454	5,937,973	7,225,348	4,814,358	5,516,462	5,208,115	5,572,612	5,379,151
Business-type activities									
Charges for services									
Utilities	5,123,375	5,360,195	5,888,862	6,279,899	6,552,526	7,006,005	6,505,297	6,403,262	6,761,654
Sanitation	3,118,505	3,178,351	3,244,899	3,315,188	3,374,157	3,433,172	3,446,397	3,384,375	3,345,127
Golf	2,050,888	2,034,981	2,275,678	2,335,114	2,621,957	2,558,253	2,380,448	2,181,988	1,934,392
Other programs	-	-	-	-	-	-	-	654,346	626,903
Operating grants and contributions	-	-	-	-	-	-	39,403	-	-
Capital grants and contributions	960	95,034	100,027	198,568	95,644	1,079,034	92,872	555,698	173,370
Total business-type activities program revenues	10,293,728	10,668,561	11,509,466	12,128,769	12,644,284	14,076,464	12,464,417	13,179,669	12,841,446
Total primary government program revenues	\$ 14,447,233	\$ 15,434,015	\$ 17,447,439	\$ 19,354,117	\$ 17,458,642	\$ 19,592,926	\$ 17,672,532	\$ 18,752,281	\$ 18,220,597

Continued...

City of Fort Walton Beach, Florida
SCHEDULE 2
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(full accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue									
Governmental activities	\$ (10,062,100)	\$ (9,674,644)	\$ (11,929,141)	\$ (12,481,055)	\$ (13,762,550)	\$ (14,769,243)	\$ (16,341,505)	\$ (14,527,138)	\$ (14,290,859)
Business-type activities	1,292,579	1,235,356	1,770,853	1,641,760	1,794,910	2,428,326	1,498,104	2,262,537	1,070,526
Total primary government net expense	<u>\$ (8,769,521)</u>	<u>\$ (8,439,288)</u>	<u>\$ (10,158,288)</u>	<u>\$ (10,839,295)</u>	<u>\$ (11,967,640)</u>	<u>\$ (12,340,917)</u>	<u>\$ (14,843,401)</u>	<u>\$ (12,264,601)</u>	<u>\$ (13,220,333)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities									
Taxes									
Property taxes	\$ 3,543,052	\$ 3,647,851	\$ 3,763,976	\$ 3,913,016	\$ 4,557,414	\$ 5,180,212	\$ 5,052,903	\$ 4,631,028	\$ 4,380,221
Sales taxes	2,111,570	2,240,659	2,393,744	2,466,783	2,529,028	2,363,078	2,214,232	1,977,959	1,943,337
Utility service taxes	4,147,433	3,100,862	3,163,325	3,690,239	4,006,985	1,420,142	5,094,918	3,454,691	3,914,362
Intergovernmental, unrestricted	590,969	589,120	619,197	877,198	889,450	845,090	740,554	709,550	712,776
Gain on sale of assets	689,120	164,186	99,587	456,675	(1,053)	477,494	2,592	2,950	795,860
Miscellaneous	55,922	83,595	100,950	46,174	37,595	56,788	61,199	54,223	492,052
Investment earnings	378,964	282,019	226,863	324,687	599,818	755,389	444,488	269,896	152,884
Insurance recoveries	-	-	-	299,145	-	-	-	-	-
Transfers	2,022,441	1,712,828	1,991,333	1,875,000	1,980,000	1,928,924	2,917,310	2,310,464	1,667,644
Total governmental activities	<u>13,539,471</u>	<u>11,821,120</u>	<u>12,358,975</u>	<u>13,948,917</u>	<u>14,599,237</u>	<u>13,027,117</u>	<u>16,528,196</u>	<u>13,410,761</u>	<u>14,059,136</u>
Business-type activities									
Taxes									
Utility service taxes	8,512	6,774	7,807	-	14,200	7,844	5,930	4,597	-
Gain on sale of assets	-	20,119	27,641	-	174,610	34,978	482	98,907	56,795
Miscellaneous	9,890	4,209	12,342	10,261	73,714	15,118	129,678	141,406	177,657
Investment earnings	223,739	143,097	128,808	354,915	734,878	713,872	579,578	340,155	202,071
Transfers	(1,975,865)	(1,712,828)	(1,991,333)	(1,875,000)	(1,980,000)	(1,925,000)	(2,917,310)	(2,310,464)	(1,667,644)
Special item: Impairment loss	-	-	-	-	-	-	-	(3,836,055)	-
Total business-type activities	<u>(1,733,724)</u>	<u>(1,538,629)</u>	<u>(1,814,735)</u>	<u>(1,509,824)</u>	<u>(982,598)</u>	<u>(1,153,188)</u>	<u>(2,201,642)</u>	<u>(5,561,454)</u>	<u>(1,231,121)</u>
Total primary government	<u>\$ 11,805,747</u>	<u>\$ 10,282,491</u>	<u>\$ 10,544,240</u>	<u>\$ 12,439,093</u>	<u>\$ 13,616,639</u>	<u>\$ 11,873,929</u>	<u>\$ 14,326,554</u>	<u>\$ 7,849,307</u>	<u>\$ 12,828,015</u>
Change in Net Assets									
Governmental activities	\$ 3,477,371	\$ 2,146,476	\$ 429,834	\$ 1,467,862	\$ 836,687	\$ (1,742,126)	\$ 186,691	\$ (1,116,377)	\$ (231,722)
Business-type activities	(441,145)	(303,273)	(43,882)	131,936	812,312	1,275,138	(703,538)	(3,298,917)	(160,595)
Total primary government	<u>\$ 3,036,226</u>	<u>\$ 1,843,203</u>	<u>\$ 385,952</u>	<u>\$ 1,599,798</u>	<u>\$ 1,648,999</u>	<u>\$ (466,988)</u>	<u>\$ (516,847)</u>	<u>\$ (4,415,294)</u>	<u>\$ (392,317)</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Note: Schedule reported only 9 years due to the City implementing GASB 34 in 2002, for years prior to 2002 reporting requirements differed.

City of Fort Walton Beach, Florida
SCHEDULE 3
FUND BALANCES - GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	\$ 544,800	\$ 506,771	\$ 957,768	\$ 4,756,085	\$ 539,749	\$ 701,829	\$ 509,080	\$ 482,179	\$ 499,384
Unreserved	<u>9,362,131</u>	<u>9,773,808</u>	<u>10,179,527</u>	<u>10,022,750</u>	<u>11,129,373</u>	<u>12,161,545</u>	<u>9,367,864</u>	<u>9,709,202</u>	<u>9,314,142</u>
Total general fund	<u>\$ 9,906,931</u>	<u>\$ 10,280,579</u>	<u>\$ 11,137,295</u>	<u>\$ 14,778,835</u>	<u>\$ 11,669,122</u>	<u>\$ 12,863,374</u>	<u>\$ 9,876,944</u>	<u>\$ 10,191,381</u>	<u>\$ 9,813,526</u>
All Other Governmental Funds									
Reserved	\$ 2,075,198	\$ 292,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,117	\$ 12,783
Unreserved, reported in									
Capital projects	1,118,794	673,861	685,174	700,975	241,114	56,550		8,751	-
Debt service	92,478	91,691	92,153	92,544	92,788	92,730	91,713	91,713	92,880
Special revenue funds	<u>1,700,512</u>	<u>1,750,363</u>	<u>1,789,633</u>	<u>1,862,308</u>	<u>1,933,979</u>	<u>2,095,772</u>	<u>2,153,440</u>	<u>2,073,850</u>	<u>2,158,878</u>
Total all other governmental funds	<u>\$ 4,986,982</u>	<u>\$ 2,808,201</u>	<u>\$ 2,566,960</u>	<u>\$ 2,655,827</u>	<u>\$ 2,267,881</u>	<u>\$ 2,245,052</u>	<u>\$ 2,245,153</u>	<u>\$ 2,224,431</u>	<u>\$ 2,264,541</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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City of Fort Walton Beach, Florida
SCHEDULE 4
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues									
Taxes	\$ 8,375,351	\$ 8,900,322	\$ 9,102,668	\$ 9,872,190	\$ 11,086,466	\$ 10,804,833	\$ 9,039,398	\$ 9,160,133	\$ 9,414,513
Licenses and permits	324,860	325,274	358,675	706,345	517,728	496,614	2,225,224	2,320,683	2,406,916
Intergovernmental	4,548,074	3,687,649	4,990,501	6,261,885	3,836,216	3,661,644	2,914,162	2,950,179	3,502,904
Charges for services	774,411	899,844	933,006	848,651	900,170	911,026	1,216,687	1,132,681	907,476
Fines and forfeits	295,755	358,988	305,851	329,038	247,329	247,493	268,415	387,449	204,849
Miscellaneous	1,228,465	1,067,426	637,460	1,052,422	850,248	3,588,708	1,211,662	1,020,342	1,370,077
Total Revenues	15,546,916	15,239,503	16,328,161	19,070,531	17,438,157	19,710,318	16,875,548	16,971,467	17,806,735
Expenditures									
General governmental services	3,467,844	3,537,638	5,722,625	6,737,331	4,646,594	4,355,885	5,306,276	4,419,077	5,095,790
Public safety	5,794,370	6,450,462	6,497,304	7,124,082	7,750,191	9,170,719	9,614,744	9,379,319	8,872,424
Physical environment	216,485	224,246	211,388	211,178	233,942	276,086	278,273	283,460	250,691
Transportation	1,230,487	1,263,289	1,183,153	1,284,018	1,364,414	1,550,204	1,750,680	1,316,954	1,207,449
Economic environment	206,625	203,595	210,649	199,284	313,153	335,185	127,355	266,132	98,996
Culture and recreation	2,012,907	2,197,934	2,250,304	2,277,069	2,503,469	2,636,387	2,698,993	2,582,642	2,535,682
Capital outlay	6,991,004	4,374,809	1,402,355	1,558,462	5,612,616	1,457,758	652,734	520,722	1,335,369
Debt service									
Principal	178,748	232,289	145,097	195,722	194,675	355,459	2,052,797	168,949	175,629
Interest and other costs	153,218	273,202	265,769	274,122	307,334	330,136	297,335	246,774	240,093
Total expenditures	20,251,688	18,757,464	17,888,644	19,861,268	22,926,388	20,467,819	22,779,187	19,184,029	19,812,123
Excess of revenue over (under) expenditures	(4,704,772)	(3,517,961)	(1,560,483)	(790,737)	(5,488,231)	(757,501)	(5,903,639)	(2,212,562)	(2,005,388)
Other Financing Sources (Uses)									
Transfers in	2,536,445	2,419,143	2,516,798	2,376,403	2,618,738	2,644,727	5,367,633	3,191,822	2,342,226
Transfers out	(514,004)	(706,315)	(525,465)	(501,403)	(638,738)	(715,802)	(2,450,323)	(685,545)	(674,583)
Insurance recoveries	-	-	-	299,145	-	-	-	-	-
Lease proceeds	58,000	-	143,698	299,948	-	-	-	-	-
Debt proceeds	5,674,626	-	-	2,039,191	-	-	-	-	-
Contributions from others	-	-	40,929	7,860	10,572	-	-	-	-
Total other financing sources (uses)	7,755,067	1,712,828	2,175,960	4,521,144	1,990,572	1,928,925	2,917,310	2,506,277	1,667,643
Net change in fund balance	\$ 3,050,295	\$ (1,805,133)	\$ 615,477	\$ 3,730,407	\$ (3,497,659)	\$ 1,171,424	\$ (2,986,329)	\$ 293,715	\$ (337,745)
Debt service as a percentage of noncapital expenditures	2.50%	3.51%	2.49%	2.57%	2.90%	3.61%	10.62%	2.23%	2.25%

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Note: Schedule reported only 9 years due to the City implementing GASB 34 in 2002, for years prior to 2002 reporting requirements differed.

City of Fort Walton Beach, Florida
SCHEDULE 5
REVENUES AND OTHER SOURCES ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other Revenues	Other Financing Sources	TOTAL
2010	\$ 9,414,513	\$ 2,406,916	\$ 3,502,904	\$ 907,476	\$ 204,849	\$ 1,370,077	\$ 2,342,226	\$ 20,148,961
2009	9,160,133	2,320,683	2,950,179	1,132,681	387,449	1,020,342	3,191,822	20,163,289
2008	9,039,398	2,225,224	2,914,162	1,216,687	268,415	1,211,662	5,367,633	22,243,181
2007	10,804,833	496,614	3,661,644	911,026	247,493	3,588,708	2,644,727	22,355,044
2006	11,086,466	517,727	3,836,216	900,170	247,329	860,820	2,618,738	20,067,466
2005	10,379,692	706,345	6,699,651	848,651	329,038	1,387,243	4,715,542	25,066,162
2004	9,506,835	358,675	5,514,537	933,006	305,851	653,600	2,701,425	19,973,929
2003	9,272,422	325,274	4,027,442	899,844	358,988	1,086,958	2,419,143	18,390,071
2002	8,707,276	324,860	4,831,914	774,411	295,755	1,271,123	8,269,071	24,474,410
2001	7,926,999	364,647	3,541,556	729,542	156,766	892,042	2,253,572	15,865,124

⁽¹⁾ Includes General Fund, LETFs, CDBG Fund, CRA Fund, Debt Service Fund, Capital Projects Fund, and Beal Memorial Fund

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 6
ASSESSED VALUE OF TAXABLE PROPERTY ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Tax Year	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations	Total Direct Tax Rate
2010	\$ 1,550,325,157	\$ 129,348,680	\$ 1,679,673,837	\$ 469,933,333	\$ 1,209,740,504	4.5383
2009	1,864,657,624	148,104,763	2,012,762,387	476,888,476	1,309,056,015	4.1986
2008	2,046,319,844	147,625,998	2,193,945,842	816,366,365	1,377,579,477	4.1986
2007	2,100,890,582	148,394,292	2,249,284,874	777,377,988	1,471,906,886	4.1986
2006	1,980,162,078	137,191,649	2,117,353,727	761,995,075	1,355,358,652	4.6458
2005	1,518,656,395	129,244,507	1,647,900,902	548,237,161	1,099,663,741	4.9700
2004	1,194,748,692	123,444,654	1,318,193,346	400,213,897	917,979,449	4.9700
2003	1,089,753,957	124,154,533	1,213,908,490	350,277,840	863,630,650	4.9700
2002	1,038,333,842	123,362,138	1,161,695,980	330,677,926	831,018,054	4.9700
2001	1,002,041,532	123,331,603	1,125,373,135	323,878,140	801,494,995	4.9700

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The January 2010 assessment is the basis for Fiscal Year 2010-11 tax revenues.

Source: Okaloosa County Property Appraiser

City of Fort Walton Beach, Florida
SCHEDULE 7
PROPERTY TAX RATES PER \$1,000 OF TAXABLE VALUE - ALL DIRECT AND OVERLAPPING GOVERNMENTS ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Government or District	Tax Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
County	3.2899	3.2899	3.2995	3.3443	3.6500	4.2500	4.2500	4.2500	4.2500	4.2500
School	7.5340	7.6390	7.6240	7.6390	7.7860	8.0630	8.2940	8.2940	8.4120	8.2180
NW Florida Water Management	0.0450	0.0450	0.0450	0.0450	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Fort Walton Beach	4.5383	4.1986	4.1986	4.1986	4.6458	4.9700	4.9700	4.9700	4.9700	4.9700
Total Direct Rate	15.4072	15.1725	15.1671	15.2269	16.1318	17.3330	17.5640	17.5640	17.6820	17.4880
Cinco Bayou	2.1000	2.0639	2.0639	2.0639	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000
Crestview	5.8466	5.8466	5.8466	5.8466	6.4989	6.9990	6.9990	6.9990	6.9990	6.9990
Destin	1.4550	1.4550	1.4550	1.4550	1.5000	1.8000	1.8000	1.8000	1.8000	1.7500
Laurel Hill	3.5000	3.5000	4.8400	5.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Mary Esther	2.6435	2.6996	2.6996	3.0125	3.4000	3.5000	3.5000	3.5000	3.5000	2.8370
Niceville	3.6301	3.4500	3.2000	3.2669	3.5000	3.5000	3.5000	3.3000	3.0000	3.0000
Shalimar	2.0000	2.0000	2.0000	2.0000	2.2000	2.4000	2.7000	2.8000	2.8000	3.0000
Valparaiso	3.9330	4.1591	3.7500	2.8754	3.1200	3.9900	3.9900	3.9900	3.9900	3.5000
Parks MSTU	0.1800	0.1800	0.1800	0.1888	0.2085	N/A	0.2654	N/A	N/A	N/A
Destin Fire	1.0000	1.0000	0.9009	0.8004	0.8000	0.8300	0.8600	0.8600	0.7386	0.7386
East Niceville Fire	2.3500	2.3500	2.0000	1.9200	2.0000	2.0000	1.0000	1.0000	1.0000	1.0000
Florosa Fire	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	0.9798
North Bay Fire	2.2500	2.0500	1.7827	1.6819	1.8000	2.0700	1.8750	1.8500	1.7500	1.6500
Ocean City - Wright Fire	2.0000	1.8144	1.8144	1.6460	1.7800	1.8300	1.8000	1.8000	1.6900	1.6900
Okaloosa Island Fire	2.7949	2.1900	1.9998	2.0250	1.9855	2.4305	2.6461	2.9500	3.3042	3.3745

⁽¹⁾ As of levy date, November 1 of each year listed.

The 2010 millage rate is the basis for Fiscal Year 2010-11 tax revenues.

N/A: Not available.

Source: Okaloosa County Tax Collector

City of Fort Walton Beach, Florida
SCHEDULE 8
PRINCIPAL TAXPAYERS
Unaudited

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Total Assessed Value</u>	<u>Percentage</u>	<u>Rank</u>	<u>Total Assessed Value</u>	<u>Percentage</u>	<u>Rank</u>
99 Eglin Ltd.	\$ 13,953,676	1.15%	1	\$ 9,095,596	1.13%	3
Presidio Developers, LLC	8,857,700	0.73%	2			
BLC Westwood, LLC	7,634,171	0.63%	3			
DRS Training & Control Systems	6,253,192	0.52%	4	6,222,861	0.78%	6
DDRM Shoppes at Paradise	5,722,845	0.47%	5			
EHC II - Captain's Quarters, LLC	4,936,424	0.41%	6			
FNBT.COM Bank	4,850,988	0.40%	7			
Choctaw Plaza LTD	4,797,756	0.40%	8			
Mariner Plaza Realty Assoc.	4,633,601	0.38%	9	4,237,700	0.53%	8
DEAS J Jr ET AL	4,463,440	0.37%	10			
Sprint Florida, Inc.				27,139,473	3.39%	1
Gulf Power Co.				11,739,480	1.46%	2
Aero Technical Service				8,716,051	1.09%	4
American Senior Living of FWB				7,322,125	0.91%	5
Home Depot				6,052,857	0.76%	7
Emerald Coast Housing Corp				4,131,858	0.52%	9
Chromalloy				3,987,586	0.50%	10
Total Taxable Assessed Value of Principal Taxpayers	<u>66,103,793</u>	<u>5.46%</u>		<u>88,645,587</u>	<u>11.06%</u>	
Total Taxable Assessed Value of Other Taxpayers	<u>1,143,636,711</u>	<u>94.54%</u>		<u>712,849,408</u>	<u>88.94%</u>	
Total Taxable Assessed Value	<u>\$ 1,209,740,504</u>	<u>100.00%</u>		<u>\$ 801,494,995</u>	<u>100.00%</u>	

⁽¹⁾The 2010 tax roll is the basis for Fiscal Year 2010-11 tax revenues.

Source: Okaloosa County Property Appraiser

City of Fort Walton Beach, Florida
SCHEDULE 9
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

<u>Tax Year</u>	<u>Total Tax Levy ⁽¹⁾</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Amount of Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2010	The 2010 tax levy is the basis for Fiscal Year 2010-11 tax revenues.							
2009	\$ 5,523,136	\$ 5,280,090	95.6%	\$ 45,233	\$ 5,325,323	96.4%	\$ 59,371	1.1%
2008	5,814,307	5,606,480	96.4%	25,515	5,631,996	96.9%	22,112	0.4%
2007	6,215,424	5,976,218	96.2%	23,448	5,999,666	96.5%	16,699	0.3%
2006	6,317,712	6,085,783	96.3%	17,701	6,103,484	96.6%	17,752	0.3%
2005	5,481,001	5,271,070	96.2%	23,903	5,294,973	96.6%	17,072	0.3%
2004	4,577,392	4,408,022	96.3%	16,643	4,424,665	96.7%	15,383	0.3%
2003	4,305,962	4,151,604	96.4%	16,263	4,167,867	96.8%	11,174	0.3%
2002	4,145,081	3,996,625	96.4%	24,236	4,020,861	97.0%	14,663	0.4%
2001	4,001,772	3,852,832	96.3%	21,379	3,874,211	96.8%	17,892	0.4%

⁽¹⁾ Includes discount taken for early payment of taxes (maximum of 4%).

Source: Okaloosa County Tax Collector

City of Fort Walton Beach, Florida
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities				Business Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Lease Payable	Notes Payable	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Bonds			
2010	-	\$ 47,374	-	\$ 4,755,000	-	\$ 141,737	\$ 14,005,000	\$ 18,949,111	0.26%	930.93
2009	-	93,003	-	4,885,000	-	226,886	14,740,000	19,944,889	0.28%	964.69
2008	-	197,509	-	5,010,000	-	584,170	15,300,000	21,091,679	0.31%	1,008.30
2007	-	260,306	-	7,000,000	-	479,246	15,835,000	23,574,552	0.35%	1,122.17
2006	-	320,764	-	7,295,000	-	614,203	16,345,000	24,574,967	0.37%	1,176.85
2005	-	400,433	-	7,410,000	-	447,370	16,830,000	25,087,803	0.39%	1,209.93
2004	-	186,213	-	5,475,000	-	594,046	6,385,000	12,640,259	0.21%	613.04
2003	-	82,613	-	5,580,000	-	794,485	6,835,000	13,292,098	0.24%	647.98
2002	-	209,901	-	5,685,000	-	628,656	7,495,000	14,018,557	0.27%	692.65
2001	-	275,649	-	-	-	758,781	5,135,000	9,169,430	0.19%	459.09

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

⁽¹⁾ See Schedule 15 for personal income data.

⁽²⁾ See Schedule 15 for population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Fort Walton Beach, Florida
SCHEDULE 11
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Percentage of Actual Taxable Value of Property ⁽¹⁾</u>	<u>General Obligation Bonds</u>	<u>Per Capita ⁽²⁾</u>
2010	\$ -	0.00%	-	\$ -
2009	-	0.00%	-	-
2008	-	0.00%	-	-
2007	-	0.00%	-	-
2006	-	0.00%	-	-
2005	-	0.00%	-	-
2004	-	0.00%	-	-
2003	-	0.00%	-	-
2002	-	0.00%	-	-
2001	-	0.00%	-	-

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

⁽¹⁾ See Schedule 6 for property value data.

⁽²⁾ See Schedule 15 for population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Fort Walton Beach, Florida
SCHEDULE 12-A
PLEDGED REVENUE COVERAGE
SEWER PUBLIC IMPROVEMENT REFUNDING REVENUE BONDS - SERIES 1998
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Sales Tax ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
2010	\$ 6,761,654	\$ 1,092,299	\$ 4,764,332	\$ 3,089,621	\$266,250	\$ 22,976	\$289,226	10.68
2009	6,403,262	1,125,374	3,773,737	3,754,899	258,750	33,650	292,400	12.84
2008	6,505,297	1,256,319	4,206,922	3,554,694	247,500	43,550	291,050	12.21
2007	6,992,419	1,356,831	4,178,980	4,170,270	236,250	52,763	289,013	14.43
2006	6,538,169	1,460,850	3,657,369	4,341,650	225,000	61,538	286,538	15.15
2005	6,259,731	1,432,060	3,429,396	4,262,395	217,500	69,912	287,412	14.83
2004	5,876,502	1,371,506	3,085,717	4,162,291	210,000	77,787	287,787	14.46
2003	5,348,195	1,204,946	2,877,190	3,675,951	433,750	106,023	539,773	6.81
2002	5,123,375	1,141,363	2,838,501	3,426,237	416,250	120,969	537,219	6.38
2001	2,996,967	1,119,279	1,652,960	2,463,286	403,750	135,253	539,003	4.57

(1) Bond ordinance requires sales tax to be part of bond covenant.

(2) Depreciation not included.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 12-B
PLEDGED REVENUE COVERAGE
GOLF PUBLIC IMPROVEMENT REFUNDING REVENUE BONDS - SERIES 1998
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Sales Tax ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
2010	\$ 1,934,392	\$ 273,075	\$ 1,722,676	\$ 484,791	\$ 88,750	\$ 7,659	\$ 96,409	5.03
2009	2,181,988	281,343	1,842,689	620,642	86,250	11,217	97,467	6.37
2008	2,380,448	314,080	1,919,524	775,004	82,500	14,517	97,017	7.99
2007	2,461,151	339,208	2,050,197	750,162	78,750	17,588	96,338	7.79
2006	2,526,754	365,212	1,896,332	995,634	75,000	20,513	95,513	10.42
2005	2,240,899	358,015	1,854,012	744,902	72,500	23,304	95,804	7.78
2004	2,180,552	342,878	1,821,019	702,411	70,000	25,929	95,929	7.32
2003	1,942,550	301,236	1,816,706	427,080	66,250	16,194	82,444	5.18
2002	2,050,888	285,341	1,847,205	489,024	63,750	18,527	82,277	5.94
2001	2,099,824	279,820	1,609,396	770,248	61,250	20,518	81,768	9.42

(1) Bond ordinance requires sales tax to be part of bond covenant.

(2) Depreciation not included.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 12-C
PLEDGED REVENUE COVERAGE
SCHEDULE OF REVENUE BOND COVERAGE
Last Ten Fiscal Years
Unaudited

Fiscal Year	Non-Ad Valorem Revenues ⁽¹⁾	Average Non-Ad Valorem Revenues Avail. for Debt Service	Debt Service Requirements ⁽²⁾			Coverage
			Principal	Interest	Total	
2010	\$ 26,704,483	\$ 26,355,374	\$ 510,000	\$ 874,423	\$ 1,384,423	19.04
2009	26,006,265	28,208,317	340,000	889,985	1,229,985	22.93
2008	30,410,368	31,235,238	325,000	904,730	1,229,730	25.40
2007	32,060,108	30,760,329	315,000	918,699	1,233,699	24.93
2006	29,460,549	31,084,778	300,000	931,488	1,231,488	25.24
2005	32,709,007	29,841,670	285,000	552,986	837,986	35.61
2004	26,974,332	26,011,445	275,000	492,124	767,124	33.91
2003	25,048,557	25,106,627	265,000	502,591	767,591	32.71
2002	25,164,696	24,139,057	215,000	400,090	615,090	39.24
2001	23,113,418	22,489,206	55,000	218,874	273,874	82.12

⁽¹⁾ Non-Ad Valorem Revenues of General Fund, Capital Projects Fund, other governmental funds, and proprietary funds

⁽²⁾ Combined Debt Service requirements for Golf Capital Improvement Revenue Bonds-Series 1999, Florida Municipal Loan Council Revenue Bonds-Series 2000B, and Capital Improvement Revenue Bonds-Series 2001, Utility System Revenue Bond, Series 2005. See Financial Statement Notes for detail.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 13
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
GENERAL OBLIGATIONS
Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Fort Walton Beach</u>	<u>Amount Applicable to Fort Walton Beach</u>
Total Overlapping Debt			
Okaloosa County School District	\$ 69,520,000	35.85% (1)	\$ 24,922,920
Okaloosa County		10.42% (2)	-
City of Fort Walton Beach revenue bonds	<u>4,755,000</u>	100.00%	<u>4,755,000</u>
Total Overlapping Debt	74,275,000		29,677,920
Direct Debt			
City of Fort Walton Beach leases	47,374	100.00%	47,374
Okaloosa County	<u>26,615,000</u>	10.42% (2)	<u>2,773,276</u>
Total Direct Debt	26,662,374		2,820,650
Total Direct and Overlapping Debt	<u>\$ 100,937,374</u>		<u>\$ 32,498,570</u>

Source: Okaloosa County, Okaloosa County School Board

(1) Calculation based on number of total schools in Okaloosa County School District versus number of schools in Fort Walton Beach.

(2): Calculation based on total population in Okaloosa County versus number of population in Fort Walton Beach.

City of Fort Walton Beach, Florida
SCHEDULE 14
MAJOR EMPLOYERS
Unaudited

<u>Employer</u>	<u>Product</u>	<u>2010</u>			<u>2001</u>		
		<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Ranking</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Ranking</u>
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	16,476	20.75%	1	10,225	14.22%	
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	11,171	14.07%	2	7,252	10.09%	
Okaloosa County School District	Education Services	3,278	4.13%	3	5,377	7.48%	
Okaloosa County ⁽³⁾	Local Government Services	1,383	1.74%	4	753	1.05%	
Ft. Walton Beach Medical Center	Medical Services	1,305	1.64%	5	850	1.18%	
DRS Training and Control Systems	Defense Electronics	875	1.10%	6	600	0.83%	
InDyne	Military Technical Support	786	0.99%	7			
Northwest Florida State College	Education Services	763	0.96%	8			
ResortQuest	Property Management	750	0.94%	9	1,500	2.09%	
BAE Systems Technical Services	Military Technical Support	700	0.88%	10			
Tybrin Corporation	Military Technical Support				600	0.83%	
Marconi Services	Technical Support for Military				1,000	1.39%	
State of Florida	State Government Services				966	1.34%	
		<u>37,487</u>	45.94%		<u>29,123</u>	40.73%	

⁽¹⁾Includes military, civilian, and contractor personnel.

⁽²⁾Includes military and civilian personnel.

⁽³⁾Includes County Commission, Clerk of Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector.

Source: Personnel Department of each employer

City of Fort Walton Beach, Florida
SCHEDULE 15
MISCELLANEOUS DEMOGRAPHICAL STATISTICS
Last Ten Fiscal Years
Unaudited

Fiscal Year	FWB Population	Okaloosa County Population	FWB as a % of the County	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2010	20,355	195,346	10.42%	\$ 7,369,683	\$ 41,050	8.0%
2009	20,675	196,237	10.54%	7,090,979	39,158	7.2%
2008	20,918	197,597	10.59%	6,861,716	37,497	4.8%
2007	21,008	196,540	10.69%	6,781,908	37,423	2.9%
2006	20,882	192,672	10.84%	6,761,736	36,529	2.4%
2005	20,735	188,939	10.97%	6,360,148	34,755	2.9%
2004	20,619	185,778	11.10%	5,982,411	33,068	3.4%
2003	20,513	181,102	11.33%	5,506,510	30,969	3.8%
2002	20,239	176,971	11.44%	5,166,167	29,481	4.4%
2001	19,973	170,498	11.71%	4,757,566	27,703	4.0%

OKALOOSA COUNTY EDUCATION

		FY 2010	FY 2009	FY 2008
Schools:	Grades K-5	18	19	19
	Grades 6-8	7	8	8
	Grades 9-12	4	4	4
	PK-12 / Charter / Alternate	2 / 4 / 10	2 / 3 / 11	2 / 3 / 10
	Grades K-8	1	n/a	n/a
	Vocational / Technical	1	1	1
	Exceptional Children	2	1	1
	Students:	Grades K-5	12,975	12,795
	Grades 6-8	6,471	6,603	6,725
	Grades 9-12	8,889	9,082	9,546
	Vocational and Adult Students	302	341	298
	Exceptional Children	4,270	5,218	5,626
	Charter	1,431	1,315	1,198
Personnel:	Instructional (Classroom)	1,849	1,999	1,867
	Non-Instructional	1,013	1,154	1,264

Source: Office of Economic & Demographic Research, FL Research & Economic Database, FL Labor Market Statistics Okaloosa County School Board

City of Fort Walton Beach, Florida
SCHEDULE 16
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
Last Nine Fiscal Years
Unaudited

	Full-Time Equivalent Employees as of September 30								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government									
City Manager	2.00	2.00	3.00	4.00	3.00	3.00	3.00	3.00	4.00
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
Risk Management	1.00	1.00	-	-	-	-	-	-	-
Information Technology	2.75	2.75	3.00	4.00	4.00	4.00	4.00	4.00	4.00
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	7.00	7.00	7.00	7.00	7.75	8.00	9.00	9.00	9.00
Purchasing	2.50	2.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Public Safety									
Police	67.59	68.05	74.05	73.17	72.95	72.95	74.95	75.95	75.95
Fire	38.00	38.00	39.00	39.00	39.00	33.00	33.00	33.00	33.00
Recreation & Cultural Services									
Administration	16.41	17.67	32.57	33.12	34.52	34.52	34.52	34.52	34.52
Parks Maintenance	11.00	11.90	-	-	-	-	-	-	-
Right-of-Way Maintenance	7.00	8.00	9.00	9.00	9.00	9.00	10.00	10.00	9.00
Senior Citizens Center	1.85	1.85	2.38	2.58	2.58	2.58	3.08	3.08	3.08
Library	9.90	9.90	10.60	11.10	11.10	11.10	11.10	10.50	10.50
Museum	3.85	4.98	5.18	6.01	7.01	7.01	7.01	7.01	7.01
Cemetery	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Engineering Services									
Administration	6.00	6.00	7.00	7.00	8.00	10.00	10.00	10.00	10.00
Planning & Zoning	1.00	-	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Building & Permitting	3.00	3.00	6.00	6.00	4.00	4.00	4.00	4.00	4.00
Code Enforcement	2.00	2.00	-	-	-	-	-	-	-
Fleet Maintenance	10.00	11.00	12.00	12.00	12.00	13.00	13.00	13.00	13.00
Facilities Maintenance	11.00	11.00	10.00	11.00	11.00	11.00	11.00	11.00	12.00
Streets Maintenance	6.50	6.50	14.50	13.50	15.00	15.00	15.00	16.00	16.00
Community Development Block Grant	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00
Community Redevelopment Agency	1.00	1.00	1.00	1.75	1.75	1.00	1.00	1.00	1.00
Utility (Water/Sewer) Enterprise									
Customer Service	7.50	7.50	8.00	9.00	9.00	8.00	8.00	8.00	8.00
Administration	1.00	2.00	6.00	5.00	5.00	-	-	-	-
Water Operations	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Sewer Operations	2.00	11.00	11.00	13.00	13.00	16.00	16.00	15.00	15.00
Water Distribution	6.00	6.00	6.00	7.00	7.00	6.00	6.00	6.00	6.00
Sewer Collections	11.00	11.00	11.00	12.00	11.00	11.00	11.00	11.00	11.00
Sanitation Enterprise									
Solid Waste	19.62	19.87	21.00	21.00	21.00	22.00	22.00	22.00	22.00
Recycling	-	-	-	4.00	4.00	4.00	4.00	4.00	4.00
Golf Enterprise									
Golf Club	14.26	31.01	36.51	36.56	36.56	36.36	37.56	37.61	37.61
Golf Grounds Maintenance	15.75	-	-	-	-	-	-	-	-
Stormwater Enterprise									
Stormwater	7.00	8.00	-	-	-	-	-	-	-
Total	<u>312.48</u>	<u>329.48</u>	<u>362.29</u>	<u>375.29</u>	<u>377.22</u>	<u>370.52</u>	<u>376.22</u>	<u>376.67</u>	<u>378.67</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 17
PERMITS, LICENSES AND RECREATION FACILITIES
Last Ten Fiscal Years
Unaudited

MISCELLANEOUS PERMITS

<u>Year</u>	<u>Mechanical</u>	<u>Electrical</u>	<u>Gas</u>	<u>Plumbing</u>	<u>Water & Sewer</u>
2010	212	290	87	154	27
2009	142	285	52	158	16
2008	168	298	97	178	20
2007	177	340	109	157	30
2006	202	473	126	235	32
2005	152	438	103	162	37
2004	163	396	61	182	53
2003	145	371	84	158	70
2002	168	337	70	128	63
2001	264	368	85	259	64

BUSINESS TAX RECEIPTS ISSUED (formerly referred to as occupational licenses)

<u>Year</u>	<u>Number Sold</u>
2010 ⁽¹⁾	688
2009	2,333
2008	2,422
2007	2,495
2006	2,446
2005	2,492
2004	2,389
2003	2,279
2002	2,324
2001	2,346

⁽¹⁾ Decrease due to no longer requiring BTR for contractors whose home office is outside City limits

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	3 Museums
1 Auditorium	20 Playgrounds
7 Baseball-Softball Facilities	1 Racquetball Court Facility
1 BMX/Skateboard Facility	4 Recreation Centers
5 Boat Ramps	2 Soccer Field Facilities
5 Exercise/Walking Tracks	4 Tennis Court Facilities
1 Fairgrounds	7 Undeveloped Parks
1 Football Stadium	4 Waterfront Parks

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 18
ELECTIONS - OKALOOSA COUNTY VOTER REGISTRATION

Unaudited

Pct	Place Name	Registered Voters				
		Total	Dems	Reps	NPA	Other
01	BAKER	1,971	492	1,289	178	12
02	BLACKMON	639	192	403	39	5
03	MILLIGAN	1,119	286	650	165	18
04	HOLT	1,142	320	634	175	13
05	LAUREL HILL	1,023	354	492	164	13
06	GARDEN CITY	2,268	558	1,372	311	27
07	DORCAS	1,450	391	776	260	23
08	HONEY CREEK	4,073	1,110	2,269	639	55
09	YELLOW RIVER	3,253	732	1,974	512	35
10	WEST WRIGHT	6,283	1,564	3,323	1,267	129
11	EAST CRESTVIEW	8,565	1,909	4,650	1,849	157
12	WEST CRESTVIEW	967	580	230	154	3
13	NORTH CRESTVIEW	3,271	861	1,854	505	51
14	WEST NICEVILLE	2,529	612	1,425	447	45
15	VALPARAISO	3,005	643	1,760	541	61
16	SHALIMAR	2,626	662	1,481	427	56
17	CENTRAL WRIGHT	3,324	954	1,583	717	70
18	OCEAN CITY	2,560	741	1,234	508	77
19*	EAST FWB	1,507	556	589	325	37
20	WEST DESTIN	2,518	539	1,407	519	53
21	MARY ESTHER	2,800	724	1,565	461	50
22*	S CENTRAL FWB	2,083	709	926	404	44
23	EGLIN AFB	972	251	428	277	16
24*	WEST FWB	3,101	961	1,489	590	61
25	N CENTRAL NICEVILLE	1,870	451	1,087	305	27
26	SEMINOLE	2,622	440	1,781	364	37
27	CINCO BAYOU	284	64	167	46	7
28*	GARNIERS	366	72	220	66	8
29*	GOLF COURSE	2,151	403	1,403	308	37
30	OKALOOSA ISLAND	1,498	279	881	306	32
31	LONGWOOD	1,881	358	1,258	231	34
32*	FERRY PARK	2,259	509	1,368	345	37
33	ROCKY BAYOU	4,176	570	3,026	525	55
34	FLOROSA	3,734	961	1,907	803	63
35	NORTH DESTIN	2,446	370	1,637	398	41
36	SOUTH NICEVILLE	2,484	422	1,677	341	44
37	LAKE LORRAINE	2,808	431	1,953	384	40
38	NORTHGATE	2,025	471	1,166	348	40
39	EAST WRIGHT	2,548	734	1,317	447	50
40	SOUTH BLUEWATER	2,831	364	2,051	373	43
41*	N CENTRAL FWB	1,431	315	890	200	26
42*	NEW HEIGHTS	2,410	815	1,098	465	32
43	S CENTRAL NICEVILLE	2,263	512	1,318	380	53
44	CENTRAL DESTIN	1,850	407	974	411	58
45	SOUTH CRESTVIEW	4,414	1,074	2,360	903	77
46	NORTH BLUEWATER	4,375	654	2,986	653	82
47	WYNNEHAVEN BEACH	2,079	510	995	514	60
48*	WESTWOOD RETIREMENT	180	43	116	17	4
49	EAST DESTIN	2,514	337	1,735	398	44
50	SOUTH DESTIN	3,010	452	1,985	500	73
51	AIRPORT ROAD	1,640	326	1,066	232	16
52	LIVE OAK	3,284	684	1,940	605	55
Countywide Total		128,482	29,729	74,165	22,302	2,286
City Total		13,218	3,720	6,953	2,287	258

*City Precinct

Source: Okaloosa County Supervisor of Elections

City of Fort Walton Beach, Florida
SCHEDULE 19
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Assessments ⁽¹⁾	Assessments Collected or Released	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessment
2010	\$ -	\$ 19,801	0.00%	\$ 143,772
2009	-	6,528	0.00%	163,572
2008	-	7,511	0.00%	170,100
2007	218,730	72,576	33.18%	177,611
2006	0.00	1,965	0.00%	31,456
2005	0.00	50,257	0.00%	33,421
2004	0.00	37,510	0.00%	83,678
2003	0.00	13,783	0.00%	121,188
2002	161,037	27,452	17.05%	134,972
2001	0.00	92	0.00%	1,294

⁽¹⁾Assessments are payable over a 20 year period.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 20
MAJOR REVENUE SOURCES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Property Taxes	% of Total Revenues	Other Taxes/ Franchise Fees	% of Total Revenues	Sewer Fees	% of Total Revenues	Sanitation Fees	% of Total Revenues	Water Fees	% of Total Revenues	Golf Fees	% of Total Revenues
2010	\$ 5,332,480	17.5%	\$ 6,645,189	21.8%	\$ 4,154,795	13.6%	\$ 3,335,342	10.9%	\$ 2,379,913	7.8%	\$ 1,914,053	6.3%
2009	5,629,812	19.0%	6,425,482	21.7%	3,943,722	13.3%	3,363,185	11.4%	2,245,512	7.6%	2,164,174	7.4%
2008	6,021,743	20.6%	5,706,534	19.5%	3,984,282	13.6%	3,441,588	11.8%	2,271,327	7.8%	2,365,739	8.1%
2007	6,123,749	15.7%	5,645,463	14.5%	4,162,172	10.7%	3,427,925	8.8%	2,492,378	6.4%	2,441,793	6.3%
2006	5,303,877	14.9%	6,544,881	18.4%	3,932,591	11.1%	3,369,729	9.5%	2,360,766	6.6%	2,500,736	7.0%
2005	4,421,852	11.8%	5,957,840	15.8%	3,727,073	9.9%	3,311,508	8.8%	2,179,849	5.8%	2,224,935	5.9%
2004	4,166,452	13.1%	4,983,270	15.7%	3,544,738	11.2%	3,240,131	10.2%	689,910	2.2%	2,173,351	6.9%
2003	4,019,951	13.7%	4,912,208	16.7%	3,245,492	11.0%	3,049,650	10.4%	1,890,754	6.4%	1,941,010	6.6%
2002	3,874,977	11.1%	4,506,698	12.9%	3,117,845	8.9%	2,991,869	8.5%	1,782,375	5.1%	2,014,890	5.8%
2001	3,657,749		3,920,650		2,967,563		3,081,666		1,511,849		2,036,423	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 21
WATER AND WASTEWATER SERVICE RATES
Unaudited

Monthly Water Rates ^(1,2)	Residential		Commercial		Number of Meters
	Inside	Outside ⁽³⁾	Inside	Outside ⁽³⁾	
Lifeline Rate ⁽⁴⁾	\$7.72	\$9.65	\$7.72	\$9.65	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$7.72	\$9.65	\$7.72	\$9.65	9,157
1.0"	\$7.72	\$9.65	\$7.72	\$9.65	349
1.5"	\$10.50	\$13.12	\$10.50	\$13.12	115
2.0"	\$17.83	\$22.28	\$17.83	\$22.28	226
3.0"	\$27.17	\$33.96	\$27.17	\$33.96	14
4.0"	\$33.97	\$42.46	\$33.97	\$42.46	18
6.0"	\$54.04	\$67.55	\$54.04	\$67.55	1
8.0" or 10.0"	\$80.98	\$101.22	\$80.98	\$101.22	1
Multi-Residential, Addt'l per Unit	\$5.71	\$7.13			
					9,881
			Residential Customers		7,849
			Commercial Customers		946
			Total Customers		8,795

Gallage Rate (per 1,000 gallons per unit)	<u>Inside</u>	<u>Outside</u>
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 - 4,000)	\$2.01	\$2.51
Block 3 (4,001 - 8,000)	\$2.45	\$3.06
Block 4 (8,001 +)	\$3.68	\$4.60

Monthly Wastewater Rates ⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$16.91	
Monthly Base Charge	\$16.91	\$20.29
Gallage Rate (per 1,000 gallons per unit) ⁽⁵⁾		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$4.64	\$5.56

⁽¹⁾Irrigation customers subject to water rates as outlined herein

⁽²⁾Monthly Base Charge is per Unit. Residential Single Family and Commercial count as 1 unit.
Multi-Family and Multi-Commercial are billed according to meter size and unit count.

⁽³⁾Outside City surcharge of 125% for water.

⁽⁴⁾Single family residence with less than 2,000 gallons per month

⁽⁵⁾Residential service capped at 16,000 gallons per unit

Source: City of Fort Walton Beach Comprehensive Fee Schedule

City of Fort Walton Beach, Florida
SCHEDULE 22
SANITATION AND RECYCLING SERVICE RATES
Unaudited

Basic Garbage Rates

	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
Residential			
One Container	\$ 10.60	\$ 5.25	\$ 15.85
Residential Dumpsters, Individual Meters	10.60	5.25	15.85
Commercial			
One Container	28.60	5.97	34.57
Two Containers	57.20	11.95	69.15
Special Pick-up	37.35	5.97	43.32
Shared Dumpster (minimum charge)	28.60	5.97	34.57

Garbage and Trash Collection

	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
2 Cubic Yards			
2 times per week	\$ 60.70	\$ 43.11	\$ 103.81
3 times per week	91.05	64.63	155.68
4 times per week	121.45	86.16	207.61
5 times per week	151.75	107.69	259.44
6 times per week	182.10	129.21	311.31
4 Cubic Yards			
2 times per week	85.70	86.16	171.86
3 times per week	128.55	129.21	257.76
4 times per week	171.40	172.27	343.67
5 times per week	214.25	215.32	429.57
6 times per week	257.10	258.38	515.48
6 Cubic Yards			
2 times per week	112.50	129.21	241.71
3 times per week	168.75	193.79	362.54
4 times per week	224.95	258.38	483.33
5 times per week	281.20	322.96	604.16
6 times per week	337.45	387.59	725.04
8 Cubic Yards			
2 times per week	135.70	172.27	307.97
3 times per week	203.55	258.38	461.93
4 times per week	271.40	344.48	615.88
5 times per week	339.25	430.64	769.89
6 times per week	407.10	516.75	923.85
One time fee to change size of dumpster		\$25.00	

Extra Collection

	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
Extra residential trash pick-up	\$120.00 per hour, \$15.00 minimum		
Extra commercial trash pick-up - 2 CY	\$ 26.00	\$ 8.24	\$ 34.24
Extra commercial trash pick-up - 4 CY	28.00	15.45	43.45
Extra commercial trash pick-up - 6 CY	30.00	21.63	51.63
Extra commercial trash pick-up - 8 CY	33.00	27.81	60.81

Source: City of Fort Walton Beach Comprehensive Fee Schedule

City of Fort Walton Beach, Florida
SCHEDULE 23
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	Unaudited Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety										
Police										
Physical arrests	1,773	2,298	2,526	2,201	1,916	1,708	1,801	1,250	1,703	998
Traffic violations	6,207	6,430	7,211	5,171	5,399	5,633	7,138	8,208	7,415	6,148
Fire										
Emergency medical responses	2,791	2,645	2,484	2,567	2,441	1,671	1,605	1,738	1,760	1,500
Fire responses	1,158	477	479	517	335	403	143	1,217	100	80
Inspections	2,040	2,863	3,277	3,319	2,605	1,658	1,876	1,780	1,150	1,700
Code Enforcement										
Code violations	2,426	2,513	2,108	1,793	1,914	1,674	1,632	N/A	N/A	N/A
Engineering Services										
Building permits issued	n/a	1,429	1,582	1,710	2,341	3,151	1,907	1,779	1,818	2,067
Residential building permits issued	630	n/a								
Commercial building permits issued	380	n/a								
Value of permits (in millions)	n/a	\$46.20	\$37.40	\$28.70	\$31.10	\$61.70	\$20.80	\$16.00	\$16.60	\$26.10
Value of residential permits (in millions)	\$7.108	n/a								
Value of commercial permits (in millions)	\$7.094	n/a								
Street resurfacing (lane miles)	5.71	1.53	0.78	0.46	2.25	3.55	3.17	3.61	3	5
Pot holes (hours spent repairing)	617	1,257	1,476	1,022	713	861	613	997	937	1,059
Sanitation										
Refuse collected (tons)	25,676	25,485	27,873	28,374	28,446	34,378	28,813	27,661	25,000	22,485
Recyclables collected (tons)	161	150	112	367	400	385	417	428	600	515
Culture and Recreation										
Parks and Recreation										
Recreation program participants	103,121	116,565	118,890	125,697	120,329	86,312	79,991	75,622	82,711	71,508
Adult athletic participants	10,009	11,406	14,591	14,669	14,239	1,155	968	1,725	1,665	1,467
Youth athletic participants	12,525	14,211	15,570	14,418	14,254	1,674	1,327	1,877	1,969	1,525
Skate/tennis park participants	15,297	18,480	24,100	29,088	29,396	24,741	24,670	19,936	29,550	N/A
Library										
Circulation volume	135,314	142,148	137,002	126,271	124,489	118,368	116,883	106,603	93,167	80,623
Museum										
Number of visitors/participants	39,935	47,700	45,168	28,916	30,144	31,531	35,598	28,814	25,300	29,941
Water System										
New connections	27	16	20	30	32	37	53	70	63	674
Water customers	8,795	8,741	8,927	8,996	8,966	8,984	8,928	8,874	8,874	8,804
Water produced (million gallons)	897	941	963	1,071	1,128	1,046	1,046	1,024	1,077	1,104
Wastewater System										
Wastewater treated (million gallons) ⁽¹⁾	381	769	916	796	839	1,164	935	1,186	877	950

⁽¹⁾Wastewater treatment transferred to County in March 2010

Source: City of Fort Walton Beach Performance Measures.

City of Fort Walton Beach, Florida
SCHEDULE 24
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Nine Fiscal Years
Unaudited

Function/Program	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety									
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	49	49	55	53	52	N/A	N/A	N/A	N/A
Engineering Services									
Miles of roads ⁽¹⁾	112.76	112.76	99.35	98.50	98.50	98.50	98.50	98.50	98.50
Miles of sidewalks	62.11	61.35	61.32	60.92	60.82	N/A	N/A	N/A	N/A
Signs fabricated and installed	910	1,110	1,223	1,481	1,412	1,509	894	918	860
Culture and Recreation									
Parks and Recreation									
Recreational Amenities ⁽³⁾	76	91	90	90	89	82	89	82	81
Parks (acres)	180.26	180.26	180.26	180.26	173.58	143.55	144.44	143.55	141.05
Library									
Inventoried collection	74,317	73,641	71,006	69,061	68,064	67,517	59,843	60,830	63,086
Water and Sewer System									
Water lines (miles)	118.52	118.10	118.09	118.09	115.95	115.69	115.54	115.37	115.30
Sewer lines (miles)	118.77	118.77	118.77	118.77	118.77	118.64	118.64	118.29	118.26
Reuse Water lines (miles)	3.82	4.14	4.14	4.14	4.14	2.19	2.19	2.19	2.19
Elevated Storage Tank Capacity: 2 tanks 200,000 gal; 1 tank 750,000 gal; 2 tanks 500,000 gal									
Ground Storage Tank Capacity: 1 tank 135,000 gal; 1 tank 250,000 gal; 1 tank 1,000,000 gal									
Pumping Capacity of Water Wells: 9.231 million gallons per day									
Stormwater System									
Storm drains (miles) ⁽²⁾	45.70	45.66	34.73	34.73	34.73	N/A	N/A	N/A	N/A

⁽¹⁾ FY 2009 Increase due to better data with GIS system and methodology change for calculation.

⁽²⁾ FY 2009 Adjustment due to better data with GIS system.

⁽³⁾ FY 2010 Adjustment due to re-evaluation of how amenities are counted.

N/A: Not available.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2010
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/12/09 to 10/12/10	Fidelity National	1150113370	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 16,300 C	4th Avenue & Carson Chester Pruitt Building
10/12/09 to 10/12/10	Fidelity National	1150113362	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 23,500 C	50 Ferry Road Docie Bass Recreation Building
10/12/09 to 10/12/10	Fidelity National	1150113371	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 84,500 C	14 Robinwood Drive SW Sanitation Building
12/06/09 to 12/06/10	Fidelity National	1150167295	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/09 to 10/12/10	Fidelity National	1150113360	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 260,100 C	#5 Hollywood Boulevard Fire Department
10/12/09 to 10/12/10	Fidelity National	1150113366	Fisher-Brown Agency	Flood	\$ 366,100 B \$ 31,100 C	Memorial Parkway Senior Citizens Building
10/12/09 to 10/12/10	Fidelity National	1150113367	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/09 to 10/12/10	Fidelity National	1150113368	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/09 to 10/12/10	Fidelity National	1150113361	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber
10/12/09 to 10/12/10	Fidelity National	1150113365	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2010
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/12/09 to 10/12/10	Fidelity National	1150113363	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building
10/12/09 to 10/12/10	Fidelity National	1150113369	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 51,200 C	141 Miracle Strip Parkway City Museum
10/12/09 to 10/12/10	Fidelity National	1150113364	Fisher-Brown Agency	Flood	\$ 324,200 B 7,900 C	22 McGriff Street Child Care Facility
12/02/09 to 12/02/10	Fidelity National	1150164378	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom, East of Pavillion Liza Jackson Park
12/02/09 to 12/02/10	Fidelity National	1150164379	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/09 to 05/17/10	Fidelity National	92510117093	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/09 to 07/23/10	Fidelity National	97700165626	Fisher-Brown Agency	Flood	\$ 266,200 B \$ 33,600 C	18 Robinwood Drive Pump Station #1
06/23/09 to 06/23/10	Fidelity National	92510234651	Fisher-Brown Agency	Flood	\$ 55,000 B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/09 to 10/01/10	Indian Harbor Ins. Co.	PEC0029247	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 1,000,000/agg	Golf Course, Police, City Shop, Fuel Station, Wastewater Treatment Plant
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Inland Marine	\$ 625,978/fine \$ 10,000/schedu \$ 5,672,449 \$ 1,231,195 \$ 250,000	Art Museum EDP/Minicomputer/Word Processor Valuable Papers

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2010
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
09/16/09 to 09/16/10	Hartford	21BSBDB7453	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
04/18/09 to 04/18/10	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 200,000 \$ 1,000,000	Person Occurrence CSL Liability
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Money & Securities	varies by location	
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2010
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	General Liability	\$ 100,000 \$ 200,000 \$ 5,000,000	Person Occurrence CSL Liability
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Property	\$ 47,478,111	Blank Real & Personal Property, extra expense
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Property	\$ 100,000	Business Income Water & Wastewater Enterprises
10/01/09 to 10/01/10	FMIT	FMIT0198	Florida League of Cities	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Supplemental Empl. Practice	\$ 5,000,000 CSL	
10/01/09 to 10/01/10	Federal Insurance	9906-62-32	LB Bryan & Co.	AD&D	\$ 59,695 \$ 59,695 \$ 179,085	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/09 to 10/01/10	PGIT	PKFL1046200309-05	Public Risk Insurance Agency	Boiler & Machinery	\$ 1,000,000 \$ 250,000 \$ 50,000	Accident/Direct Damage Consequential Damage Extra Expense
05/01/09 to 05/01/10	Travelers	103148718	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees, Police, and Fire

Source: City of Fort Walton Beach Risk Management Department

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IV. COMPLIANCE SECTION

- **COMPLIANCE MATTERS**
- **MANAGEMENT LETTERS**
- **RESPONSES TO THE MANAGEMENT LETTER**

City of Fort Walton Beach, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
Year Ended September 30, 2010

Federal Agency Pass-Through Entity Federal Project	CFDA Number	Contract/Grant Number	Expenditures	Transfer to Subrecipients
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
Direct Program				
Assistance to Firefighters 2008	97.044	EMW2008FO02473	\$ 1,762	\$ -
Indirect Program				
Pass-Through From				
State Department of Financial Services				
State Homeland Security Grant Program 2008-2009	97.073		53,015	-
Total U.S. Department of Homeland Security			54,777	-
U.S. Department of Transportation				
Federal Highway Administration				
Indirect Program				
Pass-Through From				
Florida Department of Transportation				
ARRA Local Agency Program Agreement, ARRA-521-B	20.205	426709-1-58-01	142,947	-
ARRA Local Agency Program Agreement, ARRA-459-B	20.205	426713/14-1-58-01	152,726	-
ARRA Local Agency Program Agreement, ARRA-458-B	20.205	426712/15-1-58-01	436,907	-
Total U.S. Department of Transportation			732,580	-
U.S. Department of Housing and Urban Development				
Direct Program				
Community Development Block Grant 2008	14.218	B-08-MC-12-00-30	5,674	-
Community Development Block Grant 2009	14.218	B-09-MC-12-00-30	107,207	-
ARRA Community Development Block Grant 2009	14.253	B-09-MY-12-00-30	38,366	-
Total U.S. Department of Housing and Urban Development			151,247	-
U.S. Department of Justice				
Indirect Program				
Pass-Through From				
U.S. Marshals Service				
Florida Regional Fugitive Task Force	-	VFTF091706	24,909	-
Florida Regional Fugitive Task Force	-	VFTF101706	9,767	-
Joint Law Enforcement Operations	-	ISDF100235A	5,521	-
Florida Department of Law Enforcement				
Bulletproof Vest Partnership Program 2007	16.607	-	4,097	-
Bulletproof Vest Partnership Program 2009	16.607	-	50	-
Byrne Formula Grant-Justice Assistance Grant 2009	16.738	2009DJBX0185	11,781	-
Byrne Formula Grant-Justice Assistance Grant 2009	16.738	2009SBB92637	49,320	-
ARRA Byrne Formula Grant-Justice Assistance Grant 2009	16.803	2010ARCOKAL1W7030	138,879	-
Total U.S. Department of Justice			244,324	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,182,928	\$ -

The accompanying notes are an
integral part of this schedule.

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Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida

**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**

We have audited the financial statements of governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City of Fort Walton Beach's basic financial statements and have issued our report thereon dated March 1, 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 City of Fort Walton Beach's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Walton Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 entity'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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Walton Beach'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*.

We noted certain matters that we reported to management of the City of Fort Walton Beach in a separate letter dated March 1, 2011.

This report is intended solely for the information and use of the Audit Committee, Management, others within the organization, and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "O'Sullivan Creel, LLP". The signature is written in a cursive style and is positioned above a light gray rectangular background.

March 1, 2011

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Fort Walton Beach (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133. Those standards, and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Report on Compliance with Requirements that Could Have
a Direct and Material Effect on Each Major Program and
on Internal Control over Compliance in Accordance with
OMB Circular A-133 (Continued)

Internal Control over Compliance

The Management of the City of Fort Walton Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Management, others within the organization, City Council, federal awarding agencies, and pass through entities, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "O'Sullivan Creel, LLP".

March 1, 2011

City of Fort Walton Beach, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Project
20.205	ARRA Local Agency Program Agreement

Dollar threshold used to distinguish between type A and type B programs

 \$300,000

- Auditee qualified as low-risk auditee? _____ Yes X No

II. FINANCIAL STATEMENT FINDINGS

The results of our audit of the City of Fort Walton Beach, Florida did not disclose any findings required to be reported under GAGAS.

Continued...

City of Fort Walton Beach, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

III. FINDINGS AND QUESTIONED COSTS FOR STATE PROJECTS

We noted no matters involving noncompliance that are required to be reported in accordance with the U.S. Office of Management and Budget Circular A-133.

IV. SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no unrecorded or unresolved findings exist for the prior audit's Summary of Audit Findings.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida

MANAGEMENT LETTER

We have audited the financial statements of the City of Fort Walton Beach, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 01, 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; and OMB Circular A-133. We have issued our 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*, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated March 01, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with 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 report. There were no significant findings in the preceding financial report.

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 City of Fort Walton Beach, Florida, complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Management Letter (Continued)

Section 10.554(1)(i)4., Rules of 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 financial statements 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 the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) deficiencies in internal control 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 City of Fort Walton Beach, Florida, was established as a municipality by a Special Act of the Florida Legislature in 1937. The City's original charter was enacted as Chapter 18539, Laws of Florida.

The present charter was enacted in 1953 as Chapter 29093, Laws of Florida. The City of Fort Walton Beach, Florida, had one component unit within its reporting entity. The Fort Walton Beach Community Redevelopment Agency was created pursuant to provisions of Chapter 163, Part III, Florida Statutes. This action, adopted by Resolution Number 77-38, also outlines the rights, powers, duties, privileges, and immunities invested in the governing body. City ordinance 1262, adopted on September 27, 1994, gave the City Council the authority to appoint an independent Board of Commissioners in place of the City Council effective January 1, 1995.

During 1992, the Florida Department of Community Affairs determined that the Fort Walton Beach Housing Authority was a dependent special district of the City of Fort Walton Beach. Utilizing the standards set forth in GASB 14, the Fort Walton Beach Housing Authority was not considered as having met sufficient criteria for inclusion within the City's audited financial statements for the year ended September 30, 2010. As a result, the Fort Walton Beach Housing Authority is not included in the City's annual financial report.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Fort Walton Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Management Letter (Continued)

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Fort Walton Beach, Florida, 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 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 same. Our assessment was performed as of September 30, 2010.

PRIOR YEAR COMMENT

GOLF ENTERPRISE FUND

Observation

The Golf Fund reflected break even financial performance during the year ended September 30, 2010 which is inclusive of a permanent transfer of \$178,000 from the General Fund representing forgiveness of prior year loans to cover cash deficits. The Golf Fund has deficit unrestricted net assets of approximately \$228,540 at September 30, 2010. Additional cash borrowings or approximately \$130,000 were necessary from the General Fund during the year ended September 30, 2010. In addition the Golf Fund does not contribute its proportionate share in the City's cost allocation plan for shared resources such as IT, purchasing, human resources and accounting.

Recommendation

We continue to recommend that City management closely monitor the fiscal operating of the Golf Fund. While the business plan developed in 2009 did result in cost saving, gross revenues of the club declined by approximately \$248,000 which is believed to be attributable to the overall economy, weather conditions and the Gulf oil spill. The FY 10-11 FY budget provides for the General Fund to pay off the 1999A Capital Improvement Bonds of approximately \$2,735,000. The Golf Fund is scheduled to repay the amount over 20 years at an interest rate of 1.5% which is expected to improve cash flow by \$80,000 to \$100,000 a year. Continued analysis of rates, play and other factors should be monitored in order to determine if future budgetary transfers to supplement the Golf Fund operations are necessary.

PRIOR YEAR COMMENT (CONTINUED)

GOLF ENTERPRISE FUND (CONTINUED)

Management Response

As a result of on-going monitoring by the Management of the Golf Fund's financial performance during FY 2009-10, the proposal to pay off the 1999A Capital Improvement Bonds via a loan from the General Fund was made to City Council and incorporated into the FY 2010-11 budget. The restructuring of this debt, in tandem with the final payment on the 1998 Refunding Bonds, should improve cash flow. Management will continue to monitor the Golf Fund and make future adjustments as necessary.

CURRENT YEAR COMMENT

INFORMATION TECHNOLOGY CONTROLS

Observation

The City has a protocol that requires computer backups of their server and user hard drives at varying intervals to prevent data loss in the event of unforeseen circumstances. However a recent server crash resulted in lost data from the Golf Club program, Advance Tee Time. While it was believed the data was backed up, the backup was made to the incorrect set of data files, resulting in lost historical information as well as significant employee time in recreating member records.

Recommendation

The City should incorporate testing computer back-ups on a periodic basis as part of its IT policies. The City, like other business entities is increasing reliant on IT systems in its business processes. Other items to consider in the disaster recovery plan include:

- Location of, and access to, offsite storage.
- A listing of all data files that would have to be obtained from the offsite storage location.
- Identification of a backup location with similar or compatible equipment for emergency processing. We recommend an agreement for a backup processing location with a computer vendor or service center be executed in writing.
- Responsibilities of various personnel in an emergency.
- Priority of critical application and reporting requirements during the emergency period.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Management Letter (Continued)

CURRENT YEAR COMMENT (CONTINUED)

INFORMATION TECHNOLOGY CONTROLS (CONTINUED)

Management Response

The City has implemented procedures to ensure that computer backups are protected and performed, including off-site storage, quarterly testing of computer backups, and an outlined policy that identifies the responsibilities of city personnel involved in the process.

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.

We greatly appreciate the assistance and cooperation extended us during our audit.

O'Sullivan Creel, LLP

March 1, 2011

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