

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

WELCOME  
TO THE  
FWB RECREATION CENTER



---

CITY OF FORT WALTON BEACH, FLORIDA  
WITH COMPLIANCE MATTERS AND RESPONSES  
FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

CITY OF FORT WALTON BEACH, FLORIDA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE  
FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

PREPARED BY:

THE FINANCE DEPARTMENT  
*Brandy L. Ferris, Finance Director*  
CITY OF FORT WALTON BEACH  
107 MIRACLE STRIP PARKWAY  
FORT WALTON BEACH, FLORIDA 32548  
[WWW.FWB.ORG](http://WWW.FWB.ORG)

# **CITY OF FORT WALTON BEACH, FL**

## **City Council**



Left to right (standing):

Scott Smith (Seat 1), Diane Keller (Seat 2), Amy Jamieson (Seat 5),  
MG Moran (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**

Finance Director – Brandy Ferris

Engineering & Utility Services – Tim Bolduc

Fire Services – Ken Perkins, Chief

Human Resources – Tarey Franxman

Police Services – Ted Litschauer, Chief

Recreation & Cultural Services – Jeff Peters

**CITY OF FORT WALTON BEACH, FLORIDA  
TABLE OF CONTENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

---

	Page
<b>CITY OFFICIALS</b>	
<b>I. INTRODUCTORY SECTION</b>	
Table of Contents	i
Letter of Transmittal	
City Manager and Finance Director	iv
GFOA Certificate of Achievement	xi
Organizational Chart	xii
<b>II. FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	1
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>B. BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	16
Statement of Activities	17
<b>Fund Financial Statements</b>	
<u>Governmental Funds</u>	
Balance Sheet	18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Redevelopment Agency	23
<u>Proprietary Funds</u>	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
<u>Fiduciary Funds</u>	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
<b>Notes to the Financial Statements</b>	31

**CITY OF FORT WALTON BEACH, FLORIDA  
TABLE OF CONTENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

---

	<u>Page</u>	<u>Schedule</u>
<b>II. FINANCIAL SECTION (CONTINUED)</b>		
<b>C. REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>		
<b>Pension Schedules</b>		
Schedules of Changes in the City's Net Pension Liability and Related Ratios	82	
Schedule of Contributions	85	
Notes to the Schedule of Contributions – General Employees' Retirement Fund	86	
Notes to the Schedule of Contributions – Police Officers' Retirement Fund	88	
Notes to the Schedule of Contributions – Firefighters' Retirement Fund	90	
Schedule of Funding Progress (OPEB)	91	
<b>D. COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>		
<b>Non-Major Governmental Funds</b>		
Combining Balance Sheet	92	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	93	
<i>Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</i>		
Law Enforcement Trust Special Revenue Fund	94	
Law Enforcement Trust Training Special Revenue Fund	95	
Florida Building Code Special Revenue Fund	96	
Community Development Block Grant Special Revenue Fund	97	
Beal Memorial Cemetery Perpetual Care Special Revenue Fund	98	
Debt Service Fund	99	
<b>Non-Major Fund – Enterprise Fund</b>		
Statement of Net Position	100	
Statement of Revenues, Expenses and Changes in Net Position	101	
Statement of Cash Flows	102	
<b>III. STATISTICAL SECTION (UNAUDITED)</b>		
Net Position by Component	103	1
Changes in Net Position	104	2
Fund Balances – Governmental Funds	106	3
Changes in Fund Balances – Governmental Funds	107	4
Revenues and Other Sources	108	5
Assessed Value of Taxable Property	109	6

**CITY OF FORT WALTON BEACH, FLORIDA  
TABLE OF CONTENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

---

	Page	Schedule
<b>III. STATISTICAL SECTION (UNAUDITED)</b>		
Property Tax Rates Per \$1,000 of Taxable Value - All Direct and Overlapping Governments	110	7
Principal Taxpayers	111	8
Property Tax Levies and Collections	112	9
Ratios of Outstanding Debt by Type	113	10
Ratio of Net General Bonded Debt Outstanding	114	11
Pledged Revenue Coverage – Schedule of Revenue Bond Coverage	115	12
Direct and Overlapping Governmental Activities Debt – General Obligations	116	13
Major Employers	117	14
Miscellaneous Demographical Statistics	118	15
Full-Time Equivalent Employees by Function/Program	119	16
Permits, Licenses and Recreation Facilities	120	17
Elections - Okaloosa County Voter Registration	121	18
Special Assessment Billings and Collections	122	19
Major Revenue Sources	123	20
Water and Wastewater Service Rates	124	21
Sanitation and Recycling Service Rates	125	22
Operating Indicators by Function/Program	126	23
Capital Asset Statistics by Function/Program	127	24
Insurance Coverage	128	25
<b>IV. COMPLIANCE SECTION</b>		
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill	131	
Schedule of Expenditures of State Financial Assistance	132	
Notes to the Schedule of Expenditures of State Financial Assistance	133	
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>	134	
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>	136	
Schedule of Findings and Questioned Costs	138	
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	139	
Management Letter	140	

**(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](http://www.fwb.org)



March 2, 2016

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, 2015, 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, 2015, 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, 2015, 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: 64.73 miles
TAXABLE ASSESSED VALUE: \$1,187,115,131	WATER & SEWER LINES: 283.67 miles
CITY MILLAGE RATE: 5.7697	STORM DRAIN: 42.05 miles
POPULATION: 20,869	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 319 positions, 292.03 FTE’s	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 43	18-HOLE GOLF COURSES: 2
FIREFIGHTING PERSONNEL: 36	ACRES OF PARKS: 206

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 20,869 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 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.



First Schoolhouse

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. Outside of downtown, the City completed construction of a new recreational complex, which has added to the attraction of the City.



Fort Walton Beach Recreation Complex



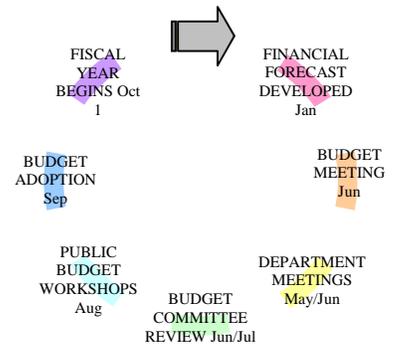
Fort Walton Landing

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 budget process begins in January with the Finance Director and Budget & Grants Analyst developing five-year financial forecasts for the General and Enterprise Funds, including best, likely, and worst-case scenarios. Revenue assumptions are developed using financial forecasting software to analyze historical trends and account for any anticipated major economic or legislative changes. Revenue projections are continually updated until the budget is adopted to ensure the amounts are based on the most current information available. Expenditure assumptions are similarly developed in the forecast model considering relevant benchmark indices such as the municipal cost index, consumer price index, and producer price index. New programs and projects are also included to determine the future impact of current financial decisions.

In March, the City Council, acting as the Legislative Body of the City holds a Strategic Planning Session. The goals set during this meeting, are used by staff to formulate the budget policy items that are presented to City Council in June and then utilized to prepare the Budget. A Budget Meeting is held with City Council in June to determine Council's priorities and position issues specific to development of the operational and capital budgets for the upcoming fiscal year. City Council's decisions provide the framework under which the budget is prepared to meet City Council's programmatic objectives within available fiscal resources projected in the five-year forecasts. The meeting is open to the public and the public is encouraged to attend and participate.



Department Directors are responsible for identifying their staffing needs, operational funding needs within budget development parameters, five-year capital requests, as well as corresponding revenue sources to fund their needs. In addition, they must conduct a comprehensive review of departmental goals, objectives, and metrics.

The City Charter charges the City Manager with the duty of presenting a balanced budget to City Council. In order to accomplish this goal, a Budget Committee is formed comprised of the City Manager, Finance Director, and Financial Analyst. The Committee conducts comprehensive meetings with Department Directors to review their budget requests and a collaborative effort is undertaken to achieve City Council and department goals within fiscal constraints. The Budget Committee enlists assistance for areas of specialized interests, such as the Information Technology Manager for computer issues and the Human Resources Manager for personnel and risk management issues. Department goals, objectives, and metrics are also evaluated during budget development to determine the effectiveness of program activities and appropriate funding levels. After the departmental meetings, the Budget Committee finalizes the proposed budget given revenue projections, economic conditions, funding requirements, and City Council program priorities and issues previously identified in the budget process. Once a balanced budget is achieved, it is presented to City Council for consideration.

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 22 & 23 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 92.

## **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 2015-16, 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 3.32% 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 2016. The City's budget for fiscal year 2016 totals \$37.8 million, which is \$647,397 higher than the fiscal year 2015 approved budget, due to increased operating expenses throughout the City. The 2016 budget allocates \$19.2 million, a 3.08% increase as compared to the fiscal year 2015 budget, to the General fund, \$14.9 million to the Enterprise funds, and \$3.7 million to other funds.

For the fiscal year 2016 budget, the ad valorem rate was maintained at 5.7697 mills. A 9.5% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.75. No other significant changes to the City's various rate and fees are included in the fiscal year 2016 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, 2014. This was the twenty-ninth 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, 2015. This was the twentieth 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,

A handwritten signature in black ink, appearing to read "M. Beedie", written in a cursive style.

Michael D. Beedie, PE  
City Manager

A handwritten signature in black ink, appearing to read "B. Ferris", written in a cursive style.

Brandy L. Ferris, CPA  
Finance Director

**(THIS PAGE INTENTIONALLY LEFT BLANK.)**



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, 2014**

Executive Director/CEO

# Citizens of Fort Walton Beach

City  
Council

City Clerk  
2.50 FTE

City Manager  
3.00 FTE

City Attorney

Administrative  
Services  
5.00 FTE

Engineering & Utility  
Services  
99.48 FTE

Financial  
Services  
14.25 FTE

Fire  
Services  
38.00 FTE

Police  
Services  
61.38 FTE

Recreation  
Services  
68.44 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

## 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, 2015, 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 auditors' 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, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 20, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-15, the Schedules of Changes in the City's Net Position Liability and Related Ratios on pages 82-84, the Schedule of Contributions on page 85, the Notes to the Schedule of Contributions on pages 86-90, and the Schedule of Funding Progress for other post-employment benefits on page 91 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 March 2, 2016, 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  
March 2, 2016

## 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, 2015. 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 and deferred outflows of the City of Fort Walton Beach exceeded its liabilities and deferred inflows by \$54.3 million (net position). Of this amount, \$10.8 million represents unrestricted assets that are available to meet the City's ongoing obligations to citizens and creditors.
- Combined with beginning balance restatement of (\$13.4) million, the government's net position decreased by \$11.0 million, primarily attributable to the implementation of Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment to Statement 27* and GASB 71. These Statements enhance the financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These statements require 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. As predicted, the implementation has had a significant impact on the financial position and changes in net position of the City.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds reported combined ending fund balances of \$14.5 million, a decrease of \$5.2 million in comparison with the prior year. This decrease is related to the use of prior year restricted fund balance to complete the new City of Fort Walton Beach Recreation Complex. Approximately 80.4% of this amount, or \$11.6 million, is available for spending at the discretion of City Council.
- At the end of the fiscal year, committed, assigned, and unassigned fund balance for the General Fund was \$9.4 million, or 41.3% of total General Fund expenditures.
- The City of Fort Walton Beach's total debt decreased by \$130,727, or 0.4%, during the fiscal year. This decrease is related to the refunding of the 2001 Capital Improvement Revenue Note.

### 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 16-17 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 18-23 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 22 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 24-28 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 29-30 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 31 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 and other post-employment benefits to its employees. The required supplementary information is found on pages 82-91 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 92 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. Assets and deferred outflows of the City of Fort Walton Beach exceeded its liabilities and deferred inflows by \$54.3 million, as reported in Table 1. Combined with beginning balance restatement of (\$13.4) million, the government's net position decreased by \$11.0 million for the fiscal year ended September 30, 2015.

By far, the largest portion of the City's assets, \$40.3 million or 74.3%, 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, 5.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10.8 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	
	2015	2014	2015	2014	2015	2014
Current & Other Capital Assets	\$17,462	\$22,896	\$14,319	\$13,717	\$31,781	\$36,613
Capital Assets	39,950	34,054	35,973	37,162	75,923	71,216
Total Assets	57,412	56,950	50,292	50,879	107,704	107,829
Deferred Outflow of Resources	2,242	-	514	-	2,756	-
Long-Term Liabilities						
Outstanding	25,814	13,812	24,934	23,745	50,748	37,557
Other Liabilities	3,004	2,734	1,705	2,246	4,709	4,980
Total Liabilities	28,818	16,546	26,639	25,991	55,456	42,537
Deferred Inflow of Resources	638	-	83	-	721	-
Net Position						
Net Investment in Capital Assets	27,444	24,866	12,887	13,779	40,330	38,645
Restricted	2,595	4,837	540	1,450	3,135	6,288
Unrestricted	160	10,701	10,657	9,659	10,817	20,360
Total Net Position	\$30,199	\$40,404	\$24,084	\$24,888	\$54,282	\$65,292

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

**Table 2**  
**Statement of Activities**

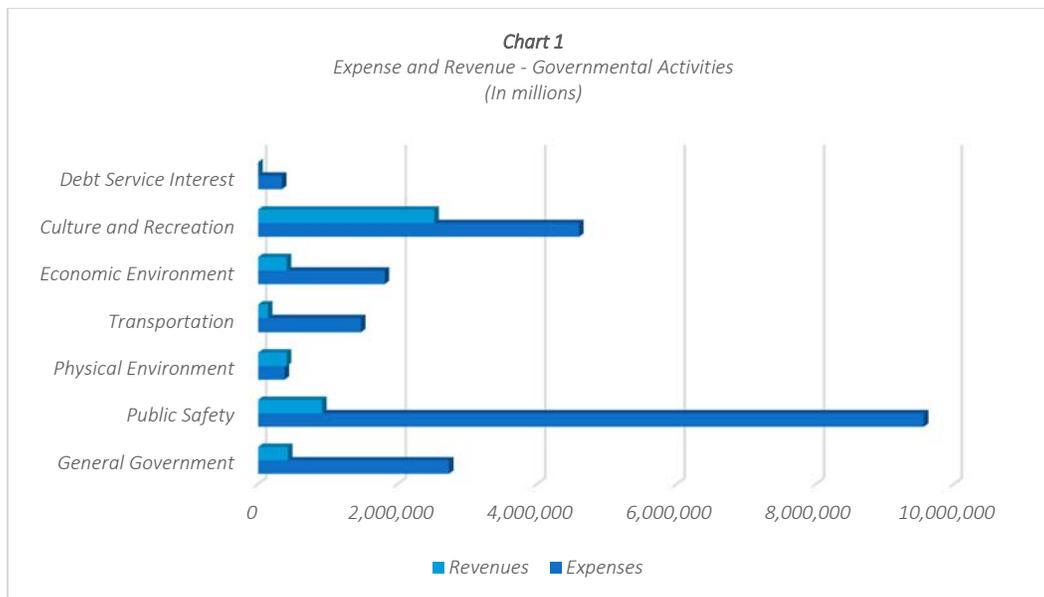
	Governmental Activities		Business-Type Activities		Total Activities	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenue:</b>						
Charges for Services	\$3,397,559	\$3,342,068	\$13,510,406	\$12,753,215	\$16,907,965	\$16,095,283
Operating Grants & Contributions	909,461	682,200	-	-	909,461	682,200
Capital Grants & Contributions	525,320	109,629	87,797	(157,294)	613,117	(47,665)
<b>General Revenue:</b>						
Property Taxes	5,473,438	5,385,235	-	-	5,473,438	5,385,235
Other Taxes	6,593,071	6,252,166	-	-	6,593,071	6,252,166
Tax Increments for Redevelopment	1,552,560	1,501,208	-	-	1,552,560	1,501,208
Other Revenue	4,056,026	3,793,529	169,699	85,321	2,063,108	3,878,850
<b>Total Revenues</b>	22,507,435	21,066,035	13,767,902	12,681,242	34,112,720	33,747,277
<b>Expenses</b>						
<b>Primary Government</b>						
General Government	2,735,875	3,179,768	-	-	2,735,875	3,179,768
Public Safety	9,562,140	9,685,621	-	-	9,562,140	9,685,621
Physical Environment	379,334	392,255	-	-	379,334	392,255
Transportation	1,474,209	1,495,374	-	-	1,474,209	1,495,374
Economic Development	1,813,782	803,175	-	-	1,813,782	803,175
Culture & Recreation	4,601,503	4,829,004	-	-	4,601,503	4,829,004
Debt Service Interest	340,497	483,301	-	-	340,497	483,301
<b>Business-Type Expenses</b>						
Utilities	-	-	9,205,259	9,185,338	9,205,259	9,185,338
Sanitation	-	-	3,319,760	3,393,269	3,319,760	3,393,269
Golf	-	-	-	2,215	-	2,215
Other	-	-	460,314	439,191	460,314	439,191
<b>Total Expenses</b>	20,907,340	20,868,498	12,985,333	13,020,013	33,892,673	33,888,511
Increase/(Decrease) in Net Position before Transfers	1,600,095	197,537	782,569	(338,771)	2,382,664	(141,234)
Transfers	657,558	2,851,638	(657,558)	(2,851,638)	-	-
<b>Increase/(Decrease) in Net Position</b>	2,257,653	3,049,175	125,011	(3,190,409)	2,352,664	(141,234)
Net Position – Beginning	\$40,404,449	37,355,274	\$24,888,091	28,078,500	65,292,540	65,433,774
Restatement	(12,463,443)	-	(929,355)	-	(13,392,798)	-
<b>Net Position – Ending</b>	\$30,198,659	\$40,404,449	\$24,083,747	\$24,888,091	\$54,282,406	\$65,292,540

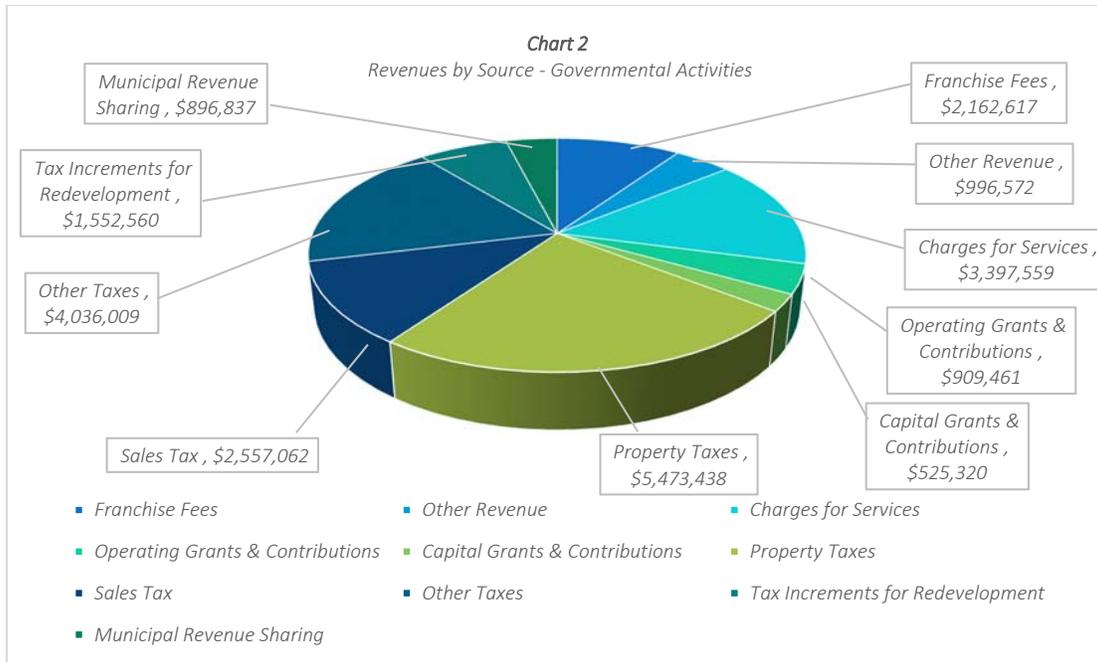
Combined with beginning balance restatement of (\$13.4) million, the government's net position decreased by \$11.0 million during the fiscal year. Both governmental and business activities experienced a decrease, primarily attributable to the implementation of Governmental Accounting Standards Board Statement (GASB) 68, Accounting and Financial Reporting for Pensions – an amendment to Statement 27 and GASB 71.

## Current Year Impacts – Governmental Activities

Governmental activities decreased the City’s net position, combined with beginning balance restatement (\$12.5 million) by \$10.2 million for the fiscal year ended September 30, 2015. Key elements of this change are as follows:

- Restatement of the beginning net position, due to the implementation of GASB 68 and 71 attributed to a \$12.5 million decrease.
- Operating and Capital grants increased net position by \$642,952 due to an Assistance to Firefighters grant for a new station alert system, as well a Department of Economic Opportunity grant that enabled the City to complete the Bud & Dorie Day Trail.
- Other taxes increased due to the levy by Okaloosa County of a second local option fuel tax, which contributed an additional \$250K to net position. Franchise fee revenue saw a 7.9% increase, primarily attributable to an increase in fuel prices during FY 2014-15.
- Economic development expenses increased \$1.0 million, or 125.8%, as a result of an increase in the number and amount of economic incentive grants being provided through the Community Redevelopment Agency (CRA), as well as the use of fund balance in the CRA to begin or complete construction on several projects.
- Debt service expenses decreased as the City took advantage of lower interest rates and refunded its previously outstanding 2001 Capital Improvement Revenue Bond.
- Overall, expenses for governmental activities remained relatively flat when compared to the prior year, while related revenue increased \$1.4 million, or 6.8%, as a result of the City’s focus on future sustainability of programs and services.

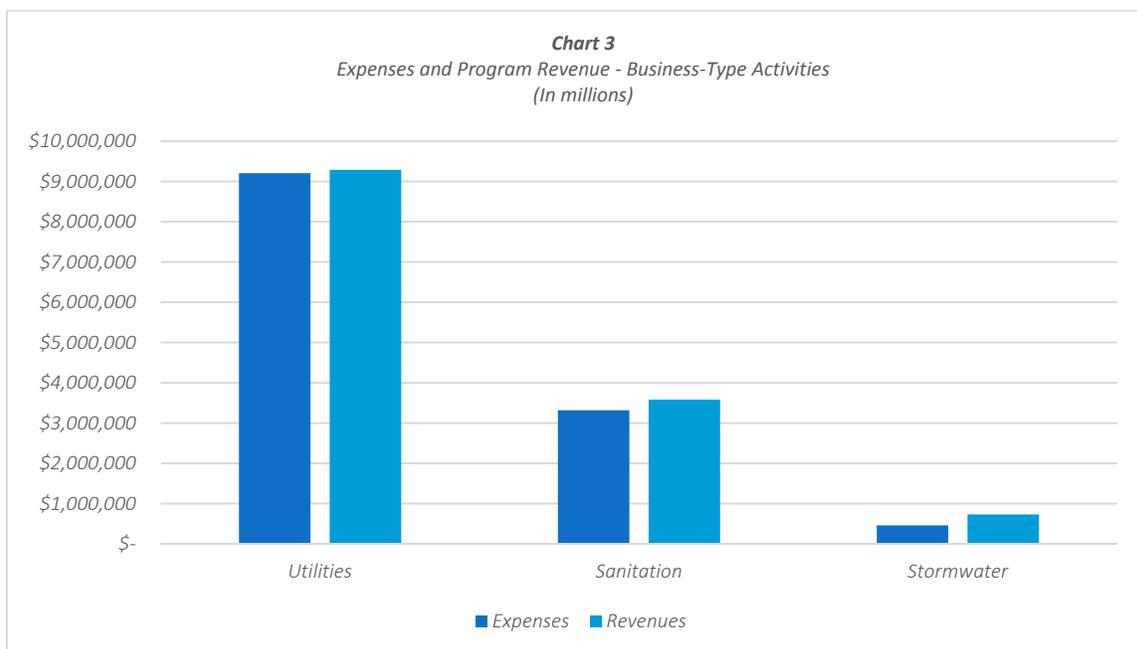


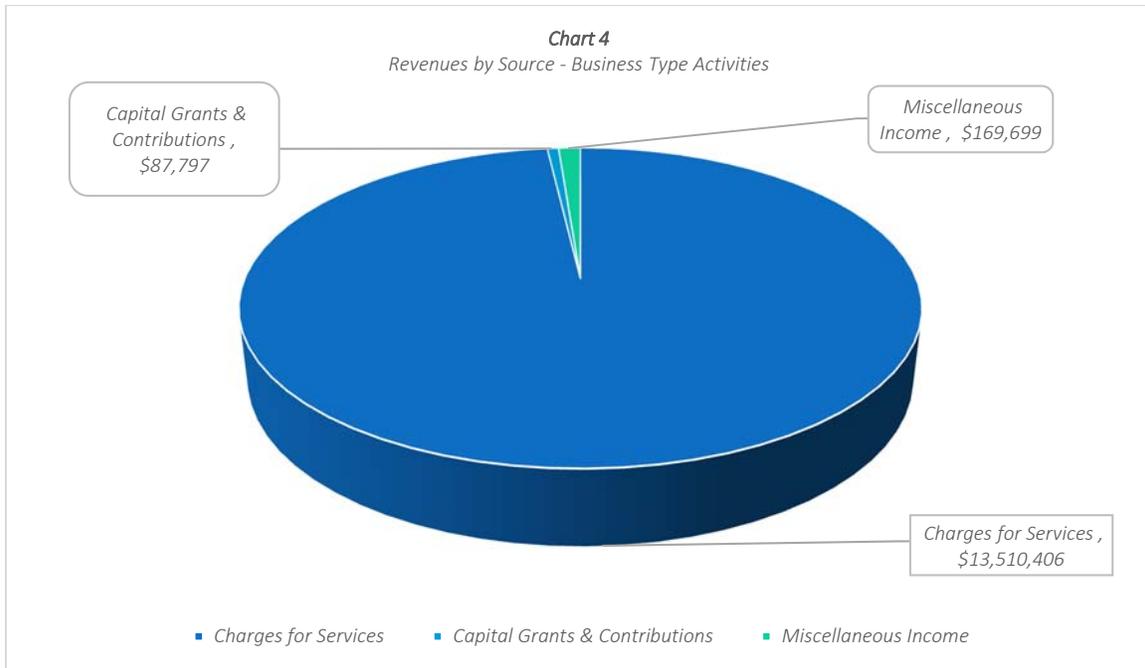


### Current Year Impacts – Business-Type Activities

Business-type activities decreased the City’s net position, combined with beginning balance restatement (\$929,355), by \$804,344 for the fiscal year ended September 30, 2015. Key elements of this change are as follows:

- A \$929,355 decrease as a result of recording the net pension liability required by new GASB Standards.
- Charges for services increased slightly by 5.9%, as a result of the implementation of the Utility and Stormwater Rate Study. Overall, expenses for the business-type activities of the City remained relatively flat, resulting in current year income exceeding expenses by \$125,011.





## 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, 2015, the City of Fort Walton Beach's governmental funds have combined ending fund balances of \$14.5 million, a decrease of \$5.2 million in comparison with the prior year. Approximately 80.4% of this amount, or \$11.6 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 18 of this report, as well as in Note 17.

The General Fund is the chief operating fund of the City. At the end of this fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$9.4 million, while total fund balance reached \$9.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed, assigned, and unassigned fund balance and total fund balance to total expenditures. This amount represents 41.3% of the total General Fund expenditures, while total fund balance represents 43.2% of that same amount.

During the 2015 fiscal year, the fund balance of the City's General Fund decreased by \$3.0 million. This decrease was primarily related to the use of prior year restricted fund balance to complete the new City of Fort Walton Beach Recreation Complex using the Capital Improvement Revenue Note funds that were designated for the construction of the new recreation complex.

The Community Redevelopment Agency Fund's fund balance decreased by \$2.2 million. This decrease is a direct result of City Council's ongoing mission to improve and stimulate economic development through public-private partnerships and development grants.

### **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 \$10.4 million at September 30, 2015, of which the Utilities Fund amounted to \$7.7 million, the Sanitation Fund totaled \$2.1 million, and the Stormwater Utility Fund was \$687,429. 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**

For the fiscal year ended September 30, 2015, the General Employees' Retirement Fund's funded ratio, an indicator of funding status, remained constant at 92.8% based on the 2015 measurement date. Employees' contribute 5% of pay to the Plan and the City contributed \$1.4 million, or 31.5% of payroll.

The Firefighters' Pension Trust Fund's funded ratio decreased from 68.5% to 67.7% over the previous fiscal year based on the 2015 measurement date. Employees' contribute 8.0% of pay to the Plan and the City contributed \$672,369, or 32.7% of payroll.

The Police Officers' Retirement Fund's funded ratio increased from 81.4% to 83.5% over the previous fiscal year based on the 2015 measurement date. Employees' contribute 5% of pay to the Plan and the City contributed \$597,269, or 27.4% of payroll. Additional information on the pension plans can be found on pages 50-64 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 65 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 22 of the financial statements.

Differences between the original budget and the final amended budget were \$945,440. Significant information related to this difference is summarized as follows:

- The City added expenditures for the construction of a new recreation complex, which were offset by donations received in the amount of \$283,904.
- City Council approved a loan from the Sanitation Fund to the General Fund, which enable the City to purchase a new Fire Pumper, the first payment of which was recorded in FY 2014-15 in the amount of \$78,419.
- In April 2014, the City experiences a natural disaster in the form of intense flooding. The City received Federal Emergency Management funds to offset a portion of the cost of the repairs related to this disaster in the amount of \$77,430.

- The City received State pension contributions in excess of what was originally budgeted in the amount of \$77,615, for both the police and fire defined benefit pension plans.
- The City incurred expenses that were funded by excess unassigned fund balance in the amount of \$360,374 for police vehicles, emergency management generator, final changes to the Police Department's pay and classification study, closing costs and commission fees related to the sell and/or lease of vacant City property, and fitness equipment for the new Recreation Complex.
- The City was the recipient of several grants during the fiscal year totaling \$153,417.

Actual results, when compared to the final budget, show a variance of \$1.2 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, 2015, was \$40.3 million (net of accumulated depreciation and related debt). This represents a net increase of \$1.7 million, or 4.4%. 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,
- The City's Community Redevelopment Agency (CRA) purchased land to be used for parking and/or future development.
- The City completed construction of a new recreation complex and placed the building into service in the fiscal year.

**Table 3**  
Total Capital Assets  
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<i>Land</i>	\$11,048,842	\$9,936,698	\$709,678	\$709,678	\$11,758,520	\$10,646,376
<i>Buildings</i>	13,563,822	7,359,920	129,335	143,929	13,693,157	7,503,849
<i>Improvements other than Buildings</i>	6,702,488	5,840,259	30,585,879	31,197,741	37,288,367	37,038,000
<i>Infrastructure</i>	3,953,649	4,049,905	-	-	3,953,649	4,049,905
<i>Intangible Assets</i>	68,821	172,874	63,824	66,414	132,645	239,288
<i>Machinery &amp; Equipment</i>	3,688,776	2,166,103	4,049,933	4,460,910	7,738,709	6,627,013
<i>Equipment under Capital Lease</i>	118,755	57,954	-	-	118,755	57,954
<i>Easements</i>	-	-	34,642	34,642	34,642	34,642
<i>Construction in Progress</i>	804,559	4,470,218	399,860	548,914	1,204,419	5,019,132
	\$39,949,712	\$34,053,931	\$35,973,151	\$37,162,228	\$75,922,863	\$71,216,159

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 5 of this report on pages 47-49.

## Long-Term Debt

As shown in the following table, as of September 30, 2015, the City had total bonded debt, revenue notes, and capital leases outstanding of \$36.6 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.

The debt capacity of the City is contingent upon available resources and existing debt. The current outstanding debt requires a coverage ratio of 1.25 times earnings. The General Fund is at 10.92 and the Utilities Fund is at 1.38. The Sanitation and Stormwater Funds are debt-free.

**Table 4**  
*Outstanding Debt*

	Governmental Assets		Business-Type Activities		Total Activities	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<i>Revenue Bonds</i>	-	-	-	\$9,640,146	-	\$9,640,146
<i>Revenue Notes</i>	12,371,587	13,008,515	8,794,000	-	21,165,587	13,008,515
<i>State Revolving Fund</i>	-	-	15,312,458	14,004,706	15,312,458	14,004,706
<i>Capital Leases</i>	134,249	89,654	-	-	134,249	89,654
	<b>\$12,505,836</b>	<b>\$13,098,169</b>	<b>\$24,106,458</b>	<b>\$23,644,852</b>	<b>\$36,612,294</b>	<b>\$36,743,021</b>

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 71-75.

## 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 0.10% lower than a year ago. This indicator translates into a lower cost of providing services to residents.
- The Municipal Cost Index is 0.68% lower 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 17.4% higher than last year. This indicator measures economic conditions by gauging the future spending of consumers.
- The Leading Economic Index is designed to signal turning point patterns in economic data and has increased 2.1% over the past six months; however, this increase is slower than the growth of 3.2% the previous six months.
- 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 2016. The City's budget for fiscal year 2016 totals \$37.8 million, which is \$647,397 higher than the fiscal year 2015 approved budget, due to increased operating expenses throughout the City. The 2016 budget allocates \$19.2 million, a 3.08% increase as compared to the fiscal year 2015 budget, to the General fund, \$14.9 million to the Enterprise funds, and \$3.7 million to other funds.

For the fiscal year 2016 budget, the ad valorem rate was maintained at 5.7697 mills. A 9.5% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.75. No other significant changes to the City's various rate and fees are included in the fiscal year 2016 budget.

Personnel expenses account for approximately 47.1% of the City's budget. The City's fiscal year 2016 budget remains relatively stable in this category, at 292.03 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](http://www.fwb.org). Inquiries may also be sent via email to the Finance Department at [finance@fwb.org](mailto:finance@fwb.org).

**CITY OF FORT WALTON BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,297,171	\$ 12,190,716	\$ 26,487,887
Investments	2,229,208	-	2,229,208
Receivables, net	208,658	817,362	1,026,020
Internal balances	(454,337)	454,337	-
Due from other governments	118,171	35,542	153,713
Inventory, at cost	250,580	14,774	265,354
Restricted assets			
Cash and cash equivalents	25,449	799,403	824,852
Other assets			
Other receivables, net	787,100	6,501	793,601
Capital assets			
Non-depreciable/amortizable	11,853,401	1,144,180	12,997,581
Depreciable/amortizable, net	28,096,311	34,828,971	62,925,282
<b>TOTAL ASSETS</b>	<b>57,411,712</b>	<b>50,291,786</b>	<b>107,703,498</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,242,304</b>	<b>513,714</b>	<b>2,756,018</b>
<b>LIABILITIES</b>			
Accounts payable	1,254,831	544,406	1,799,237
Accrued liabilities	731,226	160,443	891,669
Due to other governments	77,159	8,258	85,417
Unearned revenues	25,400	32,979	58,379
Payable from restricted assets			
Accrued interest	79,063	-	79,063
Customer deposits	-	259,441	259,441
Non-current liabilities			
Due within one year			
Compensated absences	162,078	43,844	205,922
Leases payable	27,595	-	27,595
Revenue notes payable	646,256	-	646,256
State revolving loans payable	-	655,529	655,529
Due in more than one year			
Compensated absences	486,235	131,532	617,767
Leases payable	106,654	-	106,654
Revenue notes payable	11,725,331	8,794,000	20,519,331
State revolving loans payable	-	14,656,929	14,656,929
Other post-employment benefits	995,350	285,581	1,280,931
Net pension liability	12,500,212	1,065,874	13,566,086
<b>TOTAL LIABILITIES</b>	<b>28,817,390</b>	<b>26,638,816</b>	<b>55,456,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>637,967</b>	<b>82,937</b>	<b>720,904</b>
<b>NET POSITION</b>			
Net investment in capital assets	27,443,877	12,886,793	40,330,670
Restricted			
Debt service	25,449	157,228	182,677
System improvements	-	382,734	382,734
Improvement districts	1,874,265	-	1,874,265
Public safety	507,625	-	507,625
Other purposes	187,575	-	187,575
Unrestricted	159,868	10,656,992	10,816,860
<b>TOTAL NET POSITION</b>	<b>\$ 30,198,659</b>	<b>\$ 24,083,747</b>	<b>\$ 54,282,406</b>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 2,735,875	\$ 421,987	\$ 6,748	\$ -	\$ (2,307,140)	\$ -	\$ (2,307,140)
Public safety	9,562,140	490,379	416,633	10,356	(8,644,772)	-	(8,644,772)
Physical environment	379,334	409,253	-	-	29,919	-	29,919
Transportation	1,474,209	140,809	-	-	(1,333,400)	-	(1,333,400)
Economic environment	1,813,782	5,000	405,566	-	(1,403,216)	-	(1,403,216)
Culture and recreation	4,601,503	1,930,131	80,514	514,964	(2,075,894)	-	(2,075,894)
Debt service interest	340,497	-	-	-	(340,497)	-	(340,497)
Total governmental activities	<u>20,907,340</u>	<u>3,397,559</u>	<u>909,461</u>	<u>525,320</u>	<u>(16,075,000)</u>	<u>-</u>	<u>(16,075,000)</u>
Business-type activities							
Utilities	9,205,259	9,233,820	-	52,255	-	80,816	80,816
Sanitation	3,319,760	3,582,005	-	-	-	262,245	262,245
Stormwater	460,314	694,581	-	35,542	-	269,809	269,809
Total business-type activities	<u>12,985,333</u>	<u>13,510,406</u>	<u>-</u>	<u>87,797</u>	<u>-</u>	<u>612,870</u>	<u>612,870</u>
<b>Total primary government</b>	<b><u>\$ 33,892,673</u></b>	<b><u>\$ 16,907,965</u></b>	<b><u>\$ 909,461</u></b>	<b><u>\$ 613,117</u></b>	<b><u>\$ (16,075,000)</u></b>	<b><u>\$ 612,870</u></b>	<b><u>\$ (15,462,130)</u></b>
General revenues							
Taxes							
Property taxes					\$ 5,473,438	\$ -	\$ 5,473,438
Sales taxes					2,557,062	-	2,557,062
Utility service taxes					4,036,009	-	4,036,009
Tax increments for redevelopment districts					1,552,560	-	1,552,560
Franchise fees					2,162,617	-	2,162,617
Intergovernmental, unrestricted					896,837	-	896,837
Gain on sale of assets					524,720	716	525,436
Miscellaneous					199,776	9,222	208,998
Investment earnings					272,076	159,761	431,837
Transfers					657,558	(657,558)	-
Total general revenues and transfers					<u>18,332,653</u>	<u>(487,859)</u>	<u>17,844,794</u>
<b>CHANGE IN NET POSITION</b>					<u>2,257,653</u>	<u>125,011</u>	<u>2,382,664</u>
<b>NET POSITION AT BEGINNING OF YEAR – RESTATED</b>					<u>27,941,006</u>	<u>23,958,736</u>	<u>51,899,742</u>
<b>NET POSITION AT END OF YEAR</b>					<b><u>\$ 30,198,659</u></b>	<b><u>\$ 24,083,747</u></b>	<b><u>\$ 54,282,406</u></b>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,563,062	\$ 2,150,869	\$ 583,240	\$ 14,297,171
Investments	-	-	2,229,208	2,229,208
Receivables	992,269	3,311	178	995,758
Due from other funds	5,582	-	-	5,582
Due from other governments	91,834	-	26,337	118,171
Inventory, at cost	249,732	848	-	250,580
Restricted assets				
Cash and cash equivalents	-	-	25,449	25,449
<b>TOTAL ASSETS</b>	<b>\$ 12,902,479</b>	<b>\$ 2,155,028</b>	<b>\$ 2,864,412</b>	<b>\$ 17,921,919</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,036,518	\$ 173,043	\$ 45,270	\$ 1,254,831
Accrued liabilities	683,998	30,561	16,667	731,226
Due to other funds	-	-	5,582	5,582
Due to other governments	-	77,159	-	77,159
Advance from other funds	454,337	-	-	454,337
Unearned revenue	25,400	-	-	25,400
<b>Total liabilities</b>	<b>2,200,253</b>	<b>280,763</b>	<b>67,519</b>	<b>2,548,535</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue	885,921	-	-	885,921
<b>FUND BALANCE</b>				
Nonspendable	249,732	848	-	250,580
Restricted	183,512	1,873,417	537,137	2,594,066
Committed	5,761,221	-	2,259,756	8,020,977
Assigned	1,396,207	-	-	1,396,207
Unassigned	2,225,633	-	-	2,225,633
<b>Total fund balance</b>	<b>9,816,305</b>	<b>1,874,265</b>	<b>2,796,893</b>	<b>14,487,463</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 12,902,479</b>	<b>\$ 2,155,028</b>	<b>\$ 2,864,412</b>	<b>\$ 17,921,919</b>

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, 2015**

---

Fund balance, total governmental funds (page 18)	\$ 14,487,463
--	---------------

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	11,853,401	
Governmental depreciable/amortizable assets	64,676,001	
Less accumulated depreciation/amortization	<u>(36,579,690)</u>	39,949,712

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

Special assessment for street resurfacing	48,999	
Receivable related to sale of capital asset	<u>836,922</u>	885,921

Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.

Deferred outflows of resources – City contributions made subsequent to the measurement date	2,242,304	
Deferred inflows of resources – net difference between projected and actual earnings on pension plan investments	<u>(637,967)</u>	1,604,337

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

Notes payable	(12,371,587)	
Accrued interest	(79,063)	
Capital leases	(134,249)	
Compensated absences	(648,313)	
Other post-employment benefits	(995,350)	
Net pension liability	<u>(12,500,212)</u>	<u>(26,728,774)</u>

Net position of governmental activities (page 16)	<u><u>\$ 30,198,659</u></u>
---	-----------------------------

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, 2015**

	<b>General</b>	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 10,861,883	\$ 975,294	\$ -	\$ 11,837,177
Permits and fees	2,238,541	-	325,538	2,564,079
Intergovernmental	3,210,679	577,266	163,422	3,951,367
Charges for services	2,499,107	-	-	2,499,107
Fines	111,519	-	19,501	131,020
Miscellaneous	1,064,419	56,346	22,171	1,142,936
Total revenues	<u>19,986,148</u>	<u>1,608,906</u>	<u>530,632</u>	<u>22,125,686</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	2,813,838	-	-	2,813,838
Public safety	8,224,603	450,972	405,409	9,080,984
Physical environment	328,519	-	11,077	339,596
Transportation	862,712	-	-	862,712
Economic environment	-	1,627,016	103,615	1,730,631
Culture and recreation	4,122,310	-	-	4,122,310
Capital outlay	6,340,174	1,730,017	57,945	8,128,136
Debt service				
Principal	-	-	660,107	660,107
Interest	10,000	-	344,544	354,544
Total expenditures	<u>22,702,156</u>	<u>3,808,005</u>	<u>1,582,697</u>	<u>28,092,858</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,716,008)</u>	<u>(2,199,099)</u>	<u>(1,052,065)</u>	<u>(5,967,172)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	67,774	-	-	67,774
Transfers in	682,558	-	1,039,074	1,721,632
Transfers out	(1,039,074)	-	(25,000)	(1,064,074)
Total other financing sources (uses)	<u>(288,742)</u>	<u>-</u>	<u>1,014,074</u>	<u>725,332</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,004,750)</u>	<u>(2,199,099)</u>	<u>(37,991)</u>	<u>(5,241,840)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>12,821,055</u>	<u>4,073,364</u>	<u>2,834,884</u>	<u>19,729,303</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 9,816,305</u>	<u>\$ 1,874,265</u>	<u>\$ 2,796,893</u>	<u>\$ 14,487,463</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, 2015**

Net change in fund balance - governmental funds (page 20) \$ (5,241,840)

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	8,128,136	
Less current year depreciation/amortization	<u>(2,250,918)</u>	
		5,877,218

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.

Transfer of capital assets	67,320	
Accumulated depreciation/amortization associated with transfers	<u>(48,757)</u>	
		18,563

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	(52,266)	
Special assessment for interest and penalties	(7,985)	
Receivable related to sale of capital asset	442,000	
Payments received on receivable related to the sale of capital assets	<u>(30,078)</u>	
		351,671

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 and capital lease payments	660,107	
Change in accrued interest on long-term debt	4,047	
Capital lease proceeds	<u>(67,774)</u>	
		596,380

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:

Change in net pension liability and related deferred inflows and deferred outflows of resources	755,936	
Change in long-term compensated absences	67,251	
Change in other post-employment benefits	<u>(167,526)</u>	
		655,661

Change in net position of governmental activities (page 17) \$ 2,257,653

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 10,482,380	\$ 10,559,995	\$ 10,861,883	\$ 301,888
Permits and fees	2,014,065	2,014,065	2,238,541	224,476
Intergovernmental	3,018,861	3,146,596	3,210,679	64,083
Charges for services	2,427,429	2,434,064	2,499,107	65,043
Fines	101,700	101,700	111,519	9,819
Miscellaneous	444,883	783,580	1,064,419	280,839
Total revenues	<u>18,489,318</u>	<u>19,040,000</u>	<u>19,986,148</u>	<u>946,148</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	2,906,245	3,206,481	2,813,838	392,643
Public safety	8,251,658	8,404,988	8,224,603	180,385
Physical environment	305,433	313,814	328,519	(14,705)
Transportation	1,066,631	1,068,912	862,712	206,200
Culture and recreation	4,127,537	4,165,516	4,122,310	43,206
Capital outlay	6,270,617	6,713,850	6,340,174	373,676
Debt service	-	-	10,000	(10,000)
Total expenditures	<u>22,928,121</u>	<u>23,873,561</u>	<u>22,702,156</u>	<u>1,171,405</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>				
	<u>(4,438,803)</u>	<u>(4,833,561)</u>	<u>(2,716,008)</u>	<u>2,117,553</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	67,774	67,774	-
Transfers in	649,267	760,977	682,558	(78,419)
Transfers out	(1,066,406)	(1,066,406)	(1,039,074)	27,332
Total other financing sources (uses)	<u>(417,139)</u>	<u>(237,655)</u>	<u>(288,742)</u>	<u>(51,087)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,855,942)	(5,071,216)	(3,004,750)	2,066,466
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>4,855,942</u>	<u>5,071,216</u>	<u>12,821,055</u>	<u>7,749,839</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,816,305</u>	<u>\$ 9,816,305</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 975,294	\$ 975,294	\$ 975,294	\$ -
Intergovernmental	701,815	701,815	577,266	(124,549)
Miscellaneous	62,620	62,620	56,346	(6,274)
Total revenues	<u>1,739,729</u>	<u>1,739,729</u>	<u>1,608,906</u>	<u>(130,823)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	438,899	438,775	450,972	(12,197)
Economic environment	1,326,218	1,839,815	1,627,016	212,799
Capital outlay	<u>115,950</u>	<u>1,812,269</u>	<u>1,730,017</u>	<u>82,252</u>
Total expenditures	<u>1,881,067</u>	<u>4,090,859</u>	<u>3,808,005</u>	<u>282,854</u>
<b>CHANGE IN FUND BALANCE</b>	(141,338)	(2,351,130)	(2,199,099)	152,031
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>141,338</u>	<u>2,351,130</u>	<u>4,073,364</u>	<u>1,722,234</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,874,265</u>	<u>\$ 1,874,265</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 9,481,187	\$ 1,982,921	\$ 726,608	\$ 12,190,716
Restricted assets – cash and cash equivalents	797,433	1,970	-	799,403
Receivables, net	578,425	196,983	41,954	817,362
Advance to other funds	-	46,576	-	46,576
Due from other governments	-	-	35,542	35,542
Inventory – at cost	14,774	-	-	14,774
Total current assets	<u>10,871,819</u>	<u>2,228,450</u>	<u>804,104</u>	<u>13,904,373</u>
Other assets				
Advance to other funds	-	407,761	-	407,761
Other receivables, net	6,501	-	-	6,501
Total other assets	<u>6,501</u>	<u>407,761</u>	<u>-</u>	<u>414,262</u>
Capital assets, net				
Non-depreciable/amortizable	1,080,006	-	64,174	1,144,180
Depreciable/amortization, net	32,401,674	1,365,122	1,062,175	34,828,971
Total capital assets	<u>33,481,680</u>	<u>1,365,122</u>	<u>1,126,349</u>	<u>35,973,151</u>
Total non-current assets	<u>33,488,181</u>	<u>1,772,883</u>	<u>1,126,349</u>	<u>36,387,413</u>
<b>TOTAL ASSETS</b>	<u>44,360,000</u>	<u>4,001,333</u>	<u>1,930,453</u>	<u>50,291,786</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>375,941</u>	<u>111,443</u>	<u>26,330</u>	<u>513,714</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION – CONTINUED  
 SEPTEMBER 30, 2015**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	439,700	101,233	3,473	544,406
Accrued liabilities				
Compensated absences	27,584	12,970	3,290	43,844
Wages	99,519	48,236	12,688	160,443
Due to other governments	-	8,258	-	8,258
State revolving loan payable	655,529	-	-	655,529
Payable from restricted assets				
Customer deposits	257,471	1,970	-	259,441
Unearned revenue	32,979	-	-	32,979
Total current liabilities	<u>1,512,782</u>	<u>172,667</u>	<u>19,451</u>	<u>1,704,900</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	82,754	38,909	9,869	131,532
Revenue note payable	8,794,000	-	-	8,794,000
State revolving loan payable	14,656,929	-	-	14,656,929
Other post-employment benefits	164,572	96,807	24,202	285,581
Net pension liability	711,239	286,862	67,773	1,065,874
Total non-current liabilities	<u>24,409,494</u>	<u>422,578</u>	<u>101,844</u>	<u>24,933,916</u>
<b>TOTAL LIABILITIES</b>	<u>25,922,276</u>	<u>595,245</u>	<u>121,295</u>	<u>26,638,816</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>55,342</u>	<u>22,321</u>	<u>5,274</u>	<u>82,937</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,395,322	1,365,122	1,126,349	12,886,793
Restricted				
Debt service	157,228	-	-	157,228
System improvements	382,734	-	-	382,734
Unrestricted				
	<u>7,823,039</u>	<u>2,130,088</u>	<u>703,865</u>	<u>10,656,992</u>
<b>TOTAL NET POSITION</b>	<u>\$ 18,758,323</u>	<u>\$ 3,495,210</u>	<u>\$ 1,830,214</u>	<u>\$ 24,083,747</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, 2015**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,216,425	\$ 3,582,005	\$ 694,581	\$ 13,493,011
<b>OPERATING EXPENSES</b>				
Personal services	1,734,605	927,647	176,670	2,838,922
Operating	4,748,437	2,119,853	208,911	7,077,201
Depreciation/amortization expense	1,958,034	272,260	74,733	2,305,027
Total operating expenses	8,441,076	3,319,760	460,314	12,221,150
<b>OPERATING INCOME</b>	775,349	262,245	234,267	1,271,861
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Rental income	17,395	-	-	17,395
Interest expense	(458,209)	-	-	(458,209)
Amortization	(5,222)	-	-	(5,222)
Debt issuance costs	(300,254)	-	-	(300,254)
Gain (loss) on disposal of capital assets	(12,280)	12,996	-	716
Gain on investment	10,123	2,116	710	12,949
Interest	106,806	32,821	7,185	146,812
Grants in aid	(498)	-	-	(498)
Miscellaneous	6,547	2,443	232	9,222
Total non-operating revenues (expenses)	(635,592)	50,376	8,127	(577,089)
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	139,757	312,621	242,394	694,772
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	-	-	35,542	35,542
Impact fees	52,255	-	-	52,255
Transfers out	(519,267)	(138,291)	-	(657,558)
Total capital contributions and transfers	(467,012)	(138,291)	35,542	(569,761)
<b>CHANGE IN NET POSITION</b>	(327,255)	174,330	277,936	125,011
<b>NET POSITION AT BEGINNING OF YEAR, RESTATED</b>	19,085,578	3,320,880	1,552,278	23,958,736
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 18,758,323</u>	<u>\$ 3,495,210</u>	<u>\$ 1,830,214</u>	<u>\$ 24,083,747</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 9,232,822	\$ 3,583,097	\$ 687,508	\$ 13,503,427
Payments to suppliers	(4,877,865)	(2,332,789)	(209,533)	(7,420,187)
Payments to employees	(1,858,242)	(952,395)	(183,798)	(2,994,435)
Miscellaneous income	23,942	2,443	232	26,617
Net cash provided by operating activities	<u>2,520,657</u>	<u>300,356</u>	<u>294,409</u>	<u>3,115,422</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Change in intergovernmental balances	(480,876)	195	-	(480,681)
Advance to other funds	-	45,663	-	45,663
Grants and aids	(498)	-	-	(498)
Transfers out	(519,267)	(138,291)	-	(657,558)
Net cash used in non-capital financing activities	<u>(1,000,641)</u>	<u>(92,433)</u>	<u>-</u>	<u>(1,093,074)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Impact fess received	52,255	-	-	52,255
Acquisitions of capital assets	(855,820)	(208,145)	(69,626)	(1,133,591)
Proceeds from disposal of capital assets	5,364	12,996	-	18,360
Proceeds from note payable and state revolving loan	10,126,979	-	-	10,126,979
Principal paid on revenue bonds	(9,745,000)	-	-	(9,745,000)
Principal paid on state revolving loan	(25,227)	-	-	(25,227)
Interest paid on bonds, loan, and note payables	(563,771)	-	-	(563,771)
Debt service cost paid on state revolving loan	(300,254)	-	-	(300,254)
Net cash used in capital and related financing activities	<u>(1,305,474)</u>	<u>(195,149)</u>	<u>(69,626)</u>	<u>(1,570,249)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	116,929	34,937	7,895	159,761
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	331,471	47,711	232,678	611,860
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>9,947,149</u>	<u>1,937,180</u>	<u>493,930</u>	<u>12,378,259</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 10,278,620</u>	<u>\$ 1,984,891</u>	<u>\$ 726,608</u>	<u>\$ 12,990,119</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, 2015**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>				
Current assets	\$ 9,481,187	\$ 1,982,921	\$ 726,608	\$ 12,190,716
Restricted assets	797,433	1,970	-	799,403
Total cash and cash equivalents	<u>\$ 10,278,620</u>	<u>\$ 1,984,891</u>	<u>\$ 726,608</u>	<u>\$ 12,990,119</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 775,349	\$ 262,245	\$ 234,267	\$ 1,271,861
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,958,034	272,260	74,733	2,305,027
Miscellaneous revenue	23,942	2,443	232	26,617
Decrease (increase) in assets:			-	
Accounts receivable	(2,287)	1,092	(7,073)	(8,268)
Inventory	8,112	-	-	8,112
Decrease (increase) in deferred outflows of resources	(11,947)	(4,819)	(1,139)	(17,905)
Increase (decrease) in liabilities:				
Accounts payable	(137,396)	(212,837)	(598)	(350,831)
Compensated absences payable	(9,122)	3,071	3,522	(2,529)
Wages	13,637	9,180	141	22,958
Other liabilities	(144)	(99)	(24)	(267)
Customer deposits	23,195	-	-	23,195
Other post-employment benefits	1,721	15,382	1,584	18,687
Unearned revenue	(4,511)	-	-	(4,511)
Net pension liability	(173,268)	(69,883)	(16,510)	(259,661)
Increase (decrease) in deferred inflows of resources	55,342	22,321	5,274	82,937
Net cash provided by operating activities	<u>\$ 2,520,657</u>	<u>\$ 300,356</u>	<u>\$ 294,409</u>	<u>\$ 3,115,422</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS</b>				
Amortization of discounts and deferred loss on refunding	<u>\$ 5,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,222</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015**

	<b>Employee Retirement Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,999,212
Investments, at fair value	
U.S. Government and Agency obligations	17,548,966
Corporate obligations	2,907,713
Corporate equity	33,243,556
Mutual funds	13,948,003
Total investments	67,648,238
Due from State of Florida	180,932
<b>TOTAL ASSETS</b>	<b>70,828,382</b>
<b>LIABILITIES</b>	
Accounts payable	102,767
<b>FIDUCIARY NET POSITION</b>	
Held in trust for pension and employee retirement benefits	<b>\$ 70,725,615</b>

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, 2015**

	<u>Employee Retirement Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 2,656,385
Plan members	534,223
State of Florida	<u>380,032</u>
Total contributions	<u>3,570,640</u>
Investment income (loss)	(86,207)
Less investment expense	<u>(444,729)</u>
Net investment income (loss)	<u>(530,936)</u>
Miscellaneous revenue	<u>10,176</u>
<b>TOTAL ADDITIONS</b>	<u><u>3,049,880</u></u>
<b>DEDUCTIONS</b>	
Benefits and refunds paid	
Retirement payments	5,277,431
Disability payments	154,768
Refunds	<u>76,142</u>
Total benefits and refunds paid	<u>5,508,341</u>
Administrative expenses	
Legal	12,453
Contractual services	140,521
Other	<u>30,970</u>
Total administrative expenses	<u>183,944</u>
<b>TOTAL DEDUCTIONS</b>	<u><u>5,692,285</u></u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	(2,642,405)
<b>FIDUCIARY NET POSITION AT BEGINNING OF YEAR</b>	<u>73,368,020</u>
<b>FIDUCIARY NET POSITION AT END OF YEAR</b>	<u><u>\$ 70,725,615</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

---

**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, 2015, 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, 2015**

---

**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, 2015**

---

**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, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

Discounts of 1% for each month taxes are paid prior to March 2016 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 2015 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, 2015**

---

**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. Any portion of franchise fees that is not based on gross receipts are reported as a charge for service in the function or activity that generates the fee. During fiscal year 2015, franchise fees were all based on gross receipts and thus recorded as general revenues.

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, 2015**

---

**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.

***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 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, 2015**

---

**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.

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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**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***

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

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

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

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

***Inventory***

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. 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, customer utility deposits, impact fees and debt repayments received are restricted in the Utilities Fund and Sanitation Fund.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**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***

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	\$ 1000
Library books	All

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

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

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

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

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

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

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

***Deferred Inflows/Outflows of Resources***

In addition to assets, the statement of financial position will 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. See Note 6 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will 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. See Note 6 for additional information on the City's deferred inflows of resources.

***Compensated Absences***

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

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

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

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

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

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	October 1, 2013
Measurement Date (MD)	September 30, 2014
Measurement Period (MP)	October 1, 2013 to September 30, 2014

***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 from 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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

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

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

***Classification of Fund Balance – Continued***

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.

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.

**CITY OF FORT WALTON BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

---

## **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.

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 mileages, 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' 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.

**CITY OF FORT WALTON BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

---

### **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.

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 \$27,346,454, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida Statutes.

#### **Investments**

As of September 30, 2015, 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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

As of September 30, 2015, 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	\$ 2,907,712	\$ -	\$ -	\$ 2,907,712	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury	8,579,536	506,904	2,544,212	-	-	-	-	5,528,420	-
U.S. Government Agencies	532,390	-	532,390	-	-	-	-	-	-
U.S. Government Agency Pools	8,437,040	-	-	5,223,721	1,638,655	1,401,800	-	172,864	-
	<u>20,456,678</u>	<u>\$ 506,904</u>	<u>\$ 3,076,602</u>	<u>\$ 8,131,433</u>	<u>\$ 1,638,655</u>	<u>\$ 1,401,800</u>	<u>\$ -</u>	<u>\$ 5,701,284</u>	<u>\$ -</u>
Investments not subject to interest rate risk									
Money market funds	5,103								
Corporate equities	33,243,556								
Mutual funds	16,172,109								
Total	<u>\$ 69,877,446</u>								

*Interest Rate Risk* – The City's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The City's policy encourages shorter-term investments for operating funds in order to meet the anticipated cash 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, 2015, 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, 2015, comprised 0% 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, 2015.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

*Credit Rate Risk – Continued* – The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2015, are as follows:

	<b>General Pension Plan</b>	<b>Police Pension Plan</b>	<b>Fire Pension Plan</b>
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.

The General Employees' Pension Fund limits investment of fixed income securities of any single issuer to no more than 10% of the cost of all fixed income securities. As of September 30, 2015, the largest investment in a single corporate issuer of debt was below 1% of the cost of all fixed income securities.

No more than 3% of the fair value of the total fixed income portfolio in the Police Officers' Pension Fund may be invested in the securities of any single corporate issuer. As of September 30, 2015, the largest investment in a single corporate issuer of debt was below 1% of the value of all corporate fixed income securities.

No more than 10% of the fair value of the total fixed income investments may be held in the Firefighters' Pension Fund may be held in any single corporate issuer. As of September 30, 2015, the largest investment in a single corporate issuer of debt was 1.53% of the fair value of all fixed income securities.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

*Concentration Credit Risk – Continued* - 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.

**4. RECEIVABLES**

Receivables at September 30, 2015, were as follows:

	Governmental Activities			Business-Type Activities			Total
	General	Community Redevelop- ment Fund	Other Gov't Funds	Utilities	Sanitation	Other Proprietary Funds	
Taxes	\$ 17,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,745
Accounts	88,604	3,311	178	621,817	205,643	44,649	964,202
Less allowance for doubtful accounts	-	-	-	(44,251)	(8,660)	(2,695)	(55,606)
Assessments	48,998	-	-	7,360	-	-	56,358
Other	836,922	-	-	-	-	-	836,922
Total receivables, net	\$ 992,269	\$ 3,311	\$ 178	\$ 584,926	\$ 196,983	\$ 41,954	\$ 1,819,621

During fiscal year 2015, the City sold a building for \$462,000 and will receive \$442,000 of the proceeds over twelve years (\$2,917 monthly payments started November 2014). This note receivable bears interest at 5% per year and includes a balloon payment of \$232,362 due to the City in October 2026. The balance of this note receivable is \$429,922 as of September 30, 2015.

During fiscal year 2014, the City sold a recreational center for \$425,000 and will receive the proceeds over twelve years (\$1,500 monthly principal only payments started October 2014). 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. The balance of this note receivable is \$407,000 as of September 30, 2015.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**4. RECEIVABLES – CONTINUED**

**Due from Other Governments**

The City's receivables from other governments for governmental activities as of September 30, 2015, are \$118,171. Due from other governments in the governmental activities consists primarily of state proceeds related to the Bud and Dorie Day Trail grant as well as Community Development Block Grant receivables due from the federal government.

The City's receivables from other governments for business-type as of September 30, 2015, are \$35,542 which consists of charges for services due from another local municipality in the City's Sanitation Fund.

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated/amortized					
Land	\$ 9,936,698	\$ 1,112,144	\$ -	\$ -	\$ 11,048,842
Construction in progress	4,470,218	3,003,879	-	(6,669,538)	804,559
Total capital assets not being depreciated/amortized	<u>14,406,916</u>	<u>4,116,023</u>	<u>-</u>	<u>(6,669,538)</u>	<u>11,853,401</u>
Capital assets being depreciated/amortized					
Buildings	16,093,414	839,414	(708,658)	6,876,968	23,101,138
Improvements other than buildings	15,222,216	1,092,171	(12,294)	646,360	16,948,453
Infrastructure	12,664,953	237,632	-	(37,909)	12,864,676
Software	513,184	3,000	-	-	516,184
Machinery and equipment	9,572,964	1,772,122	(607,405)	380,705	11,118,386
Equipment under capital lease	59,390	67,774	-	-	127,164
Total capital assets being depreciated/amortized	<u>54,126,121</u>	<u>4,012,113</u>	<u>(1,328,357)</u>	<u>7,866,124</u>	<u>64,676,001</u>
Less accumulated depreciation/amortization					
Buildings	(8,733,494)	(560,569)	708,658	(951,912)	(9,537,317)
Improvements other than buildings	(9,381,957)	(621,730)	12,294	(254,572)	(10,245,965)
Infrastructure	(8,615,048)	(333,888)	-	37,909	(8,911,027)
Software	(340,310)	(107,052)	-	-	(447,362)
Machinery and equipment	(7,406,861)	(620,706)	607,405	(9,448)	(7,429,610)
Equipment under capital lease	(1,436)	(6,973)	-	-	(8,409)
Total accumulated depreciation/amortization	<u>(34,479,106)</u>	<u>(2,250,918)</u>	<u>1,328,357</u>	<u>(1,178,023)</u>	<u>(36,579,690)</u>
Total capital assets being depreciated/amortized, net	<u>19,647,015</u>	<u>1,761,195</u>	<u>-</u>	<u>6,688,101</u>	<u>28,096,311</u>
Governmental activities, net	<u>\$ 34,053,931</u>	<u>\$ 5,877,218</u>	<u>\$ -</u>	<u>\$ 18,563</u>	<u>\$ 39,949,712</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**5. CHANGES IN CAPITAL ASSETS – CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated/amortized					
Land	\$ 709,678	\$ -	\$ -	\$ -	\$ 709,678
Construction in progress	548,914	-	-	(149,054)	399,860
Easements	34,642	-	-	-	34,642
Total capital assets not being depreciated/amortized	<u>1,293,234</u>	<u>-</u>	<u>-</u>	<u>(149,054)</u>	<u>1,144,180</u>
Capital assets being depreciated/amortized					
Buildings	493,876	-	-		493,876
Improvements other than buildings	43,726,718	751,286	(667)	128,632	44,605,969
Software	103,097	8,119	-	-	111,216
Machinery and equipment	9,862,499	374,186	(191,291)	(46,092)	9,999,302
Total capital assets being depreciated/amortized	<u>54,186,190</u>	<u>1,133,591</u>	<u>(191,958)</u>	<u>82,540</u>	<u>55,210,363</u>
Less accumulated depreciation/amortization					
Buildings	(349,947)	(14,594)	-	-	(364,541)
Improvements other than buildings	(12,528,977)	(1,491,783)	667	-	(14,020,093)
Software	(36,683)	(10,709)	-	-	(47,392)
Machinery and equipment	(5,401,589)	(787,941)	191,291	48,873	(5,949,366)
Total accumulated depreciation/amortization	<u>(18,317,196)</u>	<u>(2,305,027)</u>	<u>191,958</u>	<u>48,873</u>	<u>(20,381,392)</u>
Total capital assets being depreciated/amortized, net	<u>35,868,994</u>	<u>(1,171,436)</u>	<u>-</u>	<u>131,413</u>	<u>34,828,971</u>
Business-type activities, net	<u>\$ 37,162,228</u>	<u>\$ (1,171,436)</u>	<u>\$ -</u>	<u>\$ (17,641)</u>	<u>\$ 35,973,151</u>

**CITY OF FORT WALTON BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

---

**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	\$ 163,183
Public safety	585,637
Physical environment	62,235
Transportation	640,927
Economic environment	82,616
Culture and recreation	<u>716,320</u>
Total depreciation/amortization expense – governmental activities	<u><u>\$ 2,250,918</u></u>

**Business-type activities**

Utilities fund	\$ 1,958,034
Sanitation fund	272,260
Other proprietary funds	<u>74,733</u>
Total depreciation/amortization expense – business-type activities	<u><u>\$ 2,305,027</u></u>

**Construction Commitments**

In fiscal year 2012, the City began a project to consolidate four recreation centers into a new recreation complex. Construction of the building began in late 2013 and was substantially completed and the building was placed in service in May of 2015. As of the end of fiscal year 2015, the baseball fields and skate park were still under construction and the final building punch list items were being completed. \$4,424,315 was expended in fiscal year 2015. To date \$8,858,607 has been spent on the complex with an estimated total cost of \$9 million dollars. The City funded the construction with a Capital Improvement Revenue Note, private donations, and the sale of two of the surplus recreation centers.

In fiscal year 2011 the City began work upgrading Lift Station #3 due to expansion in the downtown area. Construction was delayed until fiscal year 2015 due to the proximity of the lift station to Santa Rosa Sound and the decision to bring engineering in house. \$242,597 was spent in fiscal year 2015. To date \$289,468 has been spent with an estimated total cost of \$295,000. The construction was funded with a combination of current year Utility Fund revenues net assets. Final close out of the project is expected in October of 2015.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

As of September 30, 2015, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

***Governmental activities:***

	<u>General Fund</u>	<u>Governmental Activities</u>
Deferred outflows		
City pension contributions made subsequent to the measurement date	\$ -	\$ 2,242,304
Deferred inflows		
Unavailable revenue – special assessment for street resurfacing	\$ 48,999	\$ -
Unavailable revenue – long-term receivable from sale of buildings	836,922	-
Net difference between projected and actual earnings on pension plan investments	-	637,967
Total deferred inflows	<u>\$ 885,921</u>	<u>\$ 637,967</u>

***Business-type activities:***

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund – Non-Major</u>	<u>Business-Type Activities</u>
Deferred outflows				
City pension contributions made subsequent to the measurement date	\$ 276,309	\$ 111,443	\$ 26,330	\$ 414,082
Deferred loss on refunding	99,632	-	-	99,632
Total deferred outflows	<u>\$ 375,941</u>	<u>\$ 111,443</u>	<u>\$ 26,330</u>	<u>\$ 513,714</u>
Deferred inflows				
Net difference between projected and actual earnings on pension plan investments	<u>\$ 55,342</u>	<u>\$ 22,321</u>	<u>\$ 5,274</u>	<u>\$ 82,937</u>

**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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**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 Plan is a single-employer defined benefit pension plan administered by the City finance director. 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. All full-time, City employees, including the City Manager, Finance Director and the Chief of Police if they elect to participate, but not including City Council Members, police officers other than the Chief of Police, and firefighters. Effective January 1, 2010, the plan is closed to new entrants.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	139
*Inactive Plan Members Entitled to But Not Yet Receiving Benefits	10
Active Plan Members	105
	<hr/>
	254
	<hr/> <hr/>

\* - An additional 37 inactive plan members are due refunds of varying amounts but are not vested participants.

*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) or at age 62 and 10 years of credited service (normal 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. Retirement benefits are a percentage (2.75% or 2.50%) 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 3% for each year by which the early retirement date precedes the age of 62. 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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Plan Description – General Employees’ Retirement Fund (GERF) – Continued**

*Funding Policy and Contributions*

Both the City and the employees (at a rate of 5.0% of payroll) make contributions to the Plan. For fiscal year 2015, employees contributed \$209,567 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 30.7% of payroll. The annual required contributions for the current fiscal year was determined as part of the October 1, 2013 actuarial valuation updated to September 30, 2014 using the entry age normal actuarial cost method.

**Net Pension Liability – GERF**

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. The information below is presented in accordance with this new standard.

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*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:

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

Mortality rates for non-disabled lives are obtained from the RP 2000 Sex Distinct Healthy Mortality Table without projection. For disabled lives, the Social Security Study #74 Mortality Table without projection was utilized.

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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Net Pension Liability – GERF – Continued**

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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	55.00%	7.5%
International Equity	10.00%	8.5%
Domestic Core Fixed Income	25.00%	2.5%
Real Estate	10.00%	2.5%
Total	<u>100%</u>	

*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.

**Changes in Net Pension Liability – GERF**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 41,460,324	\$ 37,122,638	\$ 4,337,686
Changes:			
Service cost	622,382	-	622,382
Interest	3,222,809	-	3,222,809
Contributions – employer	-	1,296,450	(1,296,450)
Contributions – employee	-	212,790	(212,790)
Net investment income	-	3,228,153	(3,228,153)
Benefit payments, including			
Refunds of employee contributions	(2,575,304)	(2,575,304)	-
Administrative expenses	-	(42,483)	42,483
Net changes during 2013-14	<u>1,269,887</u>	<u>2,119,606</u>	<u>(849,719)</u>
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 42,730,211</u>	<u>\$ 39,242,244</u>	<u>\$ 3,487,967</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Changes in Net Pension Liability – GERP – Continued**

*Sensitivity of the Net Pension Liability to changes in the Discount Rate:*

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

*Pension Plan Fiduciary Net Position*

Detailed information about the pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – GERP**

For the year ended September 30, 2015, the City recognized pension income of \$636,908. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to Measurement Date	\$ 1,355,041	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	271,402
Total	\$ 1,355,041	\$ 271,402

Deferred outflows of resources related to pensions of \$1,355,041 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016		\$ (67,851)
2017		(67,850)
2018		(67,851)
2019		(67,850)
		\$ (271,402)

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**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.

Each person employed by the City’s police department as a full-time police officer becomes a member of the Plan as a condition of his employment. All police officers are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	44
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	11
Active Plan Members	42
	97

*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 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 in the amount of 2.75% of average final compensation times credited service. 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%.

*Contributions*

The City, the State of Florida, and employees (at 5.0% of payroll until a 75% maximum accrual is attained and then 0.5% thereafter) make contributions to the Plan. For fiscal year 2015, employees contributed \$101,886 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 0.85%. For fiscal year 2015, the State contributed \$175,025 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 29.5% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2013 actuarial valuation updated to September 30, 2014 using the entry age normal actuarial cost method.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Net Pension Liability – PORF**

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

*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:

Inflation	3.00%
Salary increases	3.00% – 10.00%
Discount rate	8.00%
Investment rate of return	8.00%

Mortality rates are obtained from the RP 2000 Sex Distinct Combined Healthy Mortality Table. For disabled lives, they are set forward 5 years. Based upon other studies of municipal police officers, we feel this assumption sufficiently accommodates future mortality improvements.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1991-2012. 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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	45%	7.5%
International equity	15%	8.5%
Core fixed income	40%	2.5%
Total	<u>100%</u>	

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Net Pension Liability – PORF – Continued**

*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.

**Changes in Net Pension Liability – PORF**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 24,413,051	\$ 19,156,156	\$ 5,256,895
Changes:			
Service cost	322,118	-	322,118
Interest	1,905,286	-	1,905,286
Contributions – employer	-	836,053	(836,053)
Contributions – state	-	175,703	(175,703)
Contributions – employee	-	96,591	(96,591)
Net investment income	-	1,869,244	(1,869,244)
Benefit payments, including			
Refunds of employee contributions	(1,632,053)	(1,632,053)	-
Administrative expenses	-	(38,242)	38,242
Net changes during 2013-14	595,351	1,307,296	(711,945)
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 25,008,402</u>	<u>\$ 20,463,452</u>	<u>\$ 4,544,950</u>

*Sensitivity of the Net Pension Liability to changes in the Discount Rate:*

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

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Changes in Net Pension Liability – PORF – Continued**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PORF**

For the year ended September 30, 2015, the City recognized pension income of \$217,482. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
City Contributions Subsequent to Measurement Date	\$ 628,975	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	287,384
<b>Total</b>	<b>\$ 628,975</b>	<b>\$ 287,384</b>

Deferred outflows of resources related to pensions of \$628,975 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016		\$ (71,846)
2017		(71,846)
2018		(71,846)
2019		(71,846)
		<b>\$ (287,384)</b>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**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 City Council as a ministerial duty.

Each person employed by the City’s fire department as a full-time firefighter becomes a member of the plan as a condition of this employment. All firefighters are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	24
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	<u>34</u>
	<u>60</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 is 3.25% of average final compensation times credited service with maximum of 100% of current compensation. 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.

*Contributions*

The City, the State of Florida, and employees (at 5.0% of payroll until a 75% maximum accrual is attained and then 0.5% thereafter) make contributions to the Plan. For fiscal year 2015, employees contributed \$222,770 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 1.85%. For fiscal year 2015, the State contributed \$205,007 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 30.2% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2013 actuarial valuation updated to September 30, 2014 using the entry age normal actuarial cost method.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Net Pension Liability – FRF**

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

*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:

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

Mortality rates are obtained from the RP 2000 Combined Healthy Mortality Table. For disabled lives, they are set forward 5 years. Based upon other studies of municipal firefighters, we feel this assumption sufficiently accommodates 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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.50%
International Equity	15%	8.50%
Domestic Core Fixed Income	30%	2.50%
Real Estate	10%	4.50%
Total	<u>100%</u>	

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Net Pension Liability – FRF – Continued**

*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.

**Changes in Net Pension Liability – FRF**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 18,336,190	\$ 12,501,663	\$ 5,834,527
Changes:			
Service cost	414,836	-	414,836
Interest	1,425,875	-	1,425,875
Change in excess state money	89,886		
Contributions – employer	-	715,439	(715,439)
Contributions – state	-	214,272	(214,272)
Contributions – employee	-	135,622	(135,622)
Contributions – buy back	-	-	-
Net investment income	-	1,201,162	(1,201,162)
Benefit payments, including refunds of employee contributions	(1,071,302)	(1,071,302)	-
Administrative expenses	-	(34,536)	34,536
Net changes during 2013-14	859,295	1,160,657	(301,362)
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 19,195,485</u>	<u>\$ 13,662,320</u>	<u>\$ 5,533,165</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Changes in Net Pension Liability – FRF – Continued**

*Sensitivity of the Net Pension Liability to changes in the Discount Rate:*

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

*Pension Plan Fiduciary Net Position*

Detailed information about the pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – FRF**

For the year ended September 30, 2015, the City recognized a pension income of \$96,173. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
City Contributions Subsequent to Measurement Date	\$ 672,369	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	162,119
Total	\$ 672,369	\$ 162,119

Deferred outflows of resources related to pensions of \$572,369 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016		\$ (40,530)
2017		(40,530)
2018		(40,530)
2019		(40,529)
		\$ (162,119)

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**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, 2015:

<b>COMBINING STATEMENT OF PLAN NET POSITION</b>				
	<b>Employee Retirement Funds</b>			<b>Total Employee Retirement Funds</b>
	<b>General Employees' Retirement</b>	<b>Police Officers' Retirement</b>	<b>Firefighters' Retirement</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,565,133	\$ 857,342	\$ 576,737	\$ 2,999,212
Due from State of Florida	-	175,025	5,907	180,932
Investments, at market				
U.S. Government and Agency obligations	7,585,674	6,343,319	3,619,973	17,548,966
Corporate obligations	1,255,423	1,047,256	605,034	2,907,713
Corporate equity	22,226,942	3,612,508	7,404,106	33,243,556
Mutual funds	5,453,717	7,115,536	1,378,750	13,948,003
Total investments, at market	36,521,756	18,118,619	13,007,863	67,648,238
<b>TOTAL ASSETS</b>	<b>\$ 38,086,889</b>	<b>\$ 19,150,986</b>	<b>\$ 13,590,507</b>	<b>\$ 70,828,382</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 46,579	\$ 40,167	\$ 16,021	\$ 102,767
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES</b>	<b>\$ 38,040,310</b>	<b>\$ 19,110,819</b>	<b>\$ 13,574,486</b>	<b>\$ 70,725,615</b>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fund Financial Statements – Continued**

	<b>Employee Retirement Funds</b>			<b>Total Employee Retirement Funds</b>
	<b>General Employees' Retirement</b>	<b>Police Officers' Retirement</b>	<b>Firefighters' Retirement</b>	
<b>COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION</b>				
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 1,355,041	\$ 628,975	\$ 672,369	\$ 2,656,385
Plan members	209,567	101,886	222,770	534,223
State of Florida	-	175,025	205,007	380,032
Total contributions	<u>1,564,608</u>	<u>905,886</u>	<u>1,100,146</u>	<u>3,570,640</u>
Investment income (loss)	277,427	(457,975)	94,341	(86,207)
Less investment expense	(291,133)	(79,495)	(74,101)	(444,729)
Net investment income (loss)	<u>(13,706)</u>	<u>(537,470)</u>	<u>20,240</u>	<u>(530,936)</u>
Miscellaneous revenue	3,235	2,278	4,663	10,176
<b>TOTAL ADDITIONS</b>	<u>1,554,137</u>	<u>370,694</u>	<u>1,125,049</u>	<u>3,049,880</u>
<b>DEDUCTIONS</b>				
Benefits and refunds paid				
Retirement payments	2,610,841	1,550,125	1,116,465	5,277,431
Disability payments	46,851	102,023	5,894	154,768
Other	27,788	24,857	23,497	76,142
Total benefits and refunds paid	<u>2,685,480</u>	<u>1,677,005</u>	<u>1,145,856</u>	<u>5,508,341</u>
Administrative expenses				
Legal	2,325	4,123	6,005	12,453
Contractual	58,918	38,461	43,142	140,521
Other	9,349	3,742	17,879	30,970
Total administrative expenses	<u>70,592</u>	<u>46,326</u>	<u>67,026</u>	<u>183,944</u>
<b>TOTAL DEDUCTIONS</b>	<u>2,756,072</u>	<u>1,723,331</u>	<u>1,212,882</u>	<u>5,692,285</u>
<b>NET INCREASE (DECREASE)</b>	(1,201,935)	(1,352,637)	(87,833)	(2,642,405)
<b>BEGINNING OF YEAR</b>	<u>39,242,245</u>	<u>20,463,456</u>	<u>13,662,319</u>	<u>73,368,020</u>
<b>END OF YEAR</b>	<u>\$ 38,040,310</u>	<u>\$ 19,110,819</u>	<u>\$ 13,574,486</u>	<u>\$ 70,725,615</u>

**CITY OF FORT WALTON BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

---

## **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 \$130,684 and \$130,684, respectively, for the year ending September 30, 2015. 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 \$2,502,883 at September 30, 2015. Contributions made by plan members during the year ended September 30, 2015, were \$86,808.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The latest actuarial valuation was performed as of September 30, 2014. 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, 2015:

**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 \$357,654 for the current fiscal year, towards which the City made a contribution of \$167,728. Retiree contributions totaled \$380,020 for the fiscal year ended September 30, 2015. At September 30, 2015, the City recorded a net OPEB obligation of \$995,350 for governmental activities and \$285,581 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, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	94
Terminated employees entitled to benefits but not receiving them	0
Active employees	229
	323
Total	323
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, 2015**

**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 years ended September 30, 2015 and 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Fiscal year ended	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual required contributions	\$ 357,654	\$ 501,876
Interest on net OPEB obligation	43,788	34,680
Adjustment to annual required contribution	<u>(47,501)</u>	<u>(33,347)</u>
Annual OPEB cost (expense) total	353,941	503,209
Employer contributions	<u>(167,728)</u>	<u>(275,495)</u>
Increase in net OPEB obligation	186,213	227,714
Net OPEB obligation – beginning of year	<u>1,094,718</u>	<u>867,004</u>
Net OPEB obligation – end of year	<u><u>\$ 1,280,931</u></u>	<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 amounts broken out by plan for the fiscal year ended September 30, 2015, are as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Annual required contribution	\$ 237,679	\$ 73,466	\$ 46,509	\$ 357,654
Interest on net OPEB obligation	30,049	9,268	4,471	43,788
Adjustment to annual required contribution	<u>(32,596)</u>	<u>(10,054)</u>	<u>(4,851)</u>	<u>(47,501)</u>
Annual OPEB cost	235,132	72,680	46,129	353,941
Estimated net contributions made	<u>(115,101)</u>	<u>(35,500)</u>	<u>(17,127)</u>	<u>(167,728)</u>
Anticipated increase (decrease) in net OPEB obligation	120,031	37,180	29,002	186,213
Net OPEB obligation – beginning of year	<u>751,234</u>	<u>231,699</u>	<u>111,785</u>	<u>1,094,718</u>
Final net OPEB obligation – end of year	<u><u>\$ 871,265</u></u>	<u><u>\$ 268,879</u></u>	<u><u>\$ 140,787</u></u>	<u><u>\$ 1,280,931</u></u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation – Continued**

The City's funded status as of valuation dates of October 1, 2014 and 2013, are as follows:

	<u>10/1/2014</u>	<u>10/1/2013</u>
Actuarial accrued liability (AAL)	\$ 5,868,248	\$ 4,437,530
Actuarial value of assets (AVA)	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,868,248</u>	<u>\$ 4,437,530</u>
Funded ratio	0.0%	0.0%
Covered payroll	\$ 7,592,268	\$ 7,902,214
Ratio of UAAL to covered payroll	77.29%	56.16%

For the October 1, 2014 valuation date, the funded status is broken out by plan as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 3,045,188	\$ 939,212	\$ 453,130	\$ 4,437,530
Actuarial value of assets (AVA)	-	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,045,188</u>	<u>\$ 939,212</u>	<u>\$ 453,130</u>	<u>\$ 4,437,530</u>
Funded ratio	0.0%	0.0%	0.0%	0.0%

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**

	<u>Annual OPEB Cost</u>	<u>City Contributions *</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
October 1, 2015	\$ 353,941	\$ 167,728	47.39%	\$ 1,280,931
October 1, 2014	503,210	275,495	54.75%	1,094,718
October 1, 2013	484,115	275,935	57.00%	867,004

**Funded Status and Funding Progress**

As of October 1, 2014, the most recent actuarial valuation date, the plan funded status was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Payroll [c/(b-a)]</u>
October 1, 2014	N/A	\$ 4,437,530	\$ 4,437,530	0.00%	\$ 7,902,214	56.16%
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	N/A	\$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, 2015**

---

**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 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, 2014, the Individual Entry Age Normal Cost Method (level percentage of pay) was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare costs trend rate of 8.0% in FY15, which will be decreased to an ultimate rate of 4.50% beginning in fiscal year ending September 30, 2020. 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 thirty 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, 2015. 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, 2015**

**12. OPERATING LEASES**

**Lessor**

The City receives rental income from leasing various parcels of land under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2015, was \$313,425 in the General Fund, \$5,000 in the Community Redevelopment Fund, and \$17,395 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, 2015, totaled \$73,289.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2016	\$ 347,296	\$ 17,911
2017	322,119	18,448
2018	297,634	19,001
2019	311,110	19,571
2020	362,337	20,157
Total minimum lease payments	<u>\$ 1,640,496</u>	<u>\$ 95,088</u>

**Lessee**

The City leases golf course equipment and golf carts in the General Fund through operating leases. The lease term began January 1, 2013 and terminates June 30, 2016. Monthly lease payments are \$9,128. Lease expense for the fiscal year ending September 30, 2015 was \$108,506.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<b>Governmental Activities</b>
2016	<u>\$ 80,829</u>
Total minimum lease payments	<u>\$ 80,829</u>

The City leases copiers in the General, Utilities, and Sanitation Funds through Xerox and Great American Financial Services. During the fiscal year 2015, a four year operating lease was signed with Great American Financial Services for copiers. The lease term began October 1, 2015 and terminates September 30, 2019. Under the existing Xerox leases, which expire December 31, 2015, monthly lease payments in each fund are as follows: General Fund: \$3,248; Utilities Fund: \$177; and Sanitation Fund: \$63. Under the Great American Financial Services lease, monthly lease payments in each fund will be: General Fund: \$1,383, Utilities fund: \$74, and Sanitation Fund: \$38. Lease expense for the year ending September 30, 2015 was as follows: General Fund: \$35,931; Utilities Fund: \$1,951; and Sanitation Fund: \$695.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**12. OPERATING LEASES – CONTINUED**

**Lessee – Continued**

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>
2016	\$ 19,375	\$ 889	\$ 461
2017	16,590	889	461
2018	16,590	889	461
2019	16,590	889	461
Total minimum lease payments	<u>\$ 69,145</u>	<u>\$ 3,556</u>	<u>\$ 1,844</u>

**13. CAPITAL LEASES**

The City has entered into a lease agreement as lessee for financing the acquisition of a telephone system and fitness equipment for its recreation complex. The lease agreements qualify as capital leases 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
Fitness equipment	67,774
Accumulated depreciation	(26,270)
Assets acquired by lease, net	<u>\$ 145,288</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2015, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2016	\$ 39,994
2017	39,994
2018	39,994
2019	37,906
2020	6,777
Total minimum lease payments	164,665
Less amount representing interest	(30,416)
Present value of minimum lease payments	<u>\$ 134,249</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue notes payable	\$ 13,008,515	\$ -	\$ (636,928)	\$ 12,371,587	\$ 646,256
Capital leases	89,654	67,774	(23,179)	134,249	27,595
Compensated absences	715,564	667,675	(734,926)	648,313	162,078
Total governmental activities	<u>\$ 13,813,733</u>	<u>\$ 735,449</u>	<u>\$ (1,395,033)</u>	<u>\$ 13,154,149</u>	<u>\$ 835,929</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Revenue bonds payable	\$ 9,745,000	\$ -	\$ (9,745,000)	\$ -	\$ -
Less deferred amounts for issuance discounts	(104,854)	-	104,854	-	-
Revenue notes payable	-	8,794,000	-	8,794,000	-
State revolving loans	14,004,706	1,633,233	(325,481)	15,312,458	655,529
Compensated absences	177,905	170,416	(172,945)	175,376	43,844
Total business-type activities	<u>\$ 23,822,757</u>	<u>\$ 10,597,649</u>	<u>\$ (10,138,572)</u>	<u>\$ 24,281,834</u>	<u>\$ 699,373</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**14. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding**

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b><i>Revenue Notes</i></b>			
<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>	\$ 346,754	\$ 7,488,607	\$ 7,835,361
<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>	212,966	3,859,276	4,072,242
<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>	86,536	377,448	463,984
<p>Total revenue notes</p>	646,256	11,725,331	12,371,587
<b><i>Leases</i></b>			
<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>	15,755	60,125	75,880
<p>\$67,774 capital lease payable, 2015, due in monthly installments of \$1,219 through October 2019, collateralized by fitness equipment at the City's Recreation Complex.</p>	11,840	46,529	58,369
<p>Total leases</p>	27,595	106,654	134,249
<b><i>Accrued Compensated Absences</i></b>			
<p>Total long-term portion of accumulated, vested annual and sick leave for governmental fund types</p>	162,078	486,235	648,313
<p><b>TOTAL GOVERNMENTAL ACTIVITIES</b></p>	\$ 835,929	\$ 12,318,220	\$ 13,154,149

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**14. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding – Continued**

	<b>Current</b>	<b>Long-Term</b>	<b>Total</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<i>Revenue Notes</i>			
\$8,794,000 Utility System Revenue Refunding Note, Series 2015, due in annual installments of \$407,000 to \$645,000 beginning July 2017 through July 2033, with interest only semi-annual payments from January 2016 through January 2017; stated interest at 2.92%. Net revenues derived by the City from the utility operations are pledged for the payment of the bonds. Proceeds used to refinance and refund the Utility System Revenue Bonds, Series 2005, which was for water system and wastewater system improvements.	\$ -	\$ 8,794,000	\$ 8,794,000
 <i>State Revolving Loans</i>			
\$15,637,939 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$480,885 including interest at 1.90% beginning February 2016, through August 2034. Proceeds used for force main replacement, storage tank construction and pump station upgrades.	655,529	14,656,929	15,312,458
 <i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds	43,844	131,532	175,376
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 699,373</b>	<b>\$ 23,582,461</b>	<b>\$ 24,281,834</b>
<b>GRAND TOTAL LONG-TERM DEBT</b>			<b>\$ 37,435,983</b>

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

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2015, are as follows:

**Governmental Activities**

<b>Year Ending September 30</b>	<b>Leases</b>		<b>Revenue Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 27,595	\$ 12,565	\$ 646,256	\$ 331,610
2017	30,115	9,576	651,675	315,400
2018	33,476	6,215	664,711	299,112
2019	35,170	2,432	682,573	282,526
2020	7,893	41	700,401	265,599
2021-2025	-	-	3,402,788	1,068,812
2026-2030	-	-	5,324,173	561,053
2031	-	-	299,010	20,516
<b>Total</b>	<b>\$ 134,249</b>	<b>\$ 30,829</b>	<b>\$ 12,371,587</b>	<b>\$ 3,144,628</b>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**14. LONG-TERM DEBT – CONTINUED**

**Annual Requirements to Amortize Debt Outstanding – Continued**

**Business-Type Activities**

<u>Year Ending September 30</u>	<u>Revenue Note</u>		<u>State Revolving Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 256,785	\$ 655,529	\$ 251,943
2017	407,000	250,843	687,488	274,201
2018	419,000	238,783	700,613	261,077
2019	431,000	226,373	713,988	247,702
2020	444,000	213,598	727,618	234,072
2021-2025	2,420,000	863,006	3,851,825	956,624
2026-2030	2,793,000	483,070	4,233,795	574,654
2031-2035	1,880,000	89,396	3,741,602	159,374
Total	<u>\$ 8,794,000</u>	<u>\$ 2,621,854</u>	<u>\$ 15,312,458</u>	<u>\$ 2,959,647</u>

**Refunding**

On July 1, 2015, the City issued \$8,794,000 of a Utility System Revenue Refunding Note, Series 2015, with a fixed interest rate of 2.92% for the purpose of current refunding the remaining outstanding principal on its Utility System Revenue Bonds, Series 2005, which bore interest ranging from 3.10% to 4.60%. The refunding was undertaken to take advantage of favorable interest rates.

The cash flow requirement of the refunded 2005 bonds, prior to the refunding, was \$14,437,624 from July 1, 2016 to July 1, 2035. The cash flow requirements of the 2015 refunding note are \$11,537,245. 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 \$1,300,000.

**15. COMMENTS REQUIRED BY THE BOND AND ORDINANCES**

**Capital Improvement Revenue Note, Series 2011**

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

	<u>Principal/Interest Payments Due</u>	<u>Sinking Fund Requirement at September 30, 2015</u>
Principal due at October 1, 2015	\$ 22,491	\$ 22,491
Interest due at October 1, 2015	2,958	2,958
Total	<u>\$ 25,449</u>	<u>\$ 25,449</u> <sup>1</sup>

(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.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**15. COMMENTS REQUIRED BY THE BOND AND ORDINANCES – CONTINUED**

**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.
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, 2015.
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, 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, 2015.
3. The City is not aware of any noncompliance with the covenants.

**Utility System Revenue Refunding Note, Series 2015**

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 not aware of any noncompliance with the covenants.

**16. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2015, is as follows:

<b><i>Due to/from Other Funds</i></b>		
Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ 5,582
<b><i>Advance to/from Other Funds</i></b>		
Receivable Fund	Payable Fund	Amount
Sanitation	General	\$ 454,337

General Fund receivables from the Community Development Block Grant Fund in the amount of \$5,582 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, 2015 is \$454,337.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**16. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED**

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
General	\$ -	\$ 1,039,074	\$ 1,039,074
Nonmajor Governmental Fund	25,000		25,000
Utilities	519,267	-	519,267
Sanitation	138,291	-	138,291
	<u>\$ 682,558</u>	<u>\$ 1,039,074</u>	<u>\$ 1,721,632</u>

The transfers out of the General Fund are \$1,039,074. These transfers consists of a \$1,004,651 transfer to the Debt Service Fund (Nonmajor Governmental Fund) for principal and interest payments on debt, and a \$34,423 transfer to the Cemetery Perpetual Care Fund (Nonmajor Governmental Fund) for maintenance.

Transfers in to the General Fund of \$682,558 consist of franchise fees from the Utility Fund of \$519,267 and compensation from the Sanitation Fund for additional roadway wear & tear caused by the heavy trucks in the amount of \$138,291.

A \$25,000 transfer was made during the fiscal year from the Cemetery Perpetual Care Fund to the General Fund which was related to the City's donation to the Veteran's Tribute Tower located in the Cemetery.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**17. GOVERNMENTAL FUND BALANCES**

At September 30, 2015, the City's governmental fund balances were classified as follows:

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable				
Inventory	\$ 249,732	\$ 848	\$ -	\$ 250,580
Restricted for				
Improvement districts	-	1,873,417	-	1,873,417
Library	182,545	-	-	182,545
Public safety	-	-	507,625	507,625
Debt service	-	-	25,449	25,449
Other purposes	967	-	4,063	5,030
Total restricted	<u>183,512</u>	<u>1,873,417</u>	<u>537,137</u>	<u>2,594,066</u>
Committed				
Cemetery maintenance	-	-	2,259,756	2,259,756
Natural disaster recovery	5,761,221	-	-	5,761,221
Total committed	<u>5,761,221</u>	<u>-</u>	<u>2,259,756</u>	<u>8,020,977</u>
Assigned to				
Capital projects	1,186,449	-	-	1,186,449
Self-insurance dental program refund	4,845	-	-	4,845
Citizen police academy	3,658	-	-	3,658
Other purposes	201,255	-	-	201,255
Total assigned	<u>1,396,207</u>	<u>-</u>	<u>-</u>	<u>1,396,207</u>
Unassigned	<u>2,225,633</u>	<u>-</u>	<u>-</u>	<u>2,225,633</u>
	<u>\$ 9,816,305</u>	<u>\$ 1,874,265</u>	<u>\$ 2,796,893</u>	<u>\$ 14,487,463</u>

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

---

**18. ENCUMBRANCES**

The amount of encumbrances outstanding as of September 30, 2015, is as follows:

Governmental Funds –	
General Fund	<u>\$ 776,036</u>

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

**19. COMMITMENTS AND CONTINGENCIES**

**Grants**

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

**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's amended Interlocal Agreement authorizes the use of Community Redevelopment Agency Special Revenue Trust Funds in the amount of \$380,118. The total amount will be repaid by the property owner, Soundside LLC, to the City's Community Redevelopment Agency, at a minimum payment of \$28,488, which includes interest at a rate of 1.5%. The first payment is due no later than September 1, 2016.

**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, 2015**

---

**19. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Wastewater Service Interlocal Agreement with Okaloosa County – Continued**

On a monthly basis, the County will bill the City at a rate equal to \$2.77 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 \$4,347 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:

<u>Fiscal Year Ending September 30</u>	
2016	\$ 53,080
2017	54,673
2018	56,313
2019	58,002
2020	59,742
2021 through 2025	326,695
2026 through 2030	378,730
2031 through 2035	439,051
2036 through 2039	<u>401,080</u>
Total	<u>\$ 1,827,366</u>

Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2015, were \$2,148,490.

**CITY OF FORT WALTON BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**20. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. (GASB 68) as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (GASB 71), effective for fiscal years beginning after June 15, 2014. The primary objective of these statement are to improve accounting and financial reporting by state and local governments for pensions. The impact of the City's adoption of GASB 68 and GASB 71 in fiscal year 2015 requires the City to restate the beginning net position in both governmental activities as well as business-type activities statement of activities and the proprietary funds statement of revenues, expenses, and changes in net position in the amount of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension as of October 1, 2014. The City's beginning net positions were decreased \$13,392,798 as detailed below:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
		<b>Utilities Fund</b>	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>
Net positions, as previously reported	\$ 40,404,449	\$ 19,705,722	\$ 3,571,001	\$ 1,611,368
Restatement	(12,463,443)	(620,144)	(250,121)	(59,090)
Net positions, restated	<u>\$ 27,941,006</u>	<u>\$ 19,085,578</u>	<u>\$ 3,320,880</u>	<u>\$ 1,552,278</u>

**(THIS PAGE INTENTIONALLY LEFT BLANK.)**

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

	<b>2014</b>
Measurement Date	
<b>Total Pension Liability</b>	
Service cost	\$ 622,382
Interest	3,222,809
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(2,575,304)
<b>Net change in total pension liability</b>	1,269,887
<b>Total pension liability – beginning</b>	41,460,324
<b>Total pension liability – ending (a)</b>	\$ 42,730,211
<b>Plan Fiduciary Net Position</b>	
Contributions – employer	\$ 1,296,450
Contributions – state	212,790
Net investment income	3,228,153
Benefit payments, including refunds of employee contributions	(2,575,304)
Administrative expenses	(42,483)
<b>Net change in plan fiduciary net position</b>	2,119,606
<b>Plan fiduciary net position – beginning</b>	37,122,638
<b>Plan fiduciary net position – ending (b)</b>	\$ 39,242,244
<b>Net pension liability – ending (a) – (b)</b>	\$ 3,487,967
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	91.84%
<b>Covered employee payroll</b>	\$ 4,255,801
<b>Net pension liability as a percentage of covered employee payroll</b>	81.96%

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.

Benefit changes: No changes in benefits.

Changes of assumptions: Change in enrolled actuary.

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

	<b>2014</b>
Measurement Date	
<b>Total Pension Liability</b>	
Service cost	\$ 322,118
Interest	1,905,286
Differences between expected and actual experiences	-
Benefit payments, including refunds of employee contributions	(1,632,053)
<b>Net change in total pension liability</b>	595,351
<b>Total pension liability – beginning</b>	24,413,051
<b>Total pension liability – ending (a)</b>	\$ 25,008,402
<b>Plan Fiduciary Net Position</b>	
Contributions – employer	\$ 836,053
Contributions – state	175,703
Contributions – member	96,591
Net investment income	1,869,244
Benefit payments, including refunds of employee contributions	(1,632,053)
Administrative expenses	(38,242)
<b>Net change in plan fiduciary net position</b>	1,307,296
<b>Plan fiduciary net position – beginning</b>	19,156,156
<b>Plan fiduciary net position – ending (b)</b>	\$ 20,463,452
<b>Net pension liability – ending (a) – (b)</b>	\$ 4,544,950
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.83%
<b>Covered employee payroll</b>	\$ 1,975,478
<b>Net pension liability as a percentage of covered employee payroll</b>	230.07%

Notes to schedule:

This information is not available for previous years.

Benefit changes: No changes in benefits.

Changes of assumptions: No changes in assumptions.

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

Measurement Date	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>		
Service cost	\$ 414,836	\$ 384,107
Interest	1,425,875	1,367,809
Change in excess state money	89,886	
Changes of benefit terms	-	-
Differences between expected and actual experiences	-	-
Contributions – buy back	-	-
Benefit payments, including refunds of employee contributions	<u>(1,071,302)</u>	<u>(1,042,333)</u>
<b>Net change in total pension liability</b>	859,295	709,583
<b>Total pension liability – beginning</b>	<u>18,336,190</u>	<u>17,626,607</u>
<b>Total pension liability – ending (a)</b>	<u><u>\$ 19,195,485</u></u>	<u><u>\$ 18,336,190</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	\$ 715,439	\$ 703,618
Contributions – state	214,272	204,226
Contributions – member	135,622	133,633
Contributions – buy back	-	-
Net investment income	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,071,302)	(1,042,333)
Administrative expenses	(34,537)	(33,706)
Other	-	-
<b>Net change in plan fiduciary net position</b>	1,160,656	1,064,736
<b>Plan fiduciary net position – beginning</b>	<u>12,501,663</u>	<u>11,436,927</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 13,662,319</u></u>	<u><u>\$ 12,501,663</u></u>
<b>Net pension liability – ending (a) – (b)</b>	<u><u>\$ 5,533,166</u></u>	<u><u>\$ 5,834,527</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.17%	68.18%
<b>Covered employee payroll</b>	\$ 2,054,879	\$ 2,054,879
<b>Net pension liability as a percentage of covered employee</b>	269.27%	283.94%

Notes to schedule:

The information is not available for previous years.

Benefit changes: No changes in benefits.

Changes of assumptions: No changes in assumptions.

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

	<u>2015</u>	<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>
<b><u>General Employees' Retirement Fund</u></b>										
Actuarially determined contribution	\$ 1,286,744	\$ 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
Contributions in relation to the actuarially determined contributions	<u>1,355,041</u>	<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>
<b>Contribution deficiency (excess)</b>	<b><u>\$ (68,297)</u></b>	<b><u>\$ (108,656)</u></b>	<b><u>\$ (50,537)</u></b>	<b><u>\$ (47,609)</u></b>	<b><u>\$ (68,100)</u></b>	<b><u>\$ 156</u></b>	<b><u>\$ 168</u></b>	<b><u>\$ 155</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (1,143)</u></b>
<b>Covered employee payroll</b>	<b>\$ 4,191,304</b>	<b>\$ 4,255,801</b>	<b>\$ 4,259,070</b>	<b>\$ 4,542,537</b>	<b>\$ 5,004,486</b>	<b>\$ 5,595,076</b>	<b>\$ 7,252,396</b>	<b>\$ 7,521,520</b>	<b>\$ 8,199,930</b>	<b>\$ 7,715,643</b>
<b>Contributions as a percentage of covered employee payroll</b>	32.33%	30.46%	30.96%	28.76%	23.17%	26.41%	17.49%	16.86%	15.01%	13.89%
<b><u>Police Officers' Retirement Fund</u></b>										
Actuarially determined contribution	\$ 772,294	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860	\$ 665,220	\$ 578,670	\$ 488,381	\$ 516,528	\$ 433,829
Contributions in relation to the actuarially determined contributions	<u>772,294</u>	<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>
<b><sup>1</sup>Contribution deficiency (excess)</b>	<b><u>\$ -</u></b>	<b><u>\$ (79,330)</u></b>	<b><u>\$ (43,892)</u></b>	<b><u>\$ (92,948)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Covered employee payroll</b>	<b>\$ 2,037,716</b>	<b>\$ 1,975,478</b>	<b>\$ 2,038,886</b>	<b>\$ 2,178,847</b>	<b>\$ 2,239,545</b>	<b>\$ 2,195,529</b>	<b>\$ 2,557,811</b>	<b>\$ 5,230,182</b>	<b>\$ 2,602,616</b>	<b>\$ 2,257,286</b>
<b>Contributions as a percentage of covered employee payroll</b>	37.90%	51.22%	45.40%	44.43%	30.49%	30.30%	22.62%	9.34%	19.85%	19.22%
<b><u>Firefighters' Retirement Fund</u></b>										
Actuarially determined contribution	\$ 748,086	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386	\$ 708,063	\$ 555,720	\$ 326,864	\$ 299,027	\$ 240,332
Contributions in relation to the actuarially determined contributions	<u>877,376</u>	<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>
<b>Contribution deficiency (excess)</b>	<b><u>\$ (129,290)</u></b>	<b><u>\$ (15,818)</u></b>	<b><u>\$ (11,248)</u></b>	<b><u>\$ (84,660)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (31,976)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Covered employee payroll</b>	<b>\$ 2,072,260</b>	<b>\$ 4,255,801</b>	<b>\$ 2,153,568</b>	<b>\$ 1,946,811</b>	<b>\$ 1,961,080</b>	<b>\$ 2,116,516</b>	<b>\$ 1,988,762</b>	<b>\$ 1,632,275</b>	<b>\$ 1,409,038</b>	<b>\$ 1,807,962</b>
<b>Contributions as a percentage of covered employee payroll</b>	42.34%	19.73%	38.51%	40.31%	34.44%	33.45%	27.94%	21.98%	21.22%	13.29%

<sup>1</sup> Employer contributions of \$31,706 are considered prepaid at 9/30/15.

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, 2013

**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

Financing of Unfunded Actuarial Accrued Liabilities: Unfunded Actuarial Accrued Liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) dollar contributions over a reasonable period of future years.

Remaining amortization period: 15 years

Wage Inflation Rate: 3.0% per year

Mortality: RP-2000 Combined Healthy Participant Mortality Tables for males and females. There is no provision for future mortality improvements after 2000 being made. Disabled Lives: Social Security Study #74 Mortality Tables. There is no provision for future mortality improvements being made.

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

Termination rates: Age-based rates. Sample rates as follows:

Sample Ages	Probability
25	7.724%
30	7.397%
35	6.858%
40	6.113%
45	5.163%
50	4.316%
55	4.371%
60	5.631%

Disability rates: 100% of disabilities are assumed to be service-connected. Age-based rates. Sample rates as follows:

Sample Ages	Probability
20	0.070%
30	0.110%
40	0.190%
50	0.005%
60	1.660%

Salary increases: Age-based increase table, as follows:

Age	Increase*
Under 25	6.5%
25-34	5.5%
35-44	4.5%
45+	3.5%

\*increase shown is inclusive of a 3% wage inflationary assumption.

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

---

Normal retirement: 100% probability of retirement upon attaining age 62 and 10 years of service.

Early retirement: Rates as shown below:

Age	Probability
52	4.218%
53	4.249%
54	4.293%
55	4.371%
56	4.500%
57	4.688%
58	4.941%
59	5.258%
60	5.631%
61	6.053%

Actuarial value of assets:

The Actuarial Value of Assets phases in the difference between the expected return on the actuarial value of assets and the actual return on the market value of the assets at the rate of 20% per year. The Actuarial Value of Assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the Market Value of plan assets and whose upper limit is 120% of the Market Value of plan assets. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. As of October 1, 2013, the actuarial value of assets was set market value. Recognition of annual differences between the expected and actuarial investment returns will be recognized prospectively.

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

---

**Valuation Date:** October 1, 2013

**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:**

**Funding method:** Entry age normal actuarial cost method

**Amortization method:** Level percentage of pay, closed

**Remaining amortization period:** 30 years

**Inflation:** 3.00% per year

**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 mortality improvements.

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

Retirement age:	Member Age	Retirement Probability
	55	10.00%
	56	10.00%
	57	25.00%
	58	20.00%
	59	33.30%
	60+	100.00%

In addition to the above table, 100% retirement is assumed upon completion of 30 years of service.

Valuations prior to October 1, 2013. 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 4% per year.

Salary increases:	Member Age	Assumption
	30 or less	10.00%
	31-35	8.50%
	36-40	7.00%
	41-45	6.00%
	45-50	4.50%
	51-55	4.00%
	56+	3.00%

Projected salary at retirement is increased 20% to account for non-regular compensation. Valuations prior to October 1, 2013: 7.5% per year until the assumed retirement age.

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

---

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

Payroll growth: None

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

Disability rates: See table below:

Other Information: Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	10.63%	0.14%
30	9.60%	0.18%
40	6.90%	0.30%
50	3.40%	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, 2013

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

Inflation: 3.0%

Mortality: 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.

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

Retirement age: 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

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

Cost-of-living increase: 3.00% per year beginning at age 58

Payroll increase: 3.00% per year

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

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  
 OTHER POST-EMPLOYMENT BENEFITS  
 SCHEDULE OF FUNDING PROGRESS (UNAUDITED)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Percentage Funded</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as % of Payroll [c/(b-a)]</b>
October 1, 2014	N/A	\$ 4,437,530	\$ 4,437,530	0.00%	\$ 7,902,214	56.16%
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	N/A	5,651,699	\$ 5,651,699	0.00%	7,300,258	77.42%

**CITY OF FORT WALTON BEACH, FLORIDA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2015**

	<b>Special Revenue Funds</b>						<b>Total Nonmajor Governmental Funds</b>
	<b>Law Enforcement Trust</b>	<b>Law Enforcement Trust Training</b>	<b>Florida Building Code</b>	<b>Community Development Block Grant</b>	<b>Beal Memorial Cemetery Perpetual Care</b>	<b>Debt Service</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 250,835	\$ 10,962	\$ 288,859	\$ -	\$ 32,584	\$ -	\$ 583,240
Investments	-	-	-	-	2,229,208	-	2,229,208
Receivables	-	-	-	-	178	-	178
Due from other governments	4,321	-	-	22,016	-	-	26,337
Cash and cash equivalents - restricted	-	-	-	-	-	25,449	25,449
<b>TOTAL ASSETS</b>	<b>\$ 255,156</b>	<b>\$ 10,962</b>	<b>\$ 288,859</b>	<b>\$ 22,016</b>	<b>\$ 2,261,970</b>	<b>\$ 25,449</b>	<b>\$ 2,864,412</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 29,840	\$ -	\$ 845	\$ 12,371	\$ 2,214	\$ -	\$ 45,270
Accrued liabilities	2,532	-	14,135	-	-	-	16,667
Due to other funds	-	-	-	5,582	-	-	5,582
Total liabilities	32,372	-	14,980	17,953	2,214	-	67,519
<b>FUND BALANCE</b>							
Restricted	222,784	10,962	273,879	4,063	-	25,449	537,137
Committed	-	-	-	-	2,259,756	-	2,259,756
Total fund balance	222,784	10,962	273,879	4,063	2,259,756	25,449	2,796,893
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 255,156</b>	<b>\$ 10,962</b>	<b>\$ 288,859</b>	<b>\$ 22,016</b>	<b>\$ 2,261,970</b>	<b>\$ 25,449</b>	<b>\$ 2,864,412</b>

**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, 2015**

	<b>Special Revenue Funds</b>					<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Law Enforcement Trust</b>	<b>Law Enforcement Trust Training</b>	<b>Florida Building Code</b>	<b>Community Development Block Grant</b>	<b>Beal Memorial Cemetery Perpetual Care</b>		
<b>REVENUES</b>							
Permits and fees	\$ -	\$ -	\$ 325,538	\$ -	\$ -	\$ -	\$ 325,538
Intergovernmental	23,730	-	-	139,692	-	-	163,422
Fines	12,746	6,755	-	-	-	-	19,501
Miscellaneous	6,460	153	3,868	-	11,690	-	22,171
Total revenues	<u>42,936</u>	<u>6,908</u>	<u>329,406</u>	<u>139,692</u>	<u>11,690</u>	<u>-</u>	<u>530,632</u>
<b>EXPENDITURES</b>							
Current							
Public safety	87,955	6,422	311,032	-	-	-	405,409
Physical environment	-	-	-	-	11,077	-	11,077
Economic environment	-	-	-	103,615	-	-	103,615
Capital outlay	11,764	-	20,398	25,783	-	-	57,945
Debt service							
Principal	-	-	-	-	-	660,107	660,107
Interest	-	-	-	-	-	344,544	344,544
Total expenditures	<u>99,719</u>	<u>6,422</u>	<u>331,430</u>	<u>129,398</u>	<u>11,077</u>	<u>1,004,651</u>	<u>1,582,697</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(56,783)</u>	<u>486</u>	<u>(2,024)</u>	<u>10,294</u>	<u>613</u>	<u>(1,004,651)</u>	<u>(1,052,065)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	34,423	1,004,651	1,039,074
Transfers out	-	-	-	-	(25,000)	-	(25,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,423</u>	<u>1,004,651</u>	<u>1,014,074</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(56,783)</u>	<u>486</u>	<u>(2,024)</u>	<u>10,294</u>	<u>10,036</u>	<u>-</u>	<u>(37,991)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<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>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 222,784</u>	<u>\$ 10,962</u>	<u>\$ 273,879</u>	<u>\$ 4,063</u>	<u>\$ 2,259,756</u>	<u>\$ 25,449</u>	<u>\$ 2,796,893</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 27,195	\$ 23,730	\$ (3,465)
Fines	-	-	12,746	12,746
Miscellaneous	3,715	3,715	6,460	2,745
Total revenues	<u>3,715</u>	<u>30,910</u>	<u>42,936</u>	<u>12,026</u>
<b>EXPENDITURES</b>				
Current				
Public safety	16,500	62,684	87,955	(25,271)
Capital outlay	-	41,605	11,764	29,841
Total expenditures	<u>16,500</u>	<u>104,289</u>	<u>99,719</u>	<u>4,570</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,785)	(73,379)	(56,783)	16,596
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>12,785</u>	<u>73,379</u>	<u>279,567</u>	<u>206,188</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,784</u>	<u>\$ 222,784</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines	\$ 7,000	\$ 7,000	\$ 6,755	\$ (245)
Miscellaneous	135	135	153	18
Total revenues	<u>7,135</u>	<u>7,135</u>	<u>6,908</u>	<u>(227)</u>
<b>EXPENDITURES</b>				
Current				
Public safety	<u>8,625</u>	<u>8,625</u>	<u>6,422</u>	<u>2,203</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,490)	(1,490)	486	1,976
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>1,490</u>	<u>1,490</u>	<u>10,476</u>	<u>8,986</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,962</u>	<u>\$ 10,962</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Permits and fees	\$ 314,900	\$ 314,900	\$ 325,538	\$ 10,638
Miscellaneous	2,195	2,345	3,868	1,523
Total revenues	<u>317,095</u>	<u>317,245</u>	<u>329,406</u>	<u>12,161</u>
<b>EXPENDITURES</b>				
Current				
Public safety	309,849	320,043	311,032	9,011
Capital outlay	21,000	21,969	20,398	1,571
Total expenditures	<u>330,849</u>	<u>342,012</u>	<u>331,430</u>	<u>10,582</u>
<b>NET CHANGE IN FUND BALANCE</b>	(13,754)	(24,767)	(2,024)	22,743
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>13,754</u>	<u>24,767</u>	<u>275,903</u>	<u>251,136</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,879</u>	<u>\$ 273,879</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 115,400	\$ 115,400	\$ 139,692	\$ 24,292
<b>EXPENDITURES</b>				
Current				
Economic environment	133,893	168,369	103,615	64,754
Capital outlay	125,324	90,848	25,783	65,065
Total expenditures	259,217	259,217	129,398	129,819
<b>NET CHANGE IN FUND BALANCE</b>	(143,817)	(143,817)	10,294	154,111
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	143,817	143,817	(6,231)	(150,048)
<b>FUND BALANCE AT END OF YEAR</b>	\$ -	\$ -	\$ 4,063	\$ 4,063

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 31,000	\$ 31,000	\$ 11,690	\$ (19,310)
<b>EXPENDITURES</b>				
Current				
Physical environment	8,000	11,077	11,077	-
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>23,000</u>	<u>19,923</u>	<u>613</u>	<u>(19,310)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	36,000	36,000	34,423	(1,577)
Transfers out	-	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>36,000</u>	<u>11,000</u>	<u>9,423</u>	<u>(1,577)</u>
<b>NET CHANGE IN FUND BALANCE</b>	59,000	30,923	10,036	(20,887)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>2,249,720</u>	<u>2,249,720</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 59,000</u>	<u>\$ 30,923</u>	<u>\$ 2,259,756</u>	<u>\$ 2,228,833</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Debt service				
Principal	681,019	681,019	660,107	20,912
Interest	349,385	349,385	344,544	4,841
Total expenditures	1,030,404	1,030,404	1,004,651	25,753
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>				
	(1,030,404)	(1,030,404)	(1,004,651)	25,753
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,030,404	1,030,404	1,004,651	(25,753)
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	-	-
<b>FUND BALANCE AT BEGINNING OF YEAR</b>				
	-	-	25,449	25,449
<b>FUND BALANCE AT END OF YEAR</b>				
	\$ -	\$ -	\$ 25,449	\$ 25,449

**CITY OF FORT WALTON BEACH, FLORIDA  
NON-MAJOR PROPRIETARY FUND  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Stormwater Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 726,608
Receivables, net	41,954
Due from other governments	35,542
Total current assets	804,104
Capital assets, net	
Non-depreciable/amortizable	64,174
Depreciable/amortization, net	1,062,175
Total capital assets	1,126,349
<b>TOTAL ASSETS</b>	<b>1,930,453</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,330</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	3,473
Accrued liabilities	
Compensated absences	3,290
Wages	12,688
Total current liabilities	19,451
Non-current liabilities	
Accrued liabilities	
Compensated absences	9,869
Other post-employment benefits	24,202
Net pension liability	67,773
Total non-current liabilities	101,844
<b>TOTAL LIABILITIES</b>	<b>121,295</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>5,274</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,126,349
Unrestricted	703,865
<b>TOTAL NET POSITION</b>	<b>\$ 1,830,214</b>

**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, 2015**

	<b>Stormwater Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 694,581
<b>OPERATING EXPENSES</b>	
Personal services	176,670
Operating	208,911
Depreciation/amortization expense	74,733
Total operating expenses	460,314
<b>OPERATING INCOME</b>	234,267
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Gain on investment	710
Interest	7,185
Miscellaneous	232
Total non-operating revenues (expenses)	8,127
<b>OPERATING INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	242,394
<b>CAPITAL CONTRIBUTIONS</b>	35,542
<b>CHANGE IN NET POSITION</b>	277,936
<b>NET POSITION AT BEGINNING OF YEAR, RESTATED</b>	1,552,278
<b>NET POSITION AT END OF YEAR</b>	\$ 1,830,214

**CITY OF FORT WALTON BEACH, FLORIDA  
NON-MAJOR PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>Stormwater Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 687,508
Payments to suppliers	(209,533)
Payments to employees	(183,798)
Miscellaneous income	232
	294,409
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(69,626)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	7,895
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	
	232,678
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	
	493,930
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	
	\$ 726,608
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 234,267
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	74,733
Miscellaneous revenue	232
Decrease (increase) in assets:	
Accounts receivable	(7,073)
Decrease (increase) in deferred outflows of resources	(1,139)
Increase (decrease) in liabilities:	
Accounts payable	(598)
Compensated absences payable	3,522
Wages	141
Other liabilities	(24)
Other post-employment benefits	1,584
Net pension liability	(16,510)
Increase (decrease) in deferred inflows of resources	5,274
	\$ 294,409
Net cash provided by operating activities	\$ 294,409

**(THIS PAGE INTENTIONALLY LEFT BLANK.)**

**City of Fort Walton Beach, Florida**  
**SCHEDULE 1**  
**NET POSITION BY COMPONENT<sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**(full accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 27,443,877
Restricted										
Debt service	92,788	92,730	91,713	91,713	92,880	113,816	113,507	21,156	25,449	25,449
Capital projects	241,114	56,550	-	-	-	-	-	-	-	-
Improvement Districts	-	-	-	-	-	4,212,984	3,736,100	3,833,430	4,073,364	1,874,265
Public safety	266,492	307,983	307,983	254,409	269,600	268,820	262,648	462,375	565,946	507,625
Perpetual care - expendable	1,663,521	1,787,789	1,877,086	1,869,558	1,898,445	-	-	-	-	-
Other purposes	474,924	657,116	473,655	463,168	477,194	234,568	194,193	177,129	172,630	187,575
Unrestricted	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	159,868
Total governmental activities net position	<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>	<u>\$ 30,198,659</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 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	\$ 12,886,793
Restricted										
Debt service	333,522	323,430	316,153	471,441	481,023	184,711	184,933	1,087,405	1,082,935	157,228
System improvements	106,434	39,414	60,709	98,292	61,559	82,573	112,863	305,508	367,263	382,734
Unrestricted	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	10,656,992
Total business-type activities net position	<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>	<u>\$ 24,083,747</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 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	\$ 40,330,670
Restricted	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	3,134,876
Unrestricted	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	10,816,860
Total primary government net position	<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>	<u>\$ 54,282,406</u>

<sup>(1)</sup> 2015 represents the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*.

**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)*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities										
General government	\$ 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	\$ 2,735,875
Public safety	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	9,562,140
Physical environment	299,362	354,439	343,411	350,374	304,907	393,752	383,970	379,681	392,255	379,334
Transportation	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	1,474,209
Economic environment	313,153	335,185	127,355	266,132	98,996	545,242	707,603	1,090,025	803,175	1,813,782
Culture and recreation	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	4,601,503
Debt service interest	309,094	331,771	302,948	247,703	240,940	214,470	254,516	324,405	483,301	340,497
Total government activities	<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>	<u>20,907,340</u>
Business-type activities										
Utilities	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	9,205,259
Sanitation	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	3,319,760
Golf	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	460,314
Total business-type activities	<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>	<u>12,985,333</u>
Total primary government expenses	<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>	<u>\$ 33,892,673</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 2,381,669	\$ 2,456,663	\$ 2,752,330	\$ 2,921,887	\$ 2,759,080	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824	\$ 421,987
Public safety	600,259	579,365	641,941	642,364	467,835	430,017	373,855	640,271	495,111	490,379
Physical environment	342,815	316,520	348,838	286,623	289,654	394,513	439,555	404,429	376,998	409,253
Transportation	72,815	241,622	93,987	87,654	83,586	104,776	118,067	122,275	140,038	140,809
Economic environment	-	-	-	-	-	16,400	58,000	34,652	10	5,000
Culture and recreation	400,175	421,733	417,253	426,110	408,351	404,047	400,215	374,362	1,853,087	1,930,131
Operating grants and contributions	642,631	1,266,681	903,079	1,119,033	639,370	761,643	589,253	786,652	682,200	909,461
Capital grants and contributions	373,994	233,878	50,687	88,941	731,275	351,006	156,794	80,936	109,629	525,320
Total governmental activities program revenues	<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>	<u>4,832,340</u>
Business-type activities										
Charges for services										
Utilities	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	9,233,820
Sanitation	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	3,582,005
Golf	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	694,581
Operating grants and contributions	-	-	39,403	-	-	118,226	-	1,071	-	-
Capital grants and contributions	95,644	1,079,034	92,872	555,698	173,370	65,496	331,609	1,871,295	(157,294)	87,797
Total business-type activities program revenues	<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>	<u>13,598,203</u>
Total primary government program revenues	<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>	<u>\$ 18,430,543</u>

Continued...

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (16,075,000)
Business-type activities	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)	612,870
<b>Total primary government</b>	<b>\$ (11,967,640)</b>	<b>\$ (12,340,917)</b>	<b>\$ (14,843,401)</b>	<b>\$ (12,264,601)</b>	<b>\$ (13,220,333)</b>	<b>\$ (13,942,941)</b>	<b>\$ (15,665,693)</b>	<b>\$ (12,777,941)</b>	<b>\$ (17,158,693)</b>	<b>\$ (15,462,130)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 5,473,438
Sales taxes	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	2,557,062
Utility service taxes	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	4,036,009
Tax Increments for Redevelopment district	-	-	-	-	-	1,547,609	1,386,521	1,311,101	1,501,208	1,552,560
Franchise Fees	-	-	-	-	-	-	1,876,575	1,764,733	2,004,101	2,162,617
Intergovernmental, unrestricted	889,450	845,090	740,554	709,550	712,776	825,591	809,756	818,039	819,556	896,837
Gain on sale of assets	(1,053)	477,494	2,592	2,950	795,860	16,865	16,440	37,833	520,152	524,720
Miscellaneous	37,595	56,788	61,199	54,223	492,052	96,105	154,996	106,546	103,986	199,776
Investment earnings	599,818	755,389	444,488	269,896	152,884	133,419	159,465	62,285	345,734	272,076
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Special item: Impairment loss	-	-	-	-	-	-	-	(271,287)	-	-
Transfers	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	657,558
<b>Total governmental activities</b>	<b>14,599,237</b>	<b>13,027,117</b>	<b>16,528,196</b>	<b>13,410,761</b>	<b>14,059,136</b>	<b>14,778,889</b>	<b>16,292,434</b>	<b>11,861,624</b>	<b>19,783,776</b>	<b>18,332,653</b>
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	716
Miscellaneous	73,714	15,118	129,678	141,406	177,657	31,424	48,550	6,504	6,839	9,222
Investment earnings	734,878	713,872	579,578	340,155	202,071	65,961	69,622	11,107	55,669	159,761
Special item: Impairment loss	-	-	-	(3,836,055)	-	-	(588,652)	(786,713)	-	-
Transfers	(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)	(657,558)
<b>Total business-type activities</b>	<b>997,402</b>	<b>771,812</b>	<b>715,668</b>	<b>(3,250,990)</b>	<b>436,523</b>	<b>173,289</b>	<b>(435,369)</b>	<b>1,397,001</b>	<b>(2,766,317)</b>	<b>(487,859)</b>
<b>Total primary government</b>	<b>\$ 15,596,639</b>	<b>\$ 13,798,929</b>	<b>\$ 17,243,864</b>	<b>\$ 10,159,771</b>	<b>\$ 14,495,659</b>	<b>\$ 14,952,178</b>	<b>\$ 15,857,065</b>	<b>\$ 13,258,625</b>	<b>\$ 17,017,459</b>	<b>\$ 17,844,794</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 836,687	\$ (1,742,126)	\$ 186,691	\$ (1,116,377)	\$ (231,722)	\$ 1,424,688	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175	\$ 2,257,653
Business-type activities	812,312	1,275,138	(703,538)	(3,298,917)	(160,595)	(2,098,168)	(385,079)	4,298,887	(3,190,409)	125,011
<b>Total primary government</b>	<b>\$ 1,648,999</b>	<b>\$ (466,988)</b>	<b>\$ (516,847)</b>	<b>\$ (4,415,294)</b>	<b>\$ (392,317)</b>	<b>\$ (673,480)</b>	<b>\$ (1,464,660)</b>	<b>\$ 480,684</b>	<b>\$ (141,234)</b>	<b>\$ 2,382,664</b>

**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)*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ 539,749	\$ 701,829	\$ 509,080	\$ 482,179	\$ 499,384	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	249,732
Restricted	-	-	-	-	-	234,768	194,193	7,868,522	4,083,267	183,512
Committed	-	-	-	-	-	5,219,706	5,040,585	5,501,353	5,589,056	5,761,221
Assigned	-	-	-	-	-	1,537,572	354,999	1,301,385	1,584,887	1,396,207
Unassigned	-	-	-	-	-	1,189,562	1,611,120	788,076	1,300,881	2,225,633
<b>Total general fund</b>	<b>\$ 11,669,122</b>	<b>\$ 12,863,374</b>	<b>\$ 9,876,944</b>	<b>\$ 10,191,381</b>	<b>\$ 9,813,526</b>	<b>\$ 11,214,334</b>	<b>\$ 10,058,860</b>	<b>\$ 15,713,565</b>	<b>\$ 12,821,055</b>	<b>\$ 9,816,305</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ 50,117	\$ 12,783	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Capital projects	241,114	56,550	-	8,751	-	-	-	-	-	-
Debt service	92,788	92,730	91,713	91,713	92,880	-	-	-	-	-
Special revenue funds	1,933,979	2,095,772	2,153,440	2,073,850	2,158,878	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	798	848
Restricted	-	-	-	-	-	4,595,420	4,112,255	4,316,961	4,663,961	2,410,554
Committed	-	-	-	-	-	1,929,448	1,959,836	2,035,225	2,249,720	2,259,756
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(306)	(302)	(2,745)	(6,231)	-
<b>Total all other governmental funds</b>	<b>\$ 2,267,881</b>	<b>\$ 2,245,052</b>	<b>\$ 2,245,153</b>	<b>\$ 2,224,431</b>	<b>\$ 2,264,541</b>	<b>\$ 6,524,562</b>	<b>\$ 6,071,789</b>	<b>\$ 6,349,441</b>	<b>\$ 6,908,248</b>	<b>\$ 4,671,158</b>

**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)*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 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	\$ 11,837,177
Licenses, permits, and fees	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	2,564,079
Intergovernmental	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	3,951,367
Charges for services	900,170	911,026	1,216,687	1,132,681	907,476	911,405	969,560	1,065,316	2,373,486	2,499,107
Fines and forfeits	247,329	247,493	268,415	387,449	204,849	151,616	142,936	241,923	133,645	131,020
Miscellaneous	850,248	3,588,708	1,211,662	1,020,342	1,370,077	817,975	537,975	431,625	827,526	1,142,936
<b>Total Revenues</b>	<b>17,438,157</b>	<b>19,710,318</b>	<b>16,875,548</b>	<b>16,971,467</b>	<b>17,806,735</b>	<b>18,106,713</b>	<b>17,151,142</b>	<b>17,262,303</b>	<b>20,641,035</b>	<b>22,125,686</b>
<b>Expenditures</b>										
General governmental services	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	2,813,835
Public safety	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	9,080,984
Physical environment	233,942	276,086	278,273	283,460	250,691	306,365	295,459	311,684	325,864	339,596
Transportation	1,364,414	1,550,204	1,750,680	1,316,954	1,207,449	994,272	966,050	1,012,387	867,730	862,712
Economic environment	313,153	335,185	127,355	266,132	98,996	493,526	652,086	1,032,659	745,586	1,730,631
Culture and recreation	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	4,122,310
Capital outlay	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	8,128,139
Debt service										
Principal	194,675	355,459	2,052,797	168,949	175,629	198,699	211,683	4,540,488	612,996	660,107
Interest and other costs	307,334	330,136	297,335	246,774	240,093	236,268	243,959	203,347	377,574	354,544
<b>Total expenditures</b>	<b>22,926,388</b>	<b>20,467,819</b>	<b>22,779,187</b>	<b>19,184,029</b>	<b>19,812,123</b>	<b>18,399,417</b>	<b>20,415,421</b>	<b>22,230,828</b>	<b>23,369,449</b>	<b>28,092,858</b>
Excess of revenue over (under) expenditures	(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)	(5,967,172)
<b>Other Financing Sources (Uses)</b>										
Capital lease proceeds	-	-	-	-	-	-	-	103,784	-	67,774
Transfers in	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	1,721,632
Transfers out	(638,738)	(715,802)	(2,450,323)	(685,545)	(674,583)	(614,227)	(628,384)	(2,819,277)	(1,241,454)	(1,064,074)
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	739,805	-	12,942,539	-	-
Contributions from others	10,572	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,990,572</b>	<b>1,928,925</b>	<b>2,917,310</b>	<b>2,506,277</b>	<b>1,667,643</b>	<b>2,422,522</b>	<b>1,656,032</b>	<b>10,900,882</b>	<b>394,711</b>	<b>725,332</b>
<b>Net change in fund balance</b>	<b>\$ (3,497,659)</b>	<b>\$ 1,171,424</b>	<b>\$ (2,986,329)</b>	<b>\$ 293,715</b>	<b>\$ (337,745)</b>	<b>\$ 2,129,818</b>	<b>\$ (1,608,247)</b>	<b>\$ 5,932,357</b>	<b>\$ (2,333,703)</b>	<b>\$ (5,241,840)</b>
Debt service as a percentage of noncapital expenditures	2.90%	3.61%	10.62%	2.23%	2.25%	2.58%	2.56%	22.65%	5.31%	5.08%

**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 <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses, Fees, and Permits</u>	<u>Intergovernmental Revenues</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest and Other Revenues</u>	<u>Other Financing Sources</u>	<u>TOTAL</u>
2015	\$11,837,177	\$2,564,079	\$3,951,367	\$2,499,107	\$131,020	\$1,142,936	\$1,789,406	\$23,915,092
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	9,901,157	2,221,406	3,400,876	1,065,316	241,923	431,625	673,836	17,936,139
2011	10,065,983	2,428,621	3,358,615	911,405	151,616	817,975	2,296,944	20,031,159
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

<sup>(1)</sup> 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<sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

<b>Tax Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Assessed Value</b>	<b>Exemptions</b>	<b>Assessed Value for Operations</b>	<b>Total Direct Tax Rate</b>
2015	\$ 1,521,529,660	\$ 112,451,954	\$ 1,633,981,614	\$ 448,170,536	\$ 1,185,811,078	5.7697
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

<sup>(1)</sup> Florida State Law requires all property to be assessed at current fair market.  
The January 2015 assessment is the basis for Fiscal Year 2015-16 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 <sup>(1)</sup>**  
**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
2015	5.7697	5.7697	3.4308	7.2790	0.0378	10.7476
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

<sup>(1)</sup> As of levy date, November 1 of each year listed.

The 2015 millage rate is the basis for Fiscal Year 2015-16 tax revenues.

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

**Source:** Okaloosa County Tax Collector

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

<u>Taxpayer</u>	<u>2015</u>			<u>2006</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.	\$ 18,499,034	1.56%	1	\$ 17,382,160	1.28%	2
Suso 2 Uptown, LP	14,301,585	1.21%	2			
Cox Communications Gulf Coast, LLC	7,109,751	0.60%	3			
99 Eglin LTD	6,071,883	0.51%	4	13,416,300	0.99%	3
Pacifica Walton Beach LLC	5,780,686	0.49%	5			
Fort Walton Machining, Inc	5,379,463	0.45%	6			
Embarq Corp.	5,308,013	0.45%	7			
DRS Training & Control	4,984,551	0.42%	8			
FNBT.COM Bank	4,850,426	0.41%	9			
HSU Paul S & Majes	4,673,005	0.39%	10			
Sprint Florida, Inc.				20,311,303	1.50%	1
BLC Westwood LLC				9,562,242	0.71%	4
Aero Technical Service				8,743,326	0.65%	5
Metric Systems				8,379,093	0.62%	6
Inland Southeast Paradise Point				6,786,099	0.50%	7
Dea J. Jr & Thomas & Kilgore				6,616,753	0.49%	8
Dakota Group of NWF				6,591,958	0.49%	9
Emerald Coast Housing Corp.				6,431,342	0.47%	10
Total Taxable Assessed Value of Principal Taxpayers	<u>76,958,397</u>	<u>6.49%</u>		<u>104,220,576</u>	<u>7.69%</u>	
Total Taxable Assessed Value of Other Taxpayers	<u>1,108,852,681</u>	<u>93.51%</u>		<u>1,251,138,076</u>	<u>92.31%</u>	
Total Taxable Assessed Value	<u><u>\$ 1,185,811,078</u></u>	<u><u>100.00%</u></u>		<u><u>\$ 1,355,358,652</u></u>	<u><u>100.00%</u></u>	

<sup>(1)</sup> The 2015 tax roll is the basis for Fiscal Year 2015-16 tax revenues.

**Source:** Okaloosa County Property Appraiser

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

<u>Tax Year</u>	<u>Total Tax Levy <sup>(1)</sup></u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Amount of Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2015	The 2015 tax levy is the basis for Fiscal Year 2015-16 tax revenues.							
2014	\$ 6,656,342	\$ 6,414,562	96.4%	\$ 31,452	\$ 6,446,014	96.8%	\$ 3,604	0.1%
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%

<sup>(1)</sup> 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 <sup>(1)</sup>	Per Capita <sup>(2)</sup>
	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	State Revolving Loans	Revenue Bonds			
2015	\$ -	\$ 134,249	\$ 12,371,587	\$ -	\$ -	\$ -	\$ 8,794,000	\$ 15,312,458	\$ -	\$ 36,612,294	0.42%	1,754.39
2014	-	89,654	13,008,515	-	-	-	-	14,004,706	9,640,146	36,743,021	0.42%	1,813.93
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

**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.

<sup>(1)</sup> See Schedule 15 for personal income data.

<sup>(2)</sup> 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 <sup>(1)</sup></u>	<u>Per Capita <sup>(2)</sup></u>
	<u>General Obligation Bonds</u>			
2015	\$	-	0.00%	\$ -
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%	-

**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.

<sup>(1)</sup> See Schedule 6 for property value data.

<sup>(2)</sup> 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**  
**PLEGDED REVENUE COVERAGE**  
**SCHEDULE OF REVENUE BOND COVERAGE**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Non-Ad Valorem Revenues <sup>(1)</sup>	Average Non-Ad Valorem Revenues Avail. for Debt Service	Debt Service Requirements <sup>(2)</sup>			
			Principal	Interest	Total	Coverage
2015	\$ 28,766,844	\$ 27,552,810	\$ 962,155	940,698	\$ 1,902,853	14.48
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

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

<sup>(2)</sup> Combined Debt Service requirements for Capital Improvement Revenue Note Series 2013 & 2013A, Utility System Revenue Note 2015, SRF Loan 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	\$ 27,696,000	10.95%	(2) \$ 3,033,261
Okaloosa County School District			
Certificates of Participation	\$ 41,648,000	31.11%	(1) \$ 12,957,156
Subtotal: Overlapping Debt	<u>\$ 69,344,000</u>		<u>\$ 15,990,416</u>
Direct Debt			
City of Fort Walton Beach Revenue Notes	\$ 12,371,587	100.00%	\$ 12,371,587
City of Fort Walton Beach Lease Payable	\$ 134,249	100.00%	\$ 134,249
Subtotal: Direct Debt	<u>\$ 12,505,836</u>		<u>\$ 12,505,836</u>
Total Direct and Overlapping Debt	<u><u>\$ 81,849,836</u></u>		<u><u>\$ 28,496,252</u></u>

Source: Okaloosa County, Okaloosa County School Board

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

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

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

Employer	Product	2015			2006		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin <sup>(1)</sup>	Air Force Development Test Center	19,754	20.13%	1	22,000	23.28%	1
USAF - Hurlburt <sup>(2)</sup>	Air Force Special Ops Command	10,236	10.43%	2	8,882	9.40%	2
Okaloosa County School District	Education Services	3,322	3.38%	3	3,853	4.08%	3
Okaloosa County <sup>(3)</sup>	Local Government Services	1,479	1.51%	4	1,521	1.61%	4
Jacobs Technology - TEAS Group <sup>(4)</sup>	Military Technical Support	1,000	1.02%	5			
Fort Walton Beach Medical Center <sup>(4)</sup>	Medical Services	1,000	1.02%	6	969	1.03%	5
Lockheed Martin Corporation <sup>(4)</sup>	Military Technical Support	800	0.82%	7			
InDyne Inc <sup>(4)</sup>	Military Technical Support	800	0.82%	8	700	0.74%	7
Northwest Florida State College	Education Services	722	0.74%	9			
L-3 Crestview Aerospace <sup>(4)</sup>	Military Technical Support	600	0.61%	10			
North Okaloosa Medical Center	Medical Services		0.00%		600	0.63%	8
ResortQuest	Property Management		0.00%		850	0.90%	6
DRS Training and Control Systems	Defense Electronics		0.00%		550	0.58%	9
BAE Systems Technical Services	Military Technical Support		0.00%				
Tybrin Corporation	Military Technical Support		0.00%		547	0.58%	10
		<u>39,713</u>	34.75%		<u>40,472</u>	31.40%	

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

<sup>(2)</sup>Includes military and civilian personnel.

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

<sup>(4)</sup>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**

<b>Fiscal Year</b>	<b>Fort Walton Beach Population</b>	<b>Okaloosa County Population</b>	<b>FWB as a % of the County</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2015	20,869	190,550	10.95%	\$ 8,783,041	\$ 44,695	4.4%
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%

**OKALOOSA COUNTY EDUCATION**

		<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Schools:	Grades K-5	18	18	18
	Grades 6-8	7	7	7
	Grades 9-12	4	4	4
	PK-12 / Charter / Alterna	2 / 5 / 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	15,046	12,315	14,197
	Grades 6-8	7,034	6,882	6,698
	Grades 9-12	8,701	8,834	8,917
	Adult Students	237	285	310
	Exceptional Children	5,316	4,282	3,995
Personnel:	Instructional (Classroom)	1,889	1,912	1,888
	Non-Instructional	1,181	1,087	868

**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										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Government</b>										
City Manager	3.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	4.00	3.00
Administrative Services	3.00	3.00	3.00	3.00	3.00	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	2.00	2.75	2.75	3.00	4.00	4.00
City Clerk	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00	3.00
Finance	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.75
Purchasing	2.75	2.75	2.50	2.50	2.50	2.50	2.00	5.00	5.00	5.00
<b>Public Safety</b>										
Police	61.38	60.99	59.99	70.99	67.99	67.59	68.05	74.05	73.17	72.95
Fire	38.00	37.00	37.00	37.00	37.00	38.00	38.00	39.00	39.00	39.00
<b>Recreation &amp; Cultural Services</b>										
Administration	12.64	12.32	13.45	13.67	13.81	15.93	17.19	32.09	32.64	34.04
Parks Maintenance	10.00	10.00	10.00	11.00	11.00	11.00	11.90	-	-	-
Right-of-Way Maintenance	1.00	1.00	1.00	1.00	1.00	7.00	8.00	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
Golf Club	13.93	14.26	-	-	-	-	-	-	-	-
Golf Grounds Maintenance	15.75	15.75	-	-	-	-	-	-	-	-
Library	8.02	8.02	8.02	8.02	8.10	9.90	9.90	10.60	11.10	11.10
Museum	4.10	3.60	3.60	3.60	2.60	3.85	4.98	5.18	6.01	7.01
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.00
<b>Engineering Services</b>										
Administration	4.00	4.00	5.00	5.00	5.00	6.00	6.00	7.00	7.00	8.00
Planning & Zoning	2.00	2.00	1.00	1.00	1.00	1.00	-	4.00	4.00	5.00
Building & Permitting	4.00	4.00	4.00	3.70	3.00	3.00	3.00	6.00	6.00	4.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-
Fleet Maintenance	9.00	9.00	9.00	8.75	8.75	10.00	11.00	12.00	12.00	12.00
Facilities Maintenance	7.00	7.00	8.00	8.00	8.00	11.00	11.00	10.00	11.00	11.00
Streets Maintenance	6.00	6.00	5.50	5.50	5.50	6.50	6.50	14.50	13.50	15.00
Community Development Block Grant	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	1.48	1.48
Community Redevelopment Agency	3.00	3.00	3.00	3.00	3.00	1.00	1.00	1.00	1.75	1.75
<b>Utility (Water/Sewer) Enterprise</b>										
Administration	8.00	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	5.50	7.50	7.50	8.00	9.00	9.00
Water Operations	10.00	9.00	9.00	9.00	10.00	7.00	7.00	7.00	7.00	7.00
Sewer Operations	-	-	-	-	-	2.00	11.00	11.00	13.00	13.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	7.00	7.00
Sewer Collections	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00	12.00	11.00
<b>Sanitation Enterprise</b>										
Solid Waste	19.00	19.00	19.00	19.00	18.75	19.62	19.87	21.00	21.00	21.00
Recycling	1.00	1.00	-	-	-	-	-	-	4.00	4.00
<b>Golf Enterprise</b>										
Golf Club	-	-	14.26	14.26	14.26	14.26	31.01	36.51	36.56	36.56
Golf Grounds Maintenance	-	-	15.75	15.75	15.75	15.75	-	-	-	-
<b>Stormwater Enterprise</b>										
Stormwater	6.00	6.00	6.00	6.00	6.00	7.00	8.00	-	-	-
<b>Total</b>	<b>292.05</b>	<b>291.02</b>	<b>289.40</b>	<b>300.07</b>	<b>296.09</b>	<b>312.48</b>	<b>329.48</b>	<b>362.29</b>	<b>375.29</b>	<b>377.22</b>

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 &amp; Sewer</u>
2015	153	216	116	75	34
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

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

<u>Year</u>	<u>Number Sold</u>
2015	2,259
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

**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	2 Soccer Field Facility
6 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 was complete in FY 2015.

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

Pct	Place Name	Registered Voters				
		Total	Dems	Reps	NPA	Other
01	BAKER	2,148	367	1,466	290	25
02	BLACKMON	629	137	415	72	5
03	MILLIGAN	1,204	227	751	205	21
04	HOLT	1,123	235	679	190	19
05	LAUREL HILL	987	250	544	177	16
06	GARDEN CITY	2,861	546	1,775	499	41
07	DORCAS	1,405	276	801	301	27
08	HONEY CREEK	3,757	862	2,141	693	61
09	YELLOW RIVER	3,694	752	2,160	711	71
10	WEST WRIGHT	5,593	1,298	2,833	1,334	128
11	EAST CRESTVIEW	6,919	1,523	3,623	1,616	157
12	WEST CRESTVIEW	836	467	196	164	9
13	NORTH CRESTVIEW	3,469	752	2,033	623	61
14	WEST NICEVILLE	2,649	480	1,509	592	68
15	VALPARAISO	2,805	503	1,619	620	63
16	SHALIMAR	2,722	587	1,481	588	66
17	CENTRAL WRIGHT	3,152	801	1,467	816	68
18	OCEAN CITY	2,400	575	1,185	592	48
19*	EAST FWB	1,577	481	649	415	32
20	WEST DESTIN	2,309	430	1,340	476	63
21	MARY ESTHER	2,547	538	1,452	500	57
22*	S CENTRAL FWB	1,986	585	918	452	31
23	EGLIN AFB	589	112	265	197	15
24*	WEST FWB	2,711	725	1,314	617	55
25	N CENTRAL NICEVILLE	1,706	328	1,014	333	31
26	SEMINOLE	2,443	332	1,633	428	50
27	CINCO BAYOU	284	63	153	65	3
28*	GARNIERS	353	68	220	60	5
29*	GOLF COURSE	2,104	317	1,373	372	42
30	OKALOOSA ISLAND	1,438	227	805	362	44
31	LONGWOOD	1,875	293	1,275	273	34
32*	FERRY PARK	2,297	443	1,382	419	53
33	ROCKY BAYOU	4,313	489	3,100	679	45
34	FLO ROSA	3,327	743	1,635	854	95
35	NORTH DESTIN	2,970	366	1,886	671	47
36	SOUTH NICEVILLE	2,429	344	1,628	400	57
37	LAKE LORRAINE	2,646	347	1,811	442	46
38	NORTHGATE	2,137	469	1,177	446	45
39	EAST WRIGHT	2,273	556	1,150	525	42
40	SOUTH BLUEWATER	2,830	319	1,977	485	49
41*	N CENTRAL FWB	1,301	229	844	205	23
42*	NEW HEIGHTS	2,272	705	991	531	45
43	S CENTRAL NICEVILLE	2,145	412	1,240	452	41
44	CENTRAL DESTIN	1,776	320	943	473	40
45	SOUTH CRESTVIEW	4,272	962	2,200	1,040	70
46	NORTH BLUEWATER	4,287	550	2,830	822	85
47	WYNNEHAVEN BEACH	1,881	389	923	515	54
48*	WESTWOOD RETIREMENT	142	34	96	10	2
49	EAST DESTIN	2,931	376	1,976	530	49
50	SOUTH DESTIN	3,003	370	2,002	569	62
51	AIRPORT ROAD	1,674	265	1,054	331	24
52	LIVE OAK	3,389	672	1,928	731	58
Countywide Total		109,827	20,910	64,075	22,682	2,160
*City Precinct City Total		14,743	3,587	7,787	3,081	288

Source: Okaloosa County Supervisor of Elections

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

<b>Fiscal Year</b>	<b>Assessments <sup>(1)</sup></b>	<b>Assessments Collected or Released</b>	<b>Ratio of Collections to Amount Assessed</b>	<b>Total Outstanding Current and Delinquent Assessment</b>
2015	\$ -	\$ 61,898	\$ -	\$ 54,202
2014	-	3,604	-	116,100
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

<sup>(1)</sup>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**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>% of Total Revenues</b>	<b>Other Taxes/ Franchise Fees</b>	<b>% of Total Revenues</b>	<b>Sewer Fees</b>	<b>% of Total Revenues</b>	<b>Sanitation Fees</b>	<b>% of Total Revenues</b>	<b>Water Fees</b>	<b>% of Total Revenues</b>	<b>Golf Fees</b>	<b>% of Total Revenues</b>
2015	\$ 7,025,998	19.7%	\$ 7,171,032	20.1%	\$ 5,748,749	16.1%	\$ 3,581,264	10.1%	\$ 3,425,909	9.6%	\$ 1,399,101	3.9%
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%

**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**

<b>Monthly Water Rates<sup>(1,2)</sup></b>	<b>Residential</b>		<b>Commercial</b>		<b>Number of Meters</b>
	<b>Inside</b>	<b>Outside<sup>(3)</sup></b>	<b>Inside</b>	<b>Outside<sup>(3)</sup></b>	
Lifeline Rate <sup>(4)</sup>	\$9.32	\$11.65	\$9.32	\$11.65	
Monthly Base Charge <sup>(5)</sup> , Meter Size:					
3/4"	\$9.32	\$11.65	\$9.32	\$11.65	8,974
1.0"	\$9.32	\$11.65	\$9.32	\$11.65	330
1.5"	\$12.68	\$15.85	\$12.68	\$15.85	110
2.0"	\$21.53	\$26.91	\$21.53	\$26.91	217
3.0"	\$32.81	\$41.01	\$32.81	\$41.01	14
4.0"	\$41.01	\$51.26	\$41.01	\$51.26	19
6.0"	\$65.24	\$81.55	\$65.24	\$81.55	0
8.0" or 10.0"	\$97.76	\$122.20	\$97.76	\$122.20	1
Multi-Residential, Add'l per Unit	\$6.33	\$7.91	\$9.32	\$11.65	
					<u>9,665</u>
					Residential Customers <sup>(6)</sup> 8,442
					Commercial Customers <sup>(6)</sup> 1,095
					<b>Total Customers</b> <u>9,537</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)	\$2.78	\$3.48
Block 3 (4,001 - 8,000)	\$3.40	\$4.25
Block 4 (8,001 +)	\$5.10	\$6.38

<b>Monthly Wastewater Rates<sup>(2)</sup></b>	<b>Residential</b>	<b>Commercial</b>
Lifeline Rate <sup>(4)</sup>	\$20.83	24.92
Monthly Base Charge	\$20.44	\$24.53
Gallage Rate (per 1,000 gallons per unit)		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$6.80	\$8.09

<sup>(1)</sup>Irrigation customers subject to water rates as outlined herein

<sup>(2)</sup>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

<sup>(3)</sup>Outside City surcharge of 25% for water

<sup>(4)</sup>Single family residence with less than 2,000 gallons per month

<sup>(5)</sup>Residential service capped at 16,000 gallons per unit

<sup>(6)</sup>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>
<b>Residential</b>			
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
<b>Commercial</b>			
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>
<b>2 Cubic Yards</b>			
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
<b>4 Cubic Yards</b>			
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
<b>6 Cubic Yards</b>			
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
<b>8 Cubic Yards</b>			
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
<b>Compactor</b> <span style="float: right;">Commercial Rate x 3 x Bulk Container(s)</span>			
<u>Commercial Recycling</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
<b>4 Cubic Yards</b>			
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
<b>6 Cubic Yards</b>			
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
<b>8 Cubic Yards</b>			
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
<b>Contaminated Load Fee (per dump)</b>			
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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Public Safety</b>										
<b>Police</b>										
Arrests	1,041	873	867	1,042	1,265	1,773	2,298	2,526	2,201	1,916
Traffic citations	2,864	3,119	3,413	3,773	3,246	6,207	6,430	7,211	5,171	5,399
<b>Fire</b>										
Emergency medical responses	3,322	3,278	3,231	3,197	3,041	2,791	2,645	2,484	2,567	2,441
Fire responses	1,270	1,389	1,277	1,288	1,224	1,158	477	479	517	335
Inspections	1,000	700	800	758	1,431	2,040	2,863	3,277	3,319	2,605
<b>Code Enforcement</b>										
Code violations	1,702	1,766	2,118	2,158	2,456	2,426	2,513	2,108	1,793	1,914
<b>Engineering Services</b>										
Building permits issued	n/a	n/a	n/a	n/a	n/a	n/a	1,429	1,582	1,710	2,341
Residential building permits issued	1,214	1,220	1,095	697	588	630	n/a	n/a	n/a	n/a
Commercial building permits issued	402	310	457	164	284	380	n/a	n/a	n/a	n/a
Value of permits (in millions)	n/a	n/a	n/a	n/a	n/a	n/a	\$46.20	\$37.40	\$28.70	\$31.10
Value of residential permits (in millions)	\$ 16	\$ 16	\$ 15	\$ 9	\$ 10	\$ 7	n/a	n/a	n/a	n/a
Value of commercial permits (in millions)	\$ 832	\$ 27	\$ 23	\$ 9	\$ 7	\$ 7	n/a	n/a	n/a	n/a
Street resurfacing (lane miles)	0.64	0.16	-	1.70	2.25	5.71	1.53	0.78	0.46	2.25
Pot holes (hours spent repairing)	770	528	813	989	1,014	617	1,257	1,476	1,022	713
<b>Sanitation</b>										
Refuse collected (tons)	24,467	26,102	24,059	25,374	25,332	25,676	25,485	27,873	28,374	28,446
Recyclables collected (tons)	1,191	754	615	375	251	161	150	112	367	400
<b>Culture and Recreation</b>										
<b>Parks and Recreation</b>										
Recreation program participants <sup>(3)</sup>	n/a	n/a	n/a	92,267	106,486	103,121	116,565	118,890	125,697	120,329
Recreation program registrations	650	651	571	n/a						
Adult athletic participants <sup>(3)</sup>	n/a	n/a	n/a	6,728	9,003	10,009	11,406	14,591	14,669	14,239
Adult athletic registrations	424	426	467	n/a						
Youth athletic participants <sup>(3)</sup>	n/a	n/a	n/a	14,548	13,038	12,525	14,211	15,570	14,418	14,254
Youth athletic registrations	1,978	1,347	1,253	n/a						
Skate/tennis park participants <sup>(4)</sup>	n/a	n/a	n/a	13,114	18,291	15,297	18,480	24,100	29,088	29,396
<b>Library</b>										
Circulation volume	137,363	145,684	142,888	139,196	126,146	135,314	142,148	137,002	126,271	124,489
<b>Museum</b>										
Number of visitors/participants <sup>(1)</sup>	22,683	19,461	22,901	21,480	28,200	39,935	47,700	45,168	28,916	30,144
<b>Water System</b>										
New connections	34	27	26	39	18	27	16	20	30	32
Water customers	9,537	9,480	9,279	8,846	8,804	8,795	8,741	8,927	8,996	8,966
Water produced (million gallons)	891	884	855	868	899	897	943	963	1,071	1,127
<b>Wastewater System</b>										
Wastewater treated (million gallons) <sup>(2)</sup>	-	-	-	-	-	381	769	916	796	839

<sup>(1)</sup>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

<sup>(2)</sup>Wastewater treatment transferred to County in March 2010

<sup>(3)</sup>FY 2012-2013 total participants was changed to total registrations

<sup>(4)</sup>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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	43	43	43	51	48	49	49	55	53	52
<b>Engineering Services</b>										
Miles of roads	93.12	93.12	93.12	93.06	92.65 <sup>(2)</sup>	112.76	112.76 <sup>(1)</sup>	99.35	98.50	98.50
Miles of sidewalks	63.67	64.73	64.05	63.93	62.80	62.11	61.35	61.32	60.92	60.82
Signs fabricated and installed	1,133	918	785	935	976	910	1,110	1,223	1,481	1,412
<b>Culture and Recreation</b>										
<b>Parks and Recreation</b>										
Recreational Amenities	129	116 <sup>(7)</sup>	117 <sup>(4)</sup>	122	122	122 <sup>(3)</sup>	91	90	90	89
Parks (acres)	196.56	180.26	180.26	180.26	180.26	180.26	180.26	180.26	180.26	173.58
<b>Library</b>										
Inventoried collection	72,313	72,729	74,649	74,448	72,873	74,317	73,641	71,006	69,061	68,064
<b>Water and Sewer System</b>										
Potable water lines (miles)	144.77	146.25	145.9 <sup>(5)</sup>	118.63	118.57	118.52	118.10	118.09	118.09	115.95
Sanitary sewer lines (miles)	110.45	130.32 <sup>(5)</sup>	118.76	118.76	118.76	118.77	118.77	118.77	118.77	118.77
Reuse water lines (miles)	7.10	7.10	7.14	3.82	3.82	3.82	4.14	4.14	4.14	4.14
Potable Water Elevated Storage Tank Capacity: 1 <sup>(6)</sup> 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										
<b>Stormwater System</b>										
Storm drains (miles)	42.03	42.05	42.01	41.64	41.64 <sup>(2)</sup>	45.70	45.66 <sup>(1)</sup>	34.73	34.73	35

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

<sup>(2)</sup> FY 2011 Adjustment to only include City-maintained roads and stormwater pipe (collector, culvert, french drain).

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

<sup>(4)</sup> Decrease due to demolition of the Rec Center and fields.

<sup>(5)</sup> Increase due to better data output from GIS system.

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

<sup>(7)</sup> 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	1151291251	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	14 Robinwood Drive SW Sanitation Building
10/12/14 to 10/12/15	Wright National	1151306332	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/14 to 10/12/15	Wright National	1151291263	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 300,000 C	#5 Hollywood Boulevard Fire Department
10/12/14 to 10/12/15	Wright National	1151292103	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/14 to 10/12/15	Wright National	1151291796	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	1151292114	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	1151292125	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	1151292120	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	1151291389	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	141 Miracle Strip Parkway City Museum
10/12/14 to 10/12/15	Wright National	1151291280	Fisher-Brown Agency	Flood	\$ 350,000 B 50,000 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 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

**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>
						Liza Jackson Park
05/17/15 to 05/17/16	Wright National	1150342974	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/15 to 07/23/16	Wright National	1151270502	Fisher-Brown Agency	Flood	\$ 300,000 B \$ 50,000 C	18 Robinwood Drive Pump Station #1
06/23/15 to 06/23/16	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	12896318	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 1,000,000/agg	Golf Course, Police, City Yard, Fuel Station Pump Station - Fire
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Inland Marine	\$ 555,260 \$ 250,000 \$ 664,648 \$ 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
02/09/15 to 02/09/16	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money &	\$ 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>
				Securities		
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurance
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Property	\$ 45,883,959	Blank Real & Personal Property
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Property	\$ 100,000 500,000	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	PKFL1046200315-11	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	\$ 65,000 \$ 65,000 \$ 190,000	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/14 to 10/01/15	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	\$ 45,883,959	
05/01/15 to 05/01/16	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

**CITY OF FORT WALTON BEACH, FLORIDA  
 OTHER SUPPLEMENTARY INFORMATION  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS  
 RELATED TO THE DEEPWATER HORIZON OIL SPILL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

---

	<b>Amounts Received in the 2014-2015 Fiscal Year</b>	<b>Amounts Expended in the 2014-2015 Fiscal Year</b>
	<u>                    </u>	<u>                    </u>
Source		
British Petroleum:		
Final Settlement Economic and Property Damage Claim	<u>\$ 148,570</u>	<u>\$ -</u>

**(THIS PAGE INTENTIONALLY LEFT BLANK.)**

**CITY OF FORT WALTON BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>State Agency Pass-Through Entity State Project</b>	<b>CSFA Number</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>Florida Department of Environmental Protection</b>			
Direct programs			
Wastewater Treatment Facility Construction	37.077	WW284100	\$ 455,330
Stormwater Projects	37.082	S0693	<u>35,542</u>
			<u>490,872</u>
<b>Florida Department of Economic Opportunity</b>			
Direct program			
Division of Community Development	40.038	HL020 / T1431	<u>213,000</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 703,872</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, 2015**

---

**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, 2015, 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 March 2, 2016.

**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.



Fort Walton Beach, Florida  
March 2, 2016

**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, 2015. City of Fort Walton Beach, Florida's major state projects are identified in the summary of auditors' 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, 2015.

### **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  
March 2, 2016

**CITY OF FORT WALTON BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

---

**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
40.038	Division of Community Development

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

\$ 211,162

**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*.

**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 City Council Members  
City of Fort Walton Beach, Florida

We have examined the City of Fort Walton Beach, Florida's (the City) compliance with the following requirements for the year ended September 30, 2015:

- 1) Florida Statute 218.415 in regards to the investments.
- 2) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures.

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 the aforementioned requirements for the year ended September 30, 2015.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
March 2, 2016

## 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, 2015, and have issued our report thereon dated March 2, 2016.

### **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 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*; 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 March 2, 2016, 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. There were no findings identified in the preceding annual final 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, 2015. 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. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and 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. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City, for the fiscal year ended September 30, 2015, 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, 2015. 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  
March 2, 2016

**(THIS PAGE INTENTIONALLY LEFT BLANK.)**