

Comprehensive Annual Financial Report

www.fwb.org



City of Fort Walton Beach, FL

With Compliance Matters and Responses

Fiscal Year Ended September 30, 2014

CITY OF FORT WALTON BEACH, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

PREPARED BY:

**THE FINANCE DEPARTMENT
BRANDY FERRIS, FINANCE DIRECTOR
CITY OF FORT WALTON BEACH
107 MIRACLE STRIP PARKWAY
FORT WALTON BEACH, FLORIDA 32548
WWW.FWB.ORG**

CITY OF FORT WALTON BEACH, FL

City Council



Left to right (standing):
Bobby Griggs (Seat 1), Joyce Gossom (Seat 2), Amy Jamieson (Seat 5),
Helen Rigdon (Seat 6), and Dick Rynearson (Seat 7).

Left to right (seated):
John Mead (Seat 3), Mayor Mike Anderson, and Mike Holmes (Seat 4).

Council members are elected in odd years for four year staggered terms. City Council meets on the second and fourth Tuesday of each month at 6:00 p.m. in the City Council Chambers located at 107 Miracle Strip Parkway, Fort Walton Beach, Florida.

Appointed Officers

City Manager – Michael Beedie

City Clerk – Kim Barnes

City Attorney – Hayward Dykes, Jr.

Department Directors

Engineering & Utility Services – Tim Bolduc

Financial Services – Brandy L. Ferris

Fire Services – Ken Perkins, Chief

Human Resources – Tarey Franxman

Police Services – Ted Litschauer, Chief

Recreation & Cultural Services – Jeff Peters

I. INTRODUCTORY SECTION

- **TABLE OF CONTENTS**
- **LETTER OF TRANSMITTAL**
- **GOVERNMENT FINANCE OFFICERS
CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING**
- **ORGANIZATIONAL CHART**

**CITY OF FORT WALTON BEACH, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Page</u>
CITY OFFICIALS	
I. INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal	
City Manager and Finance Director	iv
GFOA Certificate of Achievement	x
Organizational Chart	xi
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	4
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Redevelopment Agency	21
<u>Proprietary Funds</u>	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25
<u>Fiduciary Funds</u>	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	29

**CITY OF FORT WALTON BEACH, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Page	Schedule
II. FINANCIAL SECTION (CONTINUED)		
C. REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)		
Pension Schedules		
Schedule of Changes in the City's Net Pension Liability and Related Ratios	77	
Schedule of Contributions	78	
Notes to the Schedule of Contributions – General Employees' Retirement Fund	79	
Notes to the Schedule of Contributions – Police Officers' Retirement Fund	80	
Notes to the Schedule of Contributions – Firefighters' Retirement Fund	81	
Schedule of Other Post-Employment Obligations	82	
D. COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Non-Major Governmental Funds		
Combining Balance Sheet	83	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	84	
<u>Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</u>		
Law Enforcement Trust Special Revenue Fund	85	
Law Enforcement Trust Training Special Revenue Fund	86	
Florida Building Code Special Revenue Fund	87	
Community Development Block Grant Special Revenue Fund	88	
Beal Memorial Cemetery Perpetual Care Special Revenue Fund	89	
Debt Service Fund	90	
Non-Major Fund – Enterprise Fund		
Statement of Net Position	91	
Statement of Revenues, Expenses and Changes in Net Position	92	
Statement of Cash Flows	93	
III. STATISTICAL SECTION (UNAUDITED)		
Net Position by Component	94	1
Changes in Net Position	95	2
Fund Balances - Governmental Funds	97	3
Changes in Fund Balances - Governmental Funds	98	4
Revenues and Other Sources	99	5
Assessed Value of Taxable Property	100	6
Property Tax Rates Per \$1,000 of Taxable Value - All Direct and Overlapping Governments	101	7

**CITY OF FORT WALTON BEACH, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Page	Schedule
III. STATISTICAL SECTION (UNAUDITED)		
Principal Taxpayers	102	8
Property Tax Levies and Collections	103	9
Ratios of Outstanding Debt by Type	104	10
Ratio of Net General Bonded Debt Outstanding	105	11
Pledged Revenue Coverage – Schedule of Revenue Bond Coverage	106	12
Direct and Overlapping Governmental Activities Debt – General Obligations	107	13
Major Employers	108	14
Miscellaneous Demographical Statistics	109	15
Full-Time Equivalent Employees by Function/Program	110	16
Permits, Licenses and Recreation Facilities	111	17
Elections - Okaloosa County Voter Registration	112	18
Special Assessment Billings and Collections	113	19
Major Revenue Sources	114	20
Water and Wastewater Service Rates	115	21
Sanitation and Recycling Service Rates	116	22
Operating Indicators by Function/Program	117	23
Capital Asset Statistics by Function/Program	118	24
Insurance Coverage	119	25
IV. COMPLIANCE SECTION		
Schedule of Expenditures of State Financial Assistance	122	
Notes to the Schedule of Expenditures of State Financial Assistance	123	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	124	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Project and Internal Control Over Compliance in Accordance With Chapter 10.550, <i>Rules of the Auditor General</i>	126	
Schedule of Findings and Questioned Costs	128	
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	129	
Management Letter	130	

(THIS PAGE INTENTIONALLY LEFT BLANK.)



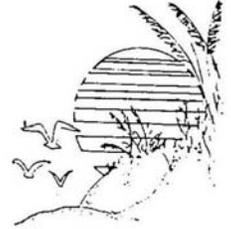
City of Fort Walton Beach

Treasure of the Emerald Coast

107 Miracle Strip Parkway, SW * Fort Walton Beach, FL 32548

(850) 833-9512 * Fax (850) 833-9640 *

www.fwb.org



February 19, 2015

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, 2014, is hereby submitted herewith pursuant to Florida Statutes Chapter 218.39(1)(d) requiring each local government entity to complete an audit report within nine 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, 2014, 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 unmodified opinion that the City of Fort Walton Beach's financial statements for the fiscal year ending September 30, 2014, 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 state 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

DATE OF INCORPORATION: June 16, 1941	
FORM OF GOVERNMENT: Council & Manager	PAVED STREETS: 93.12 miles
GEOGRAPHIC AREA: 7.41 square miles	SIDEWALKS: 64.05 miles
TAXABLE ASSESSED VALUE: \$1,147,373,788	WATER & SEWER LINES: 264.66 miles
CITY MILLAGE RATE: 5.7697	STORM DRAIN: 42.01 miles
POPULATION: 20,719	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 351 positions, 292.05 FTE’s	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 43	18-HOLE GOLF COURSES: 2
FIREFIGHTING PERSONNEL: 36	ACRES OF PARKS: 182.70

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 providing police and fire protection; cultural and recreational activities including parks, a library, a museum, and two championship 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 and recycling collection to a coastal community of 20,719 full-time residents.

The City has an exciting and romantic history. As early as 600 B.C., Indian tribes were attracted to Fort Walton Beach from the Mississippi and Tennessee River Valleys and the Southeast Georgia coast. The beginning for the City occurred following the War Between the States when Alabama war veteran John Brooks selected a site of 111 acres where he built a three-room cabin in 1867. Other settlers soon followed. By 1884, the population of the area required establishment of a small schoolhouse. In 1902, the first hotel, Brooks House, was built along the



First Schoolhouse

sound and shortly thereafter the first post office was built in 1906. The Montgomery, Alabama, Maxwell Field military base developed an airfield in Fort Walton in 1933 on 137 acres of land and used it as a bombing and gunnery range. The most significant factor in the City's growth was the creation and later expansion, of that airfield, which is now Eglin Air Force Base (the largest military installation in the world) in 1937, the year the City Charter was adopted. 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 name Walton originates from Colonel George Walton, who was Secretary of the East-West Florida Territory in 1822-26 and son of George Walton, signer of the Declaration of Independence and Governor of Georgia.

The presence of the military base provided the key economic stimulus for the City's early growth, supplemented by the attractiveness of the location. The City enjoyed a substantial population and economic boom from the 1950's through the end of the 1970's. Subsequently, things started to slow down. The military base became less important to the City's economy than the growing tourism industry. In the late 1960's and early 1970's Fort Walton Beach began to experience a decline in economic prosperity, some of which can be attributed to the utility and transportation infrastructure getting older and commercial and residential structures becoming deteriorated. New development began to take place in the surrounding communities. The City, having nearly run out of developable land, started to focus attention on finding ways to induce private enterprise investment in the City and thus capturing a greater share of the local and regional market.

The City's premier gathering place along the Santa Rosa Sound has been the Fort Walton Landing Park since its purchase in 1986. Building upon that with the complete reconstruction of Brooks Street, including the Brooks Bridge Park in 2013, the City's downtown waterfront was opened up to an extent never before realized and spurred economic growth downtown. In 2014, the City implemented an Entertainment District in its downtown area, bringing a steady stream of events and activity to the area that have brought forth revitalization of the area. Outside of downtown, the City began construction of a new recreational complex, which promises to add to the attraction of the City.



Recreation Complex – slated to open Spring 2015



Downtown Redevelopment: Brooks Bridge Park

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.

A Budget Policy Workshop is held with City Council in June 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 and operational funding needs within budget development parameters. In addition, they must conduct a comprehensive review of departmental objectives, accomplishments, and performance measures. A Budget Committee is formed comprised of the City Manager, Finance Director, and Financial Analyst. 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.

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. financial services), and division (e.g. purchasing). 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 and the Community Redevelopment Agency Fund, this comparison is presented on page 20 & 21 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than those previously mentioned, this comparison is presented in the combining and individual fund statements and schedules, Section D of this report, which starts on page 83.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

The City of Fort Walton Beach currently faces many of the same economic challenges that are affecting the global economy, however economic stabilization is evident. For fiscal year 2014-15, the State of Florida projects an increase for each of the City's revenue sharing funds, which suggests an uptick in discretionary spending. The Okaloosa County Property Appraiser anticipates a 1.71% increase in taxable assessed value for the City, signifying an end to the downward spiral in the real estate market.

Eglin Air Force Base is the world's largest Department of Defense installation, spanning 724 square miles. Defense contractor companies are established throughout the Northwest Florida region. It is estimated that local military bases currently represent a \$6.0 billion annual economic impact on the area, with approximately 73% of the local economy supported by the military.

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.

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, including vehicles, machinery, and computer hardware and software, 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

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2015. The City's total budget for fiscal year 2015 totals \$37.2 million, which is \$2.5 million higher than the fiscal year 2014 approved budget, due to efforts to return the City to financial stability and programmatic sustainability, including completion of outstanding capital projects. The 2015 budget allocates \$18.6 million, a 1.6% increase as compared to the fiscal year 2014 budget, to the General fund, \$15.4 million to the Enterprise funds, and \$3.2 million to other funds.

For the fiscal year 2015 budget, the ad valorem rate was maintained at 5.7697 mills. A 9% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.50. No other significant changes to the City's various rate and fees are included in the fiscal year 2015 budget.

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, 2013. This was the twenty-eighth 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, 2014. This was the nineteenth 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 their continued assistance and professionalism.

Respectfully submitted,



Michael D. Beedie, PE
City Manager



Brandy L. Ferris, CPA
Finance Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO

(THIS PAGE INTENTIONALLY LEFT BLANK.)

Citizens of Fort Walton Beach

City Council

City Clerk
2.75 FTE

City Manager
2.00 FTE

City Attorney

Administrative Services
5.00 FTE

Engineering & Utility Services
94.50 FTE

Financial Services
16.00 FTE

Fire Services
37.00 FTE

Police Services
59.99 FTE

Recreation Services
71.41 FTE

Human Resources
Information Technology
Insurance & Risk Management

Building Inspections & Permitting
Code Enforcement
CRA & CDBG
Engineering
Fleet & Facilities
Garbage Collection
Planning
Streets & Stormwater Mgmt
Water Production & Distribution
Sewer Collection

Accounting
Auditing
Budgeting
Purchasing
Debt Service & Management
Treasury
Utility Billing
Contingencies & Transfers

Advanced Life Support
Fire Suppression
Fire Prevention
Fire Inspection
Hazardous Materials Response
Fire Education

Uniform Patrol
K-9 Patrol
Criminal Investigations
Community Policing
Crime Prevention
Communications
Records
Support Services
School Crossing Guards
Reserve Officers

Athletics – Adult & Youth
Recreation Centers and Programming
Grounds Maintenance: Parks, Right-Of-Way and Cemetery
Library
Museum
Golf Club Operations

(THIS PAGE INTENTIONALLY LEFT BLANK.)

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**

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Community Redevelopment Agency (special revenue fund) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 – 13, the Schedule of Changes in the City's Net Position Liability and Related Ratios on page 77, the Schedule of Contributions on page 78, the Notes to the Schedule of Contributions on pages 79-81, and the Schedule of Other Post-Employment Obligations on page 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Walton Beach, Florida's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of State Financial Assistance are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the City of Fort Walton Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements performed in accordance with Government Auditing Standards*". 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fort Walton Beach, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
February 19, 2015

(THIS PAGE INTENTIONALLY LEFT BLANK.)

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, 2014. 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 \$65.3 million (net position). Of this amount, \$20.4 million represents unrestricted assets that are available to meet the City's ongoing obligations to citizens and creditors.
- The government's net position decreased by \$141,234, primarily attributable to the return of a portion of a prior year capital contribution from a joint project with Okaloosa County, which was offset by increased property tax revenue related to a millage rate increase. The revenue changes were coupled with higher than anticipated expenses in the Utilities Fund due to increased wastewater flows to Okaloosa County's Arbennie Pritchett WRF as a result of higher accuracy meters and the introduction of inflow and infiltration into the system.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds reported combined ending fund balances of \$19.7 million, a decrease of \$2.3 million in comparison with the prior year. Approximately 54.3% of this amount, or \$10.7 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 \$8.5 million, or 41.2% of total General Fund expenditures.
- The City of Fort Walton Beach's total debt increased by \$6.0 million, or 19.7%, during the fiscal year. This increase is a result of the continuing construction of a new pump station and force main project, which is being financed via a State Revolving Fund loan in the Utilities Fund.
- The City implemented the Government Accounting Standards Board Statement 67 (GASB 67) and has provided disclosures which improve the understanding of pension fund assets and liabilities. However, the required disclosures are not consistent with the method the City uses for funding its three single employer pension plans. GASB 67 determines the pension liability utilizing the individual entry age actuarial funding method. The net pension liability as of September 30, 2014, reported on page 77, is \$3.5 million for the General Employees' Retirement Fund, \$5.5 million for the Firefighters' Pension Trust Fund, and \$4.5 million for the Police Officers' Retirement Fund.

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 position and the statement of activities, are utilized to provide information on a government-wide basis.

The statement of net position presents information on all of the City of Fort Walton Beach's assets and liabilities, with the difference between the two reported as net position. 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 position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

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

The government-wide financial statements include not only the City of Fort Walton Beach itself (known as the primary government), but a component unit, the Community Redevelopment Agency (CRA), which is a legally separate entity for which the City of Fort Walton Beach is financially accountable. The CRA is considered a blended component unit of the City of Fort Walton Beach, Florida and is presented as a special revenue fund as part 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 eight individual governmental funds (General Fund, Community Redevelopment Agency Fund, Florida Building Code 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 six 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, as well as each of the other governmental funds. A budgetary comparison statement is provided for the General Fund on page 20 of this report.

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 position 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 stormwater management), and sanitation operations (garbage).

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 stormwater operations, all of which are considered major funds of the City of Fort Walton Beach except for stormwater, which is considered non-major. 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 79-81 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds immediately follow the required supplementary information on Pension funds and can be found beginning on page 83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Walton Beach, assets exceeded liabilities by \$65.3 million (net position), as reported in Table 1. The government's net position decreased by \$141,234 for the fiscal year ended September 30, 2014.

By far, the largest portion of the City's assets, \$38.6 million or 59.2%, 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 assets, 9.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20.4 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1

Statement of Net Position As of September 30 (In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & Other	\$22,896	\$23,855	\$13,717	\$10,916	\$36,613	\$34,771
Capital Assets	34,054	29,478	37,162	37,834	71,216	67,312
Total Assets	56,950	53,333	50,879	48,750	107,829	102,083
Long-Term Liabilities						
Outstanding	13,812	14,159	23,745	17,193	37,557	31,352
Other Liabilities	2,734	1,819	2,246	3,478	4,980	5,297
Total Liabilities	16,546	15,978	25,991	20,671	42,537	36,649
Net Position						
Net Investment in Capital Assets	24,866	23,532	13,779	17,306*	38,645	40,838
Restricted	4,837	4,494	1,450	1,393	6,287	5,887
Unrestricted	10,701	9,329	9,659	9,380*	20,360	18,709
Total Net Position	\$40,404	\$37,355	\$24,888	\$28,079	\$65,292	\$65,434

*Prior year reclassification to conform to current year presentation

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

Table 2

Statement of Activities						
	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenue:						
Charges for Services	\$3,342,068	\$1,985,972	\$12,753,215	\$14,472,546	\$16,095,283	\$16,458,518
Operating Grants & Contributions	682,200	786,652	-	1,071	682,200	787,723
Capital Grants & Contributions	109,629	80,936	(157,294)	1,871,295	(47,665)	1,952,231
General Revenue:						
Property Taxes	5,385,235	4,175,136	-	-	5,385,235	4,175,136
Other Taxes	6,252,166	6,002,679	-	-	6,252,166	6,002,679
Tax Increments for Redevelopment	1,501,208	1,311,101	-	-	1,501,208	1,311,101
Other Revenue	3,793,529	2,789,436	85,321	38,273	3,878,850	2,827,709
Total Revenues	21,066,035	17,131,912	12,681,242	16,383,185	33,747,277	33,515,097
Expenses						
Primary Government						
General Government	3,179,768	2,662,406	-	-	3,179,768	2,262,406
Public Safety	9,685,621	9,729,228	-	-	9,685,621	9,729,228
Physical Environment	392,255	379,681	-	-	392,255	379,681
Transportation	1,495,374	1,631,665	-	-	1,495,374	1,631,665
Economic Development	803,175	1,090,025	-	-	803,175	1,090,025
Culture & Recreation	4,829,004	2,715,977	-	-	4,829,004	2,715,977
Debt Service Interest	483,301	324,405	-	-	483,301	324,405
Business-Type Expenses						
Utilities	-	-	9,185,338	7,644,240	9,185,338	7,644,240
Sanitation	-	-	3,393,269	3,163,638	3,393,269	3,163,638
Golf	-	-	2,215	2,023,186	2,215	2,023,186
Other	-	-	439,191	611,962	439,191	611,962
Total Expenses	20,868,498	18,533,387	13,020,013	13,443,026	33,888,511	31,976,413
Increase/(Decrease) in Net Position before Transfers	197,537	(1,401,475)	(338,771)	2,940,159	(141,234)	1,538,684
Transfers	2,851,638	(2,145,441)	(2,851,638)	2,145,441	-	-
Special Item – Impairment Loss	-	(271,287)	-	(786,713)	-	(1,058,000)
Increase/(Decrease) in Net Position	3,049,175	(3,818,203)	(3,190,409)	4,298,887	(141,234)	480,684
Net Position – Beginning	37,355,274	41,173,477	28,078,500	23,779,613	65,433,774	64,953,090
Net Position – Ending	\$40,404,449	\$37,355,274	\$24,888,091	\$28,078,500	\$65,292,540	\$65,433,774

The overall decrease in the City’s net position was \$141,234 during the fiscal year. The governmental activities experienced an increase, primarily related to the transfer of assets from the former Golf Enterprise Fund that was combined with the General Fund on October 1, 2014. In addition, the millage rate was increased, which resulted in additional property tax revenue.

The business activities experienced a decrease primarily related to the transfer of assets from the former Golf Enterprise Fund that was combined with the General Fund on October 1, 2014. In addition, last year’s revenue included an estimated increase in capital contributions and grants due to a joint project with Okaloosa County. The amount received was less than the estimate in the current year. The details related to this decrease are analyzed further in the Financial Impacts section of this discussion.

Current Year Impacts – Governmental Activities

Governmental activities increased the City’s net position by \$3.0 million for the fiscal year ended September 30, 2014. Key elements of this change are as follows:

- Charges for services, Culture & Recreation expenses, and transfers combined to increase net position due to the decision by City Council to combine the former Golf Enterprise Fund with the General Fund.
- Property taxes increased by \$1.2 million, or 29.0%, due to an increase in the millage rate from 4.5383 to 5.7697. Tax increments for redevelopment increased by \$190,107, or 14.5%, for the same reason.
- Capital grants for governmental activities increased \$28,693, or 35.5%, as a result of the receipt of a Florida Department of Transportation local agency grant.
- Other revenue increased by \$763,208, or 369.3%, due to higher investment earnings as a result of greater diversification of the City’s portfolio, as well the sale of capital assets, including the Chester Pruitt Recreation Facility.
- Economic development expenses decreased \$286,850, or 26.3%, as a result of fewer economic incentive grants being provided through the Community Redevelopment Agency in the fiscal year 2014 than in the previous year.
- Overall, expenses for governmental activities increased by \$2.3 million, or 12.6%, from the prior year, all of which were offset by a related revenue increase of \$3.9 million, or 23%, as a result of the City’s focus on future sustainability of programs and services.

Chart 1

Expense and Program Revenue – Governmental Activities
(In Millions)

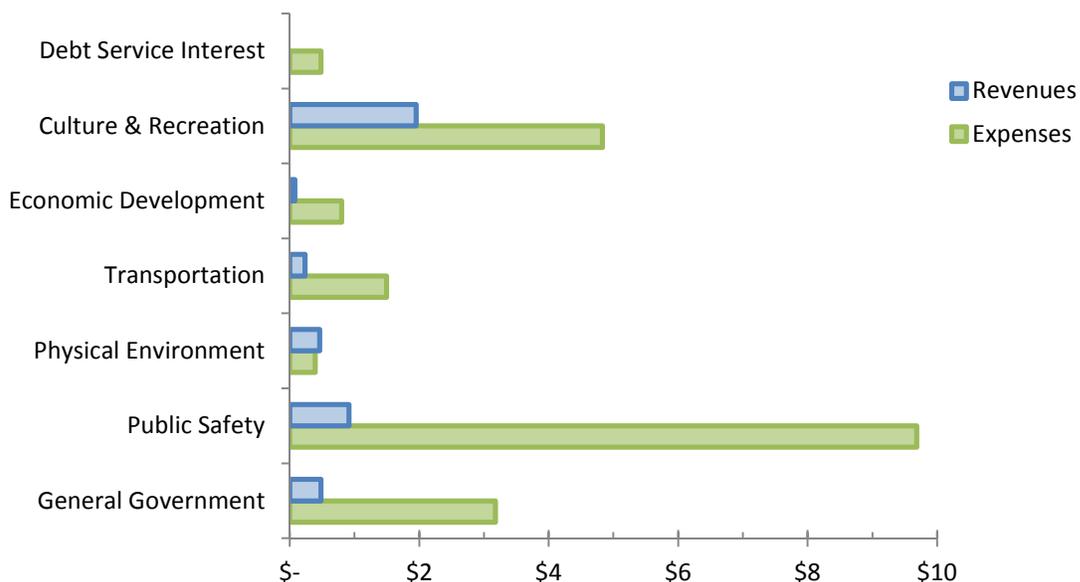
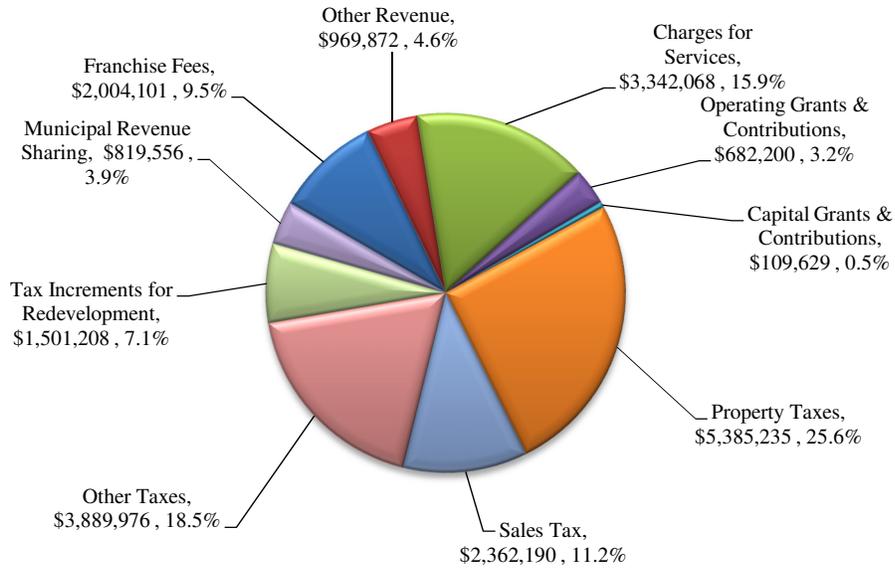


Chart 2

Revenues by Source – Governmental Activities



Current Year Impacts – Business-Type Activities

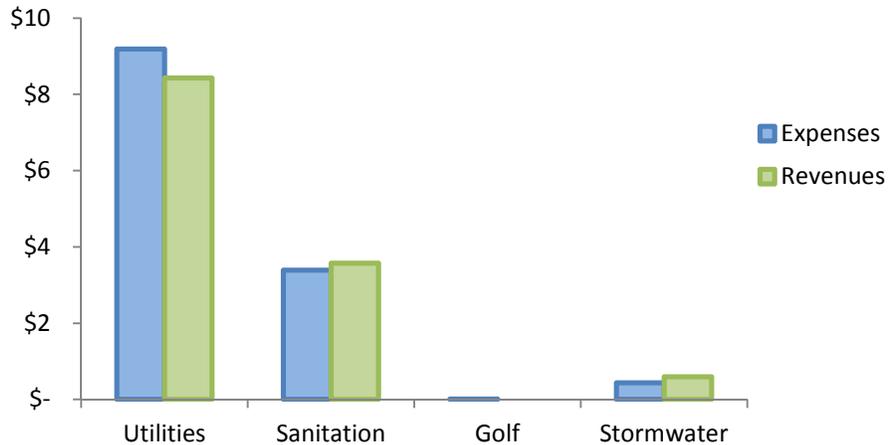
Business-type activities decreased the City’s net position by \$3.2 million for the fiscal year ended September 30, 2014. Key elements of this change are as follows:

- Capital grants and contributions decreased \$2.0 million, or 108.4% due to prior year funding received for a joint project with Okaloosa County.
- Charges for services decreased by \$1.7 million, or 11.9%, as a result of the decision by City Council to combine the former Golf Enterprise Fund with the General Fund. This decision also resulted in a nearly offsetting decrease in expenses of \$2.0 million, or 99.9%. The transfer of assets from this Fund accounted for the remaining decline in net assets.

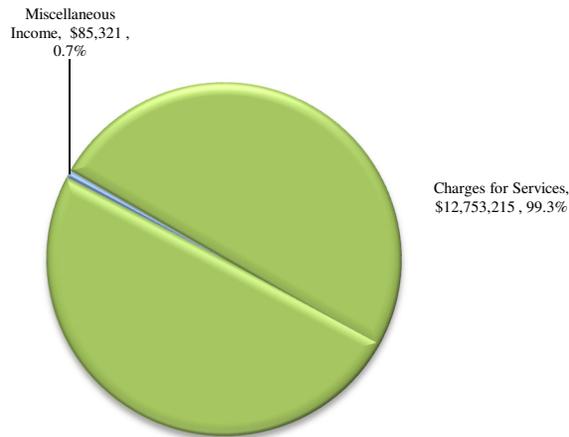
Chart 3

Expenses and Program Revenue – Business-Type Activities

(In Millions)



**Chart 4
Revenues by Source – Business-Type Activities**



*There was a negative capital contribution that is not included on Chart 4 in the amount of \$157,294

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, 2014, the City of Fort Walton Beach’s governmental funds have combined ending fund balances of \$19.7 million, a decrease of \$2.3 million in comparison with the prior year. Approximately 54.3% of this amount, or \$10.7 million, is available for spending at the discretion of City Council. The remainder of fund balance is non-spendable 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 \$8.5 million, while total fund balance reached \$12.8 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 41.2% of the total General Fund expenditures, while total fund balance represents 62.4% of that same amount.

During the 2014 fiscal year, the fund balance of the City’s General Fund decreased by \$2.9 million. This decrease was primarily related to the use of Capital Improvement Revenue Note funds that were restricted in the prior year for the construction of the new recreation complex.

The Community Redevelopment Agency Fund’s fund balance increased by \$239,934. This increase is due to lower than anticipated spending levels.

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 position of the proprietary funds totaled \$9.7 million at September 30, 2014, of which the Utilities Fund amounted to \$7.0 million, the Sanitation Fund totaled \$2.1 million, and the Stormwater Utility Fund was \$479,914. The Golf Fund was transferred during the year to the General Fund. In total, net position of the proprietary

funds decreased \$3.2 million. The factors concerning the finances of these four funds have already been addressed in the discussion of the City of Fort Walton Beach's business-type activities.

Fiduciary Funds

The City of Fort Walton Beach implemented GASB 67, *Financial Reporting for Pension Plans*, in 2014. This requires the use of the entry age normal actuarial valuation method to determine the total pension liability.

For the fiscal year ended September 30, 2014, the General Employees' Retirement Fund's funded ratio, an indicator of funding status, increased from 87.8% to 92.8%. Employees' contribute 5% of pay to the Plan and the City contributed \$1.3 million, or 30.7% of payroll.

The Firefighters' Pension Trust Fund's funded ratio increased from 64.8% to 68.5% over the previous fiscal year. Employees' contribute 6.6% of pay to the Plan and the City contributed \$715,439, or 30.2% of payroll. The contribution in fiscal year 2014 included \$89,886 of excess State of Florida contributions.

The Police Officers' Retirement Fund's funded ratio increased from 74.5% to 81.4% over the previous fiscal year. Employees' contribute 5% of pay to the Plan and the City contributed \$836,053, or 29.5% of payroll. Additional information on the pension plans can be found on pages 48-59 of this report.

The General Employees' Retirement Fund was closed to new entrants in January 2010 and all new hires are required to participate in a defined contribution plan, which is administered by the International City Managers Association Retirement Corporation. Additional information on the defined contribution plan can be found on page 60 of this report.

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 \$10.5 million. Significant information related to this difference is summarized as follows:

- The City added expenditures for the construction of a new recreation complex in an amount of \$8.5 million.

Actual results, when compared to the final budget, show a variance of \$7.2 million for expenditures. This variance is primarily due to amending the budget for grant revenue received and capital expenditures planned, 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, 2014, was \$38.6 million (net of accumulated depreciation and related debt). This represents a net decrease of \$2.2 million, or 5.7%. 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, including the disposal of several large assets (fire truck, recreation center).
- The City completed construction of a new force main and pump station and placed the item into service in the fiscal year.

Table 3

Total Capital Assets						
Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$9,936,698	\$ 9,961,261	\$709,678	\$ 765,078	\$10,646,376	\$10,726,339
Buildings	7,359,920	6,434,774	143,929	1,926,888	7,503,849	8,361,662
Improvements other than Buildings	5,840,259	5,926,341	31,197,741	17,212,291	37,038,000	23,138,632
Infrastructure	4,049,905	4,121,764	-	-	4,049,905	4,121,764
Intangible Assets	172,874	281,928	66,414	18,277	239,288	300,205
Machinery & Equipment	2,166,103	1,713,565	4,460,910	2,455,379	6,627,013	4,161,944
Equipment under Capital Lease	57,954	58,565	-	-	57,954	58,565
Easements	-	-	34,642	34,642	34,642	34,642
Construction in Progress	4,470,218	979,617	548,914	15,421,355	5,019,132	16,400,972
	<u>\$34,053,931</u>	<u>\$29,477,815</u>	<u>\$37,162,228</u>	<u>\$37,833,910</u>	<u>\$71,216,159</u>	<u>\$67,311,725</u>

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 5 of this report on pages 45-47.

Long-Term Debt

As shown in the following table, as of September 30, 2014, the City had total bonded debt, revenue notes, and capital leases outstanding of \$36.7 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

Outstanding Debt						
	Governmental Assets		Business-Type Activities		Total Activities	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenue Bonds	\$ -	\$ -	\$9,640,146	\$9,925,055	\$9,640,146	\$9,925,055
Revenue Notes	13,008,515	13,535,936	-	73,533	13,008,515	13,609,469
State Revolving Fund	-	-	14,004,706	7,068,522	14,004,706	7,068,522
Capital Leases	89,654	101,696	-	-	89,654	101,696
	<u>\$13,098,169</u>	<u>\$13,637,632</u>	<u>\$23,644,852</u>	<u>\$17,067,100</u>	<u>\$36,743,021</u>	<u>\$30,704,742</u>

Additional information on the City of Fort Walton Beach's long-term debt can be found in Note 13 and 14 of this report on pages 65-69.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 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 2.3% higher than a year ago. This indicator translates into a higher cost of providing services to residents.
- The Municipal Cost Index is 2.4% higher than a year ago. This index is prepared to show the effects of inflation on the cost of providing municipal services.
- The Consumer Confidence Index is at its highest level since 2008. This indicator measures economic conditions by gauging the future spending of consumers.
- The Leading Economic Index has had broad based growth over the past six months 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 2015. The City's budget for fiscal year 2015 totals \$37.2 million, which is \$2.5 million higher than the fiscal year 2014 approved budget, due to efforts to return the City to financial stability and programmatic sustainability, in addition to an uptick in scheduled and completed capital projects. The 2015 budget allocates \$18.6 million, a 1.6% increase as compared to the fiscal year 2014 budget, to the General fund, \$15.4 million to the Enterprise funds, and \$3.2 million to other funds.

For the fiscal year 2015 budget, the ad valorem rate was maintained at 5.7697 mills. A 9% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.50. No other significant changes to the City's various rate and fees are included in the fiscal year 2015 budget.

Personnel expenses account for approximately 47.7% of the City's budget. The City's fiscal year 2015 budget remains relatively stable in this category, at 292.05 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.

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 15,477,455	\$ 10,691,815	\$ 26,169,270
Investments	2,216,592	-	2,216,592
Receivables, net	225,274	799,955	1,025,229
Internal balances	(500,000)	500,000	-
Due from other governments	58,265	-	58,265
Inventory, at cost	263,762	22,886	286,648
Restricted assets			
Cash and cash equivalents	3,936,086	1,686,444	5,622,530
Capital assets			
Non-depreciable/amortizable	14,406,916	1,293,234	15,700,150
Depreciable/amortizable, net	19,647,015	35,868,994	55,516,009
Other assets			
Net pension asset	811,635	-	811,635
Other receivables, net	407,000	15,640	422,640
TOTAL ASSETS	56,950,000	50,878,968	107,828,968
LIABILITIES			
Accounts payable	1,088,139	895,237	1,983,376
Accrued liabilities	705,317	137,752	843,069
Due to other governments	-	488,939	488,939
Unearned revenues	27,425	37,490	64,915
Payable from restricted assets			
Accrued interest	83,113	105,562	188,675
Customer deposits	-	236,246	236,246
Non-current liabilities			
Due within one year			
Compensated absences	178,891	44,476	223,367
Leases payable	13,774	-	13,774
Notes payable	636,928	-	636,928
Revenue bonds payable	-	300,000	300,000
Due in more than one year			
Compensated absences	536,673	133,429	670,102
Leases payable	75,880	-	75,880
Notes payable	12,371,587	-	12,371,587
Revenue bonds payable	-	9,340,146	9,340,146
State revolving loans payable	-	14,004,706	14,004,706
Other post-employment benefits	827,824	266,894	1,094,718
TOTAL LIABILITIES	16,545,551	25,990,877	42,536,428
NET POSITION			
Net investment in capital assets	24,866,399	13,779,184	38,645,583
Restricted			
Debt service	25,449	1,082,935	1,108,384
System improvements	-	367,263	367,263
Improvement districts	4,073,364	-	4,073,364
Public safety	565,946	-	565,946
Other purposes	172,630	-	172,630
Unrestricted	10,700,661	9,658,709	20,359,370
TOTAL NET POSITION	\$ 40,404,449	\$ 24,888,091	\$ 65,292,540

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 3,179,768	\$ 476,824	\$ -	\$ 6,158	\$ (2,696,786)	\$ -	\$ (2,696,786)
Public safety	9,685,621	495,111	417,953	2,995	(8,769,562)	-	(8,769,562)
Physical environment	392,255	376,998	86,081	-	70,824	-	70,824
Transportation	1,495,374	140,038	-	97,648	(1,257,688)	-	(1,257,688)
Economic environment	803,175	10	79,482	-	(723,683)	-	(723,683)
Culture and recreation	4,829,004	1,853,087	98,684	2,828	(2,874,405)	-	(2,874,405)
Debt service interest	483,301	-	-	-	(483,301)	-	(483,301)
Total governmental activities	20,868,498	3,342,068	682,200	109,629	(16,734,601)	-	(16,734,601)
Business-type activities							
Utilities	9,185,338	8,586,045	-	(157,294)	-	(756,587)	(756,587)
Sanitation	3,393,269	3,571,037	-	-	-	177,768	177,768
Golf	2,215	-	-	-	-	(2,215)	(2,215)
Stormwater	439,191	596,133	-	-	-	156,942	156,942
Total business-type activities	13,020,013	12,753,215	-	(157,294)	-	(424,092)	(424,092)
Total primary government	\$ 33,888,511	\$ 16,095,283	\$ 682,200	\$ (47,665)	\$ (16,734,601)	\$ (424,092)	\$ (17,158,693)
General revenues							
Taxes							
Property taxes					\$ 5,385,235	\$ -	\$ 5,385,235
Sales taxes					2,362,190	-	2,362,190
Utility service taxes					3,889,976	-	3,889,976
Tax increments for redevelopment districts					1,501,208	-	1,501,208
Franchise fees					2,004,101	-	2,004,101
Intergovernmental, unrestricted					819,556	-	819,556
Gain on sale of assets					520,152	22,813	542,965
Miscellaneous					103,986	6,839	110,825
Investment earnings					345,734	55,669	401,403
Transfers					2,851,638	(2,851,638)	-
Total general revenues and transfers					19,783,776	(2,766,317)	17,017,459
Change in net position					3,049,175	(3,190,409)	(141,234)
Net position at beginning of year					37,355,274	28,078,500	65,433,774
Net position at end of year					\$ 40,404,449	\$ 24,888,091	\$ 65,292,540

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 10,754,613	\$ 4,104,871	\$ 617,971	\$ 15,477,455
Investments	-	-	2,216,592	2,216,592
Receivables	632,274	-	-	632,274
Due from other funds	56,245	-	-	56,245
Due from other governments	-	-	58,265	58,265
Inventory, at cost	262,964	798	-	263,762
Restricted assets				
Cash and cash equivalents	3,910,637	-	25,449	3,936,086
TOTAL ASSETS	<u>\$ 15,616,733</u>	<u>\$ 4,105,669</u>	<u>\$ 2,918,277</u>	<u>\$ 22,640,679</u>
LIABILITIES				
Accounts payable	\$ 1,063,610	\$ 12,187	\$ 12,342	\$ 1,088,139
Accrued liabilities	670,393	20,118	14,806	705,317
Due to other funds	-	-	56,245	56,245
Advance from other funds	500,000	-	-	500,000
Unearned revenue	27,425	-	-	27,425
Total liabilities	<u>2,261,428</u>	<u>32,305</u>	<u>83,393</u>	<u>2,377,126</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	534,250	-	-	534,250
FUND BALANCE				
Nonspendable	262,964	798	-	263,762
Restricted	4,083,267	4,072,566	591,395	8,747,228
Committed	5,589,056	-	2,249,720	7,838,776
Assigned	1,584,887	-	-	1,584,887
Unassigned	1,300,881	-	(6,231)	1,294,650
Total fund balances	<u>12,821,055</u>	<u>4,073,364</u>	<u>2,834,884</u>	<u>19,729,303</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 15,616,733</u>	<u>\$ 4,105,669</u>	<u>\$ 2,918,277</u>	<u>\$ 22,640,679</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Amounts reported for governmental activities in the Statement of Net Position 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	14,406,916	
Governmental depreciable/amortizable assets	54,126,121	
Less accumulated depreciation/amortization	<u>(34,479,106)</u>	
		34,053,931

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

Net pension asset		811,635
-------------------	--	---------

Unavailable revenues in governmental funds is susceptible to full accrual on the entity-wide statements.

Special assessment for street resurfacing	109,250	
Receivable related to sale of capital asset	<u>425,000</u>	
		534,250

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

Notes payable	(13,008,515)	
Accrued interest	(83,113)	
Capital leases	(89,654)	
Compensated absences	(715,564)	
Other post-employment benefits	<u>(827,824)</u>	
		<u>(14,724,670)</u>

Net position of governmental activities (page 14)

\$ 40,404,449

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 10,578,384	\$ 959,428	\$ -	\$ 11,537,812
Permits and fees	2,023,040	-	369,447	2,392,487
Intergovernmental	2,735,453	541,780	98,846	3,376,079
Charges for services	2,373,476	10	-	2,373,486
Fines	99,121	-	34,524	133,645
Miscellaneous	481,437	127,699	218,390	827,526
Total revenues	<u>18,290,911</u>	<u>1,628,917</u>	<u>721,207</u>	<u>20,641,035</u>
EXPENDITURES				
Current				
General governmental services	2,891,275	-	-	2,891,275
Public safety	8,365,184	418,022	299,670	9,082,876
Physical environment	308,702	-	17,162	325,864
Transportation	867,730	-	-	867,730
Economic environment	-	669,151	76,435	745,586
Culture and recreation	3,744,452	-	-	3,744,452
Capital outlay	4,385,057	301,810	34,229	4,721,096
Debt service				
Principal	-	-	612,996	612,996
Interest	-	-	377,574	377,574
Total expenditures	<u>20,562,400</u>	<u>1,388,983</u>	<u>1,418,066</u>	<u>23,369,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,271,489)</u>	<u>239,934</u>	<u>(696,859)</u>	<u>(2,728,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	620,433	-	1,015,732	1,636,165
Transfers out	(1,241,454)	-	-	(1,241,454)
Total other financing sources (uses)	<u>(621,021)</u>	<u>-</u>	<u>1,015,732</u>	<u>394,711</u>
NET CHANGE IN FUND BALANCE	(2,892,510)	239,934	318,873	(2,333,703)
FUND BALANCE AT BEGINNING OF YEAR	<u>15,713,565</u>	<u>3,833,430</u>	<u>2,516,011</u>	<u>22,063,006</u>
FUND BALANCE AT END OF YEAR	<u>\$ 12,821,055</u>	<u>\$ 4,073,364</u>	<u>\$ 2,834,884</u>	<u>\$ 19,729,303</u>

See notes to the 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
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - governmental funds (page 18) \$ (2,333,703)

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/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	4,678,313	
Less current year depreciation/amortization	(2,546,728)	
	<u>2,131,585</u>	2,131,585

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. In addition, capital asset reassignments are reported as transfers on the Statement of Activities.

Disposals of capital assets and adjustments	(1,518,288)	
Accumulated depreciation/amortization associated with disposals and adjustments	1,343,445	
Reassignment of capital assets	2,619,374	
	<u>2,444,531</u>	2,444,531

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	(3,328)	
Special assessment for interest and penalties	2,013	
Receivable related to sale of capital asset	425,000	
	<u>423,685</u>	423,685

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 position. 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. In addition, long-term debt reassignments are reported as transfers on the Statement of Activities.

Debt principal payments	612,996	
Amortization of note issue costs	(26,879)	
Change in accrued interest on long-term debt	(78,848)	
Reassignment of long-term debt	(74,014)	
	<u>433,255</u>	433,255

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	205,006	
Change in long-term compensated absences	9,936	
Change in other post-employment benefits	(176,687)	
Reassignment of other long-term liabilities	(88,433)	
	<u>(50,178)</u>	(50,178)

Change in net position of governmental activities (page 15) \$ 3,049,175

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 10,068,657	\$ 10,168,096	\$ 10,578,384	\$ 410,288
Permits and fees	1,792,424	1,792,424	2,023,040	230,616
Intergovernmental	2,450,861	4,323,238	2,735,453	(1,587,785)
Charges for services	2,611,329	2,622,588	2,373,476	(249,112)
Fines	118,700	118,700	99,121	(19,579)
Miscellaneous	431,768	491,556	481,437	(10,119)
Total revenues	<u>17,473,739</u>	<u>19,516,602</u>	<u>18,290,911</u>	<u>(1,225,691)</u>
EXPENDITURES				
Current				
General governmental services	2,940,726	4,264,401	2,891,275	1,373,126
Public safety	8,274,953	8,402,585	8,365,184	37,401
Physical environment	296,726	296,857	308,702	(11,845)
Transportation	1,037,256	1,039,448	867,730	171,718
Culture and recreation	3,846,982	3,958,323	3,744,452	213,871
Capital outlay	842,865	9,780,254	4,385,057	5,395,197
Total expenditures	<u>17,239,508</u>	<u>27,741,868</u>	<u>20,562,400</u>	<u>7,179,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>234,231</u>	<u>(8,225,266)</u>	<u>(2,271,489)</u>	<u>5,953,777</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	500,000	-	(500,000)
Transfers in	620,433	620,433	620,433	-
Transfers out	(1,098,336)	(1,098,336)	(1,241,454)	(143,118)
Total other financing sources (uses)	<u>(477,903)</u>	<u>22,097</u>	<u>(621,021)</u>	<u>(643,118)</u>
NET CHANGE IN FUND BALANCE	(243,672)	(8,203,169)	(2,892,510)	5,310,659
FUND BALANCE AT BEGINNING OF YEAR	<u>243,672</u>	<u>8,203,169</u>	<u>15,713,565</u>	<u>7,510,396</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,821,055</u>	<u>\$ 12,821,055</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 959,428	\$ 959,428	\$ 959,428	\$ -
Intergovernmental	570,498	619,490	541,780	(77,710)
Charges for services	-	-	10	10
Miscellaneous	62,620	62,620	127,699	65,079
Total revenues	<u>1,592,546</u>	<u>1,641,538</u>	<u>1,628,917</u>	<u>(12,621)</u>
EXPENDITURES				
Current				
Public safety	498,405	499,017	418,022	80,995
Economic environment	1,092,351	1,855,755	669,151	1,186,604
Capital outlay	1,790	308,511	301,810	6,701
Total expenditures	<u>1,592,546</u>	<u>2,663,283</u>	<u>1,388,983</u>	<u>1,274,300</u>
NET CHANGE IN FUND BALANCE	-	(1,021,745)	239,934	1,261,679
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>1,021,745</u>	<u>3,833,430</u>	<u>2,811,685</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,073,364</u>	<u>\$ 4,073,364</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,262,675	\$ 1,935,210	\$ -	\$ 493,930	\$ 10,691,815
Restricted assets - cash and cash equivalents	1,684,474	1,970	-	-	1,686,444
Receivables, net	566,999	198,075	-	34,881	799,955
Advance to other funds	-	45,663	-	-	45,663
Inventory - at cost	22,886	-	-	-	22,886
Total current assets	<u>10,537,034</u>	<u>2,180,918</u>	<u>-</u>	<u>528,811</u>	<u>13,246,763</u>
Capital assets, net					
Non-depreciable/amortizable	1,264,702	-	-	28,532	1,293,234
Depreciable/amortization, net	33,336,835	1,429,237	-	1,102,922	35,868,994
Total capital assets	<u>34,601,537</u>	<u>1,429,237</u>	<u>-</u>	<u>1,131,454</u>	<u>37,162,228</u>
Other assets					
Advance to other funds	-	454,337	-	-	454,337
Other receivables, net	15,640	-	-	-	15,640
Total other assets	<u>15,640</u>	<u>454,337</u>	<u>-</u>	<u>-</u>	<u>469,977</u>
Total non-current assets	<u>34,617,177</u>	<u>1,883,574</u>	<u>-</u>	<u>1,131,454</u>	<u>37,632,205</u>
TOTAL ASSETS	<u><u>\$ 45,154,211</u></u>	<u><u>\$ 4,064,492</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,660,265</u></u>	<u><u>\$ 50,878,968</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - CONTINUED
 SEPTEMBER 30, 2014**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 577,096	\$ 314,070	\$ -	\$ 4,071	\$ 895,237
Accrued liabilities					
Compensated absences	29,865	12,202	-	2,409	44,476
Wages	85,882	39,056	-	12,547	137,485
Other	144	99	-	24	267
Due to other governments	480,876	8,063	-	-	488,939
Revenue bonds payable	300,000	-	-	-	300,000
Payable from restricted assets					
Accrued interest	105,562	-	-	-	105,562
Customer deposits	234,276	1,970	-	-	236,246
Unearned revenue	37,490	-	-	-	37,490
Total current liabilities	<u>1,851,191</u>	<u>375,460</u>	<u>-</u>	<u>19,051</u>	<u>2,245,702</u>
Non-current liabilities					
Accrued liabilities					
Compensated absences	89,595	36,606	-	7,228	133,429
Revenue bonds payable	9,340,146	-	-	-	9,340,146
State revolving loan payable	14,004,706	-	-	-	14,004,706
Other post-employment benefits	162,851	81,425	-	22,618	266,894
Total non-current liabilities	<u>23,597,298</u>	<u>118,031</u>	<u>-</u>	<u>29,846</u>	<u>23,745,175</u>
TOTAL LIABILITIES	<u>25,448,489</u>	<u>493,491</u>	<u>-</u>	<u>48,897</u>	<u>25,990,877</u>
NET POSITION					
Net investment in capital assets	11,218,493	1,429,237	-	1,131,454	13,779,184
Restricted					
Debt service	1,082,935	-	-	-	1,082,935
System improvements	367,263	-	-	-	367,263
Unrestricted	7,037,031	2,141,764	-	479,914	9,658,709
TOTAL NET POSITION	<u>\$ 19,705,722</u>	<u>\$ 3,571,001</u>	<u>\$ -</u>	<u>\$ 1,611,368</u>	<u>\$ 24,888,091</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Utilities Fund	Sanitation Fund	Golf Fund	Other Enterprise Fund	Total
OPERATING REVENUES					
Charges for services	\$ 8,569,174	\$ 3,571,037	\$ -	\$ 596,133	\$ 12,736,344
OPERATING EXPENSES					
Personal services	1,892,340	924,820	-	226,121	3,043,281
Operating	4,977,711	2,211,906	-	145,203	7,334,820
Depreciation/amortization expense	1,714,552	256,543	-	67,867	2,038,962
Total operating expenses	8,584,603	3,393,269	-	439,191	12,417,063
OPERATING INCOME (LOSS)	(15,429)	177,768	-	156,942	319,281
NON-OPERATING REVENUES (EXPENSES)					
Rental income	16,871	-	-	-	16,871
Interest expense	(414,812)	-	-	-	(414,812)
Amortization	(185,525)	-	(2,215)	-	(187,740)
Gain (loss) on disposal of capital assets	(16,592)	-	-	39,405	22,813
Gain (loss) on investment	(17,068)	(4,949)	-	(1,052)	(23,069)
Interest	55,545	18,613	-	4,580	78,738
Grants in aid	(398)	-	-	-	(398)
Miscellaneous	2,186	4,130	-	523	6,839
Total non-operating revenues (expenses)	(559,793)	17,794	(2,215)	43,456	(500,758)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(575,222)	195,562	(2,215)	200,398	(181,477)
CONTRIBUTIONS AND TRANSFERS					
Capital grants and contributions	(157,294)	-	-	-	(157,294)
Transfers in	-	-	225,722	-	225,722
Transfers out	(490,433)	(130,000)	-	-	(620,433)
Transfer of long-term assets and liabilities to governmental activities	-	-	(2,456,927)	-	(2,456,927)
Total capital contributions and transfers	(647,727)	(130,000)	(2,231,205)	-	(552,005)
CHANGE IN NET POSITION	(1,222,949)	65,562	(2,233,420)	200,398	(3,190,409)
NET POSITION AT BEGINNING OF YEAR	20,928,671	3,505,439	2,233,420	1,410,970	28,078,500
NET POSITION AT END OF YEAR	\$ 19,705,722	\$ 3,571,001	\$ -	\$ 1,611,368	\$ 24,888,091

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,625,726	\$ 3,587,260	\$ -	\$ 596,959	\$ 12,809,945
Payments to suppliers	(6,512,551)	(2,008,037)	-	(150,269)	(8,670,857)
Payments to employees	(1,852,235)	(917,287)	-	(231,970)	(3,001,492)
Miscellaneous income	19,057	4,130	-	523	23,710
Net cash provided by operating activities	<u>279,997</u>	<u>666,066</u>	<u>-</u>	<u>215,243</u>	<u>1,161,306</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Change in intergovernmental balances	157,294	257	-	-	157,551
Advance to other funds	-	(500,000)	-	-	(500,000)
Grants and aids	(398)	-	-	-	(398)
Transfers in	-	-	225,722	-	225,722
Transfers out	(490,433)	(130,000)	(230,015)	-	(850,448)
Net cash used in non-capital financing activities	<u>(333,537)</u>	<u>(629,743)</u>	<u>(4,293)</u>	<u>-</u>	<u>(967,573)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(3,423,162)	(289,545)	-	(299,710)	(4,012,417)
Proceeds from disposal of capital assets	9,171	-	-	39,405	48,576
Capital grants and contributions	(157,294)	-	-	-	(157,294)
Proceeds from state revolving loan	6,936,184	-	-	-	6,936,184
Principal paid on revenue bonds and notes payable	(290,000)	-	-	-	(290,000)
Interest paid on bonds, loan, lease, and advance payables	(417,440)	-	-	-	(417,440)
Net cash provided by (used in) capital and related financing activities	<u>2,657,459</u>	<u>(289,545)</u>	<u>-</u>	<u>(260,305)</u>	<u>2,107,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	38,477	13,664	-	3,528	55,669
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,642,396	(239,558)	(4,293)	(41,534)	2,357,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,304,753</u>	<u>2,176,738</u>	<u>4,293</u>	<u>535,464</u>	<u>10,021,248</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,947,149</u>	<u>\$ 1,937,180</u>	<u>\$ -</u>	<u>\$ 493,930</u>	<u>\$ 12,378,259</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 8,262,675	\$ 1,935,210	\$ -	\$ 493,930	\$ 10,691,815
Restricted assets	1,684,474	1,970	-	-	1,686,444
Total cash and cash equivalents	<u>\$ 9,947,149</u>	<u>\$ 1,937,180</u>	<u>\$ -</u>	<u>\$ 493,930</u>	<u>\$ 12,378,259</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (15,429)	\$ 177,768	\$ -	\$ 156,942	\$ 319,281
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,714,552	256,543	-	67,867	2,038,962
Miscellaneous revenue	19,057	4,130	-	523	23,710
Decrease (increase) in assets:					
Accounts receivable	(19,725)	14,993	-	826	(3,906)
Inventory	3,611	-	-	-	3,611
Increase (decrease) in liabilities:					
Accounts payable	(1,537,056)	204,872	-	(2,313)	(1,334,497)
Compensated absences payable	(74)	(5,998)	-	(1,609)	(7,681)
Wages	4,725	(657)	-	(5,625)	(1,557)
Other liabilities	(1,395)	(1,003)	-	(2,753)	(5,151)
Customer deposits	70,417	1,230	-	-	71,647
Other post-employment benefits	35,454	14,188	-	1,385	51,027
Unearned revenue	5,860	-	-	-	5,860
Net cash provided by operating activities	<u>\$ 279,997</u>	<u>\$ 666,066</u>	<u>\$ -</u>	<u>\$ 215,243</u>	<u>\$ 1,161,306</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS					
Amortization of bond and note issue costs	<u>\$ 180,434</u>	<u>\$ -</u>	<u>\$ 2,215</u>	<u>\$ -</u>	<u>\$ 182,649</u>
Amortization of discounts and deferred loss on refunding	<u>\$ 5,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,091</u>
Transfer of long-term assets and liabilities to governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,456,927</u>	<u>\$ -</u>	<u>\$ 2,456,927</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	\$ 2,833,960
Investments, at market	
U.S. Government and Agency obligations	11,709,296
Corporate obligations	6,499,322
Corporate equity	34,729,328
Mutual funds	<u>17,578,784</u>
Total investments	<u>70,516,730</u>
Due from State of Florida	<u>17,330</u>
TOTAL ASSETS	<u><u>\$ 73,368,020</u></u>
FIDUCIARY NET POSITION	
Held in trust for pension and employee retirement benefits	<u><u>\$ 73,368,020</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Employee Retirement Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 2,847,943
Plan members	445,002
State of Florida	<u>389,975</u>
Total contributions	<u>3,682,920</u>
Investment income (loss)	6,697,120
Less investment expense	<u>(334,676)</u>
Net investment income (loss)	<u>6,362,444</u>
Miscellaneous revenue	<u>1,118</u>
TOTAL ADDITIONS	<u>10,046,482</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	4,999,187
Disability payments	154,768
Refunds	<u>124,704</u>
Total benefits and refunds paid	<u>5,278,659</u>
Administrative expenses	
Legal	20,619
Contractual services	122,858
Other	<u>36,782</u>
Total administrative expenses	<u>180,259</u>
TOTAL DEDUCTIONS	<u>5,458,918</u>
NET CHANGE IN FIDUCIARY NET POSITION	4,587,564
FIDUCIARY NET POSITION AT BEGINNING OF YEAR	<u>68,780,456</u>
FIDUCIARY NET POSITION AT END OF YEAR	<u><u>\$ 73,368,020</u></u>

See notes to the financial statements.

(THIS PAGE INTENTIONALLY LEFT BLANK.)

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY

Description of City

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:

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. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 61, 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.

As of September 30, 2014, the City of Fort Walton Beach had one component unit, as defined by GASB No. 61, 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. The Agency functions as a department of the City of Fort Walton Beach, Florida. City management have operational and fiscal responsibility for the Agency's activities.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

The Reporting Entity – Continued

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.

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 position and the statement of activities) report information on all of the non-fiduciary 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.

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 the governmental and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. Separate fund financial statements for the fiduciary funds are disclosed within Note 7 of these financial statements.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Measurement Focus and Basis of Accounting – Continued

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

Franchise fees, 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 and other receivables within the current fiscal period are 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, 2014
Levy Date	November 1, 2014
Due Date	November 1, 2014
Delinquent Date	April 1, 2015

Discounts of 1% for each month taxes are paid prior to March 2015 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 2014 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

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.

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. Revenue sources of this fund include tax increment financing proceeds from ad valorem taxes as well as investment income.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Basis of Presentation – Continued

Proprietary

Proprietary funds focus on the determination of net income, changes in net position, 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 – Prior to fiscal year 2014, accounted for the operations and maintenance of the City-owned golf courses. As disclosed in Note 6 to these financial statements, these operations and maintenance activities were transferred to the General Fund.

Fiduciary

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

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.

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued

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. 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. The Beal Memorial Cemetery Perpetual Care Special Revenue Fund also invests excess cash in allowable debt and equity investments to maximize return on investment. Investments are stated at fair value, based on quoted market prices.

The City's cash and investment pool and certain individual funds participate in the Local Government Surplus Trust Fund – Florida PRIME, 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. 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued

Deposits and Investments – Continued

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 General Employees' Retirement Fund may invest up to 10% of its assets in value added real estate and Firefighters' Retirement Pension Trust Fund may invest up to 20% of its assets at cost in real estate.

The Beal Memorial Cemetery Special Revenue Fund may invest in domestic equities, international equities, real estate investment trusts, Treasury Inflation Protected Securities ("TIPS"), fixed income investments and Rule 2(a)-7 like cash equivalents.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued

Receivables and Payables – Continued

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. The General Fund inventory balance is considered nonspendable in the fund financial statements to indicate that it is not available for appropriation.

Restricted Assets

Certain resources in the following funds are restricted for specific purposes: in the Debt Service Fund, for the repayment of Capital Improvement Note, Series 2011; in the Utility Fund, for the repayment of the Utility System Revenue Bonds, Series 2005; and, customer utility deposits and impact fees received are restricted in the Utilities Fund and Sanitation 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued

Capital Assets – Continued

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

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

<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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from special assessments and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
Continued**

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective and straight-line interest methods. Bond issuance costs are expensed as they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

Classification of Fund Balance

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 the following:

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 (a Resolution) 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 (a Resolution) 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. The City Council has delegated authority to the City Manager and Finance Director in accordance with the City's fund balance policy.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued

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.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed 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, which constitutes the City's minimum fund balance policy.

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.

Net Positions

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.

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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by resolution 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – 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 a resolution. Budget amendments are periodically passed via 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/unassigned 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.

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.

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (except the Community Development Block Grant Special Revenue Fund and the 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

3. DEPOSITS AND INVESTMENTS – CONTINUED

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.

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 \$32,107,497, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida Statutes.

Investments

As of September 30, 2014, the City's investments consist of those held in the various pension trust funds and the Beal Memorial Cemetery Perpetual Care Special Revenue Fund. 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.

As of September 30, 2014, 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	\$ 6,499,323	\$ 400,520	\$ 2,649,905	\$ 3,338,221	\$ 32,653	\$ 27,471	\$ 19,717	\$ 30,836	\$ -	
Corporate CMOs	39,290	-	-	-	-	10,278	-	29,012	-	
U.S. Treasury	7,915,822	186,484	3,699,330	1,785,712	81,137	56,838	154,278	1,952,043	-	
U.S. Government Agencies	1,166,498	-	1,074,036	92,462	-	-	-	-	-	
U.S. Government Agency Pools	3,357,578	-	-	2,230,462	905,890	133,273	73,372	14,581	-	
	<u>18,978,511</u>	<u>\$ 587,004</u>	<u>\$ 7,423,271</u>	<u>\$ 7,446,857</u>	<u>\$ 1,019,680</u>	<u>\$ 227,860</u>	<u>\$ 247,367</u>	<u>\$ 2,026,472</u>	<u>\$ -</u>	
Investments not subject to interest rate risk										
Money market funds	102,491									
Corporate equities	36,073,536									
Mutual funds	<u>17,578,784</u>									
Total	<u>\$ 72,733,322</u>									

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

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 flow requirements. The investment policies for the pension plans do not specifically address interest rate risk.

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 "A" or higher by Moody, S&P, or Fitch, except that up to 10% of the fixed income securities may have a rating below "A" but not less than "Baa". As of September 30, 2014, 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 in the General Employees' Pension Plan whose rating was less than "A" at September 30, 2014, comprised 5.39% 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 "Baa/BBB" or higher by a major rating service. The Firefighters' Pension Fund limits investment in fixed income securities to those securities rated "Baa/BBB" or higher by a major rating service. All Pension Plans were in compliance with its respective investment policy regarding credit rate risk as of September 30, 2014.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2014, 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-A3	Aa2-Baa2
U.S. Treasury	Aaa	Aaa	Aaa
U.S. government agencies	Aaa-A2	Aaa	Aaa
U.S. government pools	A1	N/A	N/A

The Beal Memorial Cemetery investment policy does not limit investments to those with specific credit ratings for domestic or international equities. The overall rating of fixed income investments shall be at least investment grade based on the rating of two of the three Nationally Recognized Statistical Rating Organizations (NRSRO).

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 5% of the cost of all fixed income securities. Investments in collateralized mortgage obligations are limited to 15% of the market value of the total fixed income portfolio and must be backed by mortgage securities rated "Aaa" by Moody's or "AAA" by Standard & Poor's and Fitch rating services. As of September 30, 2014, the largest investment in a single corporate issuer of debt was below 1% of the cost of all fixed income securities. Total investments in collateralized mortgage obligations (CMOs) were 14.03% of the total market value of the total fixed income portfolio.

No more than 5% 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 not specifically permitted by the policy. As of September 30, 2014, the largest investment in a single corporate issuer of debt was below 1% of the value of all corporate fixed income securities. Total investments in collateralized mortgage obligations were 38.11% of the total market value of the total fixed income portfolio.

No more than 5% of the market value of the total fixed income investments may be held in the Firefighters' Pension Fund may be held in any single corporate issuer. Investments in collateralized mortgage obligations are limited to 15% 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), or that are rated "Aaa" by Moody's or "AAA" by Standard & Poor's rating services. As of September 30, 2014, the largest investment in a single corporate issuer of debt was 5.62% 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 2.47% of the total market value of the total fixed income portfolio.

The Beal Memorial Cemetery investment policy limits investment concentrations as follows:

- Domestic Equities – no more than 5% of the total equity portfolio valued at market may be invested in the equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity valued at market may be held in any one sector.
- International Equities – no more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity valued at market may be held in any one sector.
- Fixed Income Investments – securities of any one issuer shall not exceed 5% of a total bond portfolio at time of purchase.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 on the previous page, 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. The City maintains \$82,838 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, 2014, is 39 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

4. RECEIVABLES

Receivables at September 30, 2014, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>			<u>Total</u>
	<u>General</u>	<u>Utilities</u>	<u>Sanitation</u>	<u>Other Proprietary Funds</u>	
Taxes	\$ 17,754	\$ -	\$ -	\$ -	\$ 17,754
Accounts	80,271	601,814	207,494	37,175	926,754
Less allowance for doubtful accounts	-	(37,734)	(9,419)	(2,294)	(49,447)
Assessments	109,249	18,559	-	-	127,808
Other	425,000	-	-	-	425,000
Total receivables, net	<u>\$ 632,274</u>	<u>\$ 582,639</u>	<u>\$ 198,075</u>	<u>\$ 34,881</u>	<u>\$ 1,447,869</u>

During fiscal year 2014, the City sold a recreational center for \$425,000 and will receive the proceeds over twelve years. The City has calculated imputed interest on the receivable, but it has not been recorded as the imputed amount was deemed to be immaterial to the financial statements.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2014, are \$58,265. Due from other governments consists primarily of Community Development Block Grant receivables due from the federal government.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 9,961,261	\$ 101,108	\$ (125,671)	\$ 9,936,698
Construction in progress	979,617	3,620,737	(130,136)	4,470,218
Total capital assets not being depreciated/amortized	<u>10,940,878</u>	<u>3,721,845</u>	<u>(255,807)</u>	<u>14,406,916</u>
Capital assets being depreciated/amortized				
Buildings	13,562,845	2,300	2,528,269	16,093,414
Improvements other than buildings	11,458,797	194,250	3,569,169	15,222,216
Infrastructure	12,443,218	168,397	53,338	12,664,953
Software	499,248	13,936	-	513,184
Machinery and equipment	7,895,060	577,585	1,100,319	9,572,964
Equipment under capital lease	59,390	-	-	59,390
Total capital assets being depreciated/amortized	<u>45,918,558</u>	<u>956,468</u>	<u>7,251,095</u>	<u>54,126,121</u>
Less accumulated depreciation/amortization				
Buildings	(7,128,072)	(910,749)	(694,673)	(8,733,494)
Improvements other than buildings	(5,532,455)	(602,905)	(3,246,597)	(9,381,957)
Infrastructure	(8,321,454)	(329,134)	35,540	(8,615,048)
Software	(217,320)	(122,276)	(714)	(340,310)
Machinery and equipment	(6,181,495)	(580,339)	(645,027)	(7,406,861)
Equipment under capital lease	(825)	(1,325)	714	(1,436)
Total accumulated depreciation/amortization	<u>(27,381,621)</u>	<u>(2,546,728)</u>	<u>(4,550,757)</u>	<u>(34,479,106)</u>
Total capital assets being depreciated/amortized, net	<u>18,536,937</u>	<u>(1,590,260)</u>	<u>2,700,338</u>	<u>19,647,015</u>
Governmental activities, net	<u>\$29,477,815</u>	<u>\$ 2,131,585</u>	<u>\$ 2,444,531</u>	<u>\$34,053,931</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 765,078	\$ -	\$ (55,400)	\$ 709,678
Construction in progress	15,421,355	1,488,473	(16,360,914)	548,914
Easements	34,642	-	-	34,642
Total capital assets not being depreciated/amortized	<u>16,221,075</u>	<u>1,488,473</u>	<u>(16,416,314)</u>	<u>1,293,234</u>
Capital assets being depreciated/amortized				
Buildings	3,625,890	-	(3,132,014)	493,876
Improvements other than buildings	36,467,707	1,717,562	5,541,449	43,726,718
Software	39,330	-	63,767	103,097
Machinery and equipment	8,627,603	806,382	428,514	9,862,499
Total capital assets being depreciated/amortized	<u>48,760,530</u>	<u>2,523,944</u>	<u>2,901,716</u>	<u>54,186,190</u>
Less accumulated depreciation/amortization				
Buildings	(1,699,002)	(14,161)	1,363,216	(349,947)
Improvements other than buildings	(19,255,417)	(1,323,670)	8,050,110	(12,528,977)
Software	(21,052)	(15,631)	-	(36,683)
Machinery and equipment	(6,172,224)	(685,500)	1,456,135	(5,401,589)
Total accumulated depreciation/amortization	<u>(27,147,695)</u>	<u>(2,038,962)</u>	<u>10,869,461</u>	<u>(18,317,196)</u>
Total capital assets being depreciated/amortized, net	<u>21,612,835</u>	<u>484,982</u>	<u>13,771,177</u>	<u>35,868,994</u>
Business-type activities, net	<u>\$ 37,833,910</u>	<u>\$ 1,973,455</u>	<u>\$ (2,645,137)</u>	<u>\$ 37,162,228</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS – CONTINUED

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	\$ 179,831
Public safety	590,162
Physical environment	64,710
Transportation	619,062
Economic environment	55,086
Culture and recreation	<u>1,037,877</u>
Total depreciation/amortization expense - governmental activities	<u><u>\$ 2,546,728</u></u>
Business-type activities	
Utilities fund	\$ 1,714,552
Sanitation fund	256,543
Other proprietary funds	<u>67,867</u>
Total depreciation/amortization expense - business-type activities	<u><u>\$ 2,038,962</u></u>

Construction Commitments

In fiscal year 2013, the City began replacing a thirty inch pre-stressed concrete cylinder pressure (PCCP) force main, construction of a four million gallon wet weather storage tank, and upgrades to Pump Station #1. The City spent \$2,698,349 during the fiscal year, and has expended \$17,877,029 to date on these projects which were effectively completed and placed in service during fiscal year 2014. The remaining close out tasks are scheduled for completion in fiscal year 2015. Estimated total cost for these projects is \$18.2 million and is being funded with a State Revolving Fund (SRF) loan from the Florida Department of Environmental Protection (FDEP), available proceeds from the 2005 Utility Improvement Bond, and cost sharing with Okaloosa County for the common portion of the force main. Capital contributions from Okaloosa County, Florida, were estimated in fiscal year 2013. In fiscal year 2014, costs were finalized and the amount to be contributed by the County was \$157,294 less than estimated. This change in estimate is recorded as a component of capital grants and contributions in the accompanying financial statements.

In 2011, the City began the next phase of streetscape and pedestrian crosswalk improvements in the downtown area. To date \$18,550 has been spent. These projects are funded by the Community Redevelopment Agency. The Department of Transportation's (DOT) approval of the plans was received and the construction contract was awarded in fiscal year 2014. Construction is projected to be completed in the spring of 2015.

In fiscal year 2012, the City began a project to consolidate four recreation centers into a new recreation complex. Construction began in late 2013 and is projected to be completed in the spring of 2015. \$3,574,404 was expended in fiscal year 2014. To date \$4,434,292 has been spent on the complex with an estimated total cost of \$8.1 million dollars. The City is funding the construction with a Capital Improvement Revenue Note and intends to obtain additional funding by applying for grants, obtaining private sponsors, and evaluating current City properties for lease or sale opportunities.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

6. REASSIGNMENT OF GOLF OPERATIONS

City Council voted to reassign operations of the City's golf course from the Golf Enterprise Fund to the General Fund effective October 1, 2013 as charges for services were not sufficient to recover operating costs of the golf club. There was no long-term debt pledged by golf fees at October 1, 2013. Starting in fiscal year 2014, operations of the City's golf course were accounted for in the culture and recreation function of the General Fund.

The Golf Enterprise Fund had a fiscal year 2014 decrease in net position of \$2,233,420, primarily due to transfers of long-term assets and liabilities which reduced net position. Since the governmental funds do not record long term assets or liabilities; this transfer in is not reflected in the governmental funds. The current assets and liabilities of the Golf Enterprise Fund were also reassigned into the General Fund as of October 1, 2013. Current assets transferred totaled \$36,134, and current liabilities transferred totaled \$261,856, which were collectively treated as a net transfer of \$225,722 into the Golf Enterprise Fund from the General Fund.

In the government-wide financial statements, reassignment of long-term assets and liabilities are treated as transfers between governmental and business-type activities. Transfers related to this reassignment on the government-wide Statement of Activities totaled a net transfer of \$2,231,205 from the business-type activities to the government-wide activities.

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 be found under subheading "Fund Financial Statements" of this note. There is no separate report available for the individual pension plans.

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Information on each of the three plans follows:

Plan Description-General Employees' Retirement Fund (GERF)

Plan Administration

The authority and responsibility for the establishment, amendment and administration of this Plan is vested in the City Council of the City of Fort Walton Beach, and the members thereof shall be designated as trustees of the fund. The trustees are authorized to adopt reasonable rules and regulations for the administration of the fund created by this Plan.

The City finance director shall administer this Plan for the trustees and participants, subject at all times to the limitations and conditions specified in or imposed by provisions of this Plan and the rules and regulations adopted by the City Council. The trustees and the plan administrator shall serve without additional compensation beyond that already provided by the City for their respective duties.

Plan Membership as of October 1, 2013

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	134
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	13
Active Plan Members	<u>121</u>
	<u><u>268</u></u>

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 52 with 10 years of credited service (early retirement), at age 62 and 10 years of credited service (normal retirement) or postpone retirement. Benefits become 100% vested upon completion of 10 years of credited service. For the City Manager, Finance Director, or Department Heads, including Chief of Police, the member becomes vested at 20% per year. The plan provides retirement benefits which are a modified cash refund annuity payable for life in the amounts a percentage (2.75% or 2.5%) of final average earnings times the years of credited service with maximum of 75% or 100% of current compensation depending on vested status at April 5, 1999. Benefits are reduced by .25% for each month by which the early retirement date precedes the normal retirement date. Varied benefits exist for service and non-service connected disabilities as well as death in the line of duty or other pre-retirement death. In accordance with the annual increase in CPI-U as measured in December, all retirees are entitled to an adjustment payable each April 1, subject to a minimum of 0% and a maximum of 3%. The adjustment does not apply to members who retire following a vested terminated status or disability retirees. The plan was closed to new entrants effective December 31, 2009.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS -- CONTINUED

Funding Policy and Contributions

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 15 year period. The contribution is determined using the entry age normal level dollar actuarial cost method. The contribution to the Plan for FY2014 was \$1,296,450 by the Employer computed through an actuarial valuation performed as of October 1, 2011 and represented 27.9% of covered payroll. Members contributed \$212,790, a rate of 5% of annual pay. Once a member reaches 40 years of service contributions to the plan are not required.

Investments

Investment Policy:

The following was the City Council's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	55.00%
International Equity	10.00%
Domestic Core Fixed Income	25.00%
Value-Add Real Estate	10.00%
Total	100.00%

Concentrations:

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

Rate of Return:

For the year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.82 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Sponsor

The components of the net pension liability of the sponsor on September 30, 2014, were as follows:

Total Pension Liability	\$ 42,730,212
Plan Fiduciary Net Position	(39,242,245)
Sponsor's Net Pension Liability	\$ 3,487,967
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.84%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS -- CONTINUED

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	3.50% - 6.50%
Investment Rate of Return	7.90%

Mortality rates were based on the RP 2000 Combined Healthy Participant Mortality Tables for males and females. There is no provision for future mortality improvements after 2000 being made.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Domestic Core Fixed Income	2.50%
Value-Add Real Estate	2.50%

Discount Rate:

The discount rate used to measure the total pension liability was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<u>1% Decrease 6.90%</u>	<u>Current Discount Rate 7.90%</u>	<u>1% Increase 8.90%</u>
Sponsor's Net Pension Liability	\$ 7,968,673	\$ 3,487,967	\$ (323,599)

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS -- CONTINUED

Plan Description-Police Officers' Retirement Fund (PORF)

Plan Administration

The Police Officers' Retirement Board of Trustees (Police Board) is designated as the plan administrator. The Police Board shall consist of five Trustees, two of whom, unless otherwise prohibited by law, shall be legal residents of the City, who shall be appointed by the Fort Walton Beach City Council, and two of whom shall be Members of the System, who shall be elected by a majority of the Police Officers who are Members of the System. The fifth Trustee shall be chosen by a majority of the previous four Trustees as provided for herein, and such person's name shall be submitted to the Fort Walton Beach City Council who shall, as a ministerial duty, appoint such person to the Police Board as its fifth Trustee.

Plan Membership as of October 1, 2013

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	45
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	11
Active Plan Members	39
	95

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with 10 years of credited service or completion of 25 years of credited service (early retirement) or at age 55 and the completion of 10 years of service or the completion of 30 years of credited service (normal retirement). Members hired between ages 45 and 50 must work 10 years. Benefits become 100% vested upon completion of 10 years of credited service. The plan provides retirement benefits which are a ten year certain life annuity in the amount of 2.75% of average final compensation times credited service with a maximum benefit of 75% of average final compensation. Benefits are reduced 6% for each year prior to the age of 55. Varied benefits exist for disability and pre-retirement death. Each April 1 the benefit paid to service retirees is adjusted in accordance with the CPI increase during the previous year not to exceed 3%.

Funding Policy and Contributions

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 30 year period. The contribution is determined using the entry age normal level percentage of pay actuarial cost method. The contribution to the Plan for FY2014 was \$836,053 by the Employer and \$175,703 by the State of Florida computed through an actuarial valuation performed as of October 1, 2012 and represented 47.2% of covered payroll. Members contributed \$96,590, a rate of 5% of annual pay. Officers who have completed 27.27 years of service contribute 0.5% of annual pay.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS -- CONTINUED

**Plan Description-Police Officers' Retirement Fund (PORF) - Continued
Investments**

Investment Policy:

The following was the Police Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity - Growth	45.00%
International Equity	15.00%
Core Fixed Income	40.00%
Total	100.00%

Concentrations:

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

Rate of Return:

For the year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.96 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Sponsor

Total Pension Liability	\$ 25,008,402
Plan Fiduciary Net Position	(20,463,453)
Sponsor's Net Pension Liability	\$ 4,544,950
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.83%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013, updated to September 30, 2014, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	3.00% -10.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Combined Healthy Table (sex distinct) with a five year set forward for disabled lives. Based on a study over 650 public safety funds, this table reflects a 10% margin for future morality improvements.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1991-2012.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS -- CONTINUED

Net Pension Liability of the Sponsor - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity - Growth	7.50%
International Equity	8.50%
Core Fixed Income	2.50%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 7,406,697	\$ 4,544,950	\$ 2,375,686

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – Firefighters’ Retirement Fund (FRF)

Plan Administration

The Plan is administered by the Firefighters’ Retirement Board of Trustees (Fire Board) comprised of:

- a. Two Members of the Fund elected by a majority of the membership,
- b. Two City residents appointed by the City Council,
- c. Fifth Member elected by other four and appointed by Council as a ministerial duty.

Plan Membership as of October 1, 2013

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	24
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	1
Active Plan Members	<u>36</u>
	<u>61</u>

Benefits Provided

The plan provides retirement, disability and death benefits. A member may retire at age 45 with 10 years of credited service (early retirement) or at age 55 and 10 years of credited service or 25 years of credited service regardless of age (normal retirement). Benefits become 100% vested upon completion of 10 years of credit service. The plan provides a retirement benefit which are a 10 year certain and life thereafter annuity in the amount of 2.75% of average final compensation times credited service. Benefits are reduced 0.25% for each month prior to the normal retirement date. Varied benefits exist for disability and pre-retirement death. Benefits for service retirees are adjusted for a 3% cost of living increase on the January 1 following the later of age 58 or the date of retirement.

Funding Policy and Contributions

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 30 year period. The contribution is determined using the entry age normal level percentage of pay actuarial cost method. The contribution to the Plan for FY2014 was \$715,439 by the Employer and \$214,272 by the State of Florida computed through an actuarial valuation performed as of October 1, 2012 and represented 40.1% of covered payroll. Members contributed \$135,622, a rate of 6.6% of annual pay.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – Fire Fighters’ Retirement Fund (FRF) - Continued

Investments

Investment Policy:

The following was the Fire Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity- Large Cap Core	27.00%
Domestic Equity- Opportunistic	18.00%
International Equity	15.00%
Domestic Core Fixed Income	30.00%
Core Real Estate	10.00%
	100.00%

Concentrations:

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

Rate of Return:

For the year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to Exceed 60 Months

Rate of Return: At the Member’s election: (1) 6.5% annual rate, or (2) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs).

The DROP balance as September 30, 2014 is \$0.

Net Pension Liability of the Sponsor

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 19,195,485
Plan Fiduciary Net Position	(13,662,320)
Sponsor's Net Pension Liability	\$ 5,533,165
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.17%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability of the Sponsor - Continued

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	6.50%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Combined Healthy Table, set forward 5 years for Disability Retirees. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity- Large Cap Core	7.50%
Domestic Equity- Opportunistic	7.50%
International Equity	8.50%
Domestic Core Fixed Income	2.50%
Core Real Estate	4.50%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Sponsor's Net Pension Liability	\$ 7,817,066	\$ 5,533,165	\$ 3,784,205

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

The components of net pension cost, the increase in Net Pension Asset, and the Net Pension Asset for the year ended September 30, 2014, 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	\$ 1,187,794	\$ 932,426 *	\$ 824,007 *
Interest on net pension asset	(12,061)	(13,949)	(22,367)
Adjustment to actuarially determined pension cost	16,430	13,688	17,058
Annual pension cost	1,192,163	932,165	818,698
Contribution made	1,296,450	1,011,756 *	839,825 *
Change in net pension asset	104,287	79,591	21,127
Net pension asset - beginning of year	152,674	174,368	279,588
Net pension asset - end of year	<u>\$ 256,961</u>	<u>\$ 253,959</u>	<u>\$ 300,715</u>

* Beginning 9/30/2012, this includes both City and State contributions

Required Supplementary Information

The Schedule of Changes in the Net Pension Liability and Related Ratios along with the Schedule of City Contributions for each plan is presented as Required Supplementary Information (RSI) following the notes to the financial statements on pages 77-81.

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, 2014:

COMBINING STATEMENT OF PLAN NET POSITION				
	Employee Retirement Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	\$ 1,579,027	\$ 862,548	\$ 392,385	\$ 2,833,960
Due from State of Florida	-	-	17,330	17,330
Investments, at market				
U.S. Government and Agency obligations	5,950,468	4,435,121	1,323,707	11,709,296
Corporate obligations	2,475,038	1,100,573	2,923,711	6,499,322
Corporate equity	23,456,009	5,545,016	5,728,303	34,729,328
Mutual funds	5,781,703	8,520,198	3,276,883	17,578,784
Total investments, at market	<u>37,663,218</u>	<u>19,600,908</u>	<u>13,252,604</u>	<u>70,516,730</u>
TOTAL ASSETS	<u>\$ 39,242,245</u>	<u>\$ 20,463,456</u>	<u>\$ 13,662,319</u>	<u>\$ 73,368,020</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	<u>\$ 39,242,245</u>	<u>\$ 20,463,456</u>	<u>\$ 13,662,319</u>	<u>\$ 73,368,020</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION				
	Employee Retirement Funds			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ADDITIONS				
Contributions				
Employer	\$ 1,296,450	\$ 836,054	\$ 715,439	\$ 2,847,943
Plan members	212,790	96,590	135,622	445,002
State of Florida	-	175,703	214,272	389,975
Total contributions	<u>1,509,240</u>	<u>1,108,347</u>	<u>1,065,333</u>	<u>3,682,920</u>
Investment income (loss)	3,442,292	1,964,121	1,290,707	6,697,120
Less investment expense	<u>(184,795)</u>	<u>(77,836)</u>	<u>(72,045)</u>	<u>(334,676)</u>
Net investment income (loss)	<u>3,257,497</u>	<u>1,886,285</u>	<u>1,218,662</u>	<u>6,362,444</u>
Miscellaneous revenue	<u>657</u>	<u>461</u>	<u>-</u>	<u>1,118</u>
TOTAL ADDITIONS	<u>4,767,394</u>	<u>2,995,093</u>	<u>2,283,995</u>	<u>10,046,482</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	2,443,931	1,511,407	1,043,849	4,999,187
Disability payments	46,851	102,023	5,894	154,768
Other	<u>84,522</u>	<u>18,623</u>	<u>21,559</u>	<u>124,704</u>
Total benefits and refunds paid	<u>2,575,304</u>	<u>1,632,053</u>	<u>1,071,302</u>	<u>5,278,659</u>
Administrative expenses				
Legal	3,144	13,205	4,270	20,619
Contractual	57,425	34,077	31,356	122,858
Other	<u>11,914</u>	<u>8,458</u>	<u>16,410</u>	<u>36,782</u>
Total administrative expenses	<u>72,483</u>	<u>55,740</u>	<u>52,036</u>	<u>180,259</u>
TOTAL DEDUCTIONS	<u>2,647,787</u>	<u>1,687,793</u>	<u>1,123,338</u>	<u>5,458,918</u>
NET INCREASE (DECREASE)	2,119,607	1,307,300	1,160,657	4,587,564
BEGINNING OF YEAR	<u>37,122,638</u>	<u>19,156,156</u>	<u>12,501,662</u>	<u>68,780,456</u>
END OF YEAR	<u>\$ 39,242,245</u>	<u>\$ 20,463,456</u>	<u>\$ 13,662,319</u>	<u>\$ 73,368,020</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

8. DEFINED CONTRIBUTION PENSION PLAN

City of Fort Walton Beach Defined Contribution Plan

In December 2009, City Council closed the General Employees' Defined Benefit Plan. All general, full-time employees hired on or after January 1, 2010, are members of the 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 in the name of each participant. 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. Employees can increase their contribution; however, only an additional 2½% is eligible for City match. Members of the General Employees' Defined Benefit Pension Plan, who were not fully or partially vested at the time the Plan was opened, were permitted to transfer their contributions to the Plan as a one-time, irrevocable election. The Plan participants individually select and make changes in funding options, which are made available by the independent plan administrator. Since participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses.

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 \$105,017 and \$105,017, respectively, for the year ending September 30, 2014. The City's contributions vest 20% each year beginning after one year of employment. Participants are fully vested after 5 years of service.

9. DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Plan). 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 employees' benefit. The Plan participants individually select and make changes in funding options, which are made available by the independent plan administrator. Since 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.

Assets of the plan have a fair value of \$2,673,655 at September 30, 2014. Contributions made by plan members during the year ended September 30, 2014, were \$72,966.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The latest actuarial valuation was performed as of September 30, 2013. GASB No. 45 allows for performing actuarial valuations biennially with results applicable to two reporting years. Unless otherwise noted, the following disclosures are represented as of September 30, 2014:

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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.

Funding Policy

The City is financing the post employee benefits on a "pay-as-you-go" basis. Annual required contributions were \$501,876 for the current fiscal year, towards which the City made a contribution of \$275,495. Retiree contributions totaled \$363,483 for the fiscal year ended September 30, 2014. At September 30, 2014, the City recorded a net OPEB obligation of \$827,824 for governmental activities and \$266,894 for business-type activities in its government-wide statement of net position. 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.

Membership

At September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	95
Terminated employees entitled to benefits but not receiving them	0
Active employees	221
Total	316
 Participating employers	 1

Annual OPEB Cost and Net OPEB Obligation

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

The following table shows the components of the City's annual OPEB cost for the fiscal year ended September 30, 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Annual required contributions	\$ 501,876
Interest on net OPEB obligation	34,680
Adjustment to annual required contribution	<u>(33,347)</u>
 Annual OPEB cost (expense) total	 503,209
 Employer contributions	 <u>(275,495)</u>
 Increase in net OPEB obligation	 227,714
 Net OPEB obligation - beginning of year	 <u>867,004</u>
 Net OPEB obligation - end of year	 <u><u>\$ 1,094,718</u></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 three years, were as follows:

Three-Year Trend Information				
	Annual OPEB Cost	City Contributions *	Percentage Contributed	Net OPEB Obligation (Asset)
October 1, 2012	\$ 490,753	\$ 278,132	56.67%	\$ 658,823
October 1, 2013	484,115	275,935	57.00%	867,004
October 1, 2014	503,210	275,495	54.75%	1,094,718

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

Funded Status and Funding Progress

As of October 1, 2013, the most recent actuarial valuation date, the plan funded status was as follows:

	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 a % of Payroll [c/(b-a)]
October 1, 2012	\$0	\$4,768,818	4,768,818	0.00%	8,291,828	57.51%
October 1, 2013	\$0	\$6,312,795	\$6,312,795	0.00%	\$6,578,002	95.97%
October 1, 2014	\$0	\$ 5,651,699	\$ 5,651,699	0.00%	\$ 7,300,258	77.42%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the latest actuarial valuation as of October 1, 2013, the Individual Entry Age Normal Cost Method (with an increasing Normal Cost pattern consistent with the salary increase assumptions) was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare costs trend rate of 1.3%, which will be increased to an ultimate rate of 5.42% beginning in fiscal year ending September 30, 2032. The investment rate of return included a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized in a closed amortization, calculated as a level percent of payroll over a twenty-six year period.

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, 2014. 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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. In fiscal year 2014, Golf operations were moved from the Golf Fund to the General Fund. Income for the year ended September 30, 2014, was \$261,480 in the General Fund and \$16,871 in the Utilities Funds.

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, 2014, totaled \$75,386.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	\$ 320,135	\$ 17,377
2016	316,107	17,898
2017	314,523	18,435
2018	295,059	18,988
2019	293,425	19,558
Total minimum lease payments	<u>\$ 1,539,249</u>	<u>\$ 92,256</u>

Lessee

The City leases golf course equipment and golf carts in the General Fund through operating leases with two finance companies. During 2011, a four year operating lease was signed for golf equipment. The lease term began April 1, 2011 and terminates March 31, 2015. During 2013, a lease for golf carts and utility vehicles was signed. The lease term began January 1, 2013 and terminates June 30, 2016. In fiscal year 2014, Golf operations were moved from the Golf Fund to the General Fund. Monthly lease payments are \$9,128. Lease expense for the fiscal year ending September 30, 2014 was \$109,534.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2015	\$ 108,653
2016	80,829
Total minimum lease payments	<u>\$ 189,482</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

12. OPERATING LEASES – CONTINUED

Lessee – Continued

The City leases copiers in the General, Utilities, and Sanitation Funds through Xerox. During 2010, five year operating leases were signed for copiers. The lease term began June 1, 2010 and terminates May 31, 2015. In 2011, an additional five year copier lease was signed. The lease term began January 1, 2011 and terminates December 31, 2015. Monthly lease payments in each fund are as follows: General Fund: \$3,248; Utilities Fund: \$177; and Sanitation Fund: \$63. Lease expense for the year ending September 30, 2014 was as follows: General Fund: \$38,978; Utilities Fund: \$2,128; and Sanitation Fund: \$758.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
		<u>Utilities</u>	<u>Sanitation</u>
2015	\$ 28,914	\$ 1,419	\$ 505
2016	2,197	-	-
Total minimum lease payments	<u>\$ 31,111</u>	<u>\$ 1,419</u>	<u>\$ 505</u>

13. CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of a telephone system. 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 General Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Telephone system	\$ 103,784
Accumulated depreciation	(10,723)
Assets acquired by lease, net	<u>\$ 93,061</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2014, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2015	\$ 25,058
2016	25,058
2017	25,058
2018	25,058
2019	22,970
Total minimum lease payments	123,202
Less amount representing interest	(33,548)
Present value of minimum lease payments	<u>\$ 89,654</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions / Transfers</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue notes payable	\$ 13,535,936	\$ -	\$ (527,421)	\$ 13,008,515	\$ 636,928
Capital leases	101,696	-	(12,042)	89,654	13,774
Compensated absences	690,149	741,741	(716,326)	715,564	178,891
Total governmental activities	<u>\$ 14,327,781</u>	<u>\$ 741,741</u>	<u>\$ (1,255,789)</u>	<u>\$ 13,813,733</u>	<u>\$ 829,593</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions / Transfers</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Revenue bonds payable	\$ 10,035,000	\$ -	\$ (290,000)	\$ 9,745,000	\$ 300,000
Less deferred amounts for issuance discounts	(109,945)	-	5,091	(104,854)	-
Revenue notes payable	73,533	-	(73,533)	-	-
State revolving loans	7,068,522	6,936,184	-	14,004,706	-
Compensated absences	220,937	148,403	(191,435)	177,905	44,476
Total business-type activities	<u>\$ 17,288,047</u>	<u>\$ 7,084,587</u>	<u>\$ (549,877)</u>	<u>\$ 23,822,757</u>	<u>\$ 344,476</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

14. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Revenue Notes</i>			
<p>\$8,500,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2013A, 2.69% interest due semi annually and principal due annually ranging from \$326,969 to \$464,334 through 2027 with a balloon payment of \$3,000,000 due in 2028. Budgeted and appropriated half cent sales tax is pledged for payment of the bonds. Proceeds used to finance the construction of the City's new recreational complex along with the purchase of a bucket truck and a grounds sweeper for City's municipal golf course.</p>	\$ 337,670	\$ 7,835,361	\$ 8,173,031
<p>\$4,470,610 City of Fort Walton Beach, Florida, Capital Improvement Refunding Revenue Note, Series 2013, 2.30% interest due semi annually and principal due annually ranging from \$187,659 to \$299,010 through 2031. Available non ad valorem revenues are pledged for payment of the bonds. Proceeds used for refunding Series 2001 revenue bonds for construction of certain capital improvements.</p>	210,709	4,072,242	4,282,951
<p>\$739,805 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2011, due in quarterly installments of \$24,449 through April 2016 then \$21,156 from June 2016 through April 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 and golf equipment.</p>	<u>88,549</u>	<u>463,984</u>	<u>552,533</u>
Total revenue notes	<u>636,928</u>	<u>12,371,587</u>	<u>13,008,515</u>
<i>Lease</i>			
<p>\$103,784 capital lease payable, 2013, due in monthly installments of \$2,088 through August 2019, collateralized by a the City's phone system.</p>	<u>13,774</u>	<u>75,880</u>	<u>89,654</u>
<i>Accrued Compensated Absences</i>			
<p>Total long-term portion of accumulated, vested annual and sick leave for governmental fund types</p>	<u>178,891</u>	<u>536,673</u>	<u>715,564</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u><u>\$ 829,593</u></u>	<u><u>\$ 12,984,140</u></u>	<u><u>\$ 13,813,733</u></u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

14. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding - Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
<p>\$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.</p>			
	\$ 300,000	\$ 9,445,000	\$ 9,745,000
Less unamortized bond discount	-	(104,854)	(104,854)
	300,000	9,340,146	9,640,146
<i>State Revolving Loans</i>			
<p>\$19,504,447 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$594,037 including interest at 1.90% beginning November 15, 2015, through May 15, 2034 if fully drawn. As of September 30, 2014, \$14,004,706 has been drawn on the loan. Proceeds used for force main replacement, storage tank construction and pump station upgrades as disclosed in Note 5.</p>			
	-	14,004,706	14,004,706
	-	14,004,706	14,004,706
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds			
	44,476	133,429	177,905
	44,476	133,429	177,905
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 344,476	\$ 23,478,281	\$ 23,822,757
GRAND TOTAL LONG-TERM DEBT			\$ 37,636,490

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

14. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2014, are as follows:

Refunding

Year Ending September 30	Leases		Revenue Note	
	Principal	Interest	Principal	Interest
2015	\$ 13,774	\$ 11,284	\$ 636,928	\$ 331,610
2016	15,755	9,303	646,256	315,400
2017	18,021	7,036	651,675	299,112
2018	20,613	4,444	664,711	282,526
2019	21,491	1,479	682,573	265,599
2020-2024	-	-	3,402,957	1,068,812
2025-2029	-	-	5,730,407	561,053
2030-2031	-	-	593,008	20,516
Total	\$ 89,654	\$ 33,546	\$ 13,008,515	\$ 3,144,628

Business-Type Activities

Year Ending September 30	Municipal Loan/Revenue Bonds		State Revolving Loan	
	Principal	Interest	Principal	Interest
2015	\$ 300,000	\$ 422,246	\$ -	\$ 594,037
2016	310,000	410,996	931,948	256,126
2017	320,000	399,371	949,739	238,335
2018	335,000	386,571	967,870	220,204
2019	350,000	373,171	986,347	201,727
2020-2024	1,975,000	1,638,001	5,221,471	718,899
2025-2029	2,430,000	1,176,453	4,947,331	204,703
2030-2034	3,035,000	577,010	-	-
2035	690,000	31,050	-	-
Total	\$ 9,745,000	\$ 5,414,869	\$ 14,004,706	\$ 2,434,031

On May 6, 2013, the City issued \$4,470,610 of Capital Improvement Refunding Revenue Notes, Series 2013, with a fixed interest rate of 2.69% for the purpose of current refunding the remaining outstanding principal on its Capital Improvement Bonds, Series 2001, which bore interest ranging from 2.50% to 5.00%. The refunding was undertaken to take advantage of favorable interest rates.

The cash flow requirement of the refunded 2001 bonds, prior to the refunding, was \$6,898,278 from July 1, 2013 to July 1, 2031. The cash flow requirements of the 2013 refunding notes are \$5,529,544. The current refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,200,000.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

15. COMMENTS REQUIRED BY THE BOND AND 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, 2014
Principal due at July 1, 2015	\$ 300,000	\$ 75,000
Interest due at January 1, 2015	211,123	105,562
Total	\$ 511,123	\$ 180,562 ¹

(1) Amounts are included in restricted cash amounts on the Statement of Net Position of the Utility Fund

3. 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 establishing a reserve of \$902,373 at September 30, 2014.
4. 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, Expenditures, 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 all principal and interest becoming due on the bonds on the next quarter payment date.

	Principal/Interest Payments Due	Sinking Fund Requirement at September 30, 2014
Principal due at October 1, 2014	\$ 21,927	\$ 21,927
Interest due at October 1, 2014	3,522	3,522
Total	\$ 25,449	\$ 25,449 ¹

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

3. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Refunding Revenue Note, Series 2013

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

15. COMMENTS REQUIRED BY THE BOND AND ORDINANCES - CONTINUED

Capital Improvement Refunding Revenue Note, Series 2013 - Continued

2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semi-annual payment date. The sinking fund was not required to be funded at September 30, 2014.

3. The City is not aware of any noncompliance with the covenants.

Capital Improvement Revenue Note, Series 2013A

1. The Balance Sheet and Statement of Revenues, Expenses, Expenditures, 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 all principal and interest becoming due on the notes on the next semi-annual payment date. The sinking fund was not required to be funded at September 30, 2014.

3. The City is not aware of any noncompliance with the covenants.

16. UNEARNED / UNAVAILABLE REVENUE

Governmental funds report unavailable 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, 2014, the various components of unearned/unavailable revenue were as follows:

<i>General Fund</i>	Unavailable ¹	Unearned
Special assessment for street resurfacing	\$ 109,250	\$ -
Long-term receivable from sale of building	425,000	-
Prepaid lease revenue	-	6,074
Gift and prepaid cards	-	21,351
Total General Fund	534,250	27,425
<i>Utilities Fund</i>		
Prepaid utility bills	-	37,490
Total	\$ 534,250	\$ 64,915

(1) Unavailable revenue is presented as a deferred inflow of resources in the governmental funds and recognized as revenues when earned in the Statement of Activities.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

<i>Due to/from Other Funds</i>		Amount
Receivable Fund	Payable Fund	
General	Community Development Block Grant	\$ 56,245
<i>Advance to/from Other Funds</i>		Amount
Receivable Fund	Payable Fund	
Sanitation	General	\$ 500,000

General Fund receivables from the Community Development Block Grant Fund in the amount of \$56,245 are the result of eliminating temporary deficit cash balances.

On September 30, 2014, the City's Sanitation Fund loaned the General Fund \$500,000 to purchase a Fire Engine. The loan from the Sanitation Fund will be paid back over a 10 year period at an interest rate of 2.00%. The balance of the advance as of September 30, 2014 is \$500,000.

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Governmental Fund	Golf Fund	
General	\$ -	\$ 1,015,732	\$ 225,722	\$ 1,241,454
Utilities	490,433	-	-	490,433
Sanitation	130,000	-	-	130,000
	\$ 620,433	\$ 1,015,732	\$ 225,722	\$ 1,861,887

The transfers out of the General Fund are \$1,241,454. These transfers consists of a \$994,863 transfer to the Debt Service Fund (Nonmajor Governmental Fund) for principal and interest payments on debt, and a \$20,869 transfer to the Cemetery Perpetual Care Fund (Nonmajor Governmental Fund) for maintenance. During the fiscal year 2013-14 budget process, City Council voted to terminate the Golf Enterprise Fund and collapse operations into the City's General Fund beginning in fiscal year 2014. The General Fund transferred \$ 225,722 to the Golf Fund to liquidate the Golf Fund's negative equity.

Transfers in to the General Fund of \$620,433 consist of franchise fees from the Utility Fund of \$490,433 and compensation from the Sanitation Fund for additional roadway wear & tear caused by the heavy trucks in the amount of \$130,000.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

18. GOVERNMENTAL FUND BALANCES

At September 30, 2014, 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	\$ 262,964	\$ 798	\$ -	\$ 263,762
Restricted for				
Improvement districts	-	4,072,566	-	4,072,566
Capital projects	3,910,637	-	-	3,910,637
Library	171,450	-	-	171,450
Public safety	-	-	565,946	565,946
Debt service	-	-	25,449	25,449
Other purposes	1,180	-	-	1,180
Total restricted	<u>4,083,267</u>	<u>4,072,566</u>	<u>591,395</u>	<u>8,747,228</u>
Committed				
Cemetery maintenance	-	-	2,249,720	2,249,720
Natural disaster recovery	5,589,056	-	-	5,589,056
Total committed	<u>5,589,056</u>	<u>-</u>	<u>2,249,720</u>	<u>7,838,776</u>
Assigned to				
Capital projects	1,473,250	-	-	1,473,250
Self-insurance dental program refund	34,819	-	-	34,819
Citizen police academy	3,057	-	-	3,057
Other purposes	73,761	-	-	73,761
Total assigned	<u>1,584,887</u>	<u>-</u>	<u>-</u>	<u>1,584,887</u>
Unassigned	<u>1,300,881</u>	<u>-</u>	<u>(6,231)</u>	<u>1,294,650</u>
	<u>\$ 12,821,055</u>	<u>\$ 4,073,364</u>	<u>\$ 2,834,884</u>	<u>\$ 19,729,303</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

19. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2014, is as follows:

Governmental Funds -	
General Fund	<u>\$ 934,731</u>

Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the financial statements.

20. COMMITMENTS AND CONTINGENCIES

Grants

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

Soundside Apartments Planned Unit Development

In June 2010, the City entered into a Memorandum of Understanding with the City of Fort Walton Beach Community Redevelopment Agency, the Fort Walton Beach Housing Authority, and Soundside Apartments, LLC for the Soundside Apartments planned unit development (PUD). According to the Memorandum, Germany Terrace, a 50-unit public housing development, will be redeveloped into a 200-unit affordable housing complex. The City also entered into an amended Interlocal Agreement whereby the City approved the use of up to \$700,000 in Community Redevelopment Agency Special Revenue Trust Fund for site demolition, infrastructure improvements, site restoration and other costs for the project. The total amount will be eventually repaid by the property owner, Soundside LLC, to the City's Community Redevelopment Agency, at no more the \$52,142 per year at 1.5% interest, and shall become payable no sooner than three (3) years after the closing date, payable over a 40-year period. The total amount provided from the Community Redevelopment Agency of the City, which remains unpaid as of September 30, 2014 is \$352,273.

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

20. 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 \$2.77 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 \$4,221 per month. Each year in March, the Readiness to Serve Fee will increase by 3%. The minimum commitment by the City under the Agreement is as follows:

Fiscal Year Ending September 30	
2015	\$ 51,534
2016	53,080
2017	54,673
2018	56,313
2019	58,002
2020 through 2024	317,180
2025 through 2029	367,699
2030 through 2034	426,263
2035 through 2039	<u>494,156</u>
 Total	 <u><u>\$ 1,878,900</u></u>

Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2014, were \$2,920,986.

21. GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to Statement No. 27. This Statement enhances the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new disclosures and required supplementary information. Management believes GASB Statement No. 68 will have a significant impact on the financial position and changes in net position of the City. The estimated net pension liabilities expected to be recorded upon adoption for each plan can be found in the required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, which requires the City to implement this statement in FY 2014–2015.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

22. SUBSEQUENT EVENTS

Sale of Property at 31 Memorial Parkway SW

On October 14, 2014, the City sold a portion of the property located at 31 Memorial Parkway SW to the Emerald Coast Science Center for \$462,000. The City is offering owner financing for the purchase amortized over a 20-year period at 5% interest with a balloon payment after twelve years. The down payment was \$20,000.

Venture Hive

On January 27, 2015, City Council approved the allocation of up to \$500,000 of Community Redevelopment Agency fund balance to assist in starting up a Venture Hive entrepreneurship education company which offers institutions and communities effective turnkey models to create and entrepreneurial ecosystem.

Utility Rate Study

On October 14, 2014, City Council approved a 5-year utility rate study for both the Utilities Fund and the Stormwater Fund. For fiscal year 2014-15, the rates for the Utility Fund were adjusted by 9.00% and the rates for the Stormwater Fund were adjusted by \$.50 per ERU. The full study can be found on the City's website at www.fwb.org.

Okaloosa Public Transit Cooperative Agreement

On January 27, 2015, the City entered into an Agreement with Okaloosa County and nine municipalities within the County to form and Okaloosa County Public Transit Cooperative. The current Agreement does not require any financial commitment by the City.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS (UNAUDITED)**

Fiscal year ending September 30, 2014	<u>GERF</u>	<u>PERF</u>	<u>FERF</u>
Total Pension Liability			
Service cost	\$ 622,382	\$ 322,118	\$ 414,836
Interest	3,222,809	1,905,286	1,425,875
Differences between expected and actual experiences	-	-	-
Change in excess state money	-	-	89,886
Benefit payments, including refunds of employee contributions	<u>(2,575,304)</u>	<u>(1,632,053)</u>	<u>(1,071,302)</u>
Net change in total pension liability	1,269,887	595,351	859,295
Total pension liability - beginning	<u>41,460,324</u>	<u>24,413,051</u>	<u>18,336,190</u>
Total pension liability - ending (a)	<u>\$ 42,730,211</u>	<u>\$ 25,008,402</u>	<u>\$ 19,195,485</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,296,450	\$ 836,053	\$ 715,439
Contributions - state	-	175,703	214,272
Contributions - member	212,790	96,591	135,622
Net investment income	3,228,153	1,869,244	1,201,162
Benefit payments, including refunds of employee contributions	(2,575,304)	(1,632,053)	(1,071,302)
Administrative expenses	(42,482)	(38,238)	(34,536)
Other	-	-	-
Net change in plan fiduciary net position	2,119,607	1,307,300	1,160,657
Plan fiduciary net position - beginning	<u>37,122,638</u>	<u>19,156,156</u>	<u>12,501,662</u>
Plan fiduciary net position - ending (b)	<u>\$ 39,242,245</u>	<u>\$ 20,463,456</u>	<u>\$ 13,662,319</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,487,966</u>	<u>\$ 4,544,946</u>	<u>\$ 5,533,166</u>
Plan fiduciary net position as a percentage of the total pension liability	91.84%	81.83%	71.17%
Covered employee payroll	\$ 4,255,801	\$ 1,975,478	\$ 2,054,879
Net pension liability as a percentage of covered employee payroll	81.96%	230.07%	269.27%
Actual money-weighted rate of return, net of investment expense	8.82%	9.96%	9.72%

Notes to schedule:

This information is not available for previous years.

The General Employees Pension Plan was closed to new entrants effect December 31, 2009.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>General Employees' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,187,794	\$ 1,268,253	\$ 1,258,659	\$ 1,091,338	\$ 1,477,933	\$ 1,268,428	\$ 1,268,019	\$ 1,231,003	\$ 1,070,599	\$ 678,947
Contributions in relation to the actuarially determined contributions	<u>1,296,450</u>	<u>1,318,790</u>	<u>1,306,268</u>	<u>1,159,438</u>	<u>1,477,777</u>	<u>1,268,260</u>	<u>1,267,864</u>	<u>1,231,003</u>	<u>1,071,742</u>	<u>680,552</u>
Contribution deficiency (excess)	<u>\$ (108,656)</u>	<u>\$ (50,537)</u>	<u>\$ (47,609)</u>	<u>\$ (68,100)</u>	<u>\$ 156</u>	<u>\$ 168</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ (1,143)</u>	<u>\$ (1,605)</u>
Covered employee payroll	\$ 4,255,801	\$ 4,259,070	\$ 4,542,537	\$ 5,004,486	\$ 5,595,076	\$ 7,252,396	\$ 7,521,520	\$ 8,199,930	\$ 7,715,643	\$ 7,190,199
Contributions as a percentage of covered employee payroll	30.46%	30.96%	28.76%	23.17%	26.41%	17.49%	16.86%	15.01%	13.89%	9.46%
<u>Police Officers' Retirement Fund</u>										
Actuarially determined contribution	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860	\$ 665,220	\$ 578,670	\$ 488,381	\$ 516,528	\$ 433,829	\$ 460,501
Contributions in relation to the actuarially determined contributions	<u>1,011,756</u>	<u>925,589</u>	<u>968,003</u>	<u>682,860</u>	<u>665,220</u>	<u>578,670</u>	<u>488,381</u>	<u>516,528</u>	<u>433,829</u>	<u>460,501</u>
Contribution deficiency (excess)	<u>\$ (79,330)</u>	<u>\$ (43,892)</u>	<u>\$ (92,948)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,975,478	\$ 2,038,886	\$ 2,178,847	\$ 2,239,545	\$ 2,195,529	\$ 2,557,811	\$ 5,230,182	\$ 2,602,616	\$ 2,257,286	\$ 2,426,479
Contributions as a percentage of covered employee payroll	51.22%	45.40%	44.43%	30.49%	30.30%	22.62%	9.34%	19.85%	19.22%	18.98%
<u>Firefighters' Retirement Fund</u>										
Actuarially determined contribution	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386	\$ 708,063	\$ 555,720	\$ 326,864	\$ 299,027	\$ 240,332	\$ 200,627
Contributions in relation to the actuarially determined contributions	<u>839,825</u>	<u>829,245</u>	<u>784,705</u>	<u>675,386</u>	<u>708,063</u>	<u>555,720</u>	<u>358,840</u>	<u>299,027</u>	<u>240,332</u>	<u>200,627</u>
Contribution deficiency (excess)	<u>\$ (15,818)</u>	<u>\$ (11,248)</u>	<u>\$ (84,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,976)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,054,879	\$ 2,153,568	\$ 1,946,811	\$ 1,961,080	\$ 2,116,516	\$ 1,988,762	\$ 1,632,275	\$ 1,409,038	\$ 1,807,962	\$ 1,455,105
Contributions as a percentage of covered employee payroll	40.87%	38.51%	40.31%	34.44%	33.45%	27.94%	21.98%	21.22%	13.29%	13.79%

See notes to the schedule of contributions.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
GENERAL EMPLOYEES' RETIREMENT FUND**

Valuation Date: October 1, 2011

Notes: Actuarially determined contribution rates are calculated as of October 1, which is three years prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Individual Entry-Age Actuarial Cost Method

Amortization method: Level dollar contributions over a reasonable period of future years

Remaining
amortization period: 15 years

Actuarial value of
assets: Determined by adjusting the expected value of assets as of the valuation date by a portion of the cumulative differences between the market value of assets and the expected value of assets as of the previous four valuation dates.

Inflation: 3.0% per year

Salary increases: 3.50% to 7.50% (depending on age) per year until the assumed retirement age.

Interest rate: 7.90% per year, compounded annually, net of investment related expenses

Cost of living increase: None

Retirement age: Normal Retirement

Termination rates: See table below. Rates do not apply to members eligible to retire and do not include separation on account of death or disability.

Disability rates: See table below. 100% of disabilities are assumed to be service-connected

Mortality: RP-2000 Combined Healthy Participant Mortality Tables for males and females. There is no provision for future mortality improvements after 2000 being made.

Other Information: Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
30	7.40%	0.17%
40	6.11%	0.39%
50	4.32%	0.98%
60	5.63%	2.30%

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
POLICE OFFICERS' RETIREMENT FUND**

Valuation Date: October 1, 2012

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 years

Actuarial value of assets: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value

Inflation: 3.0% per year

Salary increases: 7.50% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation

Interest rate: 8.00% per year, compounded annually, net of investment related expenses

Cost-of-living increase: 3.00% per year beginning at retirement

Payroll growth: 3.00% per year, but limited to the 10-year historical average (0.5% in 2012)

Retirement age: Earlier of 1) Age 55, or 2) 30 years of service, regardless of age. Also any Member who has reached Normal Retirement is assumed to continue employment for one additional year

Early retirement: Earlier of 1) Age 50 and 10 years of service, or 2) 25 years of service, regardless of age, members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year

Termination rates: See table below

Disability rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related

Mortality: RP-2000 Combined Healthy Table (sex distinct) with a five year set forward for disabled lives. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future morality improvements

Other Information: Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	7.90%	0.14%
30	7.20%	0.18%
40	5.20%	0.30%
50	2.60%	1.00%

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
FIREFIGHTERS' RETIREMENT FUND**

Valuation Date: October 1, 2012

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining
amortization period: 30 years

Actuarial value of
assets: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value

Inflation: 3.0%

Salary increases: 6.50% per year until the assumed retirement age

Interest rate: 8.00% per year compounded annually, net of investment related expenses

Normal retirement: Earlier of Age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year

Early retirement: Commencing with the earliest Early Retirement Age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 3.00% per year

Disability rates: See table below

Termination rates: See table below

Payroll increase: 3.00% per year

Mortality: RP-2000 Combined Healthy Table. Set forward 5 years for Disability

Other Information: Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	7.90%	0.14%
30	7.20%	0.18%
40	5.20%	0.30%
50	2.60%	1.00%

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POST-EMPLOYMENT OBLIGATIONS (UNAUDITED)**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded	Annual Covered Payroll (c)	UAAL as % of Payroll [c/(b-a)]
October 1, 2012*	\$ -	\$ 5,651,699	\$ 5,651,699	0.00%	\$ 7,300,258	77.42%
October 1, 2010*	-	6,312,795	6,312,795	0.00%	6,578,002	95.97%
September 30, 2010**	-	4,768,818	4,768,818	0.00%	8,291,828	57.51%
September 30 2009	-	6,496,763	6,496,763	0.00%	9,000,120	72.19%

**Determined using the Projected Unit Credit Method.*

***Determined using the Entry Age Normal Method, payroll shown accounts only for employees with medical coverage.*

**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.

Florida Building Code Fund

To account for funds received from building permits and inspections to be utilized for enforcing the Florida Building Code per State Statute.

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, 2014**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
ASSETS							
Cash and cash equivalents	\$ 278,689	\$ 10,951	\$ 290,764	\$ -	\$ 37,567	\$ -	\$ 617,971
Investments	-	-	-	-	2,216,592	-	2,216,592
Due from other governments	2,728	-	-	55,537	-	-	58,265
Cash and cash equivalents - restricted	-	-	-	-	-	25,449	25,449
TOTAL ASSETS	\$ 281,417	\$ 10,951	\$ 290,764	\$ 55,537	\$ 2,254,159	\$ 25,449	\$ 2,918,277
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ -	\$ 475	\$ 1,905	\$ 5,523	\$ 4,439	\$ -	\$ 12,342
Accrued liabilities	1,850	-	12,956	-	-	-	14,806
Due to other funds	-	-	-	56,245	-	-	56,245
Total liabilities	1,850	475	14,861	61,768	4,439	-	83,393
Fund balance							
Restricted	279,567	10,476	275,903	-	-	25,449	591,395
Committed	-	-	-	-	2,249,720	-	2,249,720
Unassigned	-	-	-	(6,231)	-	-	(6,231)
Total fund balances	279,567	10,476	275,903	(6,231)	2,249,720	25,449	2,834,884
TOTAL LIABILITIES AND FUND BALANCE	\$ 281,417	\$ 10,951	\$ 290,764	\$ 55,537	\$ 2,254,159	\$ 25,449	\$ 2,918,277

**CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
REVENUES							
Permits and fees	\$ -	\$ -	\$ 369,447	\$ -	\$ -	\$ -	\$ 369,447
Intergovernmental	19,364	-	-	79,482	-	-	98,846
Fines	28,742	5,782	-	-	-	-	34,524
Miscellaneous	6,148	64	1,390	-	210,788	-	218,390
	<u>54,254</u>	<u>5,846</u>	<u>370,837</u>	<u>79,482</u>	<u>210,788</u>	<u>-</u>	<u>721,207</u>
Total revenues							
EXPENDITURES							
Current							
Public safety	15,903	6,558	277,209	-	-	-	299,670
Physical environment	-	-	-	-	17,162	-	17,162
Economic environment	-	-	-	76,435	-	-	76,435
Capital outlay	26,854	-	842	6,533	-	-	34,229
Debt service							
Principal	-	-	-	-	-	612,996	612,996
Interest	-	-	-	-	-	377,574	377,574
	<u>42,757</u>	<u>6,558</u>	<u>278,051</u>	<u>82,968</u>	<u>17,162</u>	<u>990,570</u>	<u>1,418,066</u>
Total expenditures							
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,497</u>	<u>(712)</u>	<u>92,786</u>	<u>(3,486)</u>	<u>193,626</u>	<u>(990,570)</u>	<u>(696,859)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	20,869	994,863	1,015,732
NET CHANGE IN FUND BALANCE	11,497	(712)	92,786	(3,486)	214,495	4,293	318,873
FUND BALANCE AT BEGINNING OF YEAR	268,070	11,188	183,117	(2,745)	2,035,225	21,156	2,516,011
FUND BALANCE AT END OF YEAR	<u>\$ 279,567</u>	<u>\$ 10,476</u>	<u>\$ 275,903</u>	<u>\$ (6,231)</u>	<u>\$ 2,249,720</u>	<u>\$ 25,449</u>	<u>\$ 2,834,884</u>

**CITY OF FORT WALTON BEACH, FLORIDA
LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 17,563	\$ 19,364	\$ 1,801
Fines	-	13,107	28,742	15,635
Miscellaneous	3,715	3,715	6,148	2,433
Total revenues	<u>3,715</u>	<u>34,385</u>	<u>54,254</u>	<u>19,869</u>
EXPENDITURES				
Current				
Public safety	16,500	21,363	15,903	5,460
Capital outlay	-	25,807	26,854	(1,047)
Total expenditures	<u>16,500</u>	<u>47,170</u>	<u>42,757</u>	<u>4,413</u>
NET CHANGE IN FUND BALANCE	(12,785)	(12,785)	11,497	24,282
FUND BALANCE AT BEGINNING OF YEAR	<u>12,785</u>	<u>12,785</u>	<u>268,070</u>	<u>255,285</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,567</u>	<u>\$ 279,567</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
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Fines	\$ 7,000	\$ 7,000	\$ 5,782	\$ (1,218)
Miscellaneous	135	135	64	(71)
Total revenues	<u>7,135</u>	<u>7,135</u>	<u>5,846</u>	<u>(1,289)</u>
EXPENDITURES				
Current				
Public safety	<u>8,625</u>	<u>8,625</u>	<u>6,558</u>	<u>2,067</u>
NET CHANGE IN FUND BALANCE	(1,490)	(1,490)	(712)	778
FUND BALANCE AT BEGINNING OF YEAR	<u>1,490</u>	<u>1,490</u>	<u>11,188</u>	<u>9,698</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,476</u>	<u>\$ 10,476</u>

**CITY OF FORT WALTON BEACH, FLORIDA
 FLORIDA BUILDING CODE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Permits and fees	\$ 287,050	\$ 291,542	\$ 369,447	\$ 77,905
Miscellaneous	2,195	2,195	1,390	(805)
Total revenues	<u>289,245</u>	<u>293,737</u>	<u>370,837</u>	<u>77,100</u>
EXPENDITURES				
Current				
Public safety	271,306	278,054	277,209	845
Capital outlay	-	-	842	(842)
Total expenditures	<u>271,306</u>	<u>278,054</u>	<u>278,051</u>	<u>3</u>
NET CHANGE IN FUND BALANCE	17,939	15,683	92,786	77,103
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>183,117</u>	<u>183,117</u>
FUND BALANCE AT END OF YEAR	<u>\$ 17,939</u>	<u>\$ 15,683</u>	<u>\$ 275,903</u>	<u>\$ 260,220</u>

**CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 117,639	\$ 117,639	\$ 79,482	\$ (38,157)
EXPENDITURES				
Current				
Physical environment	51,172	157,744	76,435	81,309
Capital outlay	66,467	79,256	6,533	72,723
Total expenditures	<u>117,639</u>	<u>237,000</u>	<u>82,968</u>	<u>154,032</u>
NET CHANGE IN FUND BALANCE	-	(119,361)	(3,486)	115,875
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>119,361</u>	<u>(2,745)</u>	<u>(122,106)</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,231)</u>	<u>\$ (6,231)</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
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ 31,000	\$ 31,000	\$ 210,788	\$ 179,788
EXPENDITURES				
Current				
Physical environment	8,000	17,162	17,162	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,000</u>	<u>13,838</u>	<u>193,626</u>	<u>179,788</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	36,000	36,000	20,869	(15,131)
NET CHANGE IN FUND BALANCE	59,000	49,838	214,495	164,657
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>2,035,225</u>	<u>2,035,225</u>
FUND BALANCE AT END OF YEAR	<u>\$ 59,000</u>	<u>\$ 49,838</u>	<u>\$ 2,249,720</u>	<u>\$ 2,199,882</u>

**CITY OF FORT WALTON BEACH, FLORIDA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	663,651	663,651	612,996	50,655
Interest	398,685	398,685	377,574	21,111
Total expenditures	1,062,336	1,062,336	990,570	71,766
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,062,336)</u>	<u>(1,062,336)</u>	<u>(990,570)</u>	<u>71,766</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,062,336	1,062,336	994,863	(67,473)
NET CHANGE IN FUND BALANCE	-	-	4,293	4,293
FUND BALANCE AT BEGINNING OF YEAR	-	-	21,156	21,156
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,449</u>	<u>\$ 25,449</u>

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 FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Stormwater Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 493,930
Receivables, net	34,881
	528,811
Total current assets	
Capital Assets, net	
Non-depreciable/amortizable	28,532
Depreciable/amortization, net	1,102,922
	1,131,454
Total capital assets	
TOTAL ASSETS	\$ 1,660,265
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,071
Accrued liabilities	
Compensated absences	2,409
Wages	12,547
Other	24
	19,051
Total current liabilities	
Non-current liabilities	
Accrued liabilities	
Compensated absences	7,228
Other post-employment benefits	22,618
	29,846
Total non-current liabilities	
TOTAL LIABILITIES	48,897
NET POSITION	
Invested in capital assets, net of related debt	1,131,454
Unrestricted	479,914
	1,611,368
TOTAL NET POSITION	\$ 1,611,368

**CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Stormwater Fund
OPERATING REVENUES	
Charges for services	\$ 596,133
OPERATING EXPENSES	
Personal services	226,121
Operating	145,203
Depreciation/amortization expense	67,867
Total operating expenses	439,191
OPERATING INCOME (LOSS)	156,942
NON-OPERATING REVENUES (EXPENSES)	
Gain (loss) on disposal of capital assets	39,405
Gain (loss) on investment	(1,052)
Interest	4,580
Miscellaneous	523
Total non-operating revenues (expenses)	43,456
CHANGE IN NET POSITION	200,398
NET POSITION AT BEGINNING OF YEAR	1,410,970
NET POSITION AT END OF YEAR	\$ 1,611,368

**CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 596,959
Payments to suppliers	(150,269)
Payments to employees	(231,970)
Miscellaneous income	523
	<u>215,243</u>
Net cash provided by operating activities	<u>215,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions of capital assets	(299,710)
Proceeds from disposal of capital assets	39,405
	<u>(260,305)</u>
Net cash used in capital and related financing activities	<u>(260,305)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	3,528
	<u>3,528</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>535,464</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 493,930</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 156,942
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	67,867
Miscellaneous revenue	523
Decrease (increase) in assets:	
Accounts receivable	826
Increase (decrease) in liabilities:	
Accounts payable	(2,313)
Compensated absences payable	(1,609)
Wages	(5,625)
Other liabilities	(2,753)
Other post-employment benefits	1,385
	<u>1,385</u>
Net cash provided by operating activities	<u>\$ 215,243</u>

(THIS PAGE INTENTIONALLY LEFT BLANK.)

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 POSITION BY COMPONENT
Last Ten Fiscal Years
(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 17,236,582	\$ 21,097,792	\$ 22,013,431	\$ 21,095,355	\$ 20,563,790	\$ 20,605,683	\$ 24,756,705	\$ 25,379,050	\$ 23,531,576	\$ 24,866,399
Restricted										
Debt service	92,544	92,788	92,730	91,713	91,713	92,880	113,816	113,507	21,156	25,449
Capital projects	700,975	241,114	56,550	-	-	-	-	-	-	-
Improvement Districts	-	-	-	-	-	-	4,212,984	3,736,100	3,833,430	4,073,364
Public safety	305,647	266,492	307,983	307,983	254,409	269,600	268,820	262,648	462,375	565,946
Perpetual care - expendable	1,556,661	1,663,521	1,787,789	1,877,086	1,869,558	1,898,445	-	-	-	-
Other purposes	533,486	474,924	657,116	473,655	463,168	477,194	234,568	194,193	177,129	172,630
Unrestricted	13,959,800	11,385,751	8,564,657	9,821,155	9,347,576	8,975,046	12,666,165	11,487,979	9,329,608	10,700,661
Total governmental activities net position	<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>	<u>\$ 41,173,477</u>	<u>\$ 37,355,274</u>	<u>\$ 40,404,449</u>
Business-Type Activities										
Net investment in capital assets	\$ 20,014,208	\$ 20,352,399	\$ 21,051,160	\$ 21,043,965	\$ 17,577,019	\$ 18,928,438	\$ 17,037,456	\$ 14,929,648	\$ 17,305,881	\$ 13,779,184
Restricted										
Debt service	319,139	333,522	323,430	316,153	471,441	481,023	184,711	184,933	1,087,405	1,082,935
System improvements	352,360	106,434	39,414	60,709	98,292	61,559	82,573	112,863	305,508	367,263
Unrestricted	7,652,753	8,358,417	9,011,906	8,301,545	8,276,703	6,791,840	6,859,952	8,552,169	9,379,587	9,658,709
Total business-type activities net position	<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>	<u>\$ 23,779,613</u>	<u>\$ 28,078,381</u>	<u>\$ 24,888,091</u>
Primary Government										
Net investment in capital assets	\$ 37,250,790	\$ 41,450,191	\$ 43,064,591	\$ 42,139,320	\$ 38,140,809	\$ 38,728,907	\$ 41,794,161	\$ 40,308,698	\$ 40,837,576	\$ 38,645,583
Restricted	3,860,812	3,178,795	3,265,012	3,127,299	3,257,332	3,297,029	5,097,472	4,604,244	5,887,003	6,287,587
Unrestricted	21,612,553	19,744,168	17,576,563	18,122,700	17,624,279	16,805,772	19,526,117	20,040,148	18,709,195	20,359,370
Total primary government net position	<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>	<u>\$ 64,953,090</u>	<u>\$ 65,433,774</u>	<u>\$ 65,292,540</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 POSITION
Last Ten Fiscal Years
(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 6,935,799	\$ 4,841,926	\$ 4,563,855	\$ 5,494,094	\$ 4,625,871	\$ 5,306,003	\$ 3,765,536	\$ 4,314,050	\$ 2,662,406	\$ 3,179,768
Public safety	7,623,363	8,032,018	9,641,338	10,048,884	9,908,644	9,231,632	9,206,784	9,805,368	9,729,228	9,685,621
Physical environment	276,525	299,362	354,439	343,411	350,374	304,907	393,752	383,970	379,681	392,255
Transportation	1,678,395	1,791,455	1,943,966	2,135,639	1,672,741	1,543,310	1,570,038	1,592,150	1,631,665	1,495,374
Economic environment	199,284	313,153	335,185	127,355	266,132	98,996	545,242	707,603	1,090,025	803,175
Culture and recreation	2,754,947	2,989,900	3,115,151	3,097,289	3,028,285	2,944,221	2,677,051	2,880,815	2,715,977	4,829,004
Debt service interest	238,090	309,094	331,771	302,948	247,703	240,940	214,470	254,516	324,405	483,301
Total government activities	<u>19,706,403</u>	<u>18,576,908</u>	<u>20,285,705</u>	<u>21,549,620</u>	<u>20,099,750</u>	<u>19,670,009</u>	<u>18,372,873</u>	<u>19,938,472</u>	<u>18,533,387</u>	<u>20,868,498</u>
Business-type activities										
Utilities	4,938,340	5,329,682	5,859,301	5,809,192	5,474,550	6,725,349	9,162,926	7,017,160	7,644,240	9,185,338
Sanitation	2,945,209	2,888,403	3,008,205	2,609,129	2,493,357	2,466,881	2,524,994	2,741,266	3,163,638	3,393,269
Golf	2,603,460	2,631,289	2,780,632	2,547,992	2,479,804	2,203,739	2,199,453	2,012,165	2,023,186	2,215
Stormwater	-	-	-	-	469,421	374,951	339,543	497,211	611,962	439,191
Total business-type activities	<u>10,487,009</u>	<u>10,849,374</u>	<u>11,648,138</u>	<u>10,966,313</u>	<u>10,917,132</u>	<u>11,770,920</u>	<u>14,226,916</u>	<u>12,267,802</u>	<u>13,443,026</u>	<u>13,020,013</u>
Total primary government expenses	<u>\$ 30,193,412</u>	<u>\$ 29,426,282</u>	<u>\$ 31,933,843</u>	<u>\$ 32,515,933</u>	<u>\$ 31,016,882</u>	<u>\$ 31,440,929</u>	<u>\$ 32,599,789</u>	<u>\$ 32,206,274</u>	<u>\$ 31,976,413</u>	<u>\$ 33,888,511</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,108,169	\$ 2,381,669	\$ 2,456,663	\$ 2,752,330	\$ 2,921,887	\$ 2,759,080	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824
Public safety	873,041	600,259	579,365	641,941	642,364	467,835	430,017	373,855	640,271	495,111
Physical environment	302,727	342,815	316,520	348,838	286,623	289,654	394,513	439,555	404,429	376,998
Transportation	68,402	72,815	241,622	93,987	87,654	83,586	104,776	118,067	122,275	140,038
Economic environment	-	-	-	-	-	-	16,400	58,000	34,652	10
Culture and recreation	382,858	400,175	421,733	417,253	426,110	408,351	404,047	400,215	374,362	1,853,087
Operating grants and contributions	3,228,819	642,631	1,266,681	903,079	1,119,033	639,370	761,643	589,253	786,652	682,200
Capital grants and contributions	261,332	373,994	233,878	50,687	88,941	731,275	351,006	156,794	80,936	109,629
Total governmental activities program revenues	<u>7,225,348</u>	<u>4,814,358</u>	<u>5,516,462</u>	<u>5,208,115</u>	<u>5,572,612</u>	<u>5,379,151</u>	<u>5,018,672</u>	<u>2,566,457</u>	<u>2,853,560</u>	<u>4,133,897</u>
Business-type activities										
Charges for services										
Utilities	6,279,899	6,552,526	7,006,005	6,505,297	6,403,262	6,761,654	7,608,355	7,974,601	8,623,082	8,586,045
Sanitation	3,315,188	3,374,157	3,433,172	3,446,397	3,384,375	3,345,127	3,311,744	3,313,559	3,499,559	3,571,037
Golf	2,335,114	2,621,957	2,558,253	2,380,448	2,181,988	1,934,392	2,052,501	1,776,649	1,758,709	-
Stormwater	-	-	-	-	654,346	626,903	481,854	577,706	591,196	596,133
Operating grants and contributions	-	-	-	39,403	-	-	118,226	-	1,071	-
Capital grants and contributions	198,568	95,644	1,079,034	92,872	555,698	173,370	65,496	331,609	1,871,295	(157,294)
Total business-type activities program revenues	<u>12,128,769</u>	<u>12,644,284</u>	<u>14,076,464</u>	<u>12,464,417</u>	<u>13,179,669</u>	<u>12,841,446</u>	<u>13,638,176</u>	<u>13,974,124</u>	<u>16,344,912</u>	<u>12,595,921</u>
Total primary government program revenues	<u>\$ 19,354,117</u>	<u>\$ 17,458,642</u>	<u>\$ 19,592,926</u>	<u>\$ 17,672,532</u>	<u>\$ 18,752,281</u>	<u>\$ 18,220,597</u>	<u>\$ 18,656,848</u>	<u>\$ 16,540,581</u>	<u>\$ 19,198,472</u>	<u>\$ 16,729,818</u>

Continued...

City of Fort Walton Beach, Florida
SCHEDULE 2
CHANGES IN NET POSITION
Last Ten Fiscal Years
(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (12,481,055)	\$ (13,762,550)	\$ (14,769,243)	\$ (16,341,505)	\$ (14,527,138)	\$ (14,290,859)	\$ (13,354,201)	\$ (17,372,015)	\$ (15,679,827)	\$ (16,734,601)
Business-type activities	1,641,760	1,794,910	2,428,326	1,498,104	2,262,537	1,070,526	(588,740)	1,706,322	2,901,886	(424,092)
Total primary government	<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>	<u>\$ (15,665,693)</u>	<u>\$ (12,777,941)</u>	<u>\$ (17,158,693)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 3,913,016	\$ 4,557,414	\$ 5,180,212	\$ 5,052,903	\$ 4,631,028	\$ 4,380,221	\$ 4,482,819	\$ 4,295,068	\$ 4,175,136	\$ 5,385,235
Sales taxes	2,466,783	2,529,028	2,363,078	2,214,232	1,977,959	1,943,337	2,066,834	2,198,270	2,241,242	2,362,190
Utility service taxes	3,690,239	4,006,985	1,420,142	5,094,918	3,454,691	3,914,362	3,926,930	3,739,311	3,761,437	3,889,976
Tax Increments for Redevelopment district	-	-	-	-	-	-	1,547,609	1,386,521	1,311,101	1,501,208
Franchise Fees	-	-	-	-	-	-	-	1,876,575	1,764,733	2,004,101
Intergovernmental, unrestricted	877,198	889,450	845,090	740,554	709,550	712,776	825,591	809,756	818,039	819,556
Gain on sale of assets	456,675	(1,053)	477,494	2,592	2,950	795,860	16,865	16,440	37,833	520,152
Miscellaneous	46,174	37,595	56,788	61,199	54,223	492,052	96,105	154,996	106,546	103,986
Investment earnings	324,687	599,818	755,389	444,488	269,896	152,884	133,419	159,465	62,285	345,734
Insurance Recoveries	299,145	-	-	-	-	-	-	-	-	-
Special item: Impairment loss	-	-	-	-	-	-	-	-	(271,287)	-
Transfers	1,875,000	1,980,000	1,928,924	2,917,310	2,310,464	1,667,644	1,682,717	1,656,032	(2,145,441)	2,851,638
Total governmental activities	<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>	<u>16,292,434</u>	<u>11,861,624</u>	<u>19,783,776</u>
Business-type activities										
Taxes										
Utility service taxes	-	14,200	7,844	5,930	4,597	-	-	-	-	-
Gain on sale of assets	-	174,610	34,978	482	98,907	56,795	75,904	35,111	20,662	22,813
Miscellaneous	10,261	73,714	15,118	129,678	141,406	177,657	31,424	48,550	6,504	6,839
Investment earnings	354,915	734,878	713,872	579,578	340,155	202,071	65,961	69,622	11,107	55,669
Special item: Impairment loss	-	-	-	-	(3,836,055)	-	-	(588,652)	(786,713)	-
Transfers	(1,875,000)	(1,980,000)	(1,925,000)	(2,917,310)	(2,310,464)	(1,667,644)	(1,682,717)	(1,656,032)	2,145,441	(2,851,638)
Total business-type activities	<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>173,289</u>	<u>(2,091,401)</u>	<u>1,397,001</u>	<u>(2,766,317)</u>
Total primary government	<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>\$ 14,952,178</u>	<u>\$ 14,201,033</u>	<u>\$ 13,258,625</u>	<u>\$ 17,017,459</u>
Change in Net Position										
Governmental activities	\$ 1,467,862	\$ 836,687	\$ (1,742,126)	\$ 186,691	\$ (1,116,377)	\$ (231,722)	\$ 1,424,688	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175
Business-type activities	131,936	812,312	1,275,138	(703,538)	(3,298,917)	(160,595)	(2,098,168)	(385,079)	4,298,887	(3,190,409)
Total primary government	<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>	<u>\$ (1,464,660)</u>	<u>\$ 480,684</u>	<u>\$ (141,234)</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

Note: Beginning in FY12, Franchise Fees were reported as General Revenues - in prior years they were included in General Government - charges for services

Note: Beginning in FY13, Cost Allocations were reported as expense reductions in General Government - in prior years they were reported as transfers.

Note: Beginning in FY14, the Golf Enterprise Fund was transferred into the General Fund.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 4,756,085	\$ 539,749	\$ 701,829	\$ 509,080	\$ 482,179	\$ 499,384	\$ -	\$ -	\$ -	\$ -
Unreserved	10,022,750	11,129,373	12,161,545	9,367,864	9,709,202	9,314,142	-	-	-	-
Nonspendable	-	-	-	-	-	-	3,032,726	2,857,963	254,229	262,964
Restricted	-	-	-	-	-	-	234,768	194,193	7,868,522	4,083,267
Committed	-	-	-	-	-	-	5,219,706	5,040,585	5,501,353	5,589,056
Assigned	-	-	-	-	-	-	1,537,572	354,999	1,301,385	1,584,887
Unassigned	-	-	-	-	-	-	1,189,562	1,611,120	788,076	1,300,881
Total general fund	\$ 14,778,835	\$ 11,669,122	\$ 12,863,374	\$ 9,876,944	\$ 10,191,381	\$ 9,813,526	\$ 11,214,334	\$ 10,058,860	\$ 15,713,565	\$ 12,821,055
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 50,117	\$ 12,783	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Capital projects	700,975	241,114	56,550	-	8,751	-	-	-	-	-
Debt service	92,544	92,788	92,730	91,713	91,713	92,880	-	-	-	-
Special revenue funds	1,862,308	1,933,979	2,095,772	2,153,440	2,073,850	2,158,878	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	798
Restricted	-	-	-	-	-	-	4,595,420	4,112,255	4,316,961	4,663,961
Committed	-	-	-	-	-	-	1,929,448	1,959,836	2,035,225	2,249,720
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(306)	(302)	(2,745)	(6,231)
Total all other governmental funds	\$ 2,655,827	\$ 2,267,881	\$ 2,245,052	\$ 2,245,153	\$ 2,224,431	\$ 2,264,541	\$ 6,524,562	\$ 6,071,789	\$ 6,349,441	\$ 6,908,248

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 Area 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 9,872,190	\$ 11,086,466	\$ 10,804,833	\$ 9,039,398	\$ 9,160,133	\$ 9,414,513	\$ 10,438,481	\$ 10,065,983	\$ 9,901,157	\$ 11,537,812
Licenses, permits, and fees	706,345	517,728	496,614	2,225,224	2,320,683	2,406,916	2,428,621	2,142,995	2,221,406	2,392,487
Intergovernmental	6,261,885	3,836,216	3,661,644	2,914,162	2,950,179	3,502,904	3,358,615	3,291,693	3,400,876	3,376,079
Charges for services	848,651	900,170	911,026	1,216,687	1,132,681	907,476	911,405	969,560	1,065,316	2,373,486
Fines and forfeits	329,038	247,329	247,493	268,415	387,449	204,849	151,616	142,936	241,923	133,645
Miscellaneous	1,052,422	850,248	3,588,708	1,211,662	1,020,342	1,370,077	817,975	537,975	431,625	827,526
Total Revenues	19,070,531	17,438,157	19,710,318	16,875,548	16,971,467	17,806,735	18,106,713	17,151,142	17,262,303	20,641,035
Expenditures										
General governmental services	6,737,331	4,646,594	4,355,885	5,306,276	4,419,077	5,095,790	3,699,506	3,899,740	2,514,734	2,891,275
Public safety	7,124,082	7,750,191	9,170,719	9,614,744	9,379,319	8,872,424	8,676,620	9,154,002	9,066,246	9,082,876
Physical environment	211,178	233,942	276,086	278,273	283,460	250,691	306,365	295,459	311,684	325,864
Transportation	1,284,018	1,364,414	1,550,204	1,750,680	1,316,954	1,207,449	994,272	966,050	1,012,387	867,730
Economic environment	199,284	313,153	335,185	127,355	266,132	98,996	493,526	652,086	1,032,659	745,586
Culture and recreation	2,277,069	2,503,469	2,636,387	2,698,993	2,582,642	2,535,682	2,233,104	2,383,239	2,267,141	3,744,452
Capital outlay	1,558,462	5,612,616	1,457,758	652,734	520,722	1,335,369	1,561,057	2,609,203	1,282,142	4,721,096
Debt service										
Principal	195,722	194,675	355,459	2,052,797	168,949	175,629	198,699	211,683	4,540,488	612,996
Interest and other costs	274,122	307,334	330,136	297,335	246,774	240,093	236,268	243,959	203,347	377,574
Total expenditures	19,861,268	22,926,388	20,467,819	22,779,187	19,184,029	19,812,123	18,399,417	20,415,421	22,230,828	23,369,449
Excess of revenue over (under) expenditures	(790,737)	(5,488,231)	(757,501)	(5,903,639)	(2,212,562)	(2,005,388)	(292,704)	(3,264,279)	(4,968,525)	(2,728,414)
Other Financing Sources (Uses)										
Transfers in	2,376,403	2,618,738	2,644,727	5,367,633	3,191,822	2,342,226	2,296,944	2,284,416	673,836	1,636,165
Transfers out	(501,403)	(638,738)	(715,802)	(2,450,323)	(685,545)	(674,583)	(614,227)	(628,384)	(2,819,277)	(1,241,454)
Insurance recoveries	299,145	-	-	-	-	-	-	-	-	-
Lease proceeds	299,948	-	-	-	-	-	-	-	103,784	-
Debt issuance	2,039,191	-	-	-	-	-	739,805	-	12,942,539	-
Contributions from others	7,860	10,572	-	-	-	-	-	-	-	-
Total other financing sources (uses)	4,521,144	1,990,572	1,928,925	2,917,310	2,506,277	1,667,643	2,422,522	1,656,032	10,900,882	394,711
Net change in fund balance	\$ 3,730,407	\$ (3,497,659)	\$ 1,171,424	\$ (2,986,329)	\$ 293,715	\$ (337,745)	\$ 2,129,818	\$ (1,608,247)	\$ 5,932,357	\$ (2,333,703)
Debt service as a percentage of noncapital expenditures	2.57%	2.90%	3.61%	10.62%	2.23%	2.25%	2.58%	2.56%	22.65%	5.31%

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

Note: Beginning in FY14, the Golf Enterprise Fund was transferred into the General Fund.

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

Fiscal Year	Taxes	Licenses, Fees, and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other Revenues	Other Financing Sources	TOTAL
2014	\$11,537,812	\$2,392,487	\$3,376,079	\$2,373,486	\$133,645	\$827,526	\$1,636,165	\$22,277,200
2013	9,901,157	2,221,406	3,400,876	1,065,316	241,923	431,625	13,720,159	30,982,462
2012	10,065,983	2,142,995	3,291,693	969,560	142,936	537,975	2,284,416	19,435,558
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

⁽¹⁾ Includes General Fund, LETFs, CDBG Fund, FBC 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.

Note: Beginning in FY14, the Golf Enterprise Fund was transferred into the General Fund.

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
2014	\$ 1,475,665,054	\$ 108,533,120	\$ 1,584,198,174	\$ 434,639,300	\$ 1,149,558,874	5.7697
2013	1,451,775,552	118,155,863	1,569,931,415	442,204,485	1,127,726,930	5.7697
2012	1,445,327,759	120,653,616	1,565,981,375	446,565,401	1,119,415,974	4.5383
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

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The January 2014 assessment is the basis for Fiscal Year 2014-15 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

City of Fort Walton Beach Direct Rate			Overlapping Rates*			
Fiscal Year	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2014	5.7697	5.7697	3.4308	7.4410	0.0390	10.9108
2013	5.7697	5.7697	3.4308	7.5510	0.0400	11.0218
2012	4.5383	4.5383	3.2899	7.4760	0.0400	10.8059
2011	4.5383	4.5383	3.2899	7.7690	0.0400	11.0989
2010	4.5383	4.5383	3.2899	7.5340	0.0450	10.8689
2009	4.1986	4.1986	3.2899	7.6390	0.0450	10.9739
2008	4.1986	4.1986	3.2995	7.6240	0.0450	10.9685
2007	4.1986	4.1986	3.3443	7.6390	0.0450	11.0283
2006	4.6458	4.6458	3.6500	7.7860	0.0500	11.4860
2005	4.9700	4.9700	4.2500	8.0630	0.0500	12.3630

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

The 2014 millage rate is the basis for Fiscal Year 2014-15 tax revenues.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Fort Walton Beach.

Source: Okaloosa County Tax Collector

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

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Total Assessed Value</u>	<u>Percentage</u>	<u>Rank</u>	<u>Total Assessed Value</u>	<u>Percentage</u>	<u>Rank</u>
Gulf Power Co.	\$ 17,924,703	1.56%	1	\$ 16,171,941	1.47%	2
Suso 2 Uptown, LP	14,293,746	1.24%	2			
Fort Walton Machining, Inc.	6,090,252	0.53%	3			
Cox Communications Gulf Coast, LLC	6,071,539	0.53%	4			
Pacifica Walton Beach LLC	5,874,093	0.51%	5			
99 Eglin LTD	5,832,398	0.51%	6	11,921,792	1.08%	3
Embarq Corp.	5,207,740	0.45%	7			
HSU Paul S & Majes	4,841,868	0.42%	8			
DRS Training & Control	4,776,715	0.42%	9			
FNBT.COM Bank	4,677,929	0.41%	10			
Sprint Florida, Inc.				21,250,752	1.93%	1
Aero Technical Service				9,992,057	0.91%	4
American Senior Living of FWB				9,603,077	0.87%	5
Metric Systems				6,164,931	0.56%	6
Emerald Coast Housing Corp.				5,832,431	0.53%	7
Dakota Group of NWF				5,777,969	0.53%	8
Inland Southeast Paradise Point				5,735,111	0.52%	9
Dea J. Jr & Thomas & Kilgore				5,716,175	0.52%	10
Total Taxable Assessed Value of Principal Taxpayers	<u>75,590,983</u>	<u>6.58%</u>		<u>98,166,236</u>	<u>8.93%</u>	
Total Taxable Assessed Value of Other Taxpayers	<u>1,073,967,891</u>	<u>93.42%</u>		<u>1,001,497,505</u>	<u>91.07%</u>	
Total Taxable Assessed Value	<u>\$ 1,149,558,874</u>	<u>100.00%</u>		<u>\$ 1,099,663,741</u>	<u>100.00%</u>	

⁽¹⁾ The 2014 tax roll is the basis for Fiscal Year 2014-15 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
2014	The 2014 tax levy is the basis for Fiscal Year 2014-15 tax revenues.							
2013	\$ 6,528,146	\$ 6,269,683	96.0%	\$ 76,388	\$ 6,346,071	97.2%	\$ 11,388	0.2%
2012	5,096,206	4,880,002	95.8%	50,880	4,930,882	96.8%	10,265	0.2%
2011	5,251,483	5,050,661	96.2%	38,067	5,088,728	96.9%	19,826	0.4%
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%

⁽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	State Revolving Loans	Revenue Bonds			
2014	\$ -	\$ 89,654	\$ 13,008,515	\$ -	\$ -	\$ -	\$ -	\$ 14,004,706	\$ 9,640,146	\$ 36,743,021	0.42%	1,773.40
2013	-	101,696	13,535,936	-	-	-	73,533	7,068,522	9,925,055	30,704,742	0.36%	1,515.83
2012	-	-	661,796	4,470,000	-	13,458	61,221	-	10,199,963	15,406,438	0.19%	762.92
2011	-	-	728,480	4,615,000	-	66,118	76,586	-	10,464,872	15,951,056	0.21%	816.58
2010	-	47,374	-	4,755,000	-	141,737	-	-	13,856,796	18,800,907	0.26%	923.65
2009	-	93,003	-	4,885,000	-	226,886	-	-	14,575,130	19,780,019	0.28%	956.71
2008	-	197,509	-	5,010,000	-	584,170	-	-	15,125,535	20,917,214	0.30%	999.96
2007	-	260,306	-	7,000,000	-	479,246	-	-	15,651,029	23,390,581	0.34%	1,113.41
2006	-	320,764	-	7,295,000	-	614,203	-	-	16,151,523	24,381,490	0.36%	1,167.58
2005	-	400,433	-	7,410,000	-	447,370	-	-	16,626,891	24,884,694	0.39%	1,200.13

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>Per Capita ⁽²⁾</u>	
	<u>General Obligation Bonds</u>				
2014	\$	-	0.00%	\$	-
2013		-	0.00%		-
2012		-	0.00%		-
2011		-	0.00%		-
2010		-	0.00%		-
2009		-	0.00%		-
2008		-	0.00%		-
2007		-	0.00%		-
2006		-	0.00%		-
2005		-	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
PLEDGED REVENUE COVERAGE
SCHEDULE OF REVENUE BOND COVERAGE
Last Ten Fiscal Years
Unaudited

Fiscal Year	Non-Ad Valorem Revenues ⁽¹⁾	Average Non-Ad Valorem Revenues Avail. for Debt Service	Debt Service Requirements ⁽²⁾			Coverage
			Principal	Interest	Total	
2014	\$ 26,593,384	\$ 26,466,080	\$ 890,954	797,317	\$ 1,688,271	15.68
2013	26,338,776	25,803,342	364,156	460,197	824,353	31.30
2012	25,267,908	25,556,504	497,049	697,060	1,194,109	21.40
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

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

⁽²⁾ Combined Debt Service requirements for Capital Improvement Revenue Note Series 2013 & 2013A, 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	\$ 28,454,000 (1)	10.94%	(3) \$ 3,114,192
Okaloosa County School District			
Certificates of Participation	\$ 47,708,000	31.11%	(2) \$ 14,842,489
Subtotal: Overlapping Debt	<u>\$ 76,162,000</u>		<u>\$ 17,956,681</u>
Direct Debt			
City of Fort Walton Beach Revenue Notes	\$ 13,008,515	100.00%	\$ 13,008,515
City of Fort Walton Beach Lease Payable	\$ 89,654	100.00%	\$ 89,654
Subtotal: Direct Debt	<u>\$ 13,098,169</u>		<u>\$ 13,098,169</u>
Total Direct and Overlapping Debt	<u>\$ 89,260,169</u>		<u>\$ 31,054,850</u>

Source: Okaloosa County, Okaloosa County School Board

- (1) Clerk of Courts financial statements not available for FY 2013-2014, number estimated from FY 2012-2013 information.
(2) Calculation based on total schools in Okaloosa County School District versus schools in Fort Walton Beach.
(3) 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	2014			2005		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	19,754	20.13%	1	20,000	21.16%	1
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	10,495	10.69%	2	8,911	9.43%	2
Okaloosa County School District	Education Services	3,324	3.39%	3	3,865	4.09%	3
Okaloosa County ⁽³⁾	Local Government Services	1,444	1.47%	4	1,440	1.52%	4
Jacobs Technology - TEAS Group ⁽⁴⁾	Military Technical Support	1,000	1.02%	5			
Fort Walton Beach Medical Center ⁽⁴⁾	Medical Services	1,000	1.02%	6	989	1.05%	5
L-3 Cresview Aerospace ⁽⁴⁾	Military Technical Support	800	0.82%	7			
Lockheed Martin Corporation ⁽⁴⁾	Military Technical Support	800	0.82%	8			
InDyne Inc ⁽⁴⁾	Military Technical Support	800	0.82%	9			
Northwest Florida State College	Education Services	738	0.75%	10			
ResortQuest	Property Management		0.00%		850	0.90%	7
DRS Training and Control Systems	Defense Electronics		0.00%		750	0.79%	8
BAE Systems Technical Services	Military Technical Support		0.00%		950	1.01%	6
North Okaloosa Medical Center	Medical Services		0.00%		624	0.66%	9
Sverdup Technologies	Military Technical Support		0.00%		454	0.48%	10
		40,155	41.32%		38,833	41.08%	

⁽¹⁾Includes military, civilian, and contractor personnel; a portion of contractor personnel may be duplicated with private sector employees also listed here.

⁽²⁾Includes military and civilian personnel.

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

⁽⁴⁾Economic Development Council estimated the employee count for largest employers in Okaloosa County for FY14.

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
2014	20,719	189,307	10.94%	\$ 8,775,211	\$ 45,277	4.6%
2013	20,256	186,887	10.84%	8,546,210	44,960	4.7%
2012	20,194	185,803	10.87%	7,913,960	43,132	6.0%
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%

OKALOOSA COUNTY EDUCATION

		FY 2014	FY 2013	FY 2012
Schools:	Grades K-5	18	18	18
	Grades 6-8	7	7	7
	Grades 9-12	4	4	4
	PK-12 / Charter / Alternate	2 / 4 / 10	2 / 4 / 10	2 / 4 / 10
	Grades K-8	1	1	1
	Vocational / Technical	1	1	1
	Exceptional Children	2	2	2
Students:	Grades K-5	12,315	14,197	13,509
	Grades 6-8	6,882	6,698	6,546
	Grades 9-12	8,834	8,917	8,954
	Adult Students	285	310	288
	Exceptional Children	4,282	3,995	4,037
Personnel:	Instructional (Classroom)	1,912	1,888	1,844
	Non-Instructional	1,087	868	933

Source: Office of Economic & Demographic Research, FL Research & Economic Information Database, 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										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
City Manager	2.00	2.00	2.00	2.00	2.00	2.00	3.00	4.00	3.00	3.00
Administrative Services	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Risk Management	-	-	-	-	1.00	1.00	-	-	-	-
Information Technology	2.00	2.00	2.00	2.00	2.75	2.75	3.00	4.00	4.00	4.00
City Clerk	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00	3.00	3.00
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.75	8.00
Purchasing	2.75	2.50	2.50	2.50	2.50	2.00	5.00	5.00	5.00	5.00
Public Safety										
Police	60.99	59.99	70.99	67.99	67.59	68.05	74.05	73.17	72.95	72.95
Fire	37.00	37.00	37.00	37.00	38.00	38.00	39.00	39.00	39.00	33.00
Recreation & Cultural Services										
Administration	12.32	13.45	13.67	13.81	15.93	17.19	32.09	32.64	34.04	34.04
Parks Maintenance	10.00	10.00	11.00	11.00	11.00	11.90	-	-	-	-
Right-of-Way Maintenance	1.00	1.00	1.00	1.00	7.00	8.00	9.00	9.00	9.00	9.00
Senior Citizens Center	1.85	1.85	1.85	1.85	1.85	1.85	2.38	2.58	2.58	2.58
Golf Club	14.26	-	-	-	-	-	-	-	-	-
Golf Grounds Maintenance	15.75	-	-	-	-	-	-	-	-	-
Library	8.02	8.02	8.02	8.10	9.90	9.90	10.60	11.10	11.10	11.10
Museum	3.60	3.60	3.60	2.60	3.85	4.98	5.18	6.01	7.01	7.01
Cemetery	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.00	3.00
Engineering Services										
Administration	4.00	5.00	5.00	5.00	6.00	6.00	7.00	7.00	8.00	10.00
Planning & Zoning	2.00	1.00	1.00	1.00	1.00	-	4.00	4.00	5.00	5.00
Building & Permitting	4.00	4.00	3.70	3.00	3.00	3.00	6.00	6.00	4.00	4.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-	-
Fleet Maintenance	9.00	9.00	8.75	8.75	10.00	11.00	12.00	12.00	12.00	13.00
Facilities Maintenance	7.00	8.00	8.00	8.00	11.00	11.00	10.00	11.00	11.00	11.00
Streets Maintenance	6.00	5.50	5.50	5.50	6.50	6.50	14.50	13.50	15.00	15.00
Community Development Block Grant	0.48	0.48	0.48	0.48	0.48	0.48	0.48	1.48	1.48	1.48
Community Redevelopment Agency	3.00	3.00	3.00	3.00	1.00	1.00	1.00	1.75	1.75	1.00
Utility (Water/Sewer) Enterprise										
Administration	8.00	7.00	7.00	6.75	1.00	2.00	6.00	5.00	5.00	-
Customer Service	5.50	5.50	5.50	5.50	7.50	7.50	8.00	9.00	9.00	8.00
Water Operations	9.00	9.00	9.00	10.00	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
Water Distribution	5.00	5.00	5.00	5.00	6.00	6.00	6.00	7.00	7.00	6.00
Sewer Collections	13.00	13.00	12.00	12.00	11.00	11.00	11.00	12.00	11.00	11.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	18.75	19.62	19.87	21.00	21.00	21.00	22.00
Recycling	1.00	-	-	-	-	-	-	4.00	4.00	4.00
Golf Enterprise										
Golf Club	-	14.26	14.26	14.26	14.26	31.01	36.51	36.56	36.56	36.36
Golf Grounds Maintenance	-	15.75	15.75	15.75	15.75	-	-	-	-	-
Stormwater Enterprise										
Stormwater	6.00	6.00	6.00	6.00	7.00	8.00	-	-	-	-
Total	291.02	289.40	300.07	296.09	312.48	329.48	362.29	375.29	377.22	370.52

Source: City of Fort Walton Beach Adopted Budget for the relevant year.

Note: Golf Enterprise Fund moved to the General Fund in FY14.

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>
2014	247	379	136	194	27
2013	148	188	121	82	26
2012	148	168	102	100	39
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

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

<u>Year</u>	<u>Number Sold</u>
2014	2,402
2013	2,087
2012	1,947
2011	2,269
2010	2,311
2009	2,364
2008	2,426
2007	2,499
2006	2,483
2005	2,496

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	4 Museums
1 Auditorium	23 Playgrounds
6 Baseball-Softball Facilities	1 Racquetball Court Facility
1 BMX/Skateboard Facility	1 Recreation Center
5 Boat Ramps	1 Soccer Field Facility
5 Exercise/Walking Tracks	4 Tennis Court Facilities
1 Fairgrounds	7 Undeveloped Parks
1 Football Stadium	4 Waterfront Parks

Sources: City of Fort Walton Beach Customer Service, Building & Permitting, and Recreation departments.

Note: Change in facility and athletic field totals due to the construction of the new Recreation Center, which will be complete in FY 2015.

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	2,111	383	1,443	264	21
02	BLACKMON	633	145	418	66	4
03	MILLIGAN	1,203	233	744	204	22
04	HOLT	1,132	241	684	187	20
05	LAUREL HILL	986	259	533	175	19
06	GARDEN CITY	2,780	528	1,732	484	36
07	DORCAS	1,420	301	807	288	24
08	HONEY CREEK	3,723	875	2,117	676	55
09	YELLOW RIVER	3,621	747	2,135	681	58
10	WEST WRIGHT	5,576	1,335	2,842	1,274	125
11	EAST CRESTVIEW	6,768	1,506	3,622	1,505	135
12	WEST CRESTVIEW	845	474	199	165	7
13	NORTH CRESTVIEW	3,434	753	2,029	592	60
14	WEST NICEVILLE	2,570	478	1,484	552	56
15	VALPARAISO	2,852	513	1,668	606	65
16	SHALIMAR	2,781	617	1,520	575	69
17	CENTRAL WRIGHT	3,136	815	1,463	791	67
18	OCEAN CITY	2,366	603	1,181	540	42
19*	EAST FWB	1,467	459	615	364	29
20	WEST DESTIN	2,305	436	1,346	464	59
21	MARY ESTHER	2,529	564	1,442	468	55
22*	S CENTRAL FWB	1,926	599	891	404	32
23	EGLIN AFB	546	110	243	179	14
24*	WEST FWB	2,721	744	1,347	580	50
25	N CENTRAL NICEVILLE	1,717	347	1,023	320	27
26	SEMINOLE	2,406	341	1,615	401	49
27	CINCO BAYOU	292	62	151	75	4
28*	GARNIERS	352	63	233	50	6
29*	GOLF COURSE	2,079	319	1,372	351	37
30	OKALOOSA ISLAND	1,396	217	797	339	43
31	LONGWOOD	1,805	285	1,245	249	26
32*	FERRY PARK	2,313	450	1,394	419	50
33	ROCKY BAYOU	4,269	512	3,082	626	49
34	FLOROSA	3,312	747	1,669	818	78
35	NORTH DESTIN	2,883	355	1,855	621	52
36	SOUTH NICEVILLE	2,410	360	1,606	389	55
37	LAKE LORRAINE	2,678	360	1,833	435	50
38	NORTHGATE	2,123	478	1,188	408	49
39	EAST WRIGHT	2,312	575	1,189	507	41
40	SOUTH BLUEWATER	2,820	326	1,983	465	46
41*	N CENTRAL FWB	1,313	239	842	211	21
42*	NEW HEIGHTS	2,212	685	978	501	48
43	S CENTRAL NICEVILLE	2,124	427	1,226	432	39
44	CENTRAL DESTIN	1,730	337	922	439	32
45	SOUTH CRESTVIEW	4,286	957	2,206	1,052	71
46	NORTH BLUEWATER	4,273	545	2,867	779	82
47	WYNNEHAVEN BEACH	1,835	382	896	503	54
48*	WESTWOOD RETIREMENT	162	43	107	11	1
49	EAST DESTIN	2,889	378	1,967	497	47
50	SOUTH DESTIN	2,976	384	1,997	531	64
51	AIRPORT ROAD	1,656	270	1,060	304	22
52	LIVE OAK	3,361	669	1,905	730	57
	Countywide Total	108,870	21,230	63,934	21,656	2,050
	*City Precinct City Total	14,545	3,601	7,779	2,891	274

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
2014	\$ -	\$ 3,604	\$ -	\$ 116,099
2013	-	5,302	-	119,704
2012	-	12,779	-	125,006
2011	-	5,986	-	137,785
2010	-	19,801	-	143,771
2009	-	6,528	-	163,572
2008	-	7,511	-	170,100
2007	218,730	72,576	33.18%	177,610
2006	0.00	1,965	-	31,456
2005	0.00	50,257	-	33,421

⁽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.

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
2014	\$ 6,886,443	20.6%	\$ 6,807,274	20.4%	\$ 5,177,966	15.5%	\$ 3,562,694	10.7%	\$ 3,238,894	9.7%	\$ 1,365,764	4.1%
2013	5,486,237	17.3%	6,355,549	20.1%	4,949,525	15.7%	3,499,459	11.1%	3,078,174	9.7%	1,591,423	5.0%
2012	5,681,589	18.5%	6,482,596	21.1%	4,839,764	15.8%	3,313,559	10.8%	3,052,071	9.9%	1,656,721	5.4%
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%

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 FY14, the Golf Enterprise Fund was transferred into the General Fund.

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⁾	\$8.55	\$10.68	\$8.55	\$10.68	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$8.55	\$10.68	\$8.55	\$10.68	8,891
1.0"	\$8.55	\$10.68	\$8.55	\$10.68	327
1.5"	\$11.63	\$14.53	\$11.63	\$14.53	108
2.0"	\$19.75	\$24.68	\$19.75	\$24.68	220
3.0"	\$30.10	\$37.62	\$30.10	\$37.62	14
4.0"	\$37.62	\$47.02	\$37.62	\$47.02	19
6.0"	\$59.85	\$74.81	\$59.85	\$74.81	0
8.0" or 10.0"	\$89.69	\$112.11	\$89.69	\$112.11	1
Multi-Residential, Addtl per Unit	\$6.33	\$7.91	\$8.55	\$10.68	
					<u>9,580</u>
			Residential Customers ⁽⁶⁾		8,372
			Commercial Customers ⁽⁶⁾		1,108
			Total Customers		<u>9,480</u>

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)	\$2.55	\$3.18
Block 3 (4,001 - 8,000)	\$3.12	\$3.90
Block 4 (8,001 +)	\$4.68	\$5.85

Monthly Wastewater Rates ⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$18.75	
Monthly Base Charge	\$18.75	\$22.50
Gallage Rate (per 1,000 gallons per unit) ⁽⁵⁾		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$5.89	\$7.07

⁽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 25% for water

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

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

⁽⁶⁾Billed in September

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	\$ 6.45	\$ 17.05
Two Containers	21.20	12.80	34.00
Residential Dumpsters, Individual Meters	10.60	6.45	17.05
Commercial			
One Container	28.60	7.25	35.85
Two Containers	57.20	14.55	71.75
Shared Dumpster (minimum charge)	28.60	7.25	35.85
<u>Garbage and Trash Collection</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
2 Cubic Yards			
2 times per week	\$ 60.70	\$ 52.40	\$ 113.10
3 times per week	91.05	78.50	169.55
4 times per week	121.45	104.55	226.00
5 times per week	151.75	130.70	282.45
6 times per week	182.10	156.80	338.90
4 Cubic Yards			
2 times per week	85.70	104.55	190.25
3 times per week	128.55	156.80	285.35
4 times per week	171.40	209.05	380.45
5 times per week	214.25	261.30	475.55
6 times per week	257.10	313.55	570.65
6 Cubic Yards			
2 times per week	112.50	156.80	269.30
3 times per week	168.75	235.20	403.95
4 times per week	224.95	313.55	538.50
5 times per week	281.20	391.90	673.10
6 times per week	337.45	470.35	807.80
8 Cubic Yards			
2 times per week	135.70	209.05	344.75
3 times per week	203.55	313.55	517.10
4 times per week	271.40	418.05	689.45
5 times per week	339.25	522.60	861.85
6 times per week	407.10	627.05	1,034.15
Compactor Commercial Rate x 3 x Bulk Container(s)			
<u>Commercial Recycling</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
4 Cubic Yards			
2 times per week	112.70	-	112.70
3 times per week	169.00	-	169.00
4 times per week	225.35	-	225.35
5 times per week	281.70	-	281.70
6 Cubic Yards			
2 times per week	169.00	-	169.00
3 times per week	253.50	-	253.50
4 times per week	338.00	-	338.00
5 times per week	422.50	-	422.50
8 Cubic Yards			
2 times per week	225.35	-	225.35
3 times per week	338.00	-	338.00
4 times per week	450.70	-	450.70
5 times per week	563.35	-	563.35
Contaminated Load Fee (per dump)			
4 CY	20.00	31.20	51.20
6 CY	20.00	56.10	76.10
8CY	20.00	87.20	107.20

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					Fiscal Year				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Police										
Arrests	873	867	1,042	1,265	1,773	2,298	2,526	2,201	1,916	1,708
Traffic citations	3,119	3,413	3,773	3,246	6,207	6,430	7,211	5,171	5,399	5,633
Fire										
Emergency medical responses	3,278	3,231	3,197	3,041	2,791	2,645	2,484	2,567	2,441	1,671
Fire responses	1,389	1,277	1,288	1,224	1,158	477	479	517	335	403
Inspections	700	800	758	1,431	2,040	2,863	3,277	3,319	2,605	1,658
Code Enforcement										
Code violations	1,766	2,118	2,158	2,456	2,426	2,513	2,108	1,793	1,914	1,674
Engineering Services										
Building permits issued	n/a	n/a	n/a	n/a	n/a	1,429	1,582	1,710	2,341	3,151
Residential building permits issued	1,220	1,095	697	588	630	n/a	n/a	n/a	n/a	n/a
Commercial building permits issued	310	457	164	284	380	n/a	n/a	n/a	n/a	n/a
Value of permits (in millions)	n/a	n/a	n/a	n/a	n/a	\$46.20	\$37.40	\$28.70	\$31.10	\$61.70
Value of residential permits (in millions)	\$ 16	\$ 15	\$ 9	\$ 10	\$ 7	n/a	n/a	n/a	n/a	n/a
Value of commercial permits (in millions)	\$ 27	\$ 23	\$ 9	\$ 7	\$ 7	n/a	n/a	n/a	n/a	n/a
Street resurfacing (lane miles)	0.16	-	1.70	2.25	5.71	1.53	0.78	0.46	2.25	3.55
Pot holes (hours spent repairing)	528	813	989	1,014	617	1,257	1,476	1,022	713	861
Sanitation										
Refuse collected (tons)	26,102	24,059	25,374	25,332	25,676	25,485	27,873	28,374	28,446	34,378
Recyclables collected (tons)	754	615	375	251	161	150	112	367	400	385
Culture and Recreation										
Parks and Recreation										
Recreation program participants ⁽³⁾	n/a	n/a	92,267	106,486	103,121	116,565	118,890	125,697	120,329	86,312
Recreation program registrations	651	571	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Adult athletic participants ⁽³⁾	n/a	n/a	6,728	9,003	10,009	11,406	14,591	14,669	14,239	1,155
Adult athletic registrations	426	467	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Youth athletic participants ⁽³⁾	n/a	n/a	14,548	13,038	12,525	14,211	15,570	14,418	14,254	1,674
Youth athletic registrations	1,347	1,253	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Skate/tennis park participants ⁽⁴⁾	n/a	n/a	13,114	18,291	15,297	18,480	24,100	29,088	29,396	24,741
Library										
Circulation volume	145,684	142,888	139,196	126,146	135,314	142,148	137,002	126,271	124,489	118,368
Museum										
Number of visitors/participants ⁽¹⁾	19,461	22,901	21,480	28,200	39,935	47,700	45,168	28,916	30,144	31,531
Water System										
New connections	27	26	39	18	27	16	20	30	32	37
Water customers	9,480	9,279	8,846	8,804	8,795	8,741	8,927	8,996	8,966	8,984
Water produced (million gallons)	884	855	868	899	897	943	963	1,071	1,127	1,046
Wastewater System										
Wastewater treated (million gallons) ⁽²⁾	-	-	-	-	381	769	916	796	839	1,164

⁽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

⁽³⁾FY 2012-2013 total participants was changed to total registrations

⁽⁴⁾FY 2012-2013 numbers were not required to be collected for the BMX Park or the Tennis Center

Source: City of Fort Walton Beach Performance Measures.

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

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	43	43	51	48	49	49	55	53	52	N/A
Engineering Services										
Miles of roads	93.12	93.12	93.06	92.65 ⁽²⁾	112.76	112.76 ⁽¹⁾	99.35	98.50	98.50	98.50
Miles of sidewalks	64.73	64.05	63.93	62.80	62.11	61.35	61.32	60.92	60.82	N/A
Signs fabricated and installed	918	785	935	976	910	1,110	1,223	1,481	1,412	1,509
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	116 ⁽⁷⁾	117 ⁽⁴⁾	122	122	122 ⁽³⁾	91	90	90	89	82
Parks (acres)	180.26	180.26	180.26	180.26	180.26	180.26	180.26	180.26	173.58	143.55
Library										
Inventoried collection	72,729	74,649	74,448	72,873	74,317	73,641	71,006	69,061	68,064	67,517
Water and Sewer System										
Potable water lines (miles)	146.25	145.9 ⁽⁵⁾	118.63	118.57	118.52	118.10	118.09	118.09	115.95	115.69
Sanitary sewer lines (miles)	130.32 ⁽⁵⁾	118.76	118.76	118.76	118.77	118.77	118.77	118.77	118.77	118.64
Reuse water lines (miles)	7.10	7.14	3.82	3.82	3.82	4.14	4.14	4.14	4.14	2.19
Potable Water Elevated Storage Tank Capacity: 1 ⁽⁶⁾ tank 200,000 gal; 1 tank 750,000 gal; 2 tanks 500,000 gal										
Potable Water Ground Storage Tank Capacity: 1 tank 135,000 gal; 1 tank 250,000 gal; 1 tank 1,000,000 gal; 1 tank 25,000 gal										
Pumping Capacity of Potable Water Wells: 9.231 million gallons per day										
Sanitary Sewer Ground Storage Tank Capacity: 4,000,000 gal										
Reuse Water Elevated Storage Tank Capacity: 1 tank 200,000 gal										
Reuse Water Ground Storage Tank Capacity: 1 tank 1,000,000 gal										
Stormwater System										
Storm drains (miles)	42.05	42.01	41.64	41.64 ⁽²⁾	45.70	45.66 ⁽¹⁾	34.73	34.73	34.73	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.

⁽⁴⁾ Decrease due to demolition of the Rec Center and fields.

⁽⁵⁾ Increase due to better data output from GIS system.

⁽⁶⁾ One elevated tank with 200,000 gallon capacity was converted to reuse water.

⁽⁷⁾ Decrease due to sale of Senior Center. New Recreation Center will be open mid FY 2015.

N/A: Not available.

Source: City of Fort Walton Beach Performance Measures.

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
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>
10/12/14 to 10/12/15	Wright National	1150113370	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 16,300 C	4th Avenue & Carson Chester Pruitt Building
10/12/14 to 10/12/15	Wright National	1150113362	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 23,500 C	50 Ferry Road Docie Bass Recreation Building
10/12/14 to 10/12/15	Wright National	1150113371	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 84,500 C	14 Robinwood Drive SW Sanitation Building
10/12/14 to 10/12/15	Wright National	1150167295	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/14 to 10/12/15	Wright National	1150113360	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 260,100 C	#5 Hollywood Boulevard Fire Department
10/12/14 to 10/12/15	Wright National	1150113366	Fisher-Brown Agency	Flood	\$ 366,100 B \$ 31,100 C	Memorial Parkway Senior Citizens Building
10/12/14 to 10/12/15	Wright National	1150113367	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/14 to 10/12/15	Wright National	1150113368	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/14 to 10/12/15	Wright National	1150113361	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber
10/12/14 to 10/12/15	Wright National	1150113365	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building
10/12/14 to 10/12/15	Wright National	1150113363	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building
10/12/14 to 10/12/15	Wright National	1150113369	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 51,200 C	141 Miracle Strip Parkway City Museum
10/12/14 to 10/12/15	Wright National	1150113364	Fisher-Brown Agency	Flood	\$ 324,200 B 7,900 C	22 McGriff Street Child Care Facility
12/02/14 to 12/02/15	Wright National	1150164378	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom, East of Pavillion

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
						Liza Jackson Park
12/02/14 to 12/02/15	Wright National	1150164379	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/14 to 05/17/15	Wright National	1150342974	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/14 to 07/23/15	Wright National	1150518779	Fisher-Brown Agency	Flood	\$ 266,200 B \$ 33,600 C	18 Robinwood Drive Pump Station #1
06/23/14 to 06/23/15	Wright National	1150458831	Fisher-Brown Agency	Flood	\$ 55,000 B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/14 to 10/01/15	AIG Environmental Tank Guard	PEC002924704	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 1,000,000/agg	Golf Course, Police, City Yard, Fuel Station Pump Station
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Inland Marine	\$ 555,260 \$ 250,000 \$ 2,237,476 \$ 588,532 \$ 250,000 \$ 231,933 \$ 318,276 \$ 255,211	Fine Arts Rented, Borrowed, Leased Equipment Contractor's Mobile Equipment EDP/Minicomputer/Word Processor Valuable Papers Other Inland Marine Emergency Svcs Portable Equipment Communication Equipment
09/16/14 to 09/16/15	Hartford	21BSBDB7459	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
04/18/14 to 04/18/15	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Money & Securities	\$ 10,000	

City of Fort Walton Beach, Florida
SCHEDULE 25
INSURANCE COVERAGE
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>
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurance
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Property	\$ 45,451,357	Blank Real & Personal Property
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Property	\$ 500,000 500,000	Business Income Additional Expense
10/01/14 to 10/01/15	PGIT	WC-FL1046200313-04	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Public Officials Empl. Practice	\$ 5,000,000 5,000,000	
10/01/13 to 10/01/15	Federal Insurance	9906-62-32	LB Bryan & Co. Mutual of Omaha	AD&D	\$ 59,695 \$ 59,695 \$ 179,085	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/14 to 10/01/15	PGIT	PKFL1046200313-09	Public Risk Insurance Agency	Boiler & Machinery	\$ 45,451,357	
05/01/14 to 05/01/15	Travelers	105927344	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees and Fire

Source: City of Fort Walton Beach Risk Management Department

IV. COMPLIANCE SECTION

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

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

State Agency Pass-Through Entity State Project	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Environmental Protection			
Direct program			
Wastewater Treatment Facility Construction	37.077	WW284100	<u>\$ 4,308,766</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 4,308,766</u></u>

See notes to the schedule of expenditures of state financial assistance.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. BASIS OF PRESENTATION

Description of City

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the City of Fort Walton Beach, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements described in Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Fort Walton Beach, Florida's basic financial statements and have issued our report thereon dated February 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Fort Walton Beach, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Walton Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
February 19, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major State Project

We have audited City of Fort Walton Beach, Florida's compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of City of Fort Walton Beach, Florida's major state projects for the year ended September 30, 2014. City of Fort Walton Beach, Florida's major state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Fort Walton Beach, Florida's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about City of Fort Walton Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of City of Fort Walton Beach, Florida's compliance.

Opinion on Each Major State Project

In our opinion, City of Fort Walton Beach, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of City of Fort Walton Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fort Walton Beach, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Fort Walton Beach, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
February 19, 2015

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*? _____ Yes X No

Identification of major programs:

CSFA Number	Name of State Project
37.077	Water Treatment Facility Construction

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

\$ 300,000

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

II. FINANCIAL STATEMENT FINDINGS

The results of our audits of the City of Fort Walton Beach, Florida did not disclose any findings required to be reported under Chapter 10.550, *Rules of the Auditor General*.

(THIS PAGE INTENTIONALLY LEFT BLANK.)

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

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

We have examined the City of Fort Walton Beach, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2014.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Fort Walton Beach, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2014.

Warren Averett, LLC

Fort Walton Beach, Florida
February 19, 2015

(THIS PAGE INTENTIONALLY LEFT BLANK.)

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Fort Walton Beach, Florida (the City), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 19, 2015.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10,550, *Rules of the Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*; the Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in this report, which are dated February 19, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of 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.

Official Title and Legal Authority - Continued

The present charter was enacted in 1953 as Chapter 29093, Laws of Florida. The City 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. Utilizing the standards set forth in GASB 61, 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, 2014. 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.

Financial Condition

Section 10.554(1)(i)5.,a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), *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.

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City, for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Council Members, and applicable management, 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.

Warren Averett, LLC

Fort Walton Beach, Florida
February 19, 2015