

Comprehensive Annual Financial Report

City of Fort Walton Beach, FL



With Compliance Matters and Responses
Fiscal Year Ended September 30, 2011



City of Fort Walton Beach, Florida

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**for the
Fiscal Year Ended
September 30, 2011**

**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, FL CITY OFFICIALS

CITY COUNCIL



Left to right (standing):

Bobby Griggs (Seat 1), joyce gossom (Seat 2), Bobby Nabors (Seat 5), and Dick Rynearson (Seat 7).

Left to right (seated):

Dennis Reeves (Seat 3), Mayor Mike Anderson, Trey Goodwin (Seat 4), and C.H. "Bull" Rigdon (Seat 6).

CITY MANAGER

Robert T. Mearns

FINANCE DIRECTOR

Brandy Ferris

CITY CLERK

Helen Spencer

CITY ATTORNEY

Hayward Dykes

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City of Fort Walton Beach, Florida
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Year Ended September 30, 2011

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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 *

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March 9, 2012

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, 2011 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 Warren Averett, LLC, 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, 2011 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, 2011 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 19,534 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 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 blended 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 20 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 continues to navigate an environment of decreased revenues, coupled with a desire to maintain the same level of programs and services. The City currently faces many of the same economic challenges that are affecting the global economy due to the recessionary environment.

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.

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 \$6.0 billion annual economic impact on the area, with approximately 73% of the local economy supported by the military.

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 2012. The City's total budget for fiscal year 2012 totals \$37.9 million, which is \$2.2 million more than the fiscal year 2011 approved budget, due in part to one-time capital improvement projects budgeted in the Utilities fund. Projected declines in interest earnings and property tax revenue account for much of the revenue decline. The 2012 budget allocates \$17.4 million, a 1.3% decline as compared to the fiscal year 2011 budget, to the General fund, \$18.5 million to the Enterprise funds, and \$2.1 million to other funds.

For the fiscal year 2012 budget, the ad valorem rate was maintained at 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 2012 budget.

Personnel expenses account for approximately 47.0% of the City's budget. The City's fiscal year 2012 budget remains relatively stable in this category, at 298.40 full time equivalent positions.

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, 2010. This was the twenty-fifth 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, 2011. This was the sixteenth 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 Warren Averett, LLC for its continued assistance and professionalism.

Respectfully submitted,



Robert T. Mearns
City Manager



Brandy L. Ferris
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, 2010

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.



Linda C. Danison

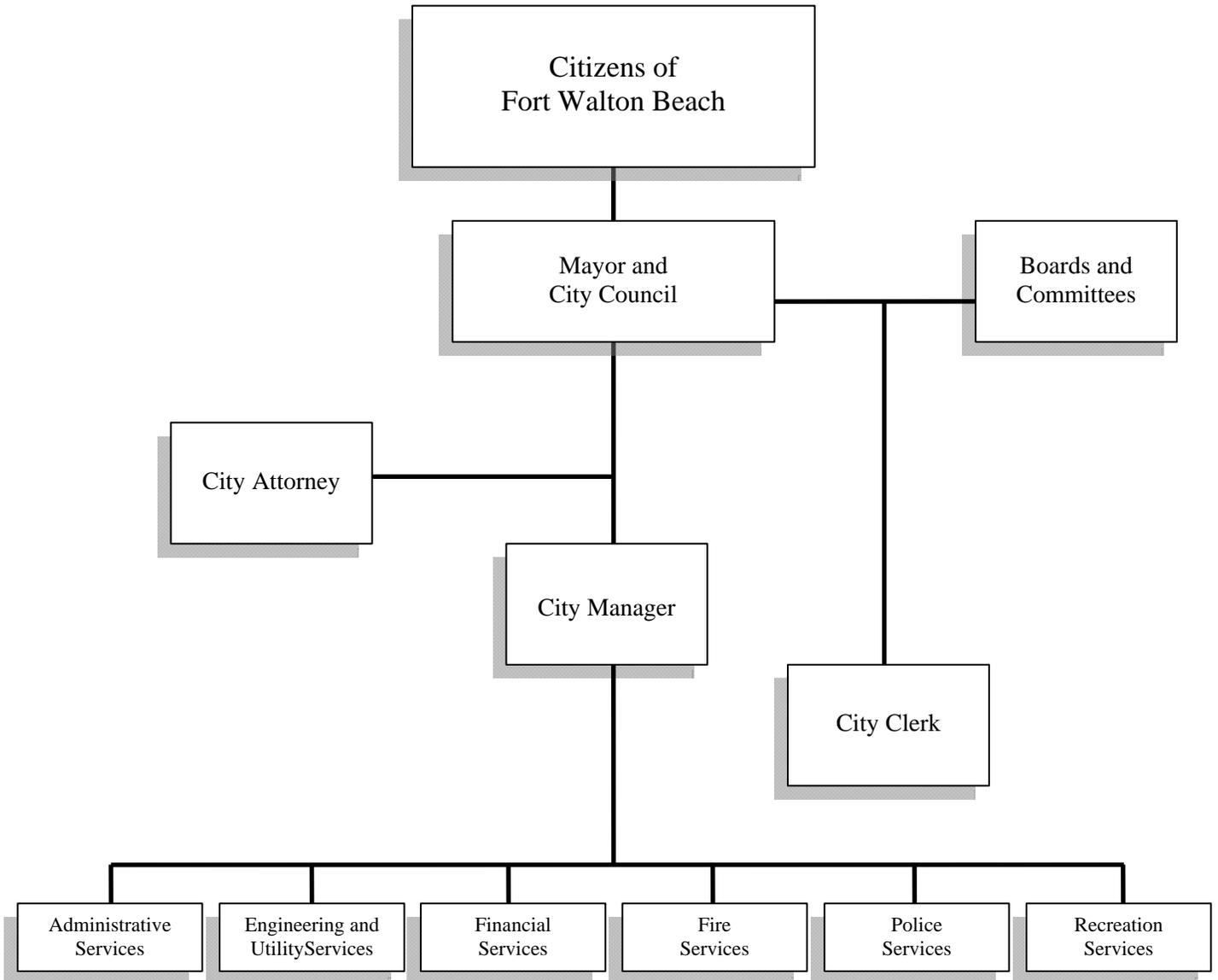
President

Jeffrey R. Emer

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, 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, 2011, 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Community Redevelopment Special Revenue Fund 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 9, 2012, 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)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-13, the Schedule of Funding Progress on page 77, and the Schedule of Contributions from the Employer and Other Contributing Entities on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 combining and individual nonmajor fund financial statements 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Warren Averett, LLC

March 9, 2012

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, 2011. 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 \$66.4 million (net assets). Of this amount, \$19.5 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 \$673,480, primarily due to a change in estimate of the useful life, which caused an increase in depreciation on the previously purchased force main and the re-use water filtration system.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds reported combined ending fund balances of \$17.7 million, an increase of \$2.1M in comparison with the prior year. Approximately 55.7% of this amount, or \$9.9 million, is available for spending at the discretion of City Council.
- At the end of the fiscal year, unrestricted fund balance for the General Fund was \$7.9 million, or 46.4% of total General Fund expenditures.
- The City of Fort Walton Beach's total debt decreased by \$2.8 million, or 15.1%, during the fiscal year. The key factor in this decrease was the defeasement of the 1999 Golf Revenue Bond.

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, community redevelopment agency, 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 blended component unit, the Community Redevelopment Agency (CRA), which is a legally separate entity for which the City of Fort Walton Beach is financially accountable, and is included in the governmental activities of the primary government. The government-wide financial statements are found on pages 14-15 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 16-21 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 seven individual governmental funds (General Fund, Community Redevelopment Agency 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 and the Community Redevelopment Agency 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, and golf club operations, all of which are considered major funds of the City of Fort Walton Beach. In addition, information is provided on the nonmajor proprietary fund which includes the stormwater operations. 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 80 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 \$66.4 million (net assets), as reported in Table 1. The government's net assets decreased by \$673,480 for the fiscal year ended September 30, 2011.

By far, the largest portion of the City's net assets, \$41.8 million or 62.9%, 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, 7.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$19.5 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	
	2011	2010*	2011	2010	2011	2010*
Current and Other	\$ 19,170	\$ 17,511	\$ 11,998	\$ 14,712	\$ 31,168	\$ 32,223
Capital Assets	30,056	30,270	24,776	26,886	54,832	57,156
Total Assets	49,226	47,781	36,774	41,598	86,000	89,379
Long-Term Liabilities						
Outstanding	5,268	5,228	10,480	13,349	15,748	18,577
Other Liabilities	1,705	1,725	2,129	1,986	3,834	3,711
Total Liabilities	6,973	6,953	12,609	15,335	19,582	22,288
Net Assets						
Invested in Capital						
Net of Related Debt	24,757	25,514	17,038	18,928	41,795	44,442
Restricted	4,830	2,738	267	543	5,097	3,281
Unrestricted	12,666	12,576	6,860	6,792	19,526	19,368
Total Net Assets	\$ 42,253	\$ 40,828	\$ 24,165	\$ 26,263	\$ 66,418	\$ 67,091

*Restated to include Community Redevelopment Special Revenue Fund.

The overall decrease in the City's net assets was \$673,480 during the fiscal year. The governmental activities experienced an increase, primarily related to increased fiscal control of expenditures due to the recessionary economy, including the elimination of 17 positions and the reduction in hours for 11 positions, the addition of the 2011 Revenue Note for the purchase of a fire engine and miscellaneous golf equipment, the savings of which was partially offset by reduced revenue due to the prior year sale of property to Waste Management.

The business activities experienced a decrease due primarily to a change in estimate for the depreciation on a previously purchased force main and re-use water filtration system. 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	
	2011	2010*	2011	2010	2011	2010*
Revenues						
Program Revenues:						
Charges for Services	\$ 3,906,023	\$ 4,008,506	\$ 13,454,454	\$ 12,668,076	\$ 17,360,477	\$ 16,676,582
Operating Grants & Contributions	761,643	742,819	118,226	-	879,869	742,819
Capital Grants and Contributions	351,006	804,715	65,496	173,370	416,502	978,085
General Revenue:						
Property Taxes	4,482,819	4,380,221	-	-	4,482,819	4,380,221
Other Taxes	5,993,764	5,857,699	-	-	5,993,764	5,857,699
Tax Increments for Redevelopment	1,547,609	1,698,421	-	-	1,547,609	1,698,421
Other Revenue	1,071,980	2,198,161	173,289	436,522	1,245,269	2,634,683
Total Revenues	18,114,844	19,690,542	13,811,465	13,277,968	31,926,309	32,968,510
Expenses						
Primary Government						
General Government	3,765,536	6,261,147	-	-	3,765,536	6,261,147
Public Safety	9,206,784	9,231,632	-	-	9,206,784	9,231,632
Physical Environment	393,752	304,907	-	-	393,752	304,907
Transportation	1,570,038	1,543,310	-	-	1,570,038	1,543,310
Economic Development	545,242	98,996	-	-	545,242	98,996
Culture & Recreation	2,677,051	2,944,221	-	-	2,677,051	2,944,221
Debt Service Interest	214,470	240,940	-	-	214,470	240,940
Business-Type Activities						
Utilities	-	-	9,162,926	6,725,349	9,162,926	6,725,349
Sanitation	-	-	2,524,994	2,466,881	2,524,994	2,466,881
Golf	-	-	2,199,453	2,203,739	2,199,453	2,203,739
Other	-	-	339,543	374,951	339,543	374,951
Total Expenses	18,372,873	20,625,153	14,226,916	11,770,920	32,599,789	32,396,073
Increase (Decrease) in Net Assets before Transfers	(258,029)	(934,611)	(415,451)	1,507,048	(673,480)	572,437
Transfers	1,682,717	1,667,644	(1,682,717)	(1,667,644)	-	-
Increase (Decrease) in Net Assets	1,424,688	733,033	(2,098,168)	(160,596)	(673,480)	572,437
Net Assets – 10/01/10	40,828,370	40,095,338	26,262,860	26,423,455	67,091,230	66,518,793
Net Assets – 09/30/11	\$ 42,253,058	\$ 40,828,370	\$ 24,164,692	\$ 26,262,860	\$ 66,417,750	\$ 67,091,230

*Restated to include Community Redevelopment Special Revenue Fund.

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net assets by \$1.4 million for the fiscal year ended September 30, 2011. Key elements of this change are as follows:

- Capital grants for governmental activities decreased \$453,709 or 56.4% due to prior year funding received through the American Recovery and Reinvestment Act.
- Other revenue for governmental activities decreased \$1.1 million or 51.2%. Municipal revenue sharing, interest income, disposal of assets, insurance proceeds, donations, and other miscellaneous revenue sources comprise this revenue category. The prior year sale of property to Waste Management account for this decrease.
- Overall, expenses for governmental activities decreased \$2.3 million or 10.9% primarily due to increased fiscal control of expenditures due to the recessionary economy, including the elimination of 17 positions and the reduction in hours for 11 positions.

Chart 1
Expenses and Program Revenue – Governmental Activities

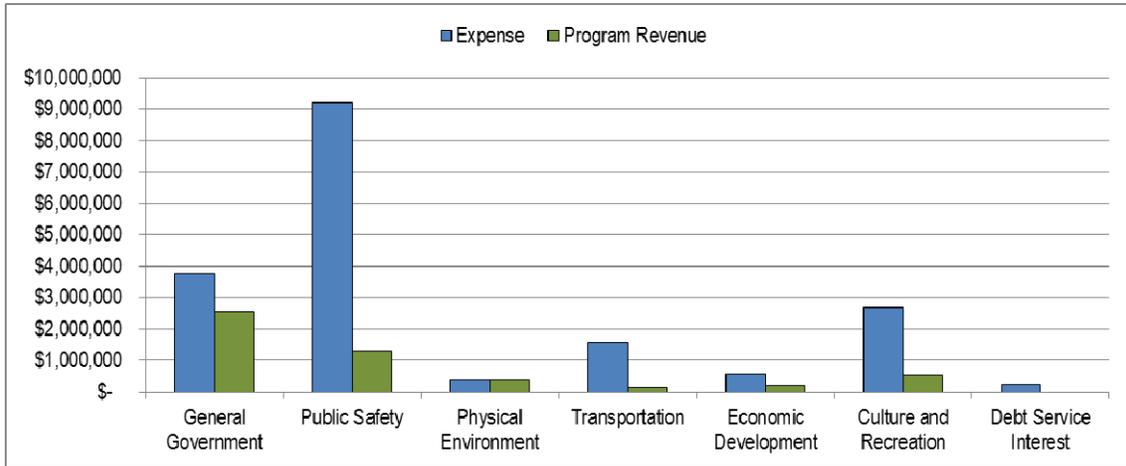
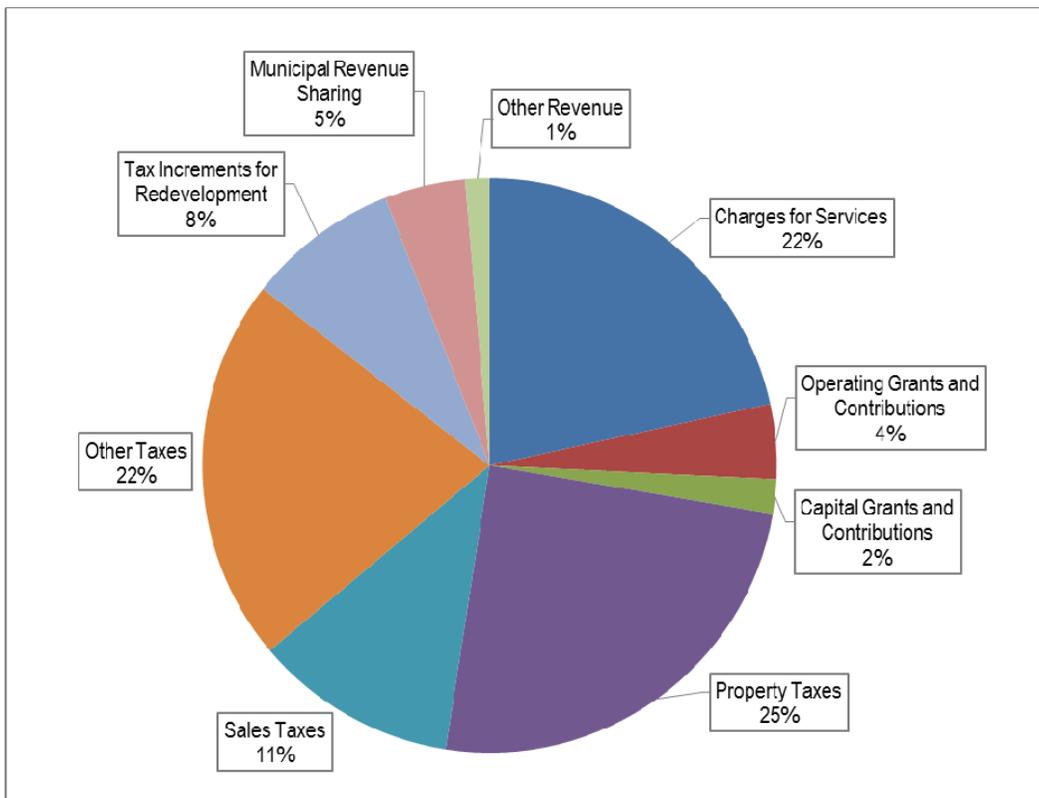


Chart 2
Revenues by Source – Governmental Activities



Current Year Impacts – Business-Type Activities

Business-type activities decreased the City’s net assets by \$2.1 million for the fiscal year ended September 30, 2011. Key elements of this change are as follows:

- Capital Grants and Contributions for business-type activities decreased \$107,874, or 62.2% due to funding received in the prior fiscal year through State Financial Assistance for CBIR grants in the Utility Fund, as well as Florida Forever Grant funding in the Stormwater Fund.
- Other Revenue for business type activities decreased \$263,233, or 60.3% primarily due to decreased interest earnings.
- Expenses throughout the Enterprise Funds increased \$2.5 million or 20.9%. The Utilities Fund experienced an increase as a result of increased depreciation expense due to a change in estimate on the useful life of the force main and re-use water filtration system currently in-service. The Sanitation, Golf, and Stormwater Funds remained relatively flat.

Chart 3

Expenses and Program Revenue – Business-Type Activities

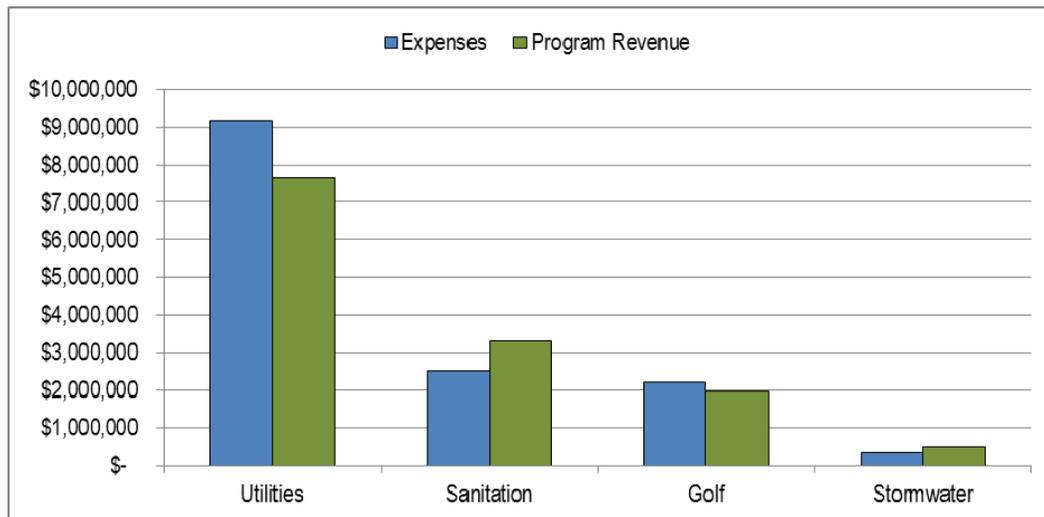
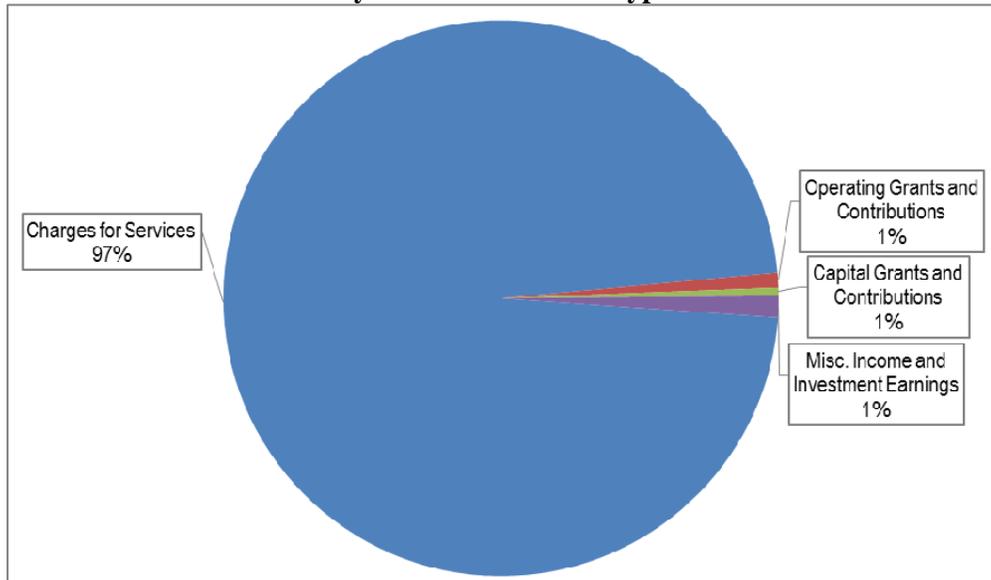


Chart 4

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, unrestricted 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, 2011, the City of Fort Walton Beach’s governmental funds have combined ending fund balances of \$17.7 million, an increase of \$2.1 million in comparison with the prior year. Approximately 55.7% of this amount, or \$9.9 million, is available for spending at the discretion of City Council. The remainder of fund balance is nonspendable or restricted. Details of the fund balance classifications can be found on page 16 of this report, as well as in Note 18.

The General Fund is the chief operating fund of the City. At the end of this fiscal year, unrestricted fund balance of the General Fund was \$7.9 million, while total fund balance reached \$11.2 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total expenditures. Unrestricted fund balance represents 46.4% of the total General Fund expenditures, while total fund balance represents 65.8% of that same amount.

During the 2011 fiscal year, the fund balance of the City’s General Fund increased by \$1.4 million. This increase is attributable to increased fiscal control of expenditures due to the recessionary economy.

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 \$6.9 million at September 30, 2011, of which the Utilities Fund amounted to \$4.4 million, the Sanitation Fund totaled \$2.0 million, and the Stormwater

Utility Fund was \$401,259. The Golf Fund had positive unrestricted net assets for the first time in several years, of \$91,502. In total, net assets of the proprietary funds decreased \$2.1 million. 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 20 of the financial statements.

Differences between the original budget and the final amended budget were \$1.9 million. Significant information related to this difference is summarized as follows:

- Donations in the amount of \$94,542 were received and utilized during the fiscal year.
- Donations of capital in the amount of \$360,080 were received.
- A ladder truck was purchased utilizing debt financing in the amount of \$694,347, including \$37,853 in issuance costs.
- Unanticipated expenses of \$234,949 were incurred. These expenses included research for the possible consolidation of the City's four recreation centers, the purchase of equipment for the Department of Corrections contract, the demolition of a building, and the defeasement of the 1999 Golf Revenue Bond.
- Grants in the amount of \$439,049 were received during the year.

Actual results, when compared to the final budget, show a variance of \$2.1 million. This variance is primarily due to amending the budget for donations and the purchase of capital outlay, as well as amending the budget for grant revenue received, but not yet 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, 2011, was \$54.8 million (net of accumulated depreciation). This represents a net decrease of \$2.3 million, or 4.1%. 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 a previously purchased force main and re-use water filtration system, which accelerated the depreciation schedule, and resulted in \$2.0 million of additional depreciation expense when compared to the prior year.

Table 3

	Total Capital Assets					
	Net of Accumulated Depreciation					
	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2011	FY 2010*	FY 2011	FY 2010	FY 2011	FY 2010*
Land	\$ 9,961,261	\$ 9,961,261	\$ 765,078	\$ 765,078	\$ 10,726,339	\$ 10,726,339
Buildings	7,286,780	7,684,951	2,218,237	2,336,254	9,505,017	10,021,205
Improvements Other Than Buildings	6,162,400	6,431,057	17,512,714	19,147,799	23,675,114	25,578,856
Infrastructure	4,479,317	4,558,356	-	-	4,479,317	4,558,356
Software	397,258	-	7,364	-	404,622	-
Machinery & Equipment	1,416,842	1,265,220	2,933,928	2,813,432	4,350,770	4,078,652
Equipment under Capital Lease	-	122,478	62,147	221,412	62,147	343,890
Construction in Progress	352,292	247,203	1,276,888	1,601,946	1,629,180	1,849,149
	\$ 30,056,150	\$ 30,270,526	\$ 24,776,356	\$ 26,885,921	\$ 54,832,506	\$ 57,156,447

*Restated to include Community Redevelopment Special Revenue Fund.

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 5 of this report on page 47.

Long-Term Debt

As shown in the following table, as of September 30, 2011, the City had total bonded debt, revenue notes, and capital leases outstanding of \$15.9 million. All of the City's debt represents bonds and notes secured solely by specified revenue sources (i.e. revenue bonds/notes) 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					
	Governmental Activities		Business-Type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$4,570,965	\$ 4,708,784	\$10,464,872	\$13,836,725	\$15,035,837	\$18,545,509
Revenue Notes	728,480	0	76,586	0	805,065	0
Capital Leases	0	47,374	66,118	141,737	66,118	189,111
Total	\$5,299,445	\$ 4,756,158	\$10,607,576	\$13,978,462	\$15,907,021	\$18,734,620

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 65-68.

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 3.6% higher than a year ago. This indicator translates into a higher cost of providing services to residents.

- The Consumer Confidence Index is 6.1% higher than a year ago. This indicator measures economic conditions by gauging the future spending of consumers.
- The Leading Economic Index is 2.7% higher than a year ago and is designed to signal turning point patterns in economic data.
- 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 \$6.0 billion annual impact on Okaloosa County's economy, with approximately 73% 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 2012. The City's total budget for fiscal year 2012 totals \$37.9 million, which is \$2.2 million more than the fiscal year 2011 approved budget, due in part to one-time capital improvement projects budgeted in the Utilities Fund. Projected declines in interest earnings and property tax revenue account for much of the revenue decline. The 2012 budget allocates \$17.4 million, a 1.3% decline as compared to the fiscal year 2011 budget, to the General Fund, \$18.5 million to the Enterprise funds, and \$2.1 million to other funds.

For the fiscal year 2012 budget, the ad valorem rate was maintained at 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 2012 budget.

Personnel expenses account for approximately 47.0% of the City's budget. The City's fiscal year 2012 budget remains relatively stable in this category, at 298.40 full time equivalent positions.

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.

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City of Fort Walton Beach, Florida
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,243,861	\$ 7,736,385	\$ 22,980,246
Receivables, net	287,845	708,881	996,726
Internal balances	2,788,552	(2,788,552)	-
Due from other governments	38,724	1,024	39,748
Inventory, at cost	244,174	44,658	288,832
Restricted assets			
Cash and cash equivalents	113,816	6,094,708	6,208,524
Capital assets			
Non-depreciable/amortizable	10,313,553	2,041,966	12,355,519
Depreciable/amortizable, net	19,742,597	22,734,390	42,476,987
Other assets			
Bond issue costs, net	171,729	200,623	372,352
Net pension asset	281,578	-	281,578
TOTAL ASSETS	<u>49,226,429</u>	<u>36,774,083</u>	<u>86,000,512</u>
LIABILITIES			
Accounts payable	240,142	491,263	731,405
Accrued liabilities	523,473	899,032	1,422,505
Due to other governments	-	14,151	14,151
Due to depositors	5,000	-	5,000
Unearned revenue	-	51,844	51,844
Payable from restricted assets			
Accrued interest	61,054	113,406	174,460
Customer deposits	-	170,195	170,195
Non-current liabilities			
Due within one year			
Compensated absences	165,906	50,856	216,762
Leases payable	-	52,661	52,661
Notes payable	66,683	15,364	82,047
Revenues bonds payable	145,000	270,000	415,000
Due in more than one year			
Compensated absences	497,719	152,570	650,289
Leases payable	-	13,458	13,458
Notes payable	661,797	61,222	723,019
Revenue bonds payable	4,425,965	10,194,872	14,620,837
Other post-employment benefits	180,632	58,497	239,129
TOTAL LIABILITIES	<u>6,973,371</u>	<u>12,609,391</u>	<u>19,582,762</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,756,705	17,037,456	41,794,161
Restricted			
Debt service	113,816	184,711	298,527
System improvements	-	82,573	82,573
Improvement districts	4,212,984	-	4,212,984
Public safety	268,820	-	268,820
Other purposes	234,568	-	234,568
Unrestricted	12,666,165	6,859,952	19,526,117
TOTAL NET ASSETS	<u>\$ 42,253,058</u>	<u>\$ 24,164,692</u>	<u>\$ 66,417,750</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, 2011

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		
					Governmental Activities	Business-Type Activities	Total
Government activities							
General government	\$ 3,765,536	\$ 2,556,270	\$ 274	\$ -	\$ (1,208,992)	\$ -	\$ (1,208,992)
Public safety	9,206,784	430,017	514,043	341,270	(7,921,454)	-	(7,921,454)
Physical environment	393,752	394,513	200	-	961	-	961
Transportation	1,570,038	104,776	-	9,736	(1,455,526)	-	(1,455,526)
Economic environment	545,242	16,400	153,012	-	(375,830)	-	(375,830)
Culture and recreation	2,677,051	404,047	94,114	-	(2,178,890)	-	(2,178,890)
Debt service interest	214,470	-	-	-	(214,470)	-	(214,470)
Total government activities	<u>18,372,873</u>	<u>3,906,023</u>	<u>761,643</u>	<u>351,006</u>	<u>(13,354,201)</u>	<u>-</u>	<u>(13,354,201)</u>
Business-type activities							
Utilities	9,162,926	7,608,355	45,750	51,496	-	(1,457,325)	(1,457,325)
Sanitation	2,524,994	3,311,744	7,578	-	-	794,328	794,328
Golf	2,199,453	2,052,501	64,898	-	-	(82,054)	(82,054)
Stormwater	339,543	481,854	-	14,000	-	156,311	156,311
Total business-type activities	<u>14,226,916</u>	<u>13,454,454</u>	<u>118,226</u>	<u>65,496</u>	<u>-</u>	<u>(588,740)</u>	<u>(588,740)</u>
Total primary government	<u>\$ 32,599,789</u>	<u>\$ 17,360,477</u>	<u>\$ 879,869</u>	<u>\$ 416,502</u>	<u>\$ (13,354,201)</u>	<u>\$ (588,740)</u>	<u>\$ (13,942,941)</u>
General Revenues							
Taxes							
Property taxes					\$ 4,482,819	\$ -	\$ 4,482,819
Sales taxes					2,066,834	-	2,066,834
Utility service taxes					3,926,930	-	3,926,930
Tax increments for redevelopment district					1,547,609	-	1,547,609
Intergovernmental, unrestricted					825,591	-	825,591
Gain (loss) on sale of assets					16,865	75,904	92,769
Miscellaneous					96,105	31,424	127,529
Investment earnings					133,419	65,961	199,380
Transfers					<u>1,682,717</u>	<u>(1,682,717)</u>	<u>-</u>
Total general revenues, transfers and special item					<u>14,778,889</u>	<u>(1,509,428)</u>	<u>13,269,461</u>
Change in net assets					1,424,688	(2,098,168)	(673,480)
Net assets - beginning of year, restated					<u>40,828,370</u>	<u>26,262,860</u>	<u>67,091,230</u>
Net assets - end of year					<u>\$ 42,253,058</u>	<u>\$ 24,164,692</u>	<u>\$ 66,417,750</u>

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

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2011

	General Fund	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,802,219	\$ 4,244,719	\$ 2,196,923	\$ 15,243,861
Receivables	198,005	89,840	-	287,845
Due from other governments	31,972	-	6,752	38,724
Inventory, at cost	244,174	-	-	244,174
Advances to other funds	2,788,552	-	-	2,788,552
Restricted assets				
Cash and cash equivalents	-	-	113,816	113,816
TOTAL ASSETS	<u>\$ 12,064,922</u>	<u>\$ 4,334,559</u>	<u>\$ 2,317,491</u>	<u>\$ 18,716,972</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 215,521	\$ 23,667	\$ 954	\$ 240,142
Accrued liabilities	510,446	8,068	4,959	523,473
Due to depositors	5,000	-	-	5,000
Deferred revenue	119,621	89,840	-	209,461
Total liabilities	<u>850,588</u>	<u>121,575</u>	<u>5,913</u>	<u>978,076</u>
Fund balance				
Nonspendable	3,032,726	-	-	3,032,726
Restricted	234,768	4,212,984	382,436	4,830,188
Committed	5,219,706	-	1,929,448	7,149,154
Assigned	1,537,572	-	-	1,537,572
Unassigned	1,189,562	-	(306)	1,189,256
Total fund balance	<u>11,214,334</u>	<u>4,212,984</u>	<u>2,311,578</u>	<u>17,738,896</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,064,922</u>	<u>\$ 4,334,559</u>	<u>\$ 2,317,491</u>	<u>\$ 18,716,972</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, 2011

Fund balance - total governmental funds (page 16)		\$ 17,738,896
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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/amortizable assets	10,313,553	
Governmental depreciable/amortizable assets	44,808,877	
Less accumulated depreciation/amortization	<u>(25,066,280)</u>	
		30,056,150

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

Net pension asset	281,578	
Bond issuance costs	239,956	
Less related accumulated amortization	<u>(68,227)</u>	
		453,307

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

Special assessment for street resurfacing	119,621	
Special assessment for affordable housing	89,840	
		209,461

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue bonds payable	(4,615,000)	
Discount on bonds payable	44,035	
Notes payable	(728,480)	
Accrued interest	(61,054)	
Compensated absences	(663,625)	
Other post-employment benefits	<u>(180,632)</u>	
		<u>(6,204,756)</u>

Net assets of governmental activities (page 14)		<u>\$ 42,253,058</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, 2011

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,542,431	\$ 896,050	\$ -	\$ 10,438,481
Permits and fees	2,428,621	-	-	2,428,621
Intergovernmental	2,525,152	651,559	181,904	3,358,615
Charges for services	911,405	-	-	911,405
Fines and forfeits	125,885	-	25,731	151,616
Miscellaneous	778,077	25,030	14,868	817,975
TOTAL REVENUES	16,311,571	1,572,639	222,503	18,106,713
EXPENDITURES				
Current				
General governmental services	3,699,506	-	-	3,699,506
Public safety	8,509,661	137,882	29,077	8,676,620
Physical environment	306,365	-	-	306,365
Transportation	978,272	16,000	-	994,272
Economic environment	-	389,665	103,861	493,526
Culture and recreation	2,233,104	-	-	2,233,104
Capital outlay	1,242,296	269,043	49,718	1,561,057
Debt service				
Principal	-	-	198,699	198,699
Interest	-	-	235,890	235,890
Other debt service costs	-	-	378	378
TOTAL EXPENDITURES	16,969,204	812,590	617,623	18,399,417
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(657,633)	760,049	(395,120)	(292,704)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	739,805	-	-	739,805
Transfers in	1,807,790	-	489,154	2,296,944
Transfers out	(489,154)	(78,076)	(46,997)	(614,227)
TOTAL OTHER FINANCING SOURCES (USES)	2,058,441	(78,076)	442,157	2,422,522
NET CHANGE IN FUND BALANCE	1,400,808	681,973	47,037	2,129,818
FUND BALANCE - BEGINNING OF YEAR, RESTATE	9,813,526	3,531,011	2,264,541	15,609,078
FUND BALANCE - END OF YEAR	\$ 11,214,334	\$ 4,212,984	\$ 2,311,578	\$ 17,738,896

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, 2011

Net change in fund balances - total governmental funds (page 18) \$ 2,129,818

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	1,494,136	
Less current year depreciation/amortization	<u>(1,705,643)</u>	(211,507)

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	(798,416)	
Accumulated depreciation associated with disposals and adjustments	<u>797,554</u>	(862)

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

Transfer of capital assets from business activity	4,589	
Accumulated depreciation associated with asset transfer	<u>(6,595)</u>	(2,006)

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	(5,398)	
Special assessment for affordable housing	<u>16,400</u>	11,002

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.

Note proceeds	(739,806)	
Debt principal payments	198,699	
Amortization of current year bond discount	(2,181)	
Current year note issue costs	35,444	
Amortization of bond and note issue costs	(8,293)	
Change in accrued interest on long-term debt	<u>(3,174)</u>	(519,311)

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.

Net pension asset	42,405	
Change in long-term compensated absences	<u>(24,851)</u>	<u>17,554</u>

Change in net assets of governmental activities (page 15) \$ 1,424,688

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 9,160,668	\$ 9,160,668	\$ 9,542,431	\$ 381,763
Permits and fees	2,416,638	2,408,840	2,428,621	19,781
Intergovernmental	2,271,171	2,704,771	2,525,152	(179,619)
Charges for services	858,142	858,821	911,405	52,584
Fines and forfeits	139,200	149,860	125,885	(23,975)
Miscellaneous	<u>346,213</u>	<u>765,692</u>	<u>778,077</u>	<u>12,385</u>
TOTAL REVENUES	<u>15,192,032</u>	<u>16,048,652</u>	<u>16,311,571</u>	<u>262,919</u>
EXPENDITURES				
Current				
General government services	3,992,172	4,028,754	3,699,506	329,248
Public safety	8,955,982	8,792,367	8,509,661	282,706
Physical environment	252,400	294,072	306,365	(12,293)
Transportation	1,052,115	1,093,796	978,272	115,524
Culture and recreation	2,265,158	2,339,156	2,233,104	106,052
Capital outlay	<u>665,792</u>	<u>2,517,866</u>	<u>1,242,296</u>	<u>1,275,570</u>
TOTAL EXPENDITURES	<u>17,183,619</u>	<u>19,066,011</u>	<u>16,969,204</u>	<u>2,096,807</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,991,587)</u>	<u>(3,017,359)</u>	<u>(657,633)</u>	<u>2,359,726</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	732,200	739,805	7,605
Transfers in	1,987,420	2,041,973	1,807,790	(234,183)
Transfers out	<u>(449,995)</u>	<u>(471,070)</u>	<u>(489,154)</u>	<u>(18,084)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,537,425</u>	<u>2,303,103</u>	<u>2,058,441</u>	<u>(244,662)</u>
NET CHANGE IN FUND BALANCE	(454,162)	(714,256)	1,400,808	2,115,064
FUND BALANCE - BEGINNING OF YEAR	<u>454,162</u>	<u>714,256</u>	<u>9,813,526</u>	<u>9,099,270</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,214,334</u>	<u>\$ 11,214,334</u>

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

City of Fort Walton Beach, Florida
COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 898,803	\$ 898,803	\$ 896,050	\$ (2,753)
Intergovernmental	651,559	651,559	651,559	-
Miscellaneous	30,000	30,000	25,030	(4,970)
TOTAL REVENUES	<u>1,580,362</u>	<u>1,580,362</u>	<u>1,572,639</u>	<u>(7,723)</u>
EXPENDITURES				
Current				
Public safety	111,006	130,440	137,882	(7,442)
Transportation	-	18,900	16,000	2,900
Economic environment	2,963,856	3,071,112	389,665	2,681,447
Capital outlay	<u>505,500</u>	<u>685,598</u>	<u>269,043</u>	<u>416,555</u>
TOTAL EXPENDITURES	<u>3,580,362</u>	<u>3,906,050</u>	<u>812,590</u>	<u>3,093,460</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000,000)</u>	<u>(2,325,688)</u>	<u>760,049</u>	<u>3,085,737</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(60)</u>	<u>(78,076)</u>	<u>(78,016)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(60)</u>	<u>(78,076)</u>	<u>(78,016)</u>
NET CHANGE IN FUND BALANCE	(2,000,000)	(2,325,748)	681,973	3,007,721
FUND BALANCE - BEGINNING OF YEAR, RESTATED	<u>2,000,000</u>	<u>2,325,748</u>	<u>3,531,011</u>	<u>1,205,263</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,212,984</u>	<u>\$ 4,212,984</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, 2011

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 5,149,995	\$ 2,015,463	\$ 168,726	\$ 402,201	\$ 7,736,385
Restricted assets - cash and cash equivalents	431,306	1,880	4,293	-	437,479
Receivables, net	497,386	175,517	101	35,877	708,881
Due from other governments	1,024	-	-	-	1,024
Inventory - at cost	<u>11,439</u>	<u>-</u>	<u>33,219</u>	<u>-</u>	<u>44,658</u>
Total current assets	<u>6,091,150</u>	<u>2,192,860</u>	<u>206,339</u>	<u>438,078</u>	<u>8,928,427</u>
Non-current assets					
Restricted assets					
Cash and cash equivalents	<u>5,657,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,657,229</u>
Capital assets, net					
Non-depreciable/amortizable	1,986,566	-	55,400	-	2,041,966
Depreciable/amortizable, net	<u>17,755,844</u>	<u>1,098,709</u>	<u>2,945,379</u>	<u>934,458</u>	<u>22,734,390</u>
Total capital assets	<u>19,742,410</u>	<u>1,098,709</u>	<u>3,000,779</u>	<u>934,458</u>	<u>24,776,356</u>
Other assets					
Bond issue costs, net	<u>197,145</u>	<u>-</u>	<u>3,478</u>	<u>-</u>	<u>200,623</u>
Total non-current assets	<u>25,596,784</u>	<u>1,098,709</u>	<u>3,004,257</u>	<u>934,458</u>	<u>30,634,208</u>
TOTAL ASSETS	<u>\$ 31,687,934</u>	<u>\$ 3,291,569</u>	<u>\$ 3,210,596</u>	<u>\$ 1,372,536</u>	<u>\$ 39,562,635</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, 2011

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
LIABILITIES					
Current liabilities					
Accounts payable	\$ 377,339	\$ 93,034	\$ 18,856	\$ 2,034	\$ 491,263
Accrued liabilities					
Compensated absences	29,440	10,627	8,097	2,692	50,856
Wages	69,842	33,274	35,124	10,792	149,032
Other	750,000	-	-	-	750,000
Due to other governments	-	7,432	6,719	-	14,151
Leases payable	-	-	52,661	-	52,661
Advance from other fund	-	-	127,868	-	127,868
Revenue bonds payable	270,000	-	-	-	270,000
Revenue note payable	-	-	15,364	-	15,364
Payable from restricted assets					
Accrued interest	112,918	-	488	-	113,406
Customer deposits	168,315	1,880	-	-	170,195
Unearned revenue	21,055	-	18,457	12,332	51,844
Total current liabilities	<u>1,798,909</u>	<u>146,247</u>	<u>283,634</u>	<u>27,850</u>	<u>2,256,640</u>
Non-current liabilities					
Accrued liabilities					
Compensated absences	88,320	31,883	24,291	8,076	152,570
Leases payable	-	-	13,458	-	13,458
Advance from other fund	-	-	2,660,684	-	2,660,684
Revenue bonds payable	10,194,872	-	-	-	10,194,872
Revenue note payable	-	-	61,222	-	61,222
Other post-employment benefits	38,369	17,245	1,990	893	58,497
Total non-current liabilities	<u>10,321,561</u>	<u>49,128</u>	<u>2,761,645</u>	<u>8,969</u>	<u>13,141,303</u>
TOTAL LIABILITIES	<u>12,120,470</u>	<u>195,375</u>	<u>3,045,279</u>	<u>36,819</u>	<u>15,397,943</u>
NET ASSETS					
Invested in capital assets, net of related debt					
Restricted	14,934,767	1,098,709	69,522	934,458	17,037,456
Debt service	180,418	-	4,293	-	184,711
System improvements	82,573	-	-	-	82,573
Unrestricted	<u>4,369,706</u>	<u>1,997,485</u>	<u>91,502</u>	<u>401,259</u>	<u>6,859,952</u>
TOTAL NET ASSETS	<u>\$ 19,567,464</u>	<u>\$ 3,096,194</u>	<u>\$ 165,317</u>	<u>\$ 1,335,717</u>	<u>\$ 24,164,692</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, 2011

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
OPERATING REVENUES					
Charges for services	\$ 7,592,916	\$ 3,311,744	\$ 1,954,325	\$ 481,854	\$ 13,340,839
OPERATING EXPENSES					
Personal services	1,584,235	896,450	975,951	183,053	3,639,689
Operating	3,762,569	1,420,086	742,360	83,780	6,008,795
Depreciation/amortization expense	3,315,799	208,458	276,072	70,678	3,871,007
TOTAL OPERATING EXPENSES	8,662,603	2,524,994	1,994,383	337,511	13,519,491
OPERATING INCOME (LOSS)	(1,069,687)	786,750	(40,058)	144,343	(178,652)
NON-OPERATING REVENUES (EXPENSES)					
Rental income	15,439	-	98,176	-	113,615
Interest expense	(476,766)	-	(77,737)	(336)	(554,839)
Amortization	(22,200)	-	(127,216)	-	(149,416)
Other debt services costs	(959)	-	(117)	-	(1,076)
Gain (loss) on disposal of capital assets	70,168	4,625	-	1,111	75,904
Unrealized gain (loss) on investment	(15,211)	(5,954)	(493)	(1,188)	(22,846)
Interest	66,316	17,723	1,028	3,740	88,807
Grants in aid	(398)	-	-	(1,696)	(2,094)
Miscellaneous	61,081	18,513	70,043	13	149,650
TOTAL NON-OPERATING REVENUES (EXPENSES)	(302,530)	34,907	(36,316)	1,644	(302,295)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND OPERATING TRANSFERS	(1,372,217)	821,657	(76,374)	145,987	(480,947)
CONTRIBUTIONS AND TRANSFERS					
Capital grants and contributions	51,496	-	-	14,000	65,496
Transfers in	36,242	-	-	-	36,242
Transfers out	(959,557)	(744,281)	(99)	(15,022)	(1,718,959)
TOTAL CONTRIBUTIONS AND TRANSFERS	(871,819)	(744,281)	(99)	(1,022)	(1,617,221)
CHANGE IN NET ASSETS	(2,244,036)	77,376	(76,473)	144,965	(2,098,168)
NET ASSETS - BEGINNING OF YEAR	21,811,500	3,018,818	241,790	1,190,752	26,262,860
NET ASSETS - END OF YEAR	\$ 19,567,464	\$ 3,096,194	\$ 165,317	\$ 1,335,717	\$ 24,164,692

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, 2011

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 7,598,205	\$ 3,319,147	\$ 1,956,017	\$ 498,697	\$ 13,372,066
Payments to suppliers	(3,097,903)	(1,419,256)	(749,032)	(86,319)	(5,352,510)
Payments to employees	(1,599,768)	(888,191)	(975,924)	(179,521)	(3,643,404)
Miscellaneous income	76,519	18,513	168,219	13	263,264
Net cash provided by operating activities	<u>2,977,053</u>	<u>1,030,213</u>	<u>399,280</u>	<u>232,870</u>	<u>4,639,416</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Borrowings (repayments)					
Interfund balances	-	-	(271,527)	-	(271,527)
Change in intergovernmental balances	67,394	(39)	(1,216)	-	66,139
Grants and aids	(398)	-	-	(1,696)	(2,094)
Transfers in	36,242	-	-	-	36,242
Transfers out	(959,557)	(744,281)	(99)	(15,022)	(1,718,959)
Net cash provided (used) by non-capital financing activities	<u>(856,319)</u>	<u>(744,320)</u>	<u>(272,842)</u>	<u>(16,718)</u>	<u>(1,890,199)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(1,282,253)	(225,881)	(79,754)	(173,553)	(1,761,441)
Proceeds from disposal of capital assets	70,168	4,625	-	1,111	75,904
Capital grants and contributions	51,496	-	-	14,000	65,496
Proceeds from advance from other fund	-	-	2,919,883	-	2,919,883
Principal paid on advance from other fund	-	-	(131,331)	-	(131,331)
Principal paid on leases payable	(7,621)	-	(50,838)	(17,161)	(75,620)
Proceeds from note payable	-	-	79,195	-	79,195
Principal paid on bonds and notes payable	(592,500)	-	(2,830,109)	-	(3,422,609)
Interest paid on bonds, loans, and leases payable	(472,792)	-	(105,459)	(336)	(578,587)
Other debt service costs	(959)	-	(3,911)	-	(4,870)
Net cash provided (used) by capital and related financing activities	<u>(2,234,461)</u>	<u>(221,256)</u>	<u>(202,324)</u>	<u>(175,939)</u>	<u>(2,833,980)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	51,105	11,769	535	2,552	65,961
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(62,622)	76,406	(75,351)	42,765	(18,802)
CASH AND CASH EQUIVALENTS - BEGINNING 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>
CASH AND CASH EQUIVALENTS - END OF YEAR					
	<u>\$ 11,238,530</u>	<u>\$ 2,017,343</u>	<u>\$ 173,019</u>	<u>\$ 402,201</u>	<u>\$ 13,831,093</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, 2011

	<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	\$ 5,149,995	\$ 2,015,463	\$ 168,726	\$ 402,201	\$ 7,736,385
Restricted assets, current	431,306	1,880	4,293		437,479
Restricted assets, non-current	<u>5,657,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,657,229</u>
Total cash and cash equivalents	<u>\$ 11,238,530</u>	<u>\$ 2,017,343</u>	<u>\$ 173,019</u>	<u>\$ 402,201</u>	<u>\$ 13,831,093</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ (1,069,687)	\$ 786,750	\$ (40,058)	\$ 144,343	\$ (178,652)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	3,315,799	208,458	276,072	70,678	3,871,007
Miscellaneous revenue	76,519	18,513	168,219	13	263,264
Decommission of WWTP accrual	500,000	-	-	-	500,000
Decrease (increase) in assets					
Accounts receivable	(11,191)	9,493	1,642	4,511	4,455
Prepaid expenses	8,106	-	-	-	8,106
Inventory	(11,439)	-	(1,396)	-	(12,835)
Increase (decrease) in liabilities					
Accounts payable	167,999	830	(5,276)	(2,539)	161,014
Compensated absences payable	(13,552)	5,132	(1,626)	2,648	(7,398)
Wages	(1,981)	3,127	1,653	884	3,683
Customer deposits	13,495	(2,090)	-	-	11,405
Deferred revenue	<u>2,985</u>	<u>-</u>	<u>50</u>	<u>12,332</u>	<u>15,367</u>
Net cash provided by operating activities	<u>\$ 2,977,053</u>	<u>\$ 1,030,213</u>	<u>\$ 399,280</u>	<u>\$ 232,870</u>	<u>\$ 4,639,416</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS					
Amortization of bond and note issue costs	<u>\$ 14,603</u>	<u>\$ -</u>	<u>\$ 100,660</u>	<u>\$ -</u>	<u>\$ 115,263</u>
Amortization of discounts and deferred loss on refunding	<u>\$ 18,827</u>	<u>\$ -</u>	<u>\$ 29,320</u>	<u>\$ -</u>	<u>\$ 48,147</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, 2011

	<u>Employee Retirement Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,407,058
Investments, at market	
U.S. Government and Agency obligations	8,915,850
Corporate obligations	10,600,407
Corporate equity	19,001,145
Mutual funds	<u>13,917,414</u>
Total investments	<u>52,434,816</u>
Due from State of Florida	<u>33,803</u>
TOTAL ASSETS	<u>\$ 54,875,677</u>
LIABILITIES	
Due to other funds	\$ 4,238
Accounts payable	<u>148,336</u>
Total liabilities	<u>152,574</u>
NET ASSETS	
Held in trust for pension and employee retirement benefits	<u>\$ 54,723,103</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, 2011

	<u>Employee Retirement Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 2,315,055
Plan members	496,993
State of Florida	<u>325,726</u>
Total contributions	<u>3,137,774</u>
Investment income (loss)	(161,491)
Less investment expense	<u>(358,800)</u>
Net investment income (loss)	<u>(520,291)</u>
Miscellaneous revenue	<u>215,272</u>
TOTAL ADDITIONS	<u>2,832,755</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	4,564,504
Disability payments	227,816
Refunds	<u>161,228</u>
Total benefits and refunds paid	<u>4,953,548</u>
Administrative expenses	
Legal	23,185
Contractual services	112,845
Other	<u>28,620</u>
Total administrative expenses	<u>164,650</u>
TOTAL DEDUCTIONS	<u>5,118,198</u>
NET INCREASE (DECREASE)	(2,285,443)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>57,008,546</u>
END OF YEAR	<u>\$ 54,723,103</u>

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

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City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Walton Beach, Florida, (the City) was originally chartered as a municipality under laws of the State of Florida 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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

As of September 30, 2011, 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 using the blended presentation method, and is presented as a governmental fund type with a fiscal year end of September 30. 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. All of the City's council members serve as board members of the Agency. The Agency's governing body is the same as the governing body of the City and the Agency provides services specifically to the Community Redevelopment Area of the City. Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading.

Certain beginning balances have been restated to reflect the Agency as a blended component unit. Prior to the year ended September 30, 2011, the Agency was treated as discretely presented due to its separate board. In January 2011, City Council took action to appoint Council as its governing body. As a result, the Governmental funds beginning fund balance increased by \$3,531,011 and governmental activities beginning net assets increased by \$8,509,522.

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 activities) 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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2011
Levy Date	November 1, 2011
Due Date	November 1, 2011
Delinquent Date	April 1, 2012

Discounts of 1% for each month taxes are paid prior to March 2012 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 2011 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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2011

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 funds:

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.

Community Redevelopment Fund - The community redevelopment fund is the operating fund of the Fort Walton Beach Community Redevelopment Agency (the "Agency"). It is used to account for the activities of the Agency.

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, 2011

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, 2011

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 - Florida PRIME and Fund B, 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. GASB Statement No. 31, titled *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, applies to the Florida PRIME and Fund B. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the 1940 Act). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. City investments with the SBA may be made or liquidated by wire on a same day basis, subject to limitations described in Note 3.

The Florida PRIME is considered a SEC "2a-7 like" fund, thus the account balance is also considered the fair value of the City's investment.

The Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2011, was .7568386 percent. The account balance was multiplied by the factor in order to report the fair value of the City's investment in Fund B.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable 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 is considered nonspendable in the fund financial statements to indicate that it is not available for appropriation.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and the Capital Improvement Note, Series 2011; in the Utility Fund, for the repayment of the Utility System Revenue Bonds, Series 2005; in the Golf Fund, for the repayment of the Capital Improvement Note, Series 2011; and, customer utility deposits and impact fees received are restricted in the Utilities Fund.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Categories and Classification Fund Equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City's General Fund formal fund balance policy establishes a targeted minimum reserve balance in its Committed Fund Balance equal to 30% of annual budgeted expenditures.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets (Continued)

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.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on balance at date of distribution.

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. The Local Government Surplus Trust Fund - Fund B does not meet the requirements of a SEC 2a7-like fund defined by GASB No. 31 and is considered an investment; however, the City has chosen not to reclass Fund B from cash equivalent to investment for reporting purposes due to its immaterial balance of approximately \$280,000 at September 30, 2011 in comparison to the City's pooled cash of approximately \$29 million. As of September 30, 2011, Fund B recorded an unrealized loss on investment in the amount of \$67,862.

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 \$28,829,717, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida Statutes.

Investments

As of September 30, 2011, the City's investments consist 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, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of September 30, 2011, the City held the following investments and related maturities:

	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	\$ 10,458,832	\$ 16,217	\$ 2,924,284	\$ 7,355,601	\$ 33,159	\$ 47,875	\$ 15,160	\$ -	\$ 66,536
Corporate CMOs	141,575	-	-	-	-	42,689	-	35,297	63,589
U.S. Treasury	4,786,494	658,104	2,131,135	1,127,853	-	-	187,752	681,650	-
U.S. Government Agencies	1,855,382	264,876	1,107,539	302,990	-	179,977	-	-	-
U.S. Government Agency Pools	2,273,974	-	82,086	83,437	1,761,568	-	152,199	194,684	-
	<u>\$ 19,516,257</u>	<u>\$ 939,197</u>	<u>\$ 6,245,044</u>	<u>\$ 8,869,881</u>	<u>\$ 1,794,727</u>	<u>\$ 270,541</u>	<u>\$ 355,111</u>	<u>\$ 911,631</u>	<u>\$ 130,125</u>
Investments not subject to interest rate risk									
Money market funds	\$ 2,407,058								
Corporate equities	19,001,145								
Mutual funds	13,917,414								
	<u>35,325,617</u>								
Total	<u>\$ 54,841,874</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% or 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, 2011

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, 2011, the General Employees' Pension Plan held no investments 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, 2011, comprised 9.47% 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, 2011.

The rating ranges of the different investment classes held by each respective plan at September 30, 2011, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Money market funds	Aaa-A	Aaa-A	Aaa-A
Corporate CMOs	Aaa-Aa1	N/A	N/A
Corporate debt	Aaa-Baa3	Aa2-Baa1	Aa2-Baa1
U.S. Treasury	Aaa	Aaa	Aaa
U.S. government agencies	Aaa	Aaa	Aaa

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration Credit Risk (Continued)

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% or more than 125% of the duration of the Merrill Lynch Bond Index. As of September 30, 2011, 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 19.66% of the total market value of the total fixed income portfolio.

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, 2011, the largest investment in a single corporate issuer of debt was 6.87% 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, 2011.

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, 2011, the largest investment in a single corporate issuer of debt was 16.93% 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 9% of the total market value of the total fixed income portfolio.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2011, the City maintained \$279,081 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool B (Fund B) with a fair value of \$211,219. 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 \$1,400,439 in distributions from Fund B, including \$72,317 received during the year ended September 30, 2011. 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, 2011. 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, 2011, is estimated at 4.82 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

The City also maintains \$253,793 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, 2011, is 38 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, 2011

NOTE 4 - RECEIVABLES

Receivables at September 30, 2011, were as follows:

	Governmental Activities			Business-Type Activities				
	General	Community Redevelop- ment Fund	Total	Utilities	Sanitation	Golf	Other Proprietary Funds	Total
Taxes	\$ 14,919	\$ -	\$ 14,919	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	63,465	-	63,465	524,653	190,702	101	38,590	754,046
Less allowance for doubtful accounts	-	-	-	(45,432)	(15,185)	-	(2,713)	(63,330)
Assessments	<u>119,621</u>	<u>89,840</u>	<u>209,461</u>	<u>18,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,165</u>
Total receivables	<u>\$ 198,005</u>	<u>\$ 89,840</u>	<u>\$ 287,845</u>	<u>\$ 497,386</u>	<u>\$ 175,517</u>	<u>\$ 101</u>	<u>\$ 35,877</u>	<u>\$ 708,881</u>

Due from Other Governments

The City's receivables from other governments for governmental activities and business-type activities as of September 30, 2011, are \$38,724 and \$1,024, respectively. Due from other governments consist of \$25,779 due from the federal government and \$9,731 due from the State of Florida. All receivables from the federal government are related to grant revenues, primarily for public safety and community development. The receivables due from the State of Florida also represent grant revenues, primarily related to roadside beautification. The remainder of the balance, \$4,238, is receivable from the City's Pension Plans for reimbursement for payment of the Pension Plan's fiduciary insurance premiums.

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	*Beginning Balance, Restated	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 9,961,261	\$ -	\$ -	\$ 9,961,261
Construction in progress	<u>247,203</u>	<u>105,302</u>	<u>(213)</u>	<u>352,292</u>
Total capital assets not being depreciated/amortized	<u>10,208,464</u>	<u>105,302</u>	<u>(213)</u>	<u>10,313,553</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

	*Beginning Balance, Restated	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities (Continued)				
Capital assets being depreciated/amortized				
Buildings	14,128,073	44,089	213	14,172,375
Improvements other than buildings	10,534,240	256,110	-	10,790,350
Infrastructure	12,171,524	223,884	(118,748)	12,276,660
Software	-	404,058	-	404,058
Machinery and equipment	7,079,874	460,692	(375,131)	7,165,435
Equipment under capital lease	<u>299,948</u>	<u>-</u>	<u>(299,948)</u>	<u>-</u>
Total capital assets being depreciated/amortized	<u>44,213,659</u>	<u>1,388,833</u>	<u>(793,614)</u>	<u>44,808,878</u>
Less accumulated depreciation/amortization				
Buildings	(6,443,122)	(442,473)	-	(6,885,595)
Improvements other than buildings	(4,103,183)	(524,767)	-	(4,627,950)
Infrastructure	(7,613,168)	(302,923)	118,748	(7,797,343)
Software	-	(6,800)	-	(6,800)
Machinery and equipment	(5,814,654)	(428,680)	494,741	(5,748,593)
Equipment under capital lease	<u>(177,470)</u>	<u>-</u>	<u>177,470</u>	<u>-</u>
Total accumulated depreciation/amortization	<u>(24,151,597)</u>	<u>(1,705,643)</u>	<u>790,959</u>	<u>(25,066,281)</u>
Total capital assets being depreciated/amortized, net	<u>20,062,062</u>	<u>(316,810)</u>	<u>(2,655)</u>	<u>19,742,597</u>
Governmental Activities, Net	<u>\$ 30,270,526</u>	<u>\$ (211,508)</u>	<u>\$ (2,868)</u>	<u>\$ 30,056,150</u>
Business-Type Activities				
Capital assets not being depreciated/amortized				
Land	\$ 765,078	\$ -	\$ -	\$ 765,078
Construction in progress	<u>1,601,946</u>	<u>7,887</u>	<u>(332,945)</u>	<u>1,276,888</u>
Total capital assets not being depreciated/amortized	<u>2,367,024</u>	<u>7,887</u>	<u>(332,945)</u>	<u>2,041,966</u>
Capital assets being depreciated/amortized				
Buildings	3,618,715	13,440	-	3,632,155
Improvements other than buildings	42,093,665	1,154,531	302,479	43,550,675
Software	-	8,734	-	8,734
Machinery and equipment	11,031,595	574,845	(1,263,572)	10,342,868
Equipment under capital lease	<u>532,696</u>	<u>-</u>	<u>(284,107)</u>	<u>248,589</u>
Total capital assets being depreciated/amortized	<u>57,276,671</u>	<u>1,751,550</u>	<u>(1,245,200)</u>	<u>57,783,021</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

	*Beginning Balance, Restated	Increases	Decreases/ Transfers	Ending Balance
Business-Type Activities (Continued)				
Less accumulated depreciation/amortization				
Buildings	(1,282,461)	(131,457)	-	(1,413,918)
Improvements other than buildings	(22,945,867)	(3,122,560)	30,466	(26,037,961)
Software	-	(1,370)	-	(1,370)
Machinery and equipment	(8,218,163)	(565,902)	1,375,125	(7,408,940)
Equipment under capital lease	<u>(311,284)</u>	<u>(49,718)</u>	<u>174,560</u>	<u>(186,442)</u>
Total accumulated depreciation/amortization	<u>(32,757,775)</u>	<u>(3,871,007)</u>	<u>1,580,151</u>	<u>(35,048,631)</u>
Total capital assets being depreciated/amortized, net	<u>24,518,896</u>	<u>(2,119,457)</u>	<u>334,951</u>	<u>22,734,390</u>
Business-Type Activities, Net	<u>\$ 26,885,920</u>	<u>\$ 2,111,570</u>	<u>\$ 2,006</u>	<u>\$ 24,776,356</u>

* Restated as the Fort Walton Beach Community Development Agency meets the definition of a blended component unit at September 30, 2011.

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

Governmental Activities

General government	\$ 127,087
Public safety	429,671
Physical environment	84,972
Transportation	574,491
Economic environment	50,811
Culture and recreation	<u>438,611</u>

Total depreciation/amortization expense - governmental activities \$ 1,705,643

Business-Type Activities

Utilities Fund	\$ 3,315,799
Sanitation Fund	208,458
Golf Fund	276,072
Other Proprietary Funds	<u>70,678</u>

Total depreciation/amortization expense - business-type activities \$ 3,871,007

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

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 \$1,688,126 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 and was 99% complete as of September 30, 2011. The final meters are projected to be installed by early February 2012.

The City is currently working on upgrading Lift Station #3 due to expansion in the downtown area. To date \$46,861 has been expended. This rehabilitation is funded from the net assets of the Utility Fund. Construction is expected to continue in the winter of 2013. The long timeline for this project is due to its proximity to Santa Rosa Sound.

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 the FDOT. This project is being constructed within the CRA and was funded with the CRA Capital Improvement Program budget. The construction is slated to begin in 2012.

In 2011, the City began the next phase of streetscape and pedestrian crosswalk improvements in the downtown area. To date \$17,450 has been spent. The City continues construction of new sidewalks for the purpose of providing pedestrian transportation throughout the CRA. In FY11, \$ 134,669 was expended on new sidewalks. These projects are funded by the CRA with an anticipated completion date of September 2012.

Two projects to improve City facilities began in 2011. In an effort to reduce costs, energy efficient lighting will be installed in all areas of City Hall and the Annex with the goal of preventing unnecessary lighting. \$4,909 has been spent to date to purchase materials. Installation of the lighting controls will begin in Fiscal Year 2012 and is projected to be completed in February. This project was funded with the General Fund's Capital Improvement Budget. Improvements to the living areas of Fire Station 7 also began in 2011. To date \$47,637 has been spent. The project is projected to be completed by the end of December 2011. The improvements were funded with general fund resources.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Construction Commitments (Continued)

Landscaping and Park improvements were begun in 2011. Funding was received from the Florida Department of Transportation (FDOT) Roadside Beautification Assistance Program to improve the landscaping on the medians of State Road (SR) 189 Lewis Turner Blvd. To date \$14,845 has been spent. Completion of this project is slated for 2012. The City has begun a project to extend the boat ramp at Liza Jackson Park. A Florida Boating Improvement Program (FBIP) Grant in the amount of \$18,000 was awarded by the Florida Fish and Wildlife Conservation Commission (FWC) with an additional \$10,000 projected to be donated by a local organization. The total cost is estimated to be \$32,200 with the balance being provided by the City in the form of labor. To date \$121 has been spent on the permitting process. Construction is projected to begin after the bid document approval is received from FWC.

The City is continuing the expansion of the water reuse line. This project began in 2001 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. In 2011 the City expended \$7,887 to obtain updated construction drawings and specifications. To date the City has spent a total \$1,239,889 on this project. In March 2011 the City received a State Revolving Fund (SRF) loan from the Florida Department of Environmental Protection (FDEP) in the amount of \$2,185,935 to fund the completion of this project. As of September 30, 2011, no funds have been drawn on the loan.

NOTE 6 - CHANGE IN ESTIMATE OF USEFUL LIVES

During the year ended September 30, 2011, the City determined that the City's thirty inch pre-stressed concrete cylinder pressure (PCCP) pipe force main would need to be replaced during fiscal year 2013. The replacement is due to the Florida Department of Transportation (FDOT) planning the replacement of the Gap Creek Bridge on State Road 189 as well as the results of non-destructive testing (NDT). The Force Main was originally installed in 1978 with an estimated life of fifty years. The City determined that the PCCP pipe force main had a revised estimated life of thirty years and a remaining life of two years as of September 30, 2011. The change in the estimated life of the force main resulted in additional depreciation of \$1,548,978 for the year ending September 30, 2011.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

As part of the continuing decommissioning of the Waste Water Treatment Plant (WWTP), the City determined that the re-use water filtration system located at the WWTP should be maintained in the event re-use water could not be supplied by Okaloosa County. The original fifty year life of the re-use water filtration system was reduced to thirty five years. Due to the reduction in capacity, the city determined that the remaining life of the re-use water filtration system was seventeen years as of September 30, 2011. The change in the estimated life of the re-use water filtration system resulted in additional depreciation of \$486,332 for the year ending September 30, 2011.

As a result of the additional depreciation, operating income and net assets was reduced in the Utilities Fund by \$2,035,310 for the year ending September 30, 2011.

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, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Plan Descriptions

Membership of each plan consisted of the following as of the date of the latest actuarial valuation:

	(1) GERF	(2) PORF	(3) FRF
Retirees and beneficiaries receiving benefits	129	37	24
Terminated plan members entitled to but not yet receiving benefits	12	9	1
Disabled participants	6	7	1
Active plan members	154	47	36
Total	301	100	62

(1) Latest actuarial valuation 10/1/2010

(2) Latest actuarial valuation 10/1/2011

(3) Latest actuarial valuation 10/1/2011

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, 2011

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 \$161,435 and \$164,291 for the FRF are included in the governmental activities revenue and expenses for the year ending September 30, 2011, the most recent actuarial date.

None of the three Plans addresses maximum contribution rates.

The City's annual pension cost as of the most recent actuarial date 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	20.92 %	24.5 %	25.4 %
Plan members	5.0 %	5.0 %	6.6 %
Annual pension cost	\$ 1,091,462	\$ 523,717	\$ 521,330
Contributions made			
Employer	\$ 1,159,438	\$ 521,425	\$ 514,872
State of Florida	\$ -	\$ 161,435	\$ 164,291
Net pension obligation (asset)	\$ (70,081)	\$ (36,146)	\$ (175,351)
Actuarial valuation date for disclosure	9/30/2011	9/30/2011	9/30/2011
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	30 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 %

**FRF only - starting at age 58

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2009	\$ 1,268,019	100 %	\$ (2,261)
	September 30, 2010	1,477,777	100 %	(2,105)
	September 30, 2011	1,091,338	106 %	(70,081)
PORF	September 30, 2009	407,159	100 %	(41,030)
	September 30, 2010	500,007	103 %	(38,438)
	September 30, 2011	521,425	100 %	(36,146)
FRF	September 30, 2009	421,935	110 %	(190,344)
	September 30, 2010	574,278	100 %	(181,809)
	September 30, 2011	514,872	100 %	(175,351)

The components of net pension cost, the increase in Net Pension Asset, and the Net Pension Asset for the year ended September 30, 2011, most recent actuarial date, for the General Employees', Police Officers' and Firefighters' Retirement Funds are as follows:

	General Employees'	Police Officers'	Firefighters'
Actuarially determined contribution	\$ 1,091,338	\$ 521,425	\$ 514,872
Interest on net pension asset	(166)	(3,075)	(14,545)
Adjustment to actuarially determined annual pension cost	290	5,367	21,003
Annual pension cost	1,091,462	523,717	521,330
Contribution made	1,159,438	521,425	514,872
Change in net pension asset	67,976	(2,292)	(6,458)
Net pension asset - beginning of year	2,105	38,438	181,809
Net pension asset - end of year	\$ 70,081	\$ 36,146	\$ 175,351

The funded status of each plan as of September 30, 2011, the most recent actuarial valuation date is as follows (dollar amounts in thousands):

	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
GERF	\$ 33,678,210	\$ 40,196,872	\$ 6,518,662	83.78 %	\$ 5,004,486	130.26 %
PORF	17,912,258	25,394,666	7,482,408	70.54 %	2,239,545	334.10 %
FRF	10,314,290	17,609,820	7,295,530	58.57 %	1,961,080	372.02 %

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2011:

COMBINING STATEMENT OF PLAN NET ASSETS				
	<u>Employee Retirement Funds</u>			Total Employee Retirement Funds
	<u>General Employees' Retirement</u>	<u>Police Officers' Retirement</u>	<u>Firefighters' Retirement</u>	
ASSETS				
Cash and cash equivalents	\$ 926,977	\$ 752,922	\$ 727,159	\$ 2,407,058
Due from State of Florida	-	-	33,803	33,803
Investments, at market				
U.S. Government and Agency obligations	5,758,704	1,780,620	1,376,526	8,915,850
Corporate obligations	4,849,864	3,632,329	2,118,214	10,600,407
Corporate equity	11,515,481	3,356,135	4,129,529	19,001,145
Mutual funds	<u>5,832,554</u>	<u>6,812,479</u>	<u>1,272,381</u>	<u>13,917,414</u>
Total investments, at market	<u>27,956,603</u>	<u>15,581,563</u>	<u>8,896,650</u>	<u>52,434,816</u>
TOTAL ASSETS	<u>\$ 28,883,580</u>	<u>\$ 16,334,485</u>	<u>\$ 9,657,612</u>	<u>\$ 54,875,677</u>
LIABILITIES				
Accounts payable	\$ 35,603	\$ 112,733	\$ -	\$ 148,336
Due to City	<u>-</u>	<u>2,343</u>	<u>1,895</u>	<u>4,238</u>
TOTAL LIABILITIES	<u>\$ 35,603</u>	<u>\$ 115,076</u>	<u>\$ 1,895</u>	<u>\$ 152,574</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES				
	<u>\$ 28,847,977</u>	<u>\$ 16,219,409</u>	<u>\$ 9,655,717</u>	<u>\$ 54,723,103</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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	\$ 1,159,438	\$ 560,945	\$ 594,672	\$ 2,315,055
Plan members	260,836	102,297	133,860	496,993
State of Florida	-	161,435	164,291	325,726
Total contributions	<u>1,420,274</u>	<u>824,677</u>	<u>892,823</u>	<u>3,137,774</u>
Investment income (loss)	(83,860)	(158,416)	80,785	(161,491)
Less investment expense	<u>(158,958)</u>	<u>(160,741)</u>	<u>(39,101)</u>	<u>(358,800)</u>
Net investment income (loss)	(242,818)	(319,157)	41,684	(520,291)
Miscellaneous revenue	<u>215,178</u>	<u>-</u>	<u>94</u>	<u>215,272</u>
TOTAL ADDITIONS	<u>1,392,634</u>	<u>505,520</u>	<u>934,601</u>	<u>2,832,755</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	2,284,268	1,307,873	972,363	4,564,504
Disability payments	63,055	140,127	24,634	227,816
Refunds	<u>111,384</u>	<u>39,526</u>	<u>10,318</u>	<u>161,228</u>
Total benefits and refunds paid	<u>2,458,707</u>	<u>1,487,526</u>	<u>1,007,315</u>	<u>4,953,548</u>
Administrative expenses				
Legal	1,692	12,209	9,284	23,185
Contractual services	53,955	32,336	26,554	112,845
Other	<u>11,125</u>	<u>2,655</u>	<u>14,840</u>	<u>28,620</u>
Total administrative expenses	<u>66,772</u>	<u>47,200</u>	<u>50,678</u>	<u>164,650</u>
TOTAL DEDUCTIONS	<u>2,525,479</u>	<u>1,534,726</u>	<u>1,057,993</u>	<u>5,118,198</u>
NET INCREASE (DECREASE)	(1,132,845)	(1,029,206)	(123,392)	(2,285,443)
BEGINNING OF YEAR	<u>29,980,822</u>	<u>17,248,615</u>	<u>9,779,109</u>	<u>57,008,546</u>
END OF YEAR	<u>\$ 28,847,977</u>	<u>\$ 16,219,409</u>	<u>\$ 9,655,717</u>	<u>\$ 54,723,103</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 general full-time employees hired on or 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; however, only an additional 2½%, would also be matched by the employer (City). Members of the General Employees Defined Benefit Pension Plan who were not fully or partially vested were permitted transfer their contribution to the Plan as a one-time irrevocable election.

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 \$54,513 and \$54,513, respectively, for the year ending September 30, 2011.

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 \$2,574,894 at September 30, 2011. Contributions made by plan members during the year ended September 30, 2011, were \$578,402.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City is not required to have an actuarial valuation performed each year; therefore, the following disclosures are represented as of September 30, 2010, the date of the last actuarial valuation. Management asserts there have been no significant changes in benefit provisions or size of population covered by the plan during the year ended September 30, 2011.

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>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

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.

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>

For the governmental activities, the net other postemployment benefit obligation is generally liquidated by the general fund.

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			
	Annual Pension Cost (APC)	City* Contributions	Percentage Contributed	Net Pension Obligation (Asset)
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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

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.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

F. Actuarial Methods and Assumptions (Continued)

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.

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, 2011. 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, 2011, 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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Changes in the Fund's claim liability amount in fiscal year 2011 and 2010 are as follows:

	Beginning of Year Claims Liability	Incurred Claims	Payment of Claims	End of Year Claims Liability
Fiscal Year 2010	\$ -	\$ 133,301	\$ 133,301	\$ -
Fiscal Year 2011	-	145,251	145,251	-

As of October 1, 2011, the City discontinued the self-insured dental program and obtained insurance through a traditional insurance provider.

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, 2011, was \$225,879 in the General Fund, \$15,439 in the Utilities Funds and \$30,652 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, 2011, totaled \$67,524.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities	
		Utilities	Golf
2012	\$ 218,077	\$ 16,366	\$ 93,568
2013	223,479	16,857	97,457
2014	217,513	17,362	97,457
2015	219,729	17,883	97,457
2016	226,302	18,420	97,621
Total minimum lease payments	<u>\$ 1,105,100</u>	<u>\$ 86,888</u>	<u>\$ 483,560</u>

Lessee

The City leases golf course equipment in the Golf Fund through operating leases with a finance company. The lease term began July 1, 2009, and terminates January 1, 2013. During 2011, a new operating lease was signed for additional equipment. The new lease term began April 1, 2011, and terminates March 31, 2015. Monthly lease payments are \$9,740 per month. Lease expense for the year ending September 30, 2011, was \$116,144.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 12 - OPERATING LEASES (CONTINUED)

Lessee (Continued)

Future minimum lease payments are as follows:

	Business-Type Activities
Year Ending September 30	Golf
2012	\$ 116,878
2013	30,541
2014	1,762
2015	881
Total minimum lease payments	\$ 150,062

NOTE 13 - CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of certain golf system equipment. The lease agreement qualifies as a capital lease for accounting purposes as a result of the transfer of title or bargain purchase option and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the Golf Fund.

The assets acquired through capital leases are as follows:

	Business-Type Activities
Assets	Golf
Golf lawn maintenance equipment	\$ 248,589
Accumulated depreciation	(186,442)
Net assets acquired by lease	\$ 62,147

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2011, are as follows:

	Business-Type Activities
Year Ending September 30	Golf
2012	\$ 54,148
2013	13,538
Total minimum lease payments	67,686
Less amount representing interest	(1,567)
Present value of minimum lease payments	\$ 66,119

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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, 2011:

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital improvement revenue bonds Series 2001	\$ 4,755,000	\$ -	\$ (140,000)	\$ 4,615,000	\$ 145,000
Less deferred amounts for issuance discount	(46,216)	-	2,181	(44,035)	-
Capital improvement revenue note, Series 2011	-	739,805	(11,325)	728,480	66,683
Capital leases	47,374	-	(47,374)	-	-
Compensated absences*	<u>638,775</u>	<u>459,356</u>	<u>(434,506)</u>	<u>663,625</u>	<u>165,906</u>
Total Governmental Activities	<u>\$ 5,394,933</u>	<u>\$ 1,199,161</u>	<u>\$ (631,024)</u>	<u>\$ 5,963,070</u>	<u>\$ 377,589</u>
Business-Type Activities					
Public improvement refunding bonds Series 1998	\$ 370,000	\$ -	\$ (370,000)	\$ -	\$ -
Less deferred amounts for issuance discount	(3,038)	-	3,038	-	-
Less deferred amounts for loss on refunding	(13,995)	-	13,995	-	-
Capital improvement revenue bonds Series 1999	2,735,000	-	(2,735,000)	-	-
Less deferred amounts for issuance discount	(25,985)	-	25,985	-	-
Florida municipal loan revenue bonds Series 2000	150,000	-	(150,000)	-	-
Less deferred amounts for issuance discount	(37)	-	37	-	-
Utility system revenue bonds Series 2005	10,750,000	-	(165,000)	10,585,000	270,000
Less deferred amounts for issuance discounts	(125,220)	-	5,092	(120,128)	-
Capital improvement revenue note Series 2011	-	79,195	(2,609)	76,586	15,364
Compensated absences	210,824	149,052	(156,450)	203,426	50,856
Capital leases	<u>141,737</u>	<u>-</u>	<u>(75,618)</u>	<u>66,119</u>	<u>52,661</u>
Total Business-Type Activities	<u>\$ 14,189,286</u>	<u>\$ 228,247</u>	<u>\$ (3,606,530)</u>	<u>\$ 10,811,003</u>	<u>\$ 388,881</u>

*Beginning balance is restated to reflected blended component unit

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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.	\$ 145,000	\$ 4,470,000	\$ 4,615,000
Less unamortized bond discount	-	(44,035)	(44,035)
<i>Total revenue bonds</i>	145,000	4,425,965	4,570,965
 <i>Revenue Notes</i>			
\$739,805 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2011, due in quarterly installments of \$21,156 through 2021; interest at 2.55%. Available non-ad valorem revenues are pledged for payment of the bonds. Proceeds used for purchase of a fire truck.	66,683	661,797	728,480
 <i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types.	165,906	497,719	663,625
 TOTAL GOVERNMENTAL ACTIVITIES	\$ 377,589	\$ 5,585,481	\$ 5,963,070
 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.	\$ 270,000	\$ 10,315,000	\$ 10,585,000
Less unamortized bond discount	-	(120,128)	(120,128)
<i>Total revenue bonds</i>	270,000	10,194,872	10,464,872
 <i>Revenue Notes</i>			
\$79,195 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2011, due in quarterly installments of \$4,293 through 2016; interest at 2.55%. Available non-ad valorem revenues are pledged for payment of the bonds. Proceeds used for purchase of certain equipment for City's municipal golf course.	15,364	61,222	76,586

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 14 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<i>Leases</i>			
\$248,589 capital lease payable, 2008, due in monthly installments of \$4,512 through December 2012, collateralized by lawn maintenance equipment.	52,661	13,458	66,119
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds.	50,856	152,570	203,426
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 450,103	\$ 10,437,486	\$ 10,811,003
GRAND TOTAL LONG-TERM DEBT			\$ 16,774,073

For the governmental activities, compensated absences are generally liquidated by the General Fund.

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, 2011, are as follows:

Governmental Activities

Year Ending September 30	Revenue Bonds		Revenue Note	
	Principal	Interest	Principal	Interest
2012	\$ 145,000	\$ 225,640	\$ 66,683	\$ 17,942
2013	150,000	219,405	68,400	16,226
2014	155,000	212,805	70,161	14,464
2015	165,000	205,830	71,967	12,658
2016	170,000	198,240	73,820	10,805
2017-2021	980,000	860,700	377,449	24,521
2022-2026	1,250,000	593,500	-	-
2027-2031	1,600,000	247,500	-	-
Total	\$ 4,615,000	\$ 2,763,620	\$ 728,480	\$ 96,616

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 14 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Amortize Debt Outstanding (Continued)

Business-Type Activities

Year Ending September 30	Municipal Loan/Revenue Bonds		Revenue Note		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 270,000	\$ 451,671	\$ 15,364	\$ 1,807	\$ 52,661	\$ 1,487
2013	280,000	442,559	15,759	1,411	13,458	79
2014	290,000	432,759	16,165	1,006	-	-
2015	300,000	422,246	16,581	589	-	-
2016	310,000	410,996	12,717	162	-	-
2017-2021	1,750,000	1,862,400	-	-	-	-
2022-2026	2,140,000	1,468,528	-	-	-	-
2027-2031	2,655,000	953,025	-	-	-	-
2032-2035	2,590,000	297,675	-	-	-	-
Total	<u>\$ 10,585,000</u>	<u>\$ 6,741,859</u>	<u>\$ 76,586</u>	<u>\$ 4,975</u>	<u>\$ 66,119</u>	<u>\$ 1,566</u>

NOTE 15 - COMMENTS REQUIRED BY THE BOND AND NOTE 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 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, 2011
Principal due at July 1, 2012	\$ 145,000	\$ 36,250
Interest due at January 1, 2012	112,820	56,410
Total	<u>\$ 257,820</u>	<u>\$ 92,660</u> ⁽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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

Capital Improvement Revenue Bonds, Series 2001 (Continued)

4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2011.
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 Utility Fund are shown in the financial 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, 2011
Principal due at July 1, 2012	\$ 270,000	\$ 67,500
Interest due at January 1, 2012	225,836	112,918
Total	\$ 495,836	\$ 180,418 ⁽¹⁾

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

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 2005 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.
4. Insurance schedules are included in the Statistical Section of the insurance in force at September 30, 2011.
5. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Revenue Note, Series 2011

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

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

Capital Improvement Revenue Note, Series 2011 (Continued)

2. The City is required to establish Sinking Fund amounts sufficient to pay all principal and interest becoming due on the bonds on the next quarter payment date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal/Interest Payments Due</u>	<u>Sinking Fund Requirement at September 30, 2011</u>	<u>Principal/Interest Payments Due</u>	<u>Sinking Fund Requirement at September 30, 2011</u>
Principal due at October 1, 2011	\$ 16,512	\$ 16,512	\$ 3,804	\$ 3,804
Interest due at October 1, 2011	<u>4,644</u>	<u>4,644</u>	<u>488</u>	<u>488</u>
Total	<u>\$ 21,156</u>	<u>\$ 21,156</u> ⁽¹⁾	<u>\$ 4,292</u>	<u>\$ 4,292</u> ⁽²⁾

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

⁽²⁾ Amounts are included in restricted cash amounts on the Balance Sheet of the Golf Fund.

3. 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, 2011, 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	\$ 119,621	\$ -	\$ 119,621
Special assessment for Soundside Development	<u>89,840</u>	<u>-</u>	<u>89,840</u>
Total Governmental Funds	<u>209,461</u>	<u>-</u>	<u>209,461</u>
<i>Utilities Fund</i>			
Prepaid utility bills	<u>-</u>	<u>21,055</u>	<u>21,055</u>
<i>Golf Fund</i>			
Prepaid lease revenue	-	2,216	2,216
Gift and prepaid cards	<u>-</u>	<u>16,241</u>	<u>16,241</u>
Total Golf Fund	<u>-</u>	<u>18,457</u>	<u>18,457</u>
<i>Other Enterprise Fund</i>			
Prepaid utility bills	<u>-</u>	<u>12,332</u>	<u>12,332</u>
Total	<u>\$ 209,461</u>	<u>\$ 51,844</u>	<u>\$ 261,305</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 17 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2011, is as follows:

Advances to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Golf	\$ 2,788,552

On November 15, 2010, the City's General Fund loaned the Golf Fund \$2,919,883 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%. The balance on the advance as of September 30, 2011 is \$2,788,552.

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Govern- mental Fund	Utility Fund	
General	\$ -	\$ 489,154	\$ -	\$ 489,154
Community Redevelopment Agency	78,076	-	-	78,076
Nonmajor governmental	46,998	-	-	46,998
Utilities	959,557	-	-	959,557
Sanitation	708,039	-	36,242	744,281
Golf	99	-	-	99
Nonmajor proprietary	15,022	-	-	15,022
	\$ 1,807,791	\$ 489,154	\$ 36,242	\$ 2,333,187

The transfers out of the General Fund of \$489,154 consist of a \$455,903 transfer to the Debt Service Fund (nonmajor governmental fund) for principal and interest payments on debt, and a \$33,251 transfer to the Cemetery Perpetual Care Fund (nonmajor governmental fund) for future maintenance.

Transfers in to the General Fund of \$1,807,791 consist of a \$13,149 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 \$36,242 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, 2011

NOTE 18 - GOVERNMENTAL FUND BALANCES

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

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action of the government's highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- *Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- *Unassigned* – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 18 - GOVERNMENTAL FUND BALANCES (CONTINUED)

At September 30, 2011, the City's governmental fund balances were classified as follows:

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventory	\$ 244,174	\$ -	\$ -	\$ 244,174
Advances	<u>2,788,552</u>	<u>-</u>	<u>-</u>	<u>2,788,552</u>
Total nonspendable	<u>3,032,726</u>	<u>-</u>	<u>-</u>	<u>3,032,726</u>
Restricted for				
Improvement districts	-	4,212,984	-	4,212,984
Library	233,543	-	-	233,543
Law enforcement	200	-	268,620	268,820
Debt service	-	-	113,816	113,816
Other purposes	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
Total restricted	<u>234,768</u>	<u>4,212,984</u>	<u>382,436</u>	<u>4,830,188</u>
Committed				
Cemetery maintenance	-	-	1,929,448	1,929,448
Natural disaster recovery	<u>5,219,706</u>	<u>-</u>	<u>-</u>	<u>5,219,706</u>
Total committed	<u>5,219,706</u>	<u>-</u>	<u>1,929,448</u>	<u>7,149,154</u>
Assigned to				
Public safety	794,758	-	-	794,758
Culture and recreation	112,227	-	-	112,227
General government	4,500	-	-	4,500
Capital projects	399,342	-	-	399,342
Citizen police academy	3,758	-	-	3,758
Main Street	5,504	-	-	5,504
Other	842	-	-	842
FY 2012 budget appropriation	<u>216,641</u>	<u>-</u>	<u>-</u>	<u>216,641</u>
Assigned	<u>1,537,572</u>	<u>-</u>	<u>-</u>	<u>1,537,572</u>
Unassigned	<u>1,189,562</u>	<u>-</u>	<u>(306)</u>	<u>1,189,256</u>
TOTAL FUND BALANCE	<u>\$ 11,214,334</u>	<u>\$ 4,212,984</u>	<u>\$ 2,311,578</u>	<u>\$ 17,738,896</u>

NOTE 19 - 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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 19 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2011 was \$89,840.

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 \$750,000 for these closure costs has been recorded at September 30, 2011.

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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 19 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Wastewater Service Interlocal Agreement with Okaloosa County (Continued)

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 began March 2010. The minimum commitment by the City under the Agreement is as follows:

<u>Fiscal Year Ending September 30</u>	
2012	\$ 47,161
2013	48,576
2014	50,033
2015	51,534
2016	53,080
2017 through 2021	290,265
2022 through 2026	336,496
2027 through 2031	390,091
2032 through 2036	452,223
2037 through 2039	<u>305,211</u>
Total	<u>\$ 2,024,670</u>

Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2011, were \$1,804,592.

NOTE 20 - SUBSEQUENT EVENTS

Decommission of Wastewater Treatment Facility

In December 2011 the City Council approved a contract for removal and disposal of solids and liquids at the decommissioned Waste Water Treatment Plant. The estimated cost is \$750,000 and will be funded from proceeds from the 2005 Utility System Revenue Bonds.

Brooks Street Parking Lot Lease Agreement

In January 2012 City Council authorized the Mayor to execute lease agreements with several downtown business owners for use of land for construction of a Brooks Street Parking lot. The proposed lot will contain 35 parking spaces, motorcycle parking, and lighting for added security. The City will lease the land for \$1 a year and will construct and maintain the parking lot. The estimated cost for construction of the lot is not available as of the date of the report as the project is out for bid. \$750,000 has been designated in the Community Redevelopment Fund for construction of parking areas along Brooks Street.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 20 - SUBSEQUENT EVENTS (CONTINUED)

Bayou Woods Subdivision Lots for Sale

In January 2012 City Council authorized certain lots in the Bayou Woods subdivision as surplus property and directed the City Manager to place them for sale. The appraised value of the lots is approximately \$224,000.

Demolition of the Germany Terrace Subdivision

In February 2012 City Council approved awarding a bid for the demolition of the Germany Trace subdivision in accordance with the memorandum of understanding as it relates to the Soundside Apartments Planned Unit Development. The contract price for demolition was approximately \$162,000. The project will be funded from the Community Redevelopment Fund and ultimately repaid to the City via a special assessment over a 30 year period as further discussed in Note 19 to the financial statements.

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
<i>General Employees' Retirement Fund</i>						
September 30, 2011	\$33,678,210	\$ 40,196,872	\$ 6,518,662	83.78 %	\$ 5,004,486	130.26 %
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
<i>Police Officers' Retirement Fund*</i>						
September 30, 2011	\$17,912,258	\$ 25,394,666	\$ 7,482,408	70.54 %	\$ 2,239,545	334.10 %
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
<i>Firefighters' Retirement Fund</i>						
September 30, 2011	\$10,314,290	\$ 17,609,820	\$ 7,295,530	58.57 %	\$ 1,961,080	372.02 %
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

*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

	Annual Required Contribution	Employer Contribution	Other Entity Contribution	Percentage Contributed
<i>General Employees' Retirement Fund</i>				
September 30, 2011	\$ 1,091,338	\$ 1,159,438	\$ -	106.24 %
September 30, 2010	1,477,933	1,477,777	-	100.00 %
September 30, 2009	1,268,428	1,268,260	-	100.00 %
September 30, 2008	1,268,019	1,267,864	-	100.00 %
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 %
<i>Police Officers' Retirement Fund</i>				
September 30, 2011	\$ 682,860	\$ 521,425	\$ 161,435	100.00 %
September 30, 2010	665,220	500,007	165,213	100.00 %
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 %
<i>*"Frozen" at \$181,576 per Chapter 185, as amended, though actual contribution has been higher.</i>				
<i>Firefighters' Retirement Fund</i>				
September 30, 2011	\$ 675,386	\$ 514,872	\$ 160,514 *	100.00 %
September 30, 2010	708,063	574,278	133,785 *	100.00 %
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 %

****"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 %

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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, 2011

	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	\$ 263,445	\$ 8,358	\$ (4,328)	\$ 1,929,448	\$ -	\$ 2,196,923
Due from other governments	2,730	-	4,022	-	-	6,752
Cash and cash equivalents - restricted	-	-	-	-	113,816	113,816
TOTAL ASSETS	\$ 266,175	\$ 8,358	\$ (306)	\$ 1,929,448	\$ 113,816	\$ 2,317,491
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ 954	\$ -	\$ -	\$ -	\$ 954
Accrued expenses and other liabilities	4,959	-	-	-	-	4,959
Total liabilities	4,959	954	-	-	-	5,913
Fund balance						
Restricted	261,216	7,404	-	-	113,816	382,436
Committed	-	-	-	1,929,448	-	1,929,448
Unassigned	-	-	(306)	-	-	(306)
Total fund balance	261,216	7,404	(306)	1,929,448	113,816	2,311,578
TOTAL LIABILITIES AND FUND BALANCE	\$ 266,175	\$ 8,358	\$ (306)	\$ 1,929,448	\$ 113,816	\$ 2,317,491

City of Fort Walton Beach, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended September 30, 2011

	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	
REVENUES						
Intergovernmental	\$ 28,892	\$ -	\$ 153,012	\$ -	\$ -	\$ 181,904
Fines and forfeits	17,831	7,900	-	-	-	25,731
Miscellaneous	3,922	45	-	10,901	-	14,868
TOTAL REVENUES	50,645	7,945	153,012	10,901	-	222,503
EXPENDITURES						
Current						
Public safety	21,796	7,281	-	-	-	29,077
Economic environment	-	-	103,861	-	-	103,861
Capital outlay	25,940	-	23,778	-	-	49,718
Debt service						
Principal	-	-	-	-	198,699	198,699
Interest	-	-	-	-	235,890	235,890
Other debt service costs	-	-	-	-	378	378
TOTAL EXPENDITURES	47,736	7,281	127,639	-	434,967	617,623
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,909	664	25,373	10,901	(434,967)	(395,120)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	33,251	455,903	489,154
Transfers out	(4,553)	-	(29,295)	(13,149)	-	(46,997)
TOTAL OTHER FINANCING SOURCES (USES)	(4,553)	-	(29,295)	20,102	455,903	442,157
NET CHANGE IN FUND BALANCE	(1,644)	664	(3,922)	31,003	20,936	47,037
FUND BALANCE - BEGINNING OF YEAR	262,860	6,740	3,616	1,898,445	92,880	2,264,541
FUND BALANCE - END OF YEAR	\$ 261,216	\$ 7,404	\$ (306)	\$ 1,929,448	\$ 113,816	\$ 2,311,578

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 28,550	\$ 28,892	\$ 342
Fines and forfeits	-	3,900	17,831	13,931
Miscellaneous	<u>3,000</u>	<u>3,629</u>	<u>3,922</u>	<u>293</u>
TOTAL REVENUES	<u>3,000</u>	<u>36,079</u>	<u>50,645</u>	<u>14,566</u>
EXPENDITURES				
Current operations				
Public safety	12,825	21,243	21,796	(553)
Capital outlay	<u>-</u>	<u>27,500</u>	<u>25,940</u>	<u>1,560</u>
TOTAL EXPENDITURES	<u>12,825</u>	<u>48,743</u>	<u>47,736</u>	<u>1,007</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,825)</u>	<u>(12,664)</u>	<u>2,909</u>	<u>15,573</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(4,553)</u>	<u>(4,553)</u>
NET CHANGE IN FUND BALANCE	(9,825)	(12,664)	(1,644)	11,020
FUND BALANCE - BEGINNING OF YEAR	<u>9,825</u>	<u>12,664</u>	<u>262,860</u>	<u>250,196</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,216</u>	<u>\$ 261,216</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, 2011

	<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	\$ 7,900	\$ (4,100)
Miscellaneous	<u>50</u>	<u>50</u>	<u>45</u>	<u>(5)</u>
TOTAL REVENUES	<u>12,050</u>	<u>12,050</u>	<u>7,945</u>	<u>(4,105)</u>
EXPENDITURES				
Current operations				
Public safety	<u>8,208</u>	<u>8,208</u>	<u>7,281</u>	<u>927</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>3,842</u>	<u>3,842</u>	<u>664</u>	<u>(3,178)</u>
NET CHANGE IN FUND BALANCE	3,842	3,842	664	(3,178)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(3,842)</u>	<u>(3,842)</u>	<u>6,740</u>	<u>10,582</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,404</u>	<u>\$ 7,404</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 152,772	\$ 156,697	\$ 153,012	\$ (3,685)
EXPENDITURES				
Current operations				
Economic environment	122,218	136,507	103,861	32,646
Capital outlay	<u>-</u>	<u>27,356</u>	<u>23,778</u>	<u>3,578</u>
TOTAL EXPENDITURES	<u>122,218</u>	<u>163,863</u>	<u>127,639</u>	<u>36,224</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,554	(7,166)	25,373	32,539
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(30,554)</u>	<u>(29,440)</u>	<u>(29,295)</u>	<u>145</u>
NET CHANGE IN FUND BALANCE	-	(36,607)	(3,922)	32,685
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>36,607</u>	<u>3,616</u>	<u>(32,991)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (306)</u>	<u>\$ (306)</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ 13,000	\$ 13,000	\$ 10,901	\$ (2,099)
OTHER FINANCING SOURCES (USES)				
Transfers in	29,600	29,600	33,251	3,651
Transfers out	<u>-</u>	<u>(54,553)</u>	<u>(13,149)</u>	<u>41,404</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,600</u>	<u>(24,953)</u>	<u>20,102</u>	<u>45,055</u>
NET CHANGE IN FUND BALANCE	42,600	(11,953)	31,003	42,956
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(42,600)</u>	<u>11,953</u>	<u>1,898,445</u>	<u>1,886,492</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,929,448</u>	<u>\$ 1,929,448</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	187,375	198,700	198,699	1
Interest	232,642	235,892	235,890	2
Other debt service costs	378	378	378	-
TOTAL EXPENDITURES	<u>420,395</u>	<u>434,970</u>	<u>434,967</u>	<u>3</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(420,395)</u>	<u>(434,970)</u>	<u>(434,967)</u>	<u>3</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>420,395</u>	<u>434,970</u>	<u>455,903</u>	<u>20,933</u>
NET CHANGE IN FUND BALANCE	-	-	20,936	20,936
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>92,880</u>	<u>92,880</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,816</u>	<u>\$ 113,816</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, 2011

	<u>Stormwater Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 402,201
Receivables, net	<u>35,877</u>
Total current assets	<u>438,078</u>
Capital assets, net	
Depreciable, net	<u>934,458</u>
TOTAL ASSETS	<u>\$ 1,372,536</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,034
Accrued liabilities	
Compensated absences	2,692
Wages	10,792
Unearned revenue	<u>12,332</u>
Total current liabilities	<u>27,850</u>
Non-current liabilities	
Accrued liabilities	
Compensated absences	8,076
Other post-employment benefits	<u>893</u>
Total non-current liabilities	<u>8,969</u>
TOTAL LIABILITIES	<u>36,819</u>
NET ASSETS	
Invested in capital assets, net of related debt	934,458
Unrestricted	<u>401,259</u>
TOTAL NET ASSETS	<u>\$ 1,335,717</u>

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
September 30, 2011

	Stormwater Fund
OPERATING REVENUES	
Charges for services	\$ 481,854
OPERATING EXPENSES	
Personal services	183,053
Operating	83,780
Depreciation	70,678
TOTAL OPERATING EXPENSES	337,511
OPERATING INCOME	144,343
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(336)
Gain (loss) on disposal of capital assets	1,111
Unrealized gain (loss) on investment	(1,188)
Interest	3,740
Grants in aid	(1,696)
Miscellaneous	13
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,644
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	145,987
Capital grants and contributions	14,000
Transfer out	(15,022)
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,022)
CHANGE IN NET ASSETS	144,965
NET ASSETS - BEGINNING OF YEAR	1,190,752
NET ASSETS - END OF YEAR	\$ 1,335,717

City of Fort Walton Beach, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
September 30, 2011

	<u>Stormwater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 498,697
Payments to suppliers	(86,319)
Payments to employees	(179,521)
Miscellaneous income	<u>13</u>
Net cash provided by operating activities	<u>232,870</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants and aids	(1,696)
Transfers out	<u>(15,022)</u>
Net cash provided (used) by non-capital financing activities	<u>(16,718)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions of capital assets	(173,553)
Proceeds from disposal of capital assets	1,111
Capital grants and contributions	14,000
Principal paid on leases payable	(17,161)
Interest paid on leases payable	<u>(336)</u>
Net cash provided (used) by capital and related financing activities	<u>(175,939)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,552</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,765
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>359,436</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 402,201</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 144,343
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	70,678
Miscellaneous revenue	13
Decrease (increase) in assets	
Accounts receivable	4,511
Increase (decrease) in liabilities	
Accounts payable	(2,539)
Compensated absences payable	2,648
Wages	884
Deferred revenue	<u>12,332</u>
Net cash provided by operating activities	<u>\$ 232,870</u>

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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 Ten Fiscal Years
(full accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 24,756,705
Restricted										
Debt service	92,478	91,691	92,153	92,544	92,788	92,730	91,713	91,713	92,880	113,816
System improvements	-	-	-	-	-	-	-	-	-	-
Capital projects	3,193,992	966,147	685,174	700,975	241,114	56,550	-	-	-	-
Improvement Districts	-	-	-	-	-	-	-	-	-	4,212,984
Public safety	340,793	324,450	301,230	305,647	266,492	307,983	307,983	254,409	269,600	268,820
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	234,568
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	12,666,165
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>	<u>\$ 42,253,058</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	\$ 17,037,456
Restricted										
Debt service	380,072	323,917	317,444	319,139	333,522	323,430	316,153	471,441	481,023	184,711
System improvements	-	60,726	160,754	352,360	106,434	39,414	60,709	98,292	61,559	82,573
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	6,859,952
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>	<u>\$ 24,164,692</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	\$ 41,794,161
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	5,097,472
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	19,526,117
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>	<u>\$ 66,417,750</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: Beginning in FY11, the Community Redevelopment Area was included with the Governmental Activities and the Perpetual care - expendable was reclassified from Restricted to Unrestricted

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 3,765,536
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	9,206,784
Physical environment	267,990	283,558	276,987	276,525	299,362	354,439	343,411	350,374	304,907	393,752
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	1,570,038
Economic environment	206,625	204,133	210,649	199,284	313,153	335,185	127,355	266,132	98,996	545,242
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	2,677,051
Debt service interest	220,715	272,858	267,160	238,090	309,094	331,771	302,948	247,703	240,940	214,470
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	18,372,873
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	9,162,926
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	2,524,994
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	2,199,453
Stormwater	-	-	-	-	-	-	-	469,421	374,951	339,543
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	14,226,916
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	\$ 32,599,789
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	\$ 2,556,270
Public safety	441,515	579,453	567,601	873,041	600,259	579,365	641,941	642,364	467,835	430,017
Physical environment	341,484	352,335	345,529	302,727	342,815	316,520	348,838	286,623	289,654	394,513
Transportation	231,872	81,299	102,068	68,402	72,815	241,622	93,987	87,654	83,586	104,776
Economic environment	-	-	-	-	-	-	-	-	-	16,400
Culture and recreation	326,269	354,062	351,450	382,858	400,175	421,733	417,253	426,110	408,351	404,047
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	761,643
Capital grants and contributions	2,005,348	1,197,540	56,332	261,332	373,994	233,878	50,687	88,941	731,275	351,006
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	5,018,672
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	7,608,355
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	3,311,744
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	2,052,501
Stormwater	-	-	-	-	-	-	-	654,346	626,903	481,854
Operating grants and contributions	-	-	-	-	-	-	39,403	-	-	118,226
Capital grants and contributions	960	95,034	100,027	198,568	95,644	1,079,034	92,872	555,698	173,370	65,496
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	13,638,176
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	\$ 18,656,848

Continued...

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	\$ (13,354,201)
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	(588,740)
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>	<u>\$ (13,942,941)</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	\$ 4,482,819
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	2,066,834
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	3,926,930
Tax increments for Redevelopment District	-	-	-	-	-	-	-	-	-	1,547,609
Intergovernmental, unrestricted	590,969	589,120	619,197	877,198	889,450	845,090	740,554	709,550	712,776	825,591
Gain on sale of assets	689,120	164,186	99,587	456,675	(1,053)	477,494	2,592	2,950	795,860	16,865
Miscellaneous	55,922	83,595	100,950	46,174	37,595	56,788	61,199	54,223	492,052	96,105
Investment earnings	378,964	282,019	226,863	324,687	599,818	755,389	444,488	269,896	152,884	133,419
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	1,682,717
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>	<u>14,778,889</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	75,904
Miscellaneous	9,890	4,209	12,342	10,261	73,714	15,118	129,678	141,406	177,657	31,424
Investment earnings	223,739	143,097	128,808	354,915	734,878	713,872	579,578	340,155	202,071	65,961
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)	(1,682,717)
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>	<u>(1,509,428)</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>	<u>\$ 13,269,461</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)	\$ 1,424,688
Business-type activities	(441,145)	(303,273)	(43,882)	131,936	812,312	1,275,138	(703,538)	(3,298,917)	(160,595)	(2,098,168)
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>	<u>\$ (673,480)</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: Beginning in FY11, the Community Redevelopment Area was included with the Governmental Activities

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 544,800	\$ 506,771	\$ 957,768	\$ 4,756,085	\$ 539,749	\$ 701,829	\$ 509,080	\$ 482,179	\$ 499,384	\$ -
Unreserved	9,362,131	9,773,808	10,179,527	10,022,750	11,129,373	12,161,545	9,367,864	9,709,202	9,314,142	-
Nonspendable	-	-	-	-	-	-	-	-	-	3,032,726
Restricted	-	-	-	-	-	-	-	-	-	234,768
Committed	-	-	-	-	-	-	-	-	-	5,219,706
Assigned	-	-	-	-	-	-	-	-	-	1,537,572
Unassigned	-	-	-	-	-	-	-	-	-	1,189,562
Total general fund	<u>\$ 544,800</u>	<u>\$ 506,771</u>	<u>\$ 957,768</u>	<u>\$ 4,756,085</u>	<u>\$ 539,749</u>	<u>\$ 12,863,374</u>	<u>\$ 9,876,944</u>	<u>\$ 10,191,381</u>	<u>\$ 9,813,526</u>	<u>\$ 11,214,334</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	1,700,512	1,750,363	1,789,633	1,862,308	1,933,979	2,095,772	2,153,440	2,073,850	2,158,878	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	4,595,420
Committed	-	-	-	-	-	-	-	-	-	1,929,448
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(306)
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>	<u>\$ 6,524,562</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: The City implemented GASB 54 in FY11 and the Community Redevelopment Districted was included with All Other Governmental Funds

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 10,438,481
Licenses, permits, and fees	324,860	325,274	358,675	706,345	517,728	496,614	2,225,224	2,320,683	2,406,916	2,428,621
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	3,358,615
Charges for services	774,411	899,844	933,006	848,651	900,170	911,026	1,216,687	1,132,681	907,476	911,405
Fines and forfeits	295,755	358,988	305,851	329,038	247,329	247,493	268,415	387,449	204,849	151,616
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	817,975
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	18,106,713
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	3,699,506
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	8,676,620
Physical environment	216,485	224,246	211,388	211,178	233,942	276,086	278,273	283,460	250,691	306,365
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	994,272
Economic environment	206,625	203,595	210,649	199,284	313,153	335,185	127,355	266,132	98,996	493,526
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	2,233,104
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	1,561,057
Debt service										
Principal	178,748	232,289	145,097	195,722	194,675	355,459	2,052,797	168,949	175,629	198,699
Interest and other costs	153,218	273,202	265,769	274,122	307,334	330,136	297,335	246,774	240,093	236,268
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	18,399,417
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)	(292,704)
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	2,296,944
Transfers out	(514,004)	(706,315)	(525,465)	(501,403)	(638,738)	(715,802)	(2,450,323)	(685,545)	(674,583)	(614,227)
Insurance recoveries	-	-	-	299,145	-	-	-	-	-	-
Lease proceeds	58,000	-	143,698	299,948	-	-	-	-	-	-
Debt proceeds	5,674,626	-	-	2,039,191	-	-	-	-	-	739,805
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	2,422,522
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)	\$ 2,129,818
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%	2.58%

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: Beginning in FY11, the Community Redevelopment Area was included with the Governmental Funds.

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses, Fees, and Permits</u>	<u>Intergovernmental Revenues</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest and Other Revenues</u>	<u>Other Financing Sources</u>	<u>Total</u>
2011	\$ 10,438,481	\$ 2,428,621	\$ 3,358,615	\$ 911,405	\$ 151,616	\$ 817,975	\$ 2,296,944	\$ 20,403,657
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

⁽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
2011	\$ 1,478,072,570	\$ 126,412,302	\$ 1,604,484,872	\$ 452,378,818	\$ 1,152,106,054	4.5383
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

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The January 2011 assessment is the basis for Fiscal Year 2011-12 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
County	3.2899	3.2899	3.2899	3.2995	3.3443	3.6500	4.2500	4.2500	4.2500	4.2500
School	7.7690	7.5340	7.6390	7.6240	7.6390	7.7860	8.0630	8.2940	8.2940	8.4120
NW Florida Water Management	0.0400	0.0450	0.0450	0.0450	0.0450	0.0500	0.0500	0.0500	0.0500	0.0500
Fort Walton Beach	4.5383	4.5383	4.1986	4.1986	4.1986	4.6458	4.9700	4.9700	4.9700	4.9700
Total Direct Rate	<u>15.6372</u>	<u>15.4072</u>	<u>15.1725</u>	<u>15.1671</u>	<u>15.2269</u>	<u>16.1318</u>	<u>17.3330</u>	<u>17.5640</u>	<u>17.5640</u>	<u>17.6820</u>
Cinco Bayou	2.3000	2.1000	2.0639	2.0639	2.0639	2.3000	2.3000	2.3000	2.3000	2.3000
Crestview	5.5966	5.8466	5.8466	5.8466	5.8466	6.4989	6.9990	6.9990	6.9990	6.9990
Destin	1.4550	1.4550	1.4550	1.4550	1.4550	1.5000	1.8000	1.8000	1.8000	1.8000
Laurel Hill	3.5000	3.5000	3.5000	4.8400	5.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Mary Esther	2.6435	2.6435	2.6996	2.6996	3.0125	3.4000	3.5000	3.5000	3.5000	3.5000
Niceville	3.6500	3.6301	3.4500	3.2000	3.2669	3.5000	3.5000	3.5000	3.3000	3.0000
Shalimar	2.0000	2.0000	2.0000	2.0000	2.0000	2.2000	2.4000	2.7000	2.8000	2.8000
Valparaiso	4.0644	3.9330	4.1591	3.7500	2.8754	3.1200	3.9900	3.9900	3.9900	3.9900
Parks MSTU	0.1800	0.1800	0.1800	0.1800	0.1888	0.2085	N/A	0.2654	N/A	N/A
Destin Fire	1.0000	1.0000	1.0000	0.9009	0.8004	0.8000	0.8300	0.8600	0.8600	0.7386
East Niceville Fire	2.3700	2.3500	2.3500	2.0000	1.9200	2.0000	2.0000	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	1.0000
North Bay Fire	2.3500	2.2500	2.0500	1.7827	1.6819	1.8000	2.0700	1.8750	1.8500	1.7500
Ocean City - Wright Fire	2.0000	2.0000	1.8144	1.8144	1.6460	1.7800	1.8300	1.8000	1.8000	1.6900
Okaloosa Island Fire	2.9950	2.7949	2.1900	1.9998	2.0250	1.9855	2.4305	2.6461	2.9500	3.3042

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

The 2011 millage rate is the basis for Fiscal Year 2011-12 tax revenues.

N/A: Not available.

Source: Okaloosa County Tax Collector

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

Taxpayer	2011			2002		
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank
Uptown Station Investors, LLC	\$ 10,471,773	0.91%	1	\$ 9,290,513	1.12%	4
Presidio Developers, LLC	8,008,000	0.70%	2			
BLC Westwood, LLC	6,854,902	0.59%	3			
DRS Training & Control Systems	5,831,767	0.51%	4	7,055,329	0.85%	6
DDRM Shoppes at Paradise	5,245,344	0.46%	5	4,485,330	0.54%	8
EHC II - Captain's Quarters, LLC	4,515,973	0.39%	6			
FNBT.COM Bank	4,400,508	0.38%	7			
Choctaw Plaza LTD	4,338,158	0.38%	8			
Mariner Plaza Realty Assoc.	4,193,878	0.36%	9	4,244,647	0.51%	9
DEAS J Jr ET AL	4,181,537	0.36%	10			
Sprint Florida, Inc.				24,510,979	2.95%	1
Gulf Power Co.				11,518,815	1.39%	2
Aero Technical Service				9,977,582	1.20%	3
American Senior Living of FWB				7,558,788	0.91%	5
Home Depot				4,544,472	0.55%	7
Chromalloy				3,935,647	0.47%	10
Total Taxable Assessed Value of Principal Taxpayers	58,041,840	5.04%		87,122,102	10.48%	
Total Taxable Assessed Value of Other Taxpayers	1,094,064,214	94.96%		743,895,952	89.52%	
Total Taxable Assessed Value	\$ 1,152,106,054	100.00%		\$ 831,018,054	100.00%	

⁽¹⁾The 2011 tax roll is the basis for Fiscal Year 2011-12 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

Tax Year	Total Tax Levy ⁽¹⁾	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Amount of Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2011	The 2011 tax levy is the basis for Fiscal Year 2011-12 tax revenues.							
2010	\$ 5,519,832	\$ 5,309,040	96.2%	\$ 78,863	\$ 5,387,903	97.6%	\$ 11,576	0.2%
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%

⁽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	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds			
2011	\$ -	\$ -	\$ 728,480	\$ 4,615,000	\$ -	\$ 66,118	\$ 76,586	\$ 10,585,000	\$ 16,071,184	0.21%	\$ 822.73
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

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>
2011	\$ -	0.00%	\$ -	-
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%	-	-

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
2011	\$ 7,592,916	\$ 1,163,027	\$ 5,346,804	\$ 3,409,139	\$277,500	\$ 11,794	\$289,294	11.78
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

⁽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
2011	\$ 1,954,325	\$ 290,757	\$ 1,718,311	\$ 526,771	\$ 92,500	\$ 3,931	\$ 96,431	5.46
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

⁽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⁾			
			Principal	Interest	Total	Coverage
2011	\$ 25,845,100	\$ 26,274,792	\$ 468,935	\$ 695,713	\$1,164,648	22.56
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

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

⁽²⁾ Combined Debt Service requirements for Florida Municipal Loan Council Revenue Bonds-Series 2000B, Capital Improvement Revenue Bonds-Series 2001, Utility System Revenue Bond, Series 2005, and 2011 Revenue Notes. 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
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>
Overlapping Debt			
Okaloosa County			
Revenue Bonds	\$ 30,215,000	10.84%	(2) \$ 3,273,906
Okaloosa County School District			
Certificates of Participation	<u>64,350,000</u>	35.85%	(1) <u>23,068,868</u>
Subtotal: Overlapping Debt	<u>94,565,000</u>		<u>26,342,774</u>
Direct Debt			
City of Fort Walton Beach Revenue Notes	728,480	100.00%	728,480
City of Fort Walton Beach Revenue Bonds	<u>4,615,000</u>	100.00%	<u>4,615,000</u>
Subtotal: Direct Debt	<u>5,343,480</u>		<u>5,343,480</u>
Total Direct and Overlapping Debt	<u>\$ 99,908,480</u>		<u>\$ 31,686,254</u>

Source: Okaloosa County, Okaloosa County School Board

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

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

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

Employer	Product	2011			2002		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	17,095	22.14%	1	19,135	25.82%	1
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	11,171	14.47%	2	8,453	11.41%	2
Okaloosa County School District	Education Services	3,388	4.39%	3	4,000	5.40%	3
Okaloosa County ⁽³⁾	Local Government Services	1,363	1.77%	4	740	1.00%	8
Lockheed Martin Corporation	Military Technical Support	932	1.21%	5			
DRS Training and Control Systems	Defense Electronics	837	1.08%	6	600	0.81%	9
Fort Walton Beach Medical Center	Medical Services	812	1.05%	7	926	1.25%	6
InDyne Inc	Military Technical Support	738	0.96%	8			
Jacobs Technology - TEAS Group	Military Technical Support	700	0.91%	9			
Northwest Florida State College	Education Services	680	0.88%	10			
ResortQuest	Property Management				1,200	1.62%	4
BAE Systems Technical Services	Military Technical Support				900	1.21%	7
North Okaloosa Medical Center	Medical Services				587	0.79%	10
State of Florida	State Government Services				966	1.30%	5
		<u>37,716</u>	<u>48.85%</u>		<u>37,507</u>	<u>50.62%</u>	

⁽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	Fort Walton Beach Population	Okaloosa County Population	FWB as a % of the County	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2011	19,534	180,280	10.84%	\$ 7,497,082	\$ 42,007	7.3%
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%

OKALOOSA COUNTY EDUCATION

		FY 2011	FY 2010	FY 2009
Schools:	Grades K-5	18	18	19
	Grades 6-8	7	7	8
	Grades 9-12	4	4	4
	PK-12 / Charter / Alternate	2 / 4 / 10	2 / 4 / 10	2 / 3 / 11
	Grades K-8	1	1	n/a
	Vocational / Technical	1	1	1
	Exceptional Children	2	2	1
Students:	Grades K-5	12,442	12,975	12,795
	Grades 6-8	6,046	6,471	6,603
	Grades 9-12	8,381	8,889	9,082
	Vocational and Adult Student	280	302	341
	Exceptional Children	4,031	4,270	5,218
	Charter	1,449	1,431	1,315
Personnel:	Instructional (Classroom)	1,896	1,849	1,999
	Non-Instructional	941	1,013	1,154

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 Ten Fiscal Years
Unaudited

Full-Time Equivalent Employees as of September 30										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
City Manager	2.00	2.00	2.00	3.00	4.00	3.00	3.00	3.00	3.00	4.00
Administrative Services	3.00	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	2.00	2.75	2.75	3.00	4.00	4.00	4.00	4.00	4.00	4.00
City Clerk	2.50	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	7.00	7.75	8.00	9.00	9.00	9.00
Purchasing	2.50	2.50	2.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Public Safety										
Police	67.99	67.59	68.05	74.05	73.17	72.95	72.95	74.95	75.95	75.95
Fire	37.00	38.00	38.00	39.00	39.00	39.00	33.00	33.00	33.00	33.00
Recreation & Cultural Services										
Administration	13.81	15.93	17.19	32.09	32.64	34.04	34.04	34.04	34.04	34.04
Parks Maintenance	11.00	11.00	11.90	-	-	-	-	-	-	-
Right-of-Way Maintenance	1.00	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	1.85	2.38	2.58	2.58	2.58	3.08	3.08	3.08
Library	8.10	9.90	9.90	10.60	11.10	11.10	11.10	11.10	10.50	10.50
Museum	2.60	3.85	4.98	5.18	6.01	7.01	7.01	7.01	7.01	7.01
Cemetery	3.00	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Engineering Services										
Administration	5.00	6.00	6.00	7.00	7.00	8.00	10.00	10.00	10.00	10.00
Planning & Zoning	1.00	1.00	-	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Building & Permitting	3.00	3.00	3.00	6.00	6.00	4.00	4.00	4.00	4.00	4.00
Code Enforcement	2.00	2.00	2.00	-	-	-	-	-	-	-
Fleet Maintenance	8.75	10.00	11.00	12.00	12.00	12.00	13.00	13.00	13.00	13.00
Facilities Maintenance	8.00	11.00	11.00	10.00	11.00	11.00	11.00	11.00	11.00	12.00
Streets Maintenance	5.50	6.50	6.50	14.50	13.50	15.00	15.00	15.00	16.00	16.00
Community Development Block Grant	0.48	0.48	0.48	0.48	1.48	1.48	1.48	1.48	1.48	1.48
Community Redevelopment Agency	3.00	1.00	1.00	1.00	1.75	1.75	1.00	1.00	1.00	1.00
Utility (Water/Sewer) Enterprise										
Customer Service	5.50	7.50	7.50	8.00	9.00	9.00	8.00	8.00	8.00	8.00
Administration	6.75	1.00	2.00	6.00	5.00	5.00	-	-	-	-
Water Operations	10.00	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	5.00	6.00	6.00	6.00	7.00	7.00	6.00	6.00	6.00	6.00
Sewer Collections	12.00	11.00	11.00	11.00	12.00	11.00	11.00	11.00	11.00	11.00
Sanitation Enterprise										
Solid Waste	18.75	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	14.26	31.01	36.51	36.56	36.56	36.36	37.56	37.61	37.61
Golf Grounds Maintenance	15.75	15.75	-	-	-	-	-	-	-	-
Stormwater Enterprise										
Stormwater	6.00	7.00	8.00	-	-	-	-	-	-	-
Total	296.09	312.48	329.48	362.29	375.29	377.22	370.52	376.22	376.67	378.67

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>
2011	249	255	74	159	18
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

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

<u>Year</u>	<u>Number Sold</u>
2011	2,269
2010	2,311
2009	2,364
2008	2,426
2007	2,499
2006	2,483
2005	2,496
2004	2,391
2003	2,317
2002	2,361

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	4 Museums
1 Auditorium	23 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	1,911	441	1,276	181	13
02	BLACKMON	614	169	396	45	4
03	MILLIGAN	1,109	259	684	153	13
04	HOLT	1,085	283	628	157	17
05	LAUREL HILL	960	317	479	151	13
06	GARDEN CITY	2,262	545	1,379	314	24
07	DORCAS	1,370	358	756	234	22
08	HONEY CREEK	3,757	973	2,153	583	48
09	YELLOW RIVER	3,197	686	1,948	528	35
10	WEST WRIGHT	5,845	1,438	3,110	1,174	123
11	EAST CRESTVIEW	6,606	1,453	3,666	1,359	128
12	WEST CRESTVIEW	855	516	202	135	2
13	NORTH CRESTVIEW	3,066	780	1,769	473	44
14	WEST NICEVILLE	2,343	547	1,357	401	38
15	VALPARAISO	2,866	612	1,671	528	55
16	SHALIMAR	2,587	642	1,457	430	58
17	CENTRAL WRIGHT	3,145	908	1,488	684	65
18	OCEAN CITY	2,352	671	1,145	465	71
19*	EAST FWB	1,403	491	554	320	38
20	WEST DESTIN	2,338	493	1,327	463	55
21	MARY ESTHER	2,615	659	1,496	413	47
22*	S CENTRAL FWB	1,966	651	903	371	41
23	EGLIN AFB	933	242	407	267	17
24*	WEST FWB	2,860	889	1,383	528	60
25	N CENTRAL NICEVILLE	1,703	398	1,012	272	21
26	SEMINOLE	2,540	414	1,721	370	35
27	CINCO BAYOU	262	61	150	45	6
28*	GARNIERS	334	65	209	56	4
29*	GOLF COURSE	2,041	365	1,361	281	34
30	OKALOOSA ISLAND	1,401	244	828	296	33
31	LONGWOOD	1,798	325	1,221	220	32
32*	FERRY PARK	2,077	435	1,287	323	32
33	ROCKY BAYOU	4,137	557	2,994	528	58
34	FLOROSA	3,444	884	1,768	736	56
35	NORTH DESTIN	2,361	330	1,587	408	36
36	SOUTH NICEVILLE	2,353	390	1,596	327	40
37	LAKE LORRAINE	2,714	408	1,900	365	41
38	NORTHGATE	2,022	481	1,147	353	41
39	EAST WRIGHT	2,359	668	1,248	405	38
40	SOUTH BLUEWATER	2,840	361	2,050	391	38
41*	N CENTRAL FWB	1,343	281	854	188	20
42*	NEW HEIGHTS	2,229	716	1,051	440	22
43	S CENTRAL NICEVILLE	2,173	473	1,278	371	51
44	CENTRAL DESTIN	1,737	375	922	385	55
45	SOUTH CRESTVIEW	3,729	876	2,013	772	68
46	NORTH BLUEWATER	4,264	608	2,937	641	78
47	WYNNEHAVEN BEACH	1,955	474	948	484	49
48*	WESTWOOD RETIREMENT	141	28	93	15	5
49	EAST DESTIN	2,786	389	1,875	479	43
50	SOUTH DESTIN	2,863	431	1,893	482	57
51	AIRPORT ROAD	1,525	286	998	226	15
52	LIVE OAK	3,165	662	1,858	582	63
Countywide Total		120,341	27,008	70,433	20,798	2,102
City Total		12,287	3,347	6,596	2,110	234

*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
2011	\$ -	\$ 5,986	0.00%	\$ 137,785
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

⁽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
2011	\$ 6,030,428	19.2%	\$ 6,673,824	21.2%	\$ 4,631,992	14.7%	\$ 3,307,993	10.5%	\$ 2,753,590	8.8%	\$ 1,954,589	6.2%
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%

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⁾	\$7.83	\$9.78	\$7.83	\$9.78	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$7.83	\$9.78	\$7.83	\$9.78	9,147
1.0"	\$7.83	\$9.78	\$7.83	\$9.78	347
1.5"	\$10.65	\$13.31	\$10.65	\$13.31	112
2.0"	\$18.09	\$22.61	\$18.09	\$22.61	225
3.0"	\$27.56	\$34.45	\$27.56	\$34.45	14
4.0"	\$34.45	\$43.06	\$34.45	\$43.06	20
6.0"	\$54.81	\$68.51	\$54.81	\$68.51	0
8.0" or 10.0"	\$82.14	\$102.67	\$82.14	\$102.67	1
Multi-Residential, Add'l per Unit	\$5.79	\$7.23	\$7.83	\$9.78	
					9,866
					Residential Customers 7,865
					Commercial Customers 939
					Total Customers 8,804

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)	\$2.34	\$2.92
Block 3 (4,001 - 8,000)	\$2.85	\$3.56
Block 4 (8,001 +)	\$4.28	\$5.35

Monthly Wastewater Rates ⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$17.16	
Monthly Base Charge	\$17.16	\$20.59
Gallage Rate (per 1,000 gallons per unit) ⁽⁵⁾		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$5.39	\$6.47

⁽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

<u>Basic Garbage Rates</u>	<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
<u>Garbage and Trash Collection</u>	<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	
<u>Extra Collection</u>	<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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Police										
Physical arrests	1,265	1,773	2,298	2,526	2,201	1,916	1,708	1,801	1,250	1,703
Traffic violations	3,246	6,207	6,430	7,211	5,171	5,399	5,633	7,138	8,208	7,415
Fire										
Emergency medical responses	3,041	2,791	2,645	2,484	2,567	2,441	1,671	1,605	1,738	1,760
Fire responses	1,224	1,158	477	479	517	335	403	143	1,217	100
Inspections	1,431	2,040	2,863	3,277	3,319	2,605	1,658	1,876	1,780	1,150
Code Enforcement										
Code violations	2,456	2,426	2,513	2,108	1,793	1,914	1,674	1,632	N/A	N/A
Engineering Services										
Building permits issued	n/a	n/a	1,429	1,582	1,710	2,341	3,151	1,907	1,779	1,818
Residential building permits issued	588	630	n/a							
Commercial building permits issued	284	380	n/a							
Value of permits (in millions)	n/a	n/a	\$46.20	\$37.40	\$28.70	\$31.10	\$61.70	\$20.80	\$16.00	\$16.60
Value of residential permits (in millions)	\$10.067	\$7.108	n/a							
Value of commercial permits (in millions)	\$7.276	\$7.094	n/a							
Street resurfacing (lane miles)	2.25	5.71	1.53	0.78	0.46	2.25	3.55	3.17	3.61	3
Pot holes (hours spent repairing)	1,014	617	1,257	1,476	1,022	713	861	613	997	937
Sanitation										
Refuse collected (tons)	25,332	25,676	25,485	27,873	28,374	28,446	34,378	28,813	27,661	25,000
Recyclables collected (tons)	251	161	150	112	367	400	385	417	428	600
Culture and Recreation										
Parks and Recreation										
Recreation program participants	106,486	103,121	116,565	118,890	125,697	120,329	86,312	79,991	75,622	82,711
Adult athletic participants	9,003	10,009	11,406	14,591	14,669	14,239	1,155	968	1,725	1,665
Youth athletic participants	13,038	12,525	14,211	15,570	14,418	14,254	1,674	1,327	1,877	1,969
Skate/tennis park participants	18,291	15,297	18,480	24,100	29,088	29,396	24,741	24,670	19,936	29,550
Library										
Circulation volume	126,146	135,314	142,148	137,002	126,271	124,489	118,368	116,883	106,603	93,167
Museum										
Number of visitors/participants ⁽¹⁾	28,200	39,935	47,700	45,168	28,916	30,144	31,531	35,598	28,814	25,300
Water System										
New connections	18	27	16	20	30	32	37	53	70	63
Water customers	8,804	8,795	8,741	8,927	8,996	8,966	8,984	8,928	8,874	8,874
Water produced (million gallons)	899	897	943	963	1,071	1,127	1,046	1,047	1,025	1,076
Wastewater System										
Wastewater treated (million gallons) ⁽²⁾	-	381	769	916	796	839	1,164	935	1,186	877

⁽¹⁾Decline in 2011 primarily in outreach numbers; reducing outreach to be more in line with in-house service numbers at the suggestion of City Council

⁽²⁾Wastewater treatment transferred to County in March 2010

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

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	48	49	49	55	53	52	N/A	N/A	N/A	N/A
Engineering Services										
Miles of roads	92.65 ⁽²⁾	112.76	112.76 ⁽¹⁾	99.35	98.50	98.50	98.50	98.50	98.50	98.50
Miles of sidewalks	62.80	62.11	61.35	61.32	60.92	60.82	N/A	N/A	N/A	N/A
Signs fabricated and installed	976	910	1,110	1,223	1,481	1,412	1,509	894	918	860
Culture and Recreation										
Parks and Recreation										
Recreational amenities	122	122 ⁽³⁾	91	90	90	89	82	89	82	81
Parks (acres)	180.26	180.26	180.26	180.26	180.26	173.58	143.55	144.44	143.55	141.05
Library										
Inventoried collection	72,873	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)	118.57	118.52	118.10	118.09	118.09	115.95	115.69	115.54	115.37	115.30
Sewer lines (miles)	118.76	118.77	118.77	118.77	118.77	118.77	118.64	118.64	118.29	118.26
Reuse water lines (miles)	3.82	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)	41.64 ⁽²⁾	45.70	45.66 ⁽¹⁾	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 2011 Adjustment to only include City-maintained roads and stormwater pipe (collector, culvert, french drain)

⁽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, 2011
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>
10/12/10 to 10/12/11	Fidelity National	1150113370	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 16,300 C	4th Avenue & Carson Chester Pruitt Building
10/12/10 to 10/12/11	Fidelity National	1150113362	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 23,500 C	50 Ferry Road Docie Bass Recreation Building
10/12/10 to 10/12/11	Fidelity National	1150113371	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 84,500 C	14 Robinwood Drive SW Sanitation Building
12/06/10 to 12/06/11	Fidelity National	1150167295	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/10 to 10/12/11	Fidelity National	1150113360	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 260,100 C	#5 Hollywood Boulevard Fire Department
10/12/10 to 10/12/11	Fidelity National	1150113366	Fisher-Brown Agency	Flood	\$ 366,100 B \$ 31,100 C	Memorial Parkway Senior Citizens Building
10/12/10 to 10/12/11	Fidelity National	1150113367	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/10- to 10/12/11	Fidelity National	1150113368	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/10 to 10/12/11	Fidelity National	1150113361	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber
10/12/10 to 10/12/11	Fidelity National	1150113365	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building
10/12/10 to 10/12/11	Fidelity National	1150113363	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building

Continued...

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2011
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>
10/12/10 to 10/12/11	Fidelity National	1150113369	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 51,200 C	141 Miracle Strip Parkway City Museum
10/12/10 to 10/12/11	Fidelity National	1150113364	Fisher-Brown Agency	Flood	\$ 324,200 B 7,900 C	22 McGriff Street Child Care Facility
12/02/10 to 12/02/11	Fidelity National	1150164378	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom, East of Pavillion Liza Jackson Park
12/02/10 to 12/02/11	Fidelity National	1150164379	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/10 to 05/17/11	Fidelity National	92510117093	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/10 to 07/23/11	Fidelity National	97700165626	Fisher-Brown Agency	Flood	\$ 266,200 B \$ 33,600 C	18 Robinwood Drive Pump Station #1
06/23/10 to 06/23/11	Fidelity National	92510234651	Fisher-Brown Agency	Flood	\$ 55,000 B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/10 to 10/01/11	Indian Harbor Ins. Co.	PEC002924701	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 1,000,000/agg	Golf Course, Police, City Shop, Fuel Station,
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Inland Marine	\$ 625,978/fine \$ 10,000/schedul \$ 5,672,449 \$ 804,400 \$ 500,000	Art Museum EDP/Minicomputer/Word Processor Valuable Papers

Continued...

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2011
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>
09/16/10 to 09/16/11	Hartford	21BSBDB7453	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
04/18/10 to 04/18/11	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Auto	\$ 100,000 \$ \$ 1,000,000	Person CSL Liability
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Money & Securities	varies by location	
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	General Liability	\$ 100,000 \$ 200,000 \$ 5,000,000	Person Occurrence CSL Liability
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Property	\$ 37,790,647	Blank Real & Personal Property, extra expense
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Property	\$ 500,000	Business Income Water & Wastewater Enterprises
10/01/10 to 10/01/11	PGIT	SC-FL-0462003	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease

Continued...

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
September 30, 2011
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>
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Supplemental Empl. Practice	\$ 5,000,000 CSL	
10/01/10 to 10/01/11	Federal Insurance	9906-62-32	LB Bryan & Co.	AD&D	\$ 59,695 \$ 59,695 \$ 179,085	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/10 to 10/01/11	PGIT	PKFL1046200310-06	Public Risk Insurance Agency	Boiler & Machinery	\$ 37,790,647	
05/01/10 to 05/01/11	Travelers	103148718	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees, Police, and Fire Police currently has their own policy; was prorated for

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**

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, 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, 2011, which collectively comprise the City of Fort Walton Beach's basic financial statements and have issued our report thereon dated March 9, 2012. 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.

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*.

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)

We noted certain matters that we reported to management of the City of Fort Walton Beach in a separate letter dated March 9, 2012.

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.

Warren Averett, LLC
March 9, 2012

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, 2011, and have issued our report thereon dated March 9, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated March 9, 2012, 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:

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.

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.

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

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, 2011. As a result, the Fort Walton Beach Housing Authority is not included in the City's annual financial report.

During 2011, the Fort Walton Beach Community Redevelopment Agency (the Agency) became a blended component unit of the City. The City's council members serve as board members of the Agency. The Agency's governing body is the same as the governing body of the City and the Agency provides services specifically to the Community Redevelopment Area of the City. Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading.

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.

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, 2011, 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, 2011. 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, 2011.

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.


March 9, 2012