

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF FORT WALTON BEACH, FLORIDA
WITH COMPLIANCE MATTERS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2017

CITY OF FORT WALTON BEACH, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

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

CITY OF FORT WALTON BEACH, FL

City Council



Left to right (standing):

Mike Holmes, John Mead, Nic Allegretto, David Schmidt and Scott Smith

Left to right (seated):

Amy Jamieson, Mayor Dick Rynearson and Diane Keller

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.

Directors

Financial Services – Brandy Ferris

Human Resources – Tarey Franxman

Public Works – Tim Bolduc

Utility Services – Daniel Payne

Fire Services – Ken Perkins

Police Services – Ed Ryan

Recreation Services – Jeff Peters

Core Values

Rather than being just words found on the website or located at the top of letterhead, these core values are the guiding principles by which City Council, Department Directors, and City Staff will conduct themselves, allocate resources, and prioritize goals and objectives. These principles form a non-negotiable code of conduct and will guide our government on who we hire, how we train, and how we reward. These values will define who we are, what we stand for, and influence policies, procedures, and guidelines.

Adopted by City Council in May 2011, after a collaborative effort by Department Directors and the City Manager to consolidate employee suggestions, these five core values represent the first milestone in instituting the City's new Performance Excellence Program.

Integrity

We will conduct ourselves in an honest, trustworthy, and ethical manner.

Accountability

We will take full responsibility for our actions, resources, and attitudes.

Teamwork

We will work together to provide quality services.

Customer Service

We will be professional, use all available resources, and strive to meet the needs of our customers.

Continual Improvement

We will promote a culture that seeks to better our organization.

Adopted by City Council in September 2011, after a collaborative effort by Department Directors and the City Manager, the updated Vision and Mission for the City are as follows:

Vision

The City of Fort Walton Beach: a recognized leader in the provision of Community Services.

Mission

To enhance and protect the Community by providing quality services.

CITY OF FORT WALTON BEACH, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Page</u>
CITY OFFICIALS	
I. INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal	
City Manager and Finance Director	iv
GFOA Certificate of Achievement	xi
Organizational Chart	xii
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	4
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
<u><i>Governmental Funds</i></u>	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balance	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Redevelopment Agency	22
<u><i>Proprietary Funds</i></u>	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
<u><i>Fiduciary Funds</i></u>	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to the Financial Statements	30

CITY OF FORT WALTON BEACH, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Page</u>	<u>Schedule</u>
II. FINANCIAL SECTION (CONTINUED)		
C. REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)		
Pension and OPEB Schedules		
Schedules of Changes in Net Pension Liability and Related Ratios	84	
Schedule of Changes in Net OPEB Liability and Related Ratios	87	
Schedule of Pension Contributions	88	
Schedule of Investment Returns	89	
Notes to the Schedule of Pension Contributions – General Employees' Retirement Fund	90	
Notes to the Schedule of Pension Contributions – Police Officers' Retirement Fund	92	
Notes to the Schedule of Pension Contributions – Firefighters' Retirement Fund	94	
D. COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Non-Major Governmental Funds		
Combining Balance Sheet	95	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	96	
<u><i>Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</i></u>		
Law Enforcement Trust Special Revenue Fund	97	
Law Enforcement Trust Training Special Revenue Fund	98	
Florida Building Code Special Revenue Fund	99	
Community Development Block Grant Special Revenue Fund	100	
Beal Memorial Cemetery Perpetual Care Special Revenue Fund	101	
Debt Service Fund	102	
III. STATISTICAL SECTION (UNAUDITED)		
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, 2017

	<u>Page</u>	<u>Schedule</u>
III. STATISTICAL SECTION (UNAUDITED)		
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
IV. COMPLIANCE SECTION		
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill	131	
Independent Auditors' Report on the Schedule of Receipts and Expenditure of Funds Related to the Deepwater Horizon Oil Spill	132	
Schedule of Expenditures of State Financial Assistance	133	
Notes to the Schedule of Expenditures of State Financial Assistance	134	
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>	135	
Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General	137	
Schedule of Findings and Questioned Costs	139	
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General	140	
Management Letter	141	

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



March 19, 2018

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, 2017, 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, 2017, 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, 2017, 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: \$1,280,098,652	WATER & SEWER LINES: 283.67 miles
CITY MILLAGE RATE: 5.7697	STORM DRAIN: 42.10 miles
POPULATION: 22,519	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 358 positions, 299.53 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 44	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 22,519 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.



Recreation Complex – opened Summer 2015



Downtown Redevelopment: Brooks Bridge Park

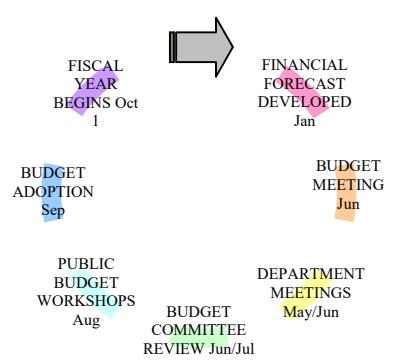
The financial reporting entity (the government) includes all the funds and account groups of the City of Fort Walton Beach, Florida, as well as component units. Component units are legally separate entities for which the primary government is financially accountable. Accordingly, the Fort Walton Beach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

The 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 Budget & Grants Manager. 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 30th, 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 21 & 22 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 97.

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 FY 2017-18 budget of \$41,571,702 is \$2,943,194, or 7.6%, more than the adopted FY 2016-17 budget due to increased operating expenses, primarily related to pension costs. Additionally, ad valorem revenues are anticipated to increase 4.4% in the General Fund, generating approximately \$247K in additional revenue, and 5.2% in the CRA fund, generating an additional \$54K. The budget is predicated on maintaining a millage rate of 5.7697 mills.

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 70% 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
- Annual Strategic Plan, which focuses on a 1 – 3 year time period.

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 financial policies, as well as other indicators, were taken into account when adopting the City's budget for fiscal year 2018. The City's budget for fiscal year 2018 totals \$41.6 million, which is \$2.9 million higher than the fiscal year 2017 approved budget, due to increased operating expenses, primarily related to pension costs. The 2018 budget allocates \$22.3 million, an 11.3% increase as compared to the fiscal year 2017 budget, to the General fund, \$15.9 million to the Enterprise funds, and \$3.4 million to other funds.

For the fiscal year 2018 budget, the ad valorem rate was maintained at 5.7697 mills. A 4.0% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.25. No other significant changes to the City's various rate and fees are included in the fiscal year 2018 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, 2016. This was the fourteenth 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, 2017. This was the twenty-second consecutive year that the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

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

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

Appreciation is also expressed to the accounting firm of Warren Averett, LLC for their continued assistance and professionalism.

Respectfully submitted,



Michael D. Beedie, PE
City Manager



Brandy L. Ferris, CPA, CGFM
Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

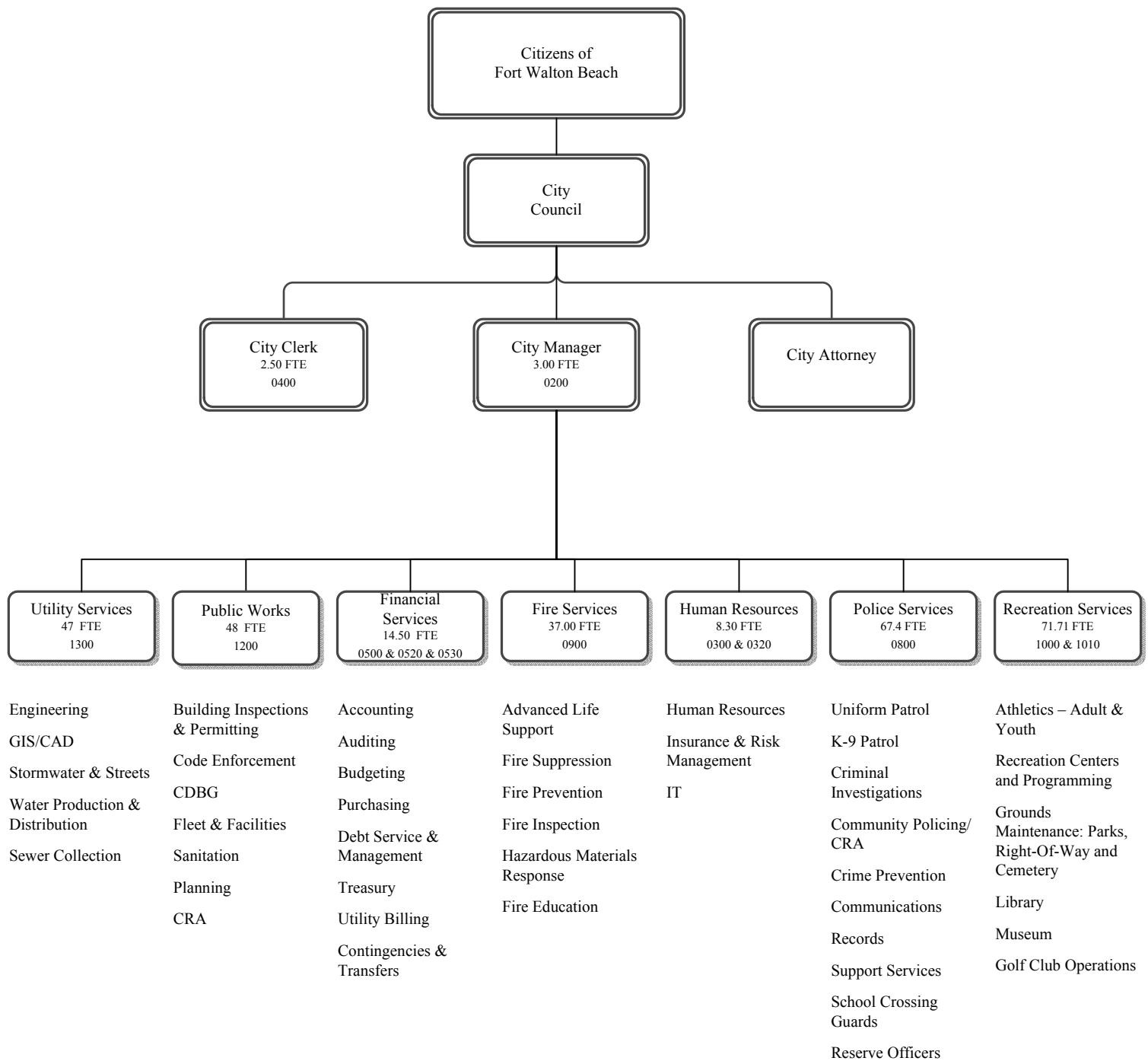
**City of Fort Walton Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Monill

Executive Director/CEO



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 (the City), as of and for the year ended September 30, 2017, 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, 2017, 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 21, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, as of October 1, 2016. These standards significantly changed the accounting for the City's other postemployment benefits liability and 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 4-14 and the schedules related to the pension and OPEB liabilities, contributions, and investment returns on pages 84-94 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, 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 accompanying 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 not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual non-major fund financial statements and 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 and 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 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida

March 19, 2018

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, 2017. 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-x of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Fort Walton Beach exceeded its liabilities and deferred inflows by \$54.2 million (total net position). Of this amount, \$10.3 million represents unrestricted assets that are available to meet the City's ongoing obligations to citizens and creditors.
- The government's net position increased by \$1.3 million during the fiscal year. Governmental activities experienced a decrease which is primarily related to a change in net pension liabilities. Business activities increased net position mainly attributable to State Stormwater capital grants received.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds have combined ending fund balances of \$17.2 million, an increase of \$779,734 in comparison with the prior year. This increase is attributable to franchise fees received. Approximately 86.4% of this amount, or \$14.9 million, is available for spending at the discretion of City Council.
- At the end of this fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$12.1 million, or 63.2% of the total General Fund expenditures.
- The City of Fort Walton Beach's total debt decreased by \$1.8 million, or 5.0%, during the fiscal year. This decrease is proportional to scheduled principal payments.

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, deferred outflows, liabilities, and deferred inflows, with the difference between them 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 15-16 of this report.

Fund Financial Statements

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

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting, the focus of which is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are on pages 17-22 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 Community Redevelopment Agency Fund is considered a non-major fund for reporting purposes, however, the City chooses to present this Fund as a major fund in its financial statements.

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 21 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 presented as major funds of the City of Fort Walton Beach although the Stormwater Fund could be considered a non-major fund for reporting purposes. The basic proprietary fund financial statements are found on pages 23-27 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 28-29 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 30 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fort Walton Beach's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information is found on pages 84-94 of this report.

The combining statements referred to earlier in connection with non-major governmental immediately follow the required supplementary information on Pension funds and can be found beginning on page 95 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 resources of the City of Fort Walton Beach exceeded its liabilities and deferred inflows of resources by \$54.2 million, as reported in Table 1. The government's net position increased by \$1.3 million for the fiscal year ended September 30, 2017. While governmental activities experienced a decrease, primarily related to changes in the net pension liability, business activities increased net position, attributable mainly to State Stormwater capital grants received.

By far, the largest portion of the City's net position, \$41.2 million or 76.0%, reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fort Walton Beach reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, 5.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10.3 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	
	2017	2016 restated	2017	2016 restated	2017	2016 restated
<i>Current & Other Capital Assets</i>						
<i>Total Assets</i>	\$19,175	\$18,400	\$15,510	\$14,155	\$34,685	\$32,555
<i>Deferred Outflow of Resources</i>						
<i>Total Liabilities</i>	38,497	39,623	36,106	36,251	74,603	75,874
<i>Long-Term Liabilities</i>						
<i>Outstanding</i>	57,672	58,023	51,616	50,406	109,288	108,429
<i>Other Liabilities</i>						
<i>Total Liabilities</i>	10,035	6,005	1,781	1,171	11,816	7,716
<i>Deferred Inflow of Resources</i>						
<i>Net Position</i>						
<i>Net Investment in Capital Assets</i>	27,347	27,791	13,818	12,894	41,165	40,685
<i>Restricted</i>	2,094	2,161	610	562	2,704	2,723
<i>Unrestricted</i>	(1,447)	(758)	11,732	10,242	10,284	9,484
<i>Total Net Position</i>	\$27,994	\$29,194	\$26,160	\$23,698	\$54,153	\$52,892

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

Table 2

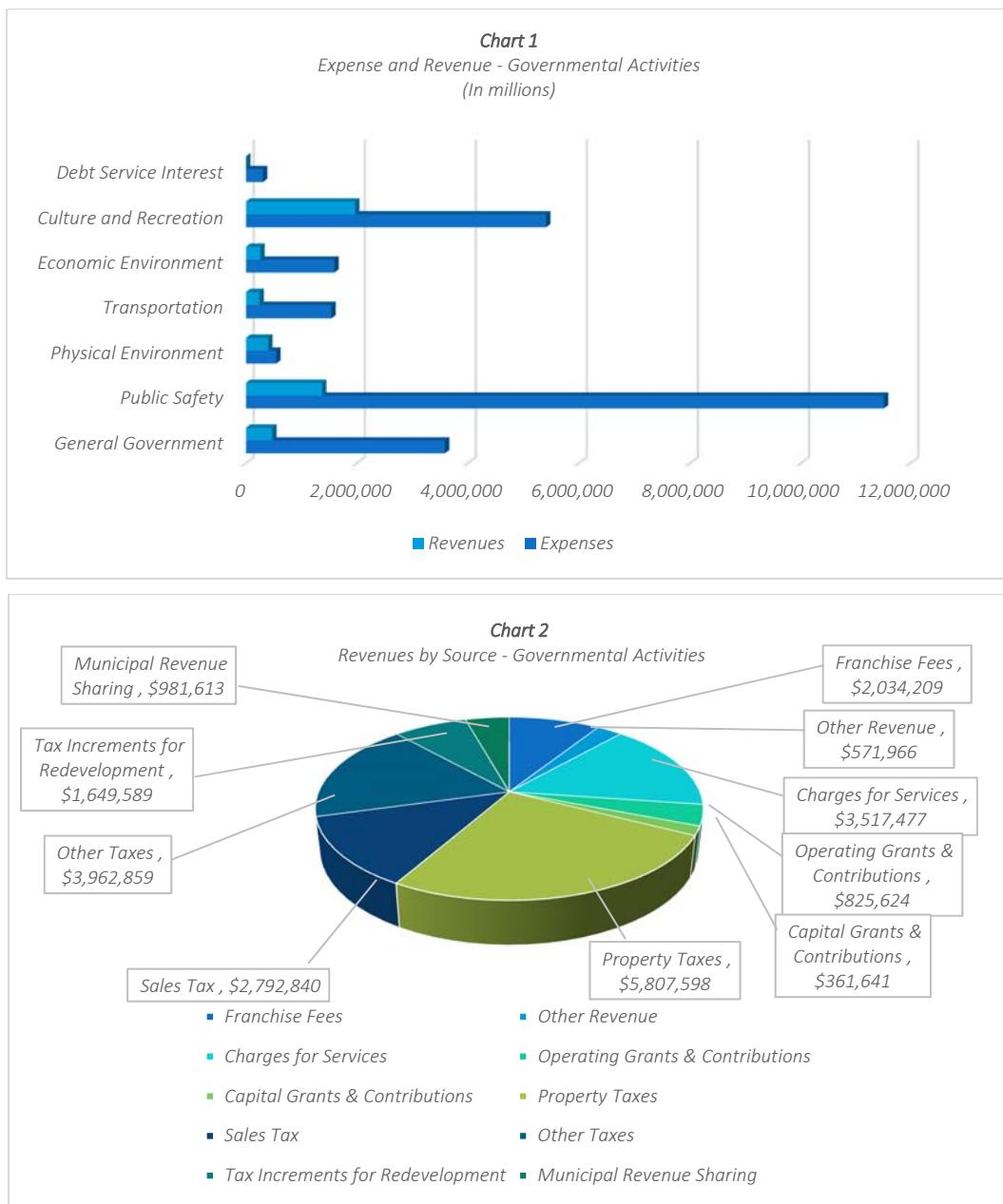
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenue:</i>						
Charges for Services	\$3,517,477	\$3,721,181	15,552,112	\$14,602,206	19,069,589	18,323,387
Operating Grants & Contributions	825,624	908,595	-	-	825,624	908,595
Capital Grants & Contributions	361,641	802,809	1,314,521	533,515	1,676,162	1,336,324
<i>General Revenue:</i>						
Property Taxes	5,807,598	5,617,998	-	-	5,807,598	5,617,998
Other Taxes	6,755,699	8,841,512	-	-	6,755,699	8,841,512
Tax Increments for Redevelopment	1,649,589	1,628,439	-	-	1,649,589	1,628,439
Other Revenue	3,587,788	2,256,664	145,957	197,178	3,733,745	2,453,842
Total Revenues	22,505,416	23,777,198	17,012,590	15,332,899	39,518,006	39,110,097
Expenses						
<i>Primary Government</i>						
General Government	3,581,072	3,285,039	-	-	3,581,072	3,285,039
Public Safety	11,507,059	10,172,215	-	-	11,507,059	10,172,215
Physical Environment	543,287	430,490	-	-	543,287	430,490
Transportation	1,536,979	1,494,178	-	-	1,536,979	1,494,178
Economic Development	1,591,643	1,540,230	-	-	1,597,643	1,540,230
Culture & Recreation	5,403,198	5,375,183	-	-	5,403,198	5,375,183
Debt Service Interest	304,331	323,639	-	-	304,331	323,639
<i>Business-Type Expenses</i>						
Utilities	-	-	9,420,248	10,066,769	9,420,248	10,066,769
Sanitation	-	-	3,687,087	3,407,992	3,687,087	3,407,992
Other	-	-	681,541	611,351	681,541	611,351
Total Expenses	24,467,569	22,620,974	13,788,876	14,086,112	38,256,445	36,707,086
<i>Increase/(Decrease) in Net Position before Transfers</i>	(1,962,153)	1,156,224	3,223,714	1,246,787	1,261,561	2,403,011
<i>Transfers</i>	761,739	755,846	(761,739)	(755,846)	-	-
<i>Increase/(Decrease) in Net Position</i>	(1,200,414)	1,912,070	2,461,975	490,941	1,261,561	2,403,011
Net Position – Beginning	29,194,062	30,198,659	23,697,724	24,083,747	52,891,786	54,282,406
Restatement	-	(2,916,667)	-	(876,964)	-	(3,793,631)
Net Position – Ending	\$27,993,648	\$29,194,062	\$26,159,699	\$23,697,724	\$54,153,347	\$52,891,786

Current Year Impacts – Governmental Activities

Governmental activities decreased the City's net position by \$1.2 million for the fiscal year ended September 30, 2017. Key elements of this change are as follows:

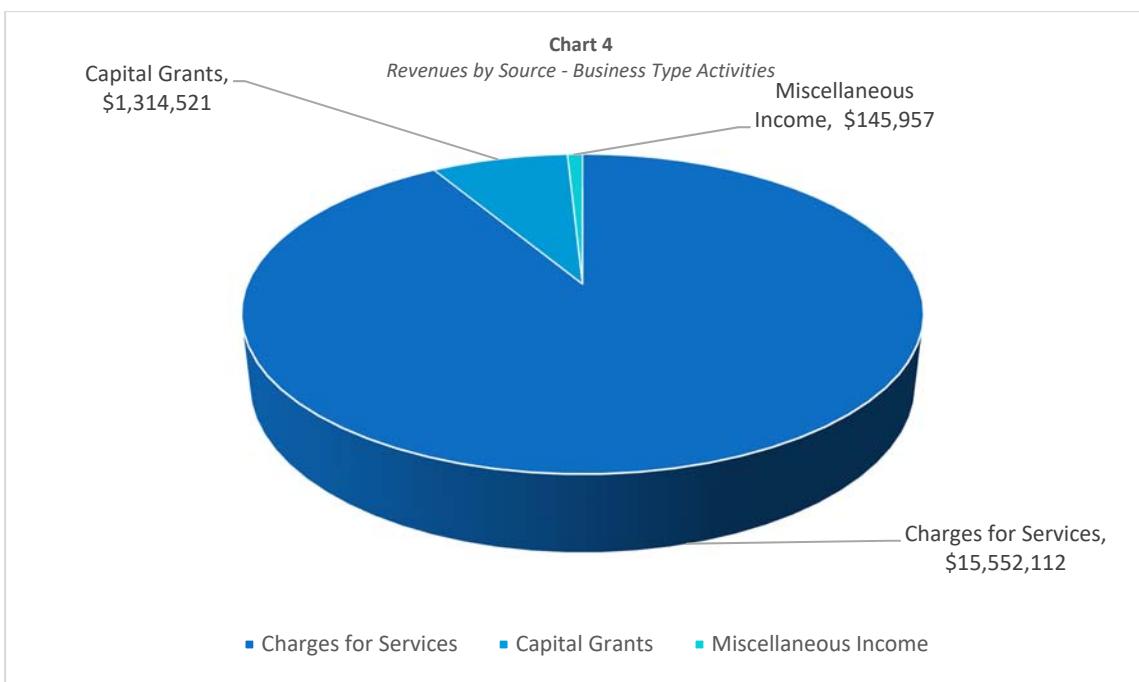
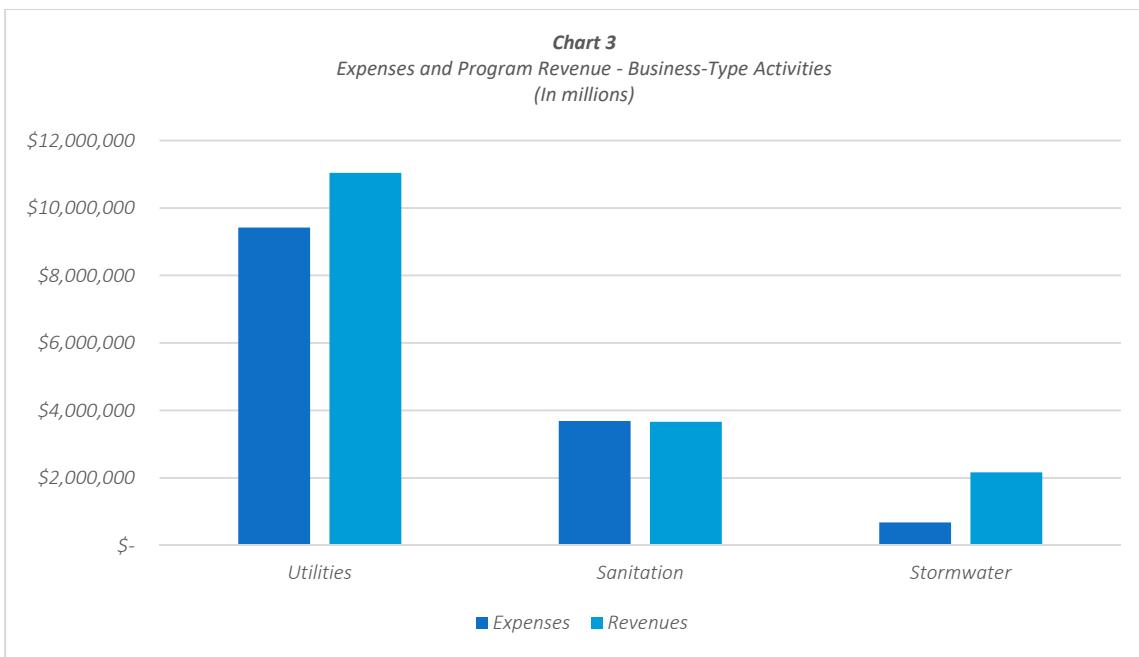
- Total revenues decreased by \$1.3 million which is primarily attributed to a decrease in capital grants and contributions of \$441,168 due to the previous year's receipt of an Assistance to Firefighters grant for a new station alert system and the sale of excess land for commercial development for \$850,000 that was finalized in FYE 2016.
- Public Safety expenses increased by \$1.3 million due to the addition of two new Police Officers, pension related costs, and the implementation of the Collective Bargaining Unit Agreement for the Firefighters.
- The City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a \$2.9 million restatement of beginning net position for governmental activities.
- Overall, expenses for governmental activities increased by \$1.8 million, or 8.2%, while related revenue decreased \$1.3 million, or 5.3%.



Current Year Impacts – Business-Type Activities

Business-type activities increased the City's net position by \$2.5 million for the fiscal year ended September 30, 2017. Key elements of this change are as follows:

- An increase in capital grants and contributions in the amount of \$781,006, or 146.4%, as the City took advantage of State authorized funding for stormwater improvements.
- The City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required an \$875,000 restatement of beginning net position for business-type activities.
- Overall, expenses for the business-type activities of the City decreased by \$297,326, or 2.1%, primarily due to decreased waste water treatment flows.



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, 2017, the City of Fort Walton Beach's governmental funds have combined ending fund balances of \$17.2 million, an increase of \$779,734 in comparison with the prior year. Approximately 86.4% of this amount, or \$14.9 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 17 of this report, as well as in Note 19.

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 \$12.1 million, while total fund balance reached \$12.5 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 63.2% of the total General Fund expenditures, while total fund balance represents 65.0% of that same amount.

During the 2017 fiscal year, the fund balance of the City's General Fund increased by \$510,071. This increase was primarily related to several personnel vacancies and operating expenditure savings.

The Community Redevelopment Agency Fund's fund balance increased by \$115,121. This increase is a direct result of City Council's strategic planning commitment to halt capital expenditures while the master planning process is taking place.

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 \$11.7 million at September 30, 2017, of which the Utilities Fund amounted to \$8.8 million, the Sanitation Fund totaled \$2.0 million, and the Stormwater Utility Fund was \$1.0 million. The factors concerning the finances of these four funds have already been addressed in the discussion of the City of Fort Walton Beach's business-type activities.

Fiduciary Funds

The General Employees' Retirement Fund's net position as a percentage of the total pension liability, an indicator of the sustainability of the Plan, was 83.5%, a decrease of 6.0% over the prior year. Employees contribute 5% of pay to the Plan and the City contributed \$1.3 million, which was a decrease of \$74,959 when compared to the previous fiscal year.

The Firefighters' Pension Trust Fund's net position as a percentage of the total pension liability was 62.3%, which was decrease of 5.0% over the previous fiscal year. Employees contribute 8.0% of pay to the Plan and the City contributed \$744,019, an increase of \$71,650.

The Police Officers' Retirement Fund's net position as a percentage of the total pension liability was 74.5%, a decrease of 2.8% over the previous fiscal year. Employees contribute 5% of pay to the Plan and the City contributed \$577,564, a decrease of \$51,411.

Additional information on the pension plans can be found on pages 51-66 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 67 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between the original budget and the final budget totaled approximately \$1.2 million. Significant information related to this difference is summarized as follows:

- The City received donations and added related expenditures in the amount of \$100,289.
- The City moved forward with a contract to evaluate possible facility renovations in the amount of \$70,722.
- The City incurred expenditures that were funded by excess unassigned/assigned fund balance in the amount of \$180,420 for a lawsuit settlement, a Christmas tree, the workers compensation audit, and various recreation supplies and equipment.
- The City Council approved additional expenditures for body and vehicle cameras and additional vehicles for the safety of its Police Officers in the amount of \$277,309.
- The City was the recipient of several grants during the fiscal year totaling \$341,705 in the governmental funds.

Actual results, when compared to the final budget, show a variance of \$1.8 million for expenditures. This variance is primarily due to amending the budget for expenditures planned, but not yet completed.

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, 2017, was \$41.2 million (net of accumulated depreciation and related debt). This represents a net increase of \$0.5 million, or 1.2%. Highlights are summarized as follows:

- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- The City placed into service its new recreation complex in the previous year and realized a full year of depreciation in FY 2017.

Table 3 below highlights the overall changes in this category.

Table 3
Total Capital Assets
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	\$11,048,479	\$11,048,842	\$709,678	\$709,678	\$11,758,157	\$11,758,520
Buildings	12,779,478	13,459,321	106,653	115,202	12,886,131	13,574,523
Improvements other than Buildings	6,862,641	7,069,522	31,455,011	31,082,318	38,317,652	38,151,840
Infrastructure	3,642,015	3,744,853	-	-	3,642,015	3,744,853
Intangible Assets	(25,598)	12,427	-	54,486	(25,598)	66,913
Machinery & Equipment	4,050,540	4,123,994	3,657,253	3,755,041	7,707,793	7,879,035
Equipment under Capital Lease	66,701	77,440	-	-	66,701	77,440
Easements	-	-	39,742	34,642	39,742	34,642
Construction in Progress	72,597	86,639	137,482	499,398	210,079	586,037
	\$38,496,853	\$39,623,038	\$36,105,819	\$36,250,765	\$74,602,672	\$75,873,803

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 6 of this report on pages 48-50.

Long-Term Debt

As shown in the following table, as of September 30, 2017, the City had total revenue notes and capital leases outstanding of \$33.5 million. All of the City's debt represents notes secured solely by specified revenue sources (i.e. revenue 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 7.08 and the Utilities Fund is at 6.27. The Sanitation and Stormwater Funds are debt-free.

Table 4
Outstanding Debt

	Governmental Assets		Business-Type Activities		Total Activities	
Revenue Notes State Revolving Fund Capital Leases	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
	11,073,656	11,725,331	8,387,000	8,794,000	19,460,656	20,519,331
	-	-	13,988,885	14,656,929	13,988,885	14,656,929
	76,099	106,653	-	-	76,099	106,653
	\$11,149,755	\$11,831,984	\$22,375,885	\$23,450,929	\$33,525,640	\$35,282,913

Additional information on the City of Fort Walton Beach's long-term debt can be found in Notes 14 and 15 of this report on pages 73-77.

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 1.6% higher than a year ago for the southern region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.
- The Municipal Cost Index is 1.9% higher than a year ago. This index is prepared by American City & County to show the effects of inflation on the cost of providing municipal services.
- The Consumer Confidence Index, prepared by the Conference Board, is 2.9% higher than last year. This indicator measures economic conditions by gauging the future spending of consumers and is a solid indicator of economic recovery.
- The Leading Economic Index, also prepared by the Conference Board, is designed to signal turning point patterns in economic data. This index has remained flat over the past year.
- 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 70% of our local economy supported by the military.

These financial policies, as well as other indicators, were taken into account when adopting the City's budget for fiscal year 2018. The City's budget for fiscal year 2018 totals \$41.6 million, which is \$2.9 million higher than the fiscal year 2017 approved budget, due to increased operating expenses, primarily related to pension costs. The 2018 budget allocates \$22.3 million, an 11.3% increase as compared to the fiscal year 2017 budget, to the General fund, \$15.9 million to the Enterprise funds, and \$3.4 million to other funds.

For the fiscal year 2018 budget, the ad valorem rate was maintained at 5.7697 mills. A 4.0% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.25. No other significant changes to the City's various rate and fees are included in the fiscal year 2018 budget.

Personnel expenses account for approximately 51.4% of the City's budget. The City's fiscal year 2018 budget remains relatively stable in this category, at 299.53 full time equivalent positions, an increase of only 3.95 over last year.

REQUESTS FOR INFORMATION

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

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities		Business-Type Activities
			Total
ASSETS			
Cash and cash equivalents	\$ 2,918,408	\$ 2,379,525	\$ 5,297,933
Investments	14,886,513	10,356,454	25,242,967
Receivables, net	539,464	927,884	1,467,348
Internal balances	(360,253)	360,253	-
Due from other governments	238,118	590,215	828,333
Inventory, at cost	245,181	17,055	262,236
Prepaid assets	-	7,046	7,046
Restricted assets			
Cash and cash equivalents	21,156	865,902	887,058
Other assets			
Other receivables, net	686,537	5,947	692,484
Capital assets			
Non-depreciable/amortizable	11,121,076	886,902	12,007,978
Depreciable/amortizable, net	27,375,777	35,218,917	62,594,694
TOTAL ASSETS	57,671,977	51,616,100	109,288,077
DEFERRED OUTFLOWS OF RESOURCES	10,035,486	1,780,875	11,816,361
LIABILITIES			
Accounts payable	462,614	365,523	828,137
Accrued liabilities	342,383	160,658	503,041
Due to other governments	18,108	8,167	26,275
Unearned revenues	23,720	31,862	55,582
Payable from restricted assets			
Accrued interest	70,816	-	70,816
Customer deposits	-	256,202	256,202
Non-current liabilities			
Due within one year			
Compensated absences	163,123	43,950	207,073
Leases payable	32,706	-	32,706
Revenue notes payable	664,711	419,000	1,083,711
State revolving loans payable	-	680,796	680,796
Due in more than one year			
Compensated absences	503,631	131,850	635,481
Leases payable	43,393	-	43,393
Revenue notes payable	10,408,945	7,968,000	18,376,945
State revolving loans payable	-	13,308,089	13,308,089
Other post-employment benefits	4,815,320	1,290,921	6,106,241
Net pension liability	21,132,246	2,462,833	23,595,079
TOTAL LIABILITIES	38,681,716	27,127,851	65,809,567
DEFERRED INFLOWS OF RESOURCES	1,032,099	109,425	1,141,524
NET POSITION			
Net investment in capital assets	27,347,098	13,818,340	41,165,438
Restricted			
Debt service	21,156	157,228	178,384
System improvements	-	452,472	452,472
Improvement districts	1,552,484	-	1,552,484
Public safety	426,892	-	426,892
Other purposes	93,456	-	93,456
Unrestricted (deficit)	(1,447,438)	11,731,659	10,284,221
TOTAL NET POSITION	\$ 27,993,648	\$ 26,159,699	\$ 54,153,347

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 3,581,072	\$ 448,911	\$ 23,416	\$ -	\$ (3,108,745)	\$ -	\$ (3,108,745)
Public safety	11,507,059	570,556	439,033	358,941	(10,138,529)	-	(10,138,529)
Physical environment	543,287	399,338	-	-	(143,949)	-	(143,949)
Transportation	1,536,979	240,653	-	-	(1,296,326)	-	(1,296,326)
Economic environment	1,591,643	12,000	246,261	-	(1,333,382)	-	(1,333,382)
Culture and recreation	5,403,198	1,846,019	116,914	2,700	(3,437,565)	-	(3,437,565)
Debt service interest	304,331	-	-	-	(304,331)	-	(304,331)
Total governmental activities	<u>24,467,569</u>	<u>3,517,477</u>	<u>825,624</u>	<u>361,641</u>	<u>(19,762,827)</u>	<u>-</u>	<u>(19,762,827)</u>
Business-type activities							
Utilities	9,420,248	10,970,823	-	67,463	-	1,618,038	1,618,038
Sanitation	3,687,087	3,663,445	-	-	-	(23,642)	(23,642)
Stormwater	681,541	917,844	-	1,247,058	-	1,483,361	1,483,361
Total business-type activities	<u>13,788,876</u>	<u>15,552,112</u>	<u>-</u>	<u>1,314,521</u>	<u>-</u>	<u>3,077,757</u>	<u>3,077,757</u>
Total primary government	\$ 38,256,445	\$ 19,069,589	\$ 825,624	\$ 1,676,162	(19,762,827)	3,077,757	(16,685,070)
General revenues							
Taxes							
Property taxes				5,807,598	-	5,807,598	
Sales taxes				2,792,840	-	2,792,840	
Utility service taxes				3,962,859	-	3,962,859	
Tax increments for redevelopment districts				1,649,589	-	1,649,589	
Franchise fees				2,034,209	-	2,034,209	
Intergovernmental, unrestricted				981,613	-	981,613	
Gain on sale of assets				-	32,663	32,663	
Miscellaneous				157,806	27,727	185,533	
Investment earnings				414,160	85,567	499,727	
Transfers				761,739	(761,739)	-	
Total general revenues and transfers				<u>18,562,413</u>	<u>(615,782)</u>	<u>17,946,631</u>	
CHANGE IN NET POSITION				(1,200,414)	2,461,975	1,261,561	
NET POSITION AT BEGINNING OF YEAR - RESTATED				29,194,062	23,697,724	52,891,786	
NET POSITION AT END OF YEAR				\$ 27,993,648	\$ 26,159,699	\$ 54,153,347	

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,116,586	\$ 312,224	\$ 489,598	\$ 2,918,408
Investments	10,806,734	1,350,842	2,728,937	14,886,513
Receivables	893,146	332,855	-	1,226,001
Due from other funds	67,846	-	-	67,846
Due from other governments	150,817	-	87,301	238,118
Inventory, at cost	245,181	-	-	245,181
Restricted assets				
Cash and cash equivalents	-	-	21,156	21,156
TOTAL ASSETS	<u>\$ 14,280,310</u>	<u>\$ 1,995,921</u>	<u>\$ 3,326,992</u>	<u>\$ 19,603,223</u>
LIABILITIES				
Accounts payable	\$ 299,647	\$ 104,995	\$ 57,972	\$ 462,614
Accrued liabilities	316,614	6,647	19,122	342,383
Due to other funds	-	-	67,846	67,846
Due to other governments	18,108	-	-	18,108
Advance from other funds	360,253	-	-	360,253
Unearned revenue	23,720	-	-	23,720
Total liabilities	<u>1,018,342</u>	<u>111,642</u>	<u>144,940</u>	<u>1,274,924</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	782,633	331,795	-	1,114,428
FUND BALANCE				
Nonspendable	245,181	-	-	245,181
Restricted	93,456	1,552,484	448,048	2,093,988
Committed	6,687,557	-	2,739,865	9,427,422
Assigned	1,891,555	-	-	1,891,555
Unassigned	3,561,586	-	(5,861)	3,555,725
Total fund balance	<u>12,479,335</u>	<u>1,552,484</u>	<u>3,182,052</u>	<u>17,213,871</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 14,280,310</u>	<u>\$ 1,995,921</u>	<u>\$ 3,326,992</u>	<u>\$ 19,603,223</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Fund balance, total governmental funds (page 17)	\$ 17,213,871
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	11,121,076
Governmental depreciable/amortizable assets	67,800,526
Less accumulated depreciation/amortization	<u>(40,424,749)</u>
	38,496,853
Unavailable revenues in governmental funds is susceptible to full accrual on the entity-wide statements.	
Special assessments	376,619
Receivable related to sale of capital asset	<u>737,809</u>
	1,114,428
Deferred inflows of resources and deferred outflows of resources 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 pension contributions made subsequent to the measurement date	2,689,792
Deferred outflows of resources – net difference between projected and actual earnings on pension plan investments	2,211,907
Deferred outflows of resources - differences between expected and actual experience with regard to economic or demographic assumptions on pension plan investments	394,085
Deferred outflows of resources - changes in assumptions on pension plan investments	4,296,406
Deferred outflows of resources - changes in assumptions related to OPEB plan	443,296
Deferred inflows of resources – differences between expected and actual experience with regard to economic or demographic assumptions on pension plan investments	<u>(1,032,099)</u>
	9,003,387
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Notes payable	(11,073,656)
Accrued interest	(70,816)
Capital leases	(76,099)
Compensated absences	(666,754)
Other post-employment benefits	(4,815,320)
Net pension liability	<u>(21,132,246)</u>
	<u>(37,834,891)</u>
Net position of governmental activities (page 15)	<u>\$ 27,993,648</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, 2017

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,183,941	\$ 1,036,451	\$ -	\$ 12,220,392
Permits and fees	2,081,095	23,163	409,920	2,514,178
Intergovernmental	3,386,955	613,138	266,332	4,266,425
Charges for services	2,488,384	-	-	2,488,384
Fines	118,740	-	8,666	127,406
Miscellaneous	686,390	69,791	286,777	1,042,958
Total revenues	19,945,505	1,742,543	971,695	22,659,743
EXPENDITURES				
Current				
General governmental services	3,228,767	-	-	3,228,767
Public safety	8,967,487	403,380	542,477	9,913,344
Physical environment	359,428	-	13,124	372,552
Transportation	890,762	-	-	890,762
Economic environment	-	1,214,268	254,125	1,468,393
Culture and recreation	4,170,787	-	-	4,170,787
Capital outlay	1,579,541	9,774	8,970	1,598,285
Debt service				
Principal	-	-	682,229	682,229
Interest	8,155	-	308,474	316,629
Total expenditures	19,204,927	1,627,422	1,809,399	22,641,748
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
OVER (UNDER) EXPENDITURES	740,578	115,121	(837,704)	17,995
OTHER FINANCING SOURCES (USES)				
Transfers in	781,956	-	1,012,463	1,794,419
Transfers out	(1,012,463)	-	(20,217)	(1,032,680)
Total other financing sources (uses)	(230,507)	-	992,246	761,739
NET CHANGE IN FUND BALANCE	510,071	115,121	154,542	779,734
FUND BALANCE AT BEGINNING OF YEAR				
FUND BALANCE AT BEGINNING OF YEAR	11,969,264	1,437,363	3,027,510	16,434,137
FUND BALANCE AT END OF YEAR	\$ 12,479,335	\$ 1,552,484	\$ 3,182,052	\$ 17,213,871

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, 2017

Net change in fund balance – governmental funds (page 19) \$ 779,734

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	1,598,285
Less current year depreciation/amortization	<u>(2,644,581)</u>
	(1,046,296)

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

Disposals of capital assets	(1,048,102)
Accumulated depreciation/amortization associated with disposals	917,376
Transfers and adjustments of capital assets	(88,497)
Accumulated depreciation/amortization associated with disposals and transfers	<u>139,334</u>
	(79,889)

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).

Payments received from special assessments	(25,807)
Special assessment for interest and penalties	660
Payments received on receivable related to the sale of capital assets	<u>(49,291)</u>
	(74,438)

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	682,229
Change in accrued interest on long-term debt	<u>4,145</u>
	686,374

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	(1,106,772)
Change in long-term compensated absences	(32,611)
Change in other post-employment benefits liability and related deferred outflows of resources	<u>(326,516)</u>
	(1,465,899)
Change in net position of governmental activities (page 16)	<u>\$ (1,200,414)</u>

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,933,747	\$ 10,933,747	\$ 11,183,941	\$ 250,194
Permits and fees	2,099,983	2,099,983	2,081,095	(18,888)
Intergovernmental	3,015,734	3,720,541	3,386,955	(333,586)
Charges for services	2,405,752	2,408,249	2,488,384	80,135
Fines	109,523	109,523	118,740	9,217
Miscellaneous	441,824	524,143	686,390	162,247
Total revenues	<u>19,006,563</u>	<u>19,796,186</u>	<u>19,945,505</u>	<u>149,319</u>
EXPENDITURES				
Current				
General governmental services	3,468,298	3,800,400	3,228,767	571,633
Public safety	9,141,573	9,193,867	8,967,487	226,380
Physical environment	321,122	322,122	359,428	(37,306)
Transportation	1,045,139	1,076,834	890,762	186,072
Culture and recreation	4,317,091	4,470,232	4,170,787	299,445
Capital outlay	1,432,211	2,099,139	1,579,541	519,598
Debt service	-	-	8,155	(8,155)
Total expenditures	<u>19,725,434</u>	<u>20,962,594</u>	<u>19,204,927</u>	<u>1,757,667</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(718,871)</u>	<u>(1,166,408)</u>	<u>740,578</u>	<u>1,906,986</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	787,300	788,268	781,956	(6,312)
Transfers out	<u>(1,069,164)</u>	<u>(1,078,474)</u>	<u>(1,012,463)</u>	<u>66,011</u>
Total other financing sources (uses)	<u>(281,864)</u>	<u>(290,206)</u>	<u>(230,507)</u>	<u>59,699</u>
NET CHANGE IN FUND BALANCE	(1,000,735)	(1,456,614)	510,071	1,966,685
FUND BALANCE AT BEGINNING OF YEAR				
	<u>1,000,735</u>	<u>1,456,614</u>	<u>11,969,264</u>	<u>10,512,650</u>
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 12,479,335	\$ 12,479,335

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,036,451	\$ 1,036,451	\$ 1,036,451	\$ -
Permits and fees	-	-	23,163	23,163
Intergovernmental	616,298	616,298	613,138	(3,160)
Miscellaneous	32,457	32,457	69,791	37,334
Total revenues	1,685,206	1,685,206	1,742,543	57,337
EXPENDITURES				
Current				
Public safety	412,853	412,853	403,380	9,473
Economic environment	1,058,035	1,718,120	1,214,268	503,852
Capital outlay	346,216	346,216	9,774	336,442
Total expenditures	1,817,104	2,477,189	1,627,422	849,767
CHANGE IN FUND BALANCE	(131,898)	(791,983)	115,121	907,104
FUND BALANCE AT BEGINNING OF YEAR	131,898	791,983	1,437,363	645,380
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,552,484	\$ 1,552,484

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,003,425	\$ 262,523	\$ 113,577	\$ 2,379,525
Restricted assets – cash and cash equivalents	857,627	8,275	-	865,902
Investments	7,879,910	2,026,263	450,281	10,356,454
Receivables, net	664,418	209,503	53,963	927,884
Advance to other funds	-	48,458	-	48,458
Due from other governments	4,069	-	586,146	590,215
Inventory – at cost	17,055	-	-	17,055
Prepaid assets	-	-	7,046	7,046
Total current assets	<u>11,426,504</u>	<u>2,555,022</u>	<u>1,211,013</u>	<u>15,192,539</u>
Other assets				
Advance to other funds	-	311,795	-	311,795
Other receivables, net	<u>5,947</u>	<u>-</u>	<u>-</u>	<u>5,947</u>
Total other assets	<u>5,947</u>	<u>311,795</u>	<u>-</u>	<u>317,742</u>
Capital assets, net				
Non-depreciable/amortizable	827,682	-	59,220	886,902
Depreciable/amortization, net	<u>30,967,313</u>	<u>1,232,502</u>	<u>3,019,102</u>	<u>35,218,917</u>
Total capital assets	<u>31,794,995</u>	<u>1,232,502</u>	<u>3,078,322</u>	<u>36,105,819</u>
Total non-current assets	<u>31,800,942</u>	<u>1,544,297</u>	<u>3,078,322</u>	<u>36,423,561</u>
TOTAL ASSETS	<u>43,227,446</u>	<u>4,099,319</u>	<u>4,289,335</u>	<u>51,616,100</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,200,089</u>	<u>464,558</u>	<u>116,228</u>	<u>1,780,875</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2017

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	250,102	113,472	1,949	365,523
Accrued liabilities				
Compensated absences	25,528	14,216	4,206	43,950
Wages	37,904	20,787	4,810	63,501
Interest	94,449	-	-	94,449
Other	872	1,587	249	2,708
Due to other governments	-	8,167	-	8,167
Revenue note payable	419,000	-	-	419,000
State revolving loan payable	680,796	-	-	680,796
Payable from restricted assets				
Customer deposits	247,927	8,275	-	256,202
Unearned revenue	31,862	-	-	31,862
Total current liabilities	<u>1,788,440</u>	<u>166,504</u>	<u>11,214</u>	<u>1,966,158</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	76,585	42,648	12,617	131,850
Revenue note payable	7,968,000	-	-	7,968,000
State revolving loan payable	13,308,089	-	-	13,308,089
Other post-employment benefits	669,433	445,853	175,635	1,290,921
Net pension liability	<u>1,643,407</u>	<u>662,829</u>	<u>156,597</u>	<u>2,462,833</u>
Total non-current liabilities	<u>23,665,514</u>	<u>1,151,330</u>	<u>344,849</u>	<u>25,161,693</u>
TOTAL LIABILITIES	<u>25,453,954</u>	<u>1,317,834</u>	<u>356,063</u>	<u>27,127,851</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>73,017</u>	<u>29,450</u>	<u>6,958</u>	<u>109,425</u>
NET POSITION				
Net investment in capital assets	9,507,516	1,232,502	3,078,322	13,818,340
Restricted				
Debt service	157,228	-	-	157,228
System improvements	452,472	-	-	452,472
Unrestricted	<u>8,783,348</u>	<u>1,984,091</u>	<u>964,220</u>	<u>11,731,659</u>
TOTAL NET POSITION	<u>\$ 18,900,564</u>	<u>\$ 3,216,593</u>	<u>\$ 4,042,542</u>	<u>\$ 26,159,699</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, 2017

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	<u>\$ 10,952,375</u>	<u>\$ 3,663,445</u>	<u>\$ 917,844</u>	<u>\$ 15,533,664</u>
OPERATING EXPENSES				
Personal services	2,068,079	1,225,784	302,939	3,596,802
Operating	4,885,407	2,174,194	247,708	7,307,309
Depreciation/amortization expense	<u>1,935,871</u>	<u>287,109</u>	<u>130,894</u>	<u>2,353,874</u>
Total operating expenses	<u>8,889,357</u>	<u>3,687,087</u>	<u>681,541</u>	<u>13,257,985</u>
OPERATING INCOME (LOSS)	<u>2,063,018</u>	<u>(23,642)</u>	<u>236,303</u>	<u>2,275,679</u>
NON-OPERATING REVENUES (EXPENSES)				
Rental income	18,448	-	-	18,448
Interest expense	(524,780)	-	-	(524,780)
Amortization	(5,613)	-	-	(5,613)
Gain on disposal of capital assets	9,464	21,344	1,855	32,663
Gain (loss) on investment	(69,045)	(17,754)	(3,945)	(90,744)
Interest	128,101	40,939	7,271	176,311
Grants in aid	(498)	-	-	(498)
Miscellaneous	<u>5,935</u>	<u>20,811</u>	<u>981</u>	<u>27,727</u>
Total non-operating revenues (expenses)	<u>(437,988)</u>	<u>65,340</u>	<u>6,162</u>	<u>(366,486)</u>
INCOME BEFORE CAPITAL				
CONTRIBUTIONS AND TRANSFERS	<u>1,625,030</u>	<u>41,698</u>	<u>242,465</u>	<u>1,909,193</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	-	-	1,247,058	1,247,058
Impact fees	67,463	-	-	67,463
Transfers out	<u>(618,208)</u>	<u>(143,531)</u>	<u>-</u>	<u>(761,739)</u>
Total capital contributions and transfers	<u>(550,745)</u>	<u>(143,531)</u>	<u>1,247,058</u>	<u>552,782</u>
CHANGE IN NET POSITION	<u>1,074,285</u>	<u>(101,833)</u>	<u>1,489,523</u>	<u>2,461,975</u>
NET POSITION AT BEGINNING OF YEAR				
YEAR, RESTATED	<u>17,826,279</u>	<u>3,318,426</u>	<u>2,553,019</u>	<u>23,697,724</u>
NET POSITION AT END OF YEAR	<u>\$ 18,900,564</u>	<u>\$ 3,216,593</u>	<u>\$ 4,042,542</u>	<u>\$ 26,159,699</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, 2017

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 10,941,192	\$ 3,658,780	\$ 1,416,738	\$ 16,016,710
Payments to suppliers	(5,336,282)	(2,170,911)	(366,774)	(7,873,967)
Payments to employees	(1,948,594)	(1,094,092)	(194,274)	(3,236,960)
Miscellaneous income	24,383	20,811	981	46,175
Net cash provided by operating activities	<u>3,680,699</u>	<u>414,588</u>	<u>856,671</u>	<u>4,951,958</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Change in intergovernmental balances	(4,069)	180	-	(3,889)
Advance to other funds	-	47,508	-	47,508
Grants and aids	(498)	-	-	(498)
Transfers out	<u>(618,208)</u>	<u>(143,531)</u>	-	<u>(761,739)</u>
Net cash used in non-capital financing activities	<u>(622,775)</u>	<u>(95,843)</u>	-	<u>(718,618)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees received	55,660	-	-	55,660
Acquisitions of capital assets	(478,704)	(255,699)	(1,475,522)	(2,209,925)
Proceeds from disposal of capital assets	2,261	21,344	1,855	25,460
Proceeds from capital grants and contributions	-	-	660,912	660,912
Principal paid on revenue note	(407,000)	-	-	(407,000)
Principal paid on state revolving loan	(668,044)	-	-	(668,044)
Interest paid on loans and notes payable	<u>(529,337)</u>	-	-	<u>(529,337)</u>
Net cash used in capital and related financing activities	<u>(2,025,164)</u>	<u>(234,355)</u>	<u>(812,755)</u>	<u>(3,072,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(5,322,295)	(1,453,295)	(759,662)	(7,535,252)
Proceeds from sales and maturities of investments	5,414,140	1,392,207	309,379	7,115,726
Investment income, net	<u>59,056</u>	<u>23,185</u>	<u>3,326</u>	<u>85,567</u>
Net cash provided by (used in) capital and related financing activities	<u>150,901</u>	<u>(37,903)</u>	<u>(446,957)</u>	<u>(333,959)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,183,661	46,487	(403,041)	827,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,677,391	224,311	516,618	2,418,320
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,861,052</u>	<u>\$ 270,798</u>	<u>\$ 113,577</u>	<u>\$ 3,245,427</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, 2017

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets				
Current assets	\$ 2,003,425	\$ 262,523	\$ 113,577	\$ 2,379,525
Restricted assets	857,627	8,275	-	865,902
Total cash and cash equivalents	<u>\$ 2,861,052</u>	<u>\$ 270,798</u>	<u>\$ 113,577</u>	<u>\$ 3,245,427</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,063,018	\$ (23,642)	\$ 236,303	\$ 2,275,679
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,935,871	287,109	130,894	2,353,874
Miscellaneous revenue	24,383	20,811	981	46,175
Decrease (increase) in assets:				-
Accounts receivable	(34,481)	(8,805)	(5,394)	(48,680)
Inventory	(4,634)	-	-	(4,634)
Increase in deferred outflows of resources	(393,142)	(174,751)	(47,760)	(615,653)
Increase (decrease) in liabilities:				
Accounts payable	(446,241)	3,283	(122,020)	(564,978)
Compensated absences payable	(3,417)	2,570	4,005	3,158
Wages	(112)	1,425	848	2,161
Other liabilities	668	1,338	224	2,230
Customer deposits	24,731	4,140	-	28,871
Other post-employment benefits	(80,663)	60,666	94,541	74,544
Unearned revenue	(1,433)	-	-	(1,433)
Net pension liability	669,168	269,893	63,764	1,002,825
Increase in deferred inflows of resources	<u>(73,017)</u>	<u>(29,449)</u>	<u>(6,957)</u>	<u>(109,423)</u>
Net cash provided by operating activities	<u>\$ 3,680,699</u>	<u>\$ 414,588</u>	<u>\$ 856,671</u>	<u>\$ 4,951,958</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Capital grants receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,146</u>	<u>\$ 586,146</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Amortization of bond discount	<u>\$ 5,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,613</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	\$ 1,909,482
Investments, at fair value	
U.S. Government and Agency obligations	12,730,007
Corporate obligations	6,745,407
Corporate equity	12,710,971
Mutual funds and exchange-traded funds	39,869,609
Commingled real estate investment funds	<u>6,537,052</u>
Total investments	<u>78,593,046</u>
Due from State of Florida	238
TOTAL ASSETS	<u>80,502,766</u>
LIABILITIES	
Accounts payable	<u>77,311</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 80,425,455</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Employee Retirement Funds
ADDITIONS	
Contributions	
Employer	\$ 2,617,456
Plan members	482,061
State of Florida	<u>394,967</u>
Total contributions	<u>3,494,484</u>
Investment income (loss)	8,761,941
Less investment expense	<u>(258,549)</u>
Net investment income (loss)	<u>8,503,392</u>
Miscellaneous revenue	<u>38,066</u>
TOTAL ADDITIONS	<u>12,035,942</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	6,030,766
Disability payments	194,163
Refunds	<u>70,587</u>
Total benefits and refunds paid	<u>6,295,516</u>
Administrative expenses	
Legal	14,233
Contractual services	143,183
Other	<u>68,455</u>
Total administrative expenses	<u>225,871</u>
TOTAL DEDUCTIONS	<u>6,521,387</u>
CHANGE IN FIDUCIARY NET POSITION	<u>5,514,555</u>
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>74,910,900</u>
End of year	<u>\$ 80,425,455</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY

Description of the 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 in the United States of America (U.S. GAAP), as 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 U.S. GAAP, these financial statements present the City of Fort Walton Beach (the primary government) and its blended 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 Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement 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, 2017, the City 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. 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE 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 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 effects 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 8 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE 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 six 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, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% for each month taxes are paid prior to March 2018 are granted.

Revenue recognition criteria for property taxes under GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2017 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE 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 2017, 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 fees are 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 Agency Fund – The Community Redevelopment Agency 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 for 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE 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.

Stormwater Fund – Used to account for the revenues and expenses associated with operating the City's stormwater utility system.

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 defines cash and cash equivalents as cash held at a depository and cash on hand for operating purposes and those investments which are short term and highly liquid. Generally, those investments have original maturities of three (3) months or less from the date of acquisition. The City maintains an equity in pooled cash fund. The City's cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The City's cash deposits are fully insured by the Public Deposits Trust Fund.

Investments

Investments for the City are reported at fair value (generally based on quoted market prices). Investments are pooled together for investment purposes while each individual funds and/or accounts are maintained on a daily transaction basis. Investment earnings are distributed in accordance with the participating funds' relative equity. Allowable investments, with the appropriate minimum rating requirements, can consist of certificates of deposit, local government surplus trust fund, intergovernmental investment pool, SEC registered money market funds, United States government securities, repurchase agreements, banker's acceptances, commercial paper, United States government agencies, federal instruments, securitized issues, corporate notes and state or local government taxable or tax exempt debt.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Investments

In addition the Beal Memorial Cemetery Perpetual Care special revenue fund and the pension trust funds maintain separate investment accounts that are governed by separate investment policies. The Beal Memorial Cemetery investment policy allows for investments in domestic equities, international equities, real estate investment trusts, inflation hedges, fixed income securities, and cash equivalents within allowable ranges, ratings, and consideration of target asset allocations by asset class. The pension trust funds' investment policies allow for investments in domestic and international equities, fixed income securities, mutual funds, exchange-traded funds, commingled funds, money market funds, and value add real estate within allowable ranges, ratings, and considerations of target asset allocations by range; however allowable asset classes, targets, ranges, and benchmarks vary by each individual policy. These investments are also reported at fair value.

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 nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable and 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 uncollectible accounts. 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 the 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

Restricted Assets

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

Capital Assets

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

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

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

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

Capital Assets – Continued

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will 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 7 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 7 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Long-Term Obligations – Continued

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.

Net Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Fort Walton Beach's Retiree Health Care Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The City elected to implement GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, as of October 1, 2016, resulting in a restatement of the City's beginning net position. See note 11 for additional information about the City's other postemployment benefit plan.

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. Typically, pension liabilities in the governmental fund types have been liquidated by the fund that incurred the expenditures for pensionable wages.

GASB Statement No. 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, 2015
Measurement Date (MD)	September 30, 2016
Measurement Period (MP)	October 1, 2015 to September 30, 2016

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

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 Statement No. 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.

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 within 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 formal fund balance policy establishes a targeted minimum reserve balance in the General Fund for committed fund balance equal to 30% of annual budgeted expenditures, which constitutes the City's minimum fund balance policy.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Classification of Fund Balance – Continued

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 Position

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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with U.S. 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 throughout the fiscal year. 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is a form of budgetary control to ensure that appropriations are not exceeded. Encumbrances outstanding at year-end are reported as assignments of fund balance in the governmental fund types.

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (with the exception of 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, and pooled investments managed by a financial institution. Interest income (which includes unrealized gains and losses) is distributed monthly based on the average balances.

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.

As of September 30, 2017, the value of the City's deposits was \$6,579,480, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida Statutes.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2017, the City's investments consist of the pooled investments held by each fund to maximize earnings on surplus cash, those held in the various pension trust funds and the Beal Memorial Cemetery Perpetual Care special revenue fund. The types of investments, which can be made by the City, are restricted by State Statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

As of September 30, 2017, 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	\$ 16,033,139	\$ 190,213	\$ 13,343,930	\$ 2,498,996	\$ -	\$ -	\$ -	\$ -
Municipal debt	301,500	-	301,500	-	-	-	-	-
Commercial paper	1,747,163	1,747,163	-	-	-	-	-	-
U.S. Treasury	10,968,537	-	6,697,262	-	-	-	1,195,347	3,075,928
U.S. Government Agencies	6,989,699	1,300,486	4,933,608	755,605	-	-	-	-
U.S. Government Agency Pools	3,250,887	99,345	147,166	2,052,228	429,117	419,346	103,685	-
	<u>39,290,925</u>	<u>\$ 3,337,207</u>	<u>\$ 25,423,466</u>	<u>\$ 5,306,829</u>	<u>\$ 429,117</u>	<u>\$ 419,346</u>	<u>\$ 1,299,032</u>	<u>\$ 3,075,928</u>
Total								\$ -
Investments not subject to interest rate risk								
Money market funds	2,705,164							
Corporate equities	19,248,023							
Mutual and exchange-traded funds	42,591,901							
Total		<u>\$103,836,013</u>						

Interest Rate Risk – The City's investment policy encourages matching investment maturities with known cash needs and anticipated cash flow requirements in order to manage interest rate risk. Investments of current operating funds shall have maturities of no longer than 24 months. Investments of bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall the investment duration of these funds exceed five years. The investment policies for the pension trust funds do not specifically address interest rate risk.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Credit Rate Risk – State law limits investments of surplus public funds to those investments described on the previous page. The table below outlines the authorized investments of the pension trust funds.

Investment Type	General Employees' Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund
Money Market or short-term investment fund (STIF) options	Minimum rating of A1 by S&P or P1 by Moody's	Limited to obligations backed by full faith & credit of US government	Minimum rating of A1 by S&P or P1 by Moody's
Fixed-income securities	Minimum rating in one of the four highest classifications by a major rating service	Minimum rating of "investment grade" or higher by a major rating service	Minimum rating in one of the four highest classifications by a major rating service ¹

(1) No more than 5% of the total portfolio may be invested in securities that fall below these rating guidelines.

All pension trust funds were in compliance with respective investment policies regarding credit rate risk as of September 30, 2017.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2017, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Money market funds	N/A	N/A	N/A
Corporate debt	Aa1-A3	Aa1-A3	Aa1-A3
U.S. Treasury	Aaa	Aaa	Aaa
U.S. government agencies	Aaa	Aaa	Aaa
U.S. government pools	N/A	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).

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration of Credit Risk – The City limits the amount that may be invested in any one issuer based on the type of investment. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

The General Employees' Retirement Fund and the Firefighters' Retirement Fund investment policies limit investment concentration as follows:

- *Equities* – No more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- *Fixed Income* – The value of bonds issued by any single corporation shall not exceed 10% of the Plan's total market value.
- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 75% of the Plan's assets at market value, and foreign securities shall not exceed 25% of the Plan's market value.

The Police Officers' Retirement Fund investment policy limits investment concentration as follows:

- *Equities* – No more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- *Fixed Income* – The value of bonds issued by any single corporation shall not exceed 3% of the Plan's total market value.
- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 70% of the Plan's assets at market value, and foreign securities shall not exceed 25% of the Plan's market value.

All pension trust fund plans were in compliance with respective investment policies regarding concentration of credit risk as of September 30, 2017.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration of 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.

Investments in Entities That Calculate Net Asset Value (NAV) per Share

The fair values of investments in real estate funds held by the pension trust funds are based on the investments' NAV per share, as provided by the investee.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real Estate Funds	\$ 6,537,052	None	Quarterly	0 - 90 days

The real estate funds consist of two open-ended commingled funds that invest in office, industrial, retail, and multi-family real estate assets throughout the United States. Although the funds are private investments, they can be redeemed on a quarterly basis, subject to available liquidity.

4. FAIR VALUE OF INVESTMENTS

The City measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follow:

- Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.
- Level 3 – Unobservable inputs for an asset.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2017:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 2,705,164	\$ -	\$ 2,705,164	\$ -
Debt securities				
U.S. Treasury bonds	10,968,537	10,968,537	-	-
U.S. Government Agency obligations	6,989,699	-	6,989,699	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	3,250,887	-	3,250,887	-
Commercial paper	1,747,163	-	1,747,163	-
Corporate bonds	16,033,139	-	16,033,139	-
Municipal bonds	301,500	-	301,500	-
Total debt securities	39,290,925	10,968,537	28,322,388	-
Equity securities and commingled funds				
Domestic common stock	12,603,982	12,603,982	-	-
Foreign common stock	106,989	106,989	-	-
Mutual funds	42,591,901	-	42,591,901	-
* Commingled real estate investment funds	6,537,052	-	-	-
Total equity securities and commingled funds	61,839,924	12,710,971	42,591,901	-
Total investments measured at fair value	<u>\$ 103,836,013</u>	<u>\$ 23,679,508</u>	<u>\$ 73,619,453</u>	<u>\$ -</u>

* In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

5. RECEIVABLES

Receivables at September 30, 2017, were as follows:

	Governmental Activities		Business-Type Activities		
	Community Redevelopment Fund		Business-Type Activities		
	General	Utilities	Sanitation	Stormwater	Total
Taxes	\$ 20,223	\$ -	\$ -	\$ -	\$ 20,223
Accounts	90,290	1,060	710,031	217,437	57,258
Less allowance for doubtful accounts	-	-	(46,699)	(7,934)	(3,295)
Assessments	44,824	331,795	1,086	-	377,705
Other	<u>737,809</u>	<u>-</u>	<u>5,947</u>	<u>-</u>	<u>743,756</u>
Total receivables, net	<u>\$ 893,146</u>	<u>\$ 332,855</u>	<u>\$ 670,365</u>	<u>\$ 209,503</u>	<u>\$ 53,963</u>
					<u>\$ 2,159,832</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. RECEIVABLES – CONTINUED

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 \$402,809 as of September 30, 2017.

During fiscal year 2014, the City sold a recreational center for \$425,000 and will receive the proceeds over twelve years (\$3,000 monthly principal only payments started October 2015). 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 \$335,000 as of September 30, 2017.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2017, are \$238,118. Due from other governments in the governmental activities consists primarily of state proceeds related to the Florida Department of Education grant as well as federal proceeds related to the Department of Housing and Urban Development grants.

The City's receivables from other governments for business-type as of September 30, 2017, are \$590,215 which consists of primarily of state proceeds related to stormwater system improvement grants.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized					
Land	\$ 11,048,842	\$ -	\$ -	\$ (363)	\$ 11,048,479
Construction in progress	86,639	65,833	-	(79,875)	72,597
Total capital assets not being depreciated/amortized	<u>11,135,481</u>	<u>65,833</u>	<u>-</u>	<u>(80,238)</u>	<u>11,121,076</u>
Capital assets being depreciated/amortized					
Buildings	23,698,408	17,717	-	-	23,716,125
Improvements other than buildings	17,898,446	505,523	(66,838)	31,126	18,368,257
Infrastructure	12,935,865	213,533	-	-	13,149,398
Software	521,191	-	(1,087)	1,772	521,876
Machinery and equipment	12,143,361	795,679	(980,177)	(43,973)	11,914,890
Equipment under capital lease	127,164	-	-	2,816	129,980
Total capital assets being depreciated/amortized	<u>67,324,435</u>	<u>1,532,452</u>	<u>(1,048,102)</u>	<u>(8,259)</u>	<u>67,800,526</u>
Less accumulated depreciation/amortization					
Buildings	(10,239,087)	(697,560)	-	-	(10,936,647)
Improvements other than buildings	(10,828,924)	(766,657)	41,216	48,749	(11,505,616)
Infrastructure	(9,191,012)	(316,371)	-	-	(9,507,383)
Software	(508,764)	(13,362)	1,087	(26,435)	(547,474)
Machinery and equipment	(8,019,367)	(837,076)	875,073	117,020	(7,864,350)
Equipment under capital lease	(49,724)	(13,555)	-	-	(63,279)
Total accumulated depreciation/amortization	<u>(38,836,878)</u>	<u>(2,644,581)</u>	<u>917,376</u>	<u>139,334</u>	<u>(40,424,749)</u>
Total capital assets being depreciated/amortized, net	<u>28,487,557</u>	<u>(1,112,129)</u>	<u>(130,726)</u>	<u>131,075</u>	<u>27,375,777</u>
Governmental activities, net	<u>\$ 39,623,038</u>	<u>\$ (1,046,296)</u>	<u>\$ (130,726)</u>	<u>\$ 50,837</u>	<u>\$ 38,496,853</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

6. CHANGES IN CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated/amortized					
Land	\$ 709,678	\$ -	\$ -	\$ -	\$ 709,678
Construction in progress	499,398	1,364,870	-	(1,726,786)	137,482
Easements	<u>34,642</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>39,742</u>
Total capital assets not being depreciated/amortized	<u>1,243,718</u>	<u>1,369,970</u>	<u>-</u>	<u>(1,726,786)</u>	<u>886,902</u>
Capital assets being depreciated/amortized					
Buildings	411,900	-	-	-	411,900
Improvements other than buildings	46,610,516	247,764	-	1,706,274	48,564,554
Software	111,215	-	-	-	111,215
Machinery and equipment	<u>10,224,375</u>	<u>592,194</u>	<u>(331,935)</u>	<u>27,711</u>	<u>10,512,345</u>
Total capital assets being depreciated/amortized	<u>57,358,006</u>	<u>839,958</u>	<u>(331,935)</u>	<u>1,733,985</u>	<u>59,600,014</u>
Less accumulated depreciation/amortization					
Buildings	(296,697)	(8,550)	-	-	(305,247)
Improvements other than buildings	(15,528,198)	(1,581,345)	-	-	(17,109,543)
Software	(56,730)	-	-	(54,485)	(111,215)
Machinery and equipment	<u>(6,469,334)</u>	<u>(763,979)</u>	<u>331,935</u>	<u>46,286</u>	<u>(6,855,092)</u>
Total accumulated depreciation/amortization	<u>(22,350,959)</u>	<u>(2,353,874)</u>	<u>331,935</u>	<u>(8,199)</u>	<u>(24,381,097)</u>
Total capital assets being depreciated/amortized, net	<u>35,007,047</u>	<u>(1,513,916)</u>	<u>-</u>	<u>1,725,786</u>	<u>35,218,917</u>
Business-type activities, net	<u>\$ 36,250,765</u>	<u>\$ (143,946)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ 36,105,819</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

6. 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	\$ 155,176
Public safety	622,991
Physical environment	83,756
Transportation	631,478
Economic environment	121,852
Culture and recreation	<u>1,029,328</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 2,644,581</u>

Business-type activities

Utilities fund	\$ 1,935,871
Sanitation fund	287,109
Stormwater fund	<u>130,894</u>
Total depreciation/amortization expense – business-type activities	<u>\$ 2,353,874</u>

Construction Commitments

During fiscal year 2017 multiple projects to improve the City's recreational facilities were conducted. These projects included construction of sand volleyball courts and installation of field netting at the recreation complex, and upgrading the lighting at Jet Stadium.

These projects were funded with contingency funds and General Fund reserves. The barrier net installation and Jet Stadium lighting upgrades were completed in 2017. The upgrades to the sand volleyball courts at the recreation complex began in fiscal year 2016. At September 30, 2017, the remaining project costs are approximately \$90,000, and the project is expected to be completed in 2018.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2017, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

Governmental activities:

	General Fund	Community Redevelopment Fund	Governmental Activities
Deferred outflows			
City pension contributions made subsequent to the measurement date	\$ -	\$ -	\$ 2,689,792
Net difference between projected and actual earnings on pension plan investments	- -	- -	2,211,907
Differences between expected and actual experience with regard to economic or demographic assumptions	- -	- -	394,085
Changes in assumptions on pension plan investments	- -	- -	4,296,406
Changes in assumptions related to OPEB plan	- -	- -	443,296
Total deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,035,486</u>
Deferred inflows			
Differences between expected and actual experience with regard to economic or demographic assumptions	\$ - -	\$ - -	\$ 1,032,099
Unavailable revenue – special assessments	44,824	331,795	- -
Unavailable revenue – long-term receivable from sale of buildings	<u>737,809</u>	<u>- -</u>	<u>- -</u>
Total deferred inflows	<u>\$ 782,633</u>	<u>\$ 331,795</u>	<u>\$ 1,032,099</u>

Business-type activities:

	Utilities Fund	Sanitation Fund	Stormwater Fund	Business-Type Activities
Deferred outflows				
City pension contributions made subsequent to the measurement date	\$ 215,286	\$ 86,830	\$ 20,515	\$ 322,631
Deferred loss on refunding	88,406	- -	- -	88,406
Net difference between projected and actual earnings on pension plan investments	170,597	68,806	16,257	255,660
Differences between expected and actual experience with regard to economic or demographic assumptions	54,407	21,943	5,184	81,534
Changes in assumptions on pension plan investments	609,765	245,934	58,103	913,802
Changes in assumptions related to OPEB plan	<u>61,628</u>	<u>41,045</u>	<u>16,169</u>	<u>118,842</u>
Total deferred outflows	<u>\$ 1,200,089</u>	<u>\$ 464,558</u>	<u>\$ 116,228</u>	<u>\$ 1,780,875</u>
Deferred inflows				
Differences between expected and actual experience with regard to economic or demographic assumptions	<u>\$ 73,017</u>	<u>\$ 29,450</u>	<u>\$ 6,958</u>	<u>\$ 109,425</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. 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.

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, 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's Finance Director. The 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, 2016:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	155
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	44
Active Plan Members	<u>85</u>
	<u>284</u>

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 52 with 10 years of credited service (early retirement) 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 the Chief of Police, the Member becomes vested at 20% per year, except that credited service other than that as a Charter Officer or Department Head will accrue at a rate of 10% 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, 2017**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – 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 2017, employees contributed \$171,869 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2017 was 32.6% of payroll. The annual required contributions for the current fiscal year was determined as part of the October 1, 2015 actuarial valuation updated to September 30, 2016 using the entry age normal actuarial cost method.

Net Pension Liability – GERF

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 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 healthy lives were obtained from the RP-2000 Fully Generational with Scale BB mortality table, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality rates for disable lives were obtained from the RP-2000 mortality table without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

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. For 2016, the inflation rate assumption of the investment advisor was 2.50%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF – Continued

Actuarial Assumptions – 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	55.00%	7.50%
International Equity	10.00%	8.50%
Broad Market Fixed Income	25.00%	2.50%
Real Estate	<u>10.00%</u>	4.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.90%. 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Change in Net Pension Liability – GERF

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2016 (Valuation Date of 10/01/2015)	\$ 42,864,631	\$ 38,086,889	\$ 4,777,742
Changes:			
Service cost	557,163	-	557,163
Interest	3,317,396	-	3,317,396
Differences between Expected and Actual experience	400,221	-	400,221
Changes of assumptions	4,485,495	-	4,485,495
Contributions – employer	-	1,280,082	(1,280,082)
Contributions – employee	-	202,268	(202,268)
Net investment income	-	4,031,981	(4,031,981)
Benefit payments, including refunds of employee contributions	(2,858,889)	(2,858,889)	-
Administrative expenses	-	(35,704)	35,704
Net changes during 2015-16	<u>5,901,386</u>	<u>2,619,738</u>	<u>3,281,648</u>
Balances at September 30, 2017 (Measurement Date of 9/30/2016)	<u><u>\$ 48,766,017</u></u>	<u><u>\$ 40,706,627</u></u>	<u><u>\$ 8,059,390</u></u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.90%	7.90%	8.90%
Sponsor's Net Pension Liability	\$ 13,487,315	\$ 8,059,390	\$ 3,490,193

Pension Plan Fiduciary Net Position

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,099,490. On September 30, 2017, 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	\$ 1,254,097	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	836,619	-
Changes of assumptions	2,990,330	-
Differences between Expected and Actual experience	<u>266,814</u>	<u>358,081</u>
Total	<u>\$ 5,347,860</u>	<u>\$ 358,081</u>

Deferred outflows of resources related to pensions of \$1,254,097 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. 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:

2018	\$ 1,598,674
2019	1,956,755
2020	396,033
2021	<u>(215,780)</u>
	<u>\$ 3,735,682</u>

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 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 City Council who shall, as a ministerial duty, appoint such person to the Police Board as its fifth Trustee.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – PORF – Continued

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, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	48
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	15
Active Plan Members	<u>38</u>
	<u><u>101</u></u>

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 2017, employees contributed \$104,557 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 0.85%. For fiscal year 2017, the State contributed \$190,399 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2017 was 22.0% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2015 actuarial valuation updated to September 30, 2016 using the entry age normal actuarial cost method.

Net Pension Liability – PORF

The City's net pension liability was measured as of September 30, 2016, 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, 2015 updated to September 30, 2016 using the following actuarial assumptions:

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – PORF – Continued

Actuarial Assumptions – Continued

Mortality rates for healthy lives were obtained from the RP-2000 Fully Generational with Scale BB mortality table, with collar and annuitant adjustments as follows:

Males – 10% Annuitant White Collar, 90% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality rates for disable lives were obtained from the RP-2000 mortality table without projection, with the following adjustments:

Males – 60% Disabled Male with four year setback, 40% Annuitant White Collar with no setback.

Females – 60% Disabled Female set forward two years, 40% Annuitant White Collar with no setback.

The other significant actuarial assumptions used in the October 1, 2015 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. For 2016, the inflation rate assumption of the investment advisor was 2.50%.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	40.00%	2.50%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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, 2016 (Valuation Date of 10/01/2015)	\$ 24,982,724	\$ 19,150,987	\$ 5,831,737
Changes:			
Service cost	344,958	-	344,958
Interest	1,948,181	-	1,948,181
Contributions – employer	-	577,564	(577,564)
Contributions – state	-	181,303	(181,303)
Contributions – employee	-	102,214	(102,214)
Net investment income	-	1,698,093	(1,698,093)
Changes of assumptions	1,633,122	-	1,633,122
Differences between Expected and Actual experience	(425,107)	-	(425,107)
Changes of assumptions			-
Benefit payments, including			
Refunds of employee contributions	(1,744,710)	(1,744,710)	-
Administrative expenses	-	(44,882)	44,882
Net changes during 2015-16	<u>1,756,444</u>	<u>769,582</u>	<u>986,862</u>
Balances at September 30, 2017 (Measurement Date of 9/30/2016)	<u><u>\$ 26,739,168</u></u>	<u><u>\$ 19,920,569</u></u>	<u><u>\$ 6,818,599</u></u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 9,993,143	\$ 6,818,599	\$ 4,178,210

Pension Plan Fiduciary Net Position

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2017, the City recognized pension expense of \$435,413. On September 30, 2017, 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 and State contributions subsequent to measurement date	\$ 759,614	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	978,590	-
Changes of assumptions	1,224,842	-
Differences between Expected and Actual experience	<u>-</u>	<u>648,815</u>
Total	<u>\$ 2,963,046</u>	<u>\$ 648,815</u>

Deferred outflows of resources related to pensions of \$759,614 resulting from the City's and State's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. 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:

2018	\$ 452,888
2019	452,888
2020	689,726
2021	<u>(40,885)</u>
	<u>\$ 1,554,617</u>

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – FRF – Continued

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	34
	<hr/>
	65
	<hr/>

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 8.0% of salary) make contributions to the Plan. For fiscal year 2017, employees contributed \$205,635 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 1.85%. For fiscal year 2017, the State contributed \$204,568 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2016 was 31.9% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2015 actuarial valuation updated to September 30, 2016 using the entry age normal actuarial cost method.

Net Pension Liability – FRF

The City's net pension liability was measured as of September 30, 2016, 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, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	6.50%
Discount rate	8.00%
Investment rate of return	8.00%

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

Actuarial Assumptions – Continued

Mortality rates for healthy lives were obtained from the RP-2000 Fully Generational with Scale BB mortality table, with collar and annuitant adjustments as follows:

Males – 10% Annuitant White Collar, 90% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality rates for disable lives were obtained from the RP-2000 mortality table without projection, with the following adjustments:

Males – 60% Disabled Male with four year setback, 40% Annuitant White Collar with no setback.

Females – 60% Disabled Female set forward two years, 40% Annuitant White Collar with no setback.

The date of the most recent experience study for which significant assumptions are based upon is not available.

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. For 2016, the inflation rate assumption of the investment advisor was 2.50%.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	30.00%	2.50%
Real estate	10.00%	4.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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, 2016 (Valuation Date of 10/01/2015)	\$ 20,739,618	\$ 13,590,508	\$ 7,149,110
Changes:			
Service cost	453,506	-	453,506
Interest	1,645,954	-	1,645,954
Contributions – employer	-	744,019	(744,019)
Contributions – state	-	201,904	(201,904)
Contributions – employee	-	164,876	(164,876)
Net investment income	-	969,107	(969,107)
Changes of assumptions	1,243,794	-	1,243,794
Differences between Expected and Actual experience	261,007	-	261,007
Benefit payments, including refunds of employee contributions	(1,237,389)	(1,237,389)	-
Administrative expenses	-	(43,625)	43,625
Net changes during 2015-16	<u>2,366,872</u>	<u>798,892</u>	<u>1,567,980</u>
Balances at September 30, 2017 (Measurement Date of 9/30/2016)	<u>\$ 23,106,490</u>	<u>\$ 14,389,400</u>	<u>\$ 8,717,090</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability	\$ 11,641,297	\$ 8,717,090	\$ 6,309,000

Pension Plan Fiduciary Net Position

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2017, the City recognized a pension expense of \$351,668. On September 30, 2017, 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 and State contributions subsequent to measurement date	\$ 998,712	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	652,358	-
Changes of assumptions	995,036	-
Differences between Expected and Actual experience	<u>208,805</u>	<u>134,628</u>
Total	<u>\$ 2,854,911</u>	<u>\$ 134,628</u>

Deferred outflows of resources related to pensions of \$998,712 resulting from the City's and State's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. 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:

2018	\$ 452,606
2019	452,605
2020	493,135
2021	<u>323,225</u>
	<u>\$ 1,721,571</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. 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, 2017:

COMBINING STATEMENT OF PLAN NET POSITION

	Employee Retirement Funds			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ASSETS				
Cash and cash equivalents	\$ 1,181,483	\$ 500,939	\$ 227,060	\$ 1,909,482
Accounts receivable	1,945	2,054	(3,999)	-
Due from State of Florida	-	-	238	238
Investments, at market				
U.S. Government and Agency obligations	5,342,842	4,722,197	2,664,968	12,730,007
Corporate obligations	2,738,795	2,542,854	1,463,758	6,745,407
Corporate equity	10,982,853	-	1,728,118	12,710,971
Mutual and exchange-traded funds	18,798,846	13,199,893	7,870,870	39,869,609
Commingled real estate investment funds	4,955,917	-	1,581,135	6,537,052
Total investments, at market	<u>42,819,253</u>	<u>20,464,944</u>	<u>15,308,849</u>	<u>78,593,046</u>
TOTAL ASSETS	44,002,681	20,967,937	15,532,148	80,502,766
LIABILITIES				
Accounts payable	35,927	31,734	9,650	77,311
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 43,966,754</u>	<u>\$ 20,936,203</u>	<u>\$ 15,522,498</u>	<u>\$ 80,425,455</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Employee Retirement Funds			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ADDITIONS				
Contributions				
Employer	\$ 1,254,097	\$ 569,215	\$ 794,144	\$ 2,617,456
Plan members	171,869	104,557	205,635	482,061
State of Florida	-	190,399	204,568	394,967
Total contributions	<u>1,425,966</u>	<u>864,171</u>	<u>1,204,347</u>	<u>3,494,484</u>
Investment income (loss)	5,231,810	2,060,509	1,469,622	8,761,941
Less investment expense	(203,647)	(18,216)	(36,686)	(258,549)
Net investment income (loss)	<u>5,028,163</u>	<u>2,042,293</u>	<u>1,432,936</u>	<u>8,503,392</u>
Miscellaneous revenue	5,179	32,050	837	38,066
TOTAL ADDITIONS	<u>6,459,308</u>	<u>2,938,514</u>	<u>2,638,120</u>	<u>12,035,942</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	2,982,337	1,660,690	1,387,739	6,030,766
Disability payments	46,851	141,418	5,894	194,163
Other	26,357	19,618	24,612	70,587
Total benefits and refunds paid	<u>3,055,545</u>	<u>1,821,726</u>	<u>1,418,245</u>	<u>6,295,516</u>
Administrative expenses				
Legal	2,408	7,550	4,275	14,233
Contractual	67,148	41,338	34,697	143,183
Other	31,720	18,342	18,393	68,455
Total administrative expenses	<u>101,276</u>	<u>67,230</u>	<u>57,365</u>	<u>225,871</u>
TOTAL DEDUCTIONS	<u>3,156,821</u>	<u>1,888,956</u>	<u>1,475,610</u>	<u>6,521,387</u>
INCREASE IN PLAN NET POSITION	<u>3,302,487</u>	<u>1,049,558</u>	<u>1,162,510</u>	<u>5,514,555</u>
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	40,664,267	19,886,645	14,359,988	74,910,900
End of year	<u>\$ 43,966,754</u>	<u>\$ 20,936,203</u>	<u>\$ 15,522,498</u>	<u>\$ 80,425,455</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. DEFINED CONTRIBUTION PENSION PLAN

City of Fort Walton Beach Defined Contribution Plan

In December 2009, City Council closed the General Employees' Defined Benefit Pension 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 \$189,085 and \$189,085, respectively, for the year ending September 30, 2017. The City's contributions vest 20% each year beginning after one year of employment. Participants are fully vested after 5 years of service.

10. 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 \$2,387,457 at September 30, 2017. Contributions made by plan members during the year ended September 30, 2017, were \$84,092.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Fort Walton Beach's Retiree Health Care Plan (the Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical, dental, and life insurance coverage as a participant in the City's plan.

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	172
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	157
	<hr/>
	329
	<hr/>

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive postemployment health care benefits.

Contributions

Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.

Net OPEB Liability

The City's net OPEB liability was measured as of September 30, 2016. The total OPEB liability used to calculate the net OPEB liability was determined as of that date. The total OPEB liability was "rolled-back" from September 30, 2016, using a discount rate of 3.71%, thus producing no experience gain or loss from the period ending September 30, 2016.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	See Assumptions and Methods
Discount Rate	3.06%
Investment Rate of Return	0.00%

For general employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two years, male lives set back four years. Disabled mortality has not been adjusted for mortality improvements.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Net OPEB Liability – Continued

For police and fire employees, mortality rates were also based on various RP-2000 mortality tables. For female lives, 100% of the white collar table was used. For male lives, a 10% white collar table, 90% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled female lives, a blend of 60% of the RP-2000 disabled female mortality table set forward two years and 40% of the white collar table with no setback was used. For disabled male lives, a blend of 60% of the RP-2000 disabled male mortality table set back four year and 40% of the white collar table with no setback was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate

Given the City's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.06%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's "Aa2" rating and S&P's "AA" rating.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at September 30, 2016	\$ 5,261,882	\$ -	\$ 5,261,882
Changes for the year:			
Service cost	85,100	-	85,100
Interest	195,814	-	195,814
Changes of assumptions	702,672	-	702,672
Contributions – employer	-	141,727	(141,727)
Benefit payments	(139,227)	(139,227)	-
Administrative expense	-	(2,500)	2,500
Net changes	<u>844,359</u>	<u>-</u>	<u>844,359</u>
Reporting period ending			
September 30, 2017	<u><u>\$ 6,106,241</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,106,241</u></u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	Current		
	1% Decrease 2.06%	Discount Rate 3.06%	1% Increase 4.06%
Net OPEB liability	\$ 7,464,541	\$ 6,106,241	\$ 5,072,539

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.00%-7.75%	4.00%-8.75%	5.00%-9.75%
Net OPEB liability	\$ 5,208,317	\$ 6,106,241	\$ 7,277,281

OPEB Plan Fiduciary Net Position

The plan is unfunded, so the OPEB plan's fiduciary net position is \$0.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2017, the City will recognize OPEB expense of \$423,948. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual experience	-	-
Changes of assumptions	<u>562,138</u>	-
Total	<u><u>\$ 562,138</u></u>	<u><u>\$ -</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2018	\$ 140,534
2019	140,534
2020	140,534
2021	140,536
	<u><u>\$ 562,138</u></u>

12. 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, 2017. 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, 2017

13. 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, 2017, was \$308,795 in the General Fund, \$12,000 in the Community Redevelopment Agency Fund, and \$18,448 in the Utilities Fund.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2018	\$ 258,317	\$ 19,001
2019	299,706	19,571
2020	305,113	20,157
2021	310,907	20,750
2022	<u>291,608</u>	<u>21,373</u>
Total minimum lease payments	<u>\$ 1,465,651</u>	<u>\$ 100,852</u>

Lessee

The City leases golf carts in the General Fund through an operating lease with Yamaha. The original lease term began on January 1, 2013 and was terminated on June 30, 2016. A new four-year lease was signed in August 2016 that expires on July 31, 2020. Under the new lease, monthly lease payments are \$6,323 plus property tax paid by the lessor. In addition, the City signed another lease with Yamaha in April 2017 for one golf car. The lease calls for monthly payments of \$152 and expires on July 31, 2020. Rent expense for the fiscal year ending September 30, 2017 was \$76,016.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2018	\$ 77,688
2019	77,688
2020	<u>64,740</u>
Total minimum lease payments	<u>\$ 220,116</u>

The City leases golf course and parks grounds maintenance equipment and utility carts in the General Fund through operating leases with DLL Finance. The grounds maintenance equipment lease is a five-year lease that began on January 1, 2016 and expires on December 31, 2020. The utility cart lease is a four-year lease that began on September 1, 2016 and expires on August 31, 2020. Monthly rent payments under the lease agreements are \$2,104 plus property taxes paid by the lessor. Rent expense for the fiscal year ending September 30, 2017 was \$16,074.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

13. OPERATING LEASES – CONTINUED

Lessee – Continued

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2018	\$ 25,256
2019	25,256
2020	24,421
2021	3,808
Total minimum lease payments	\$ 78,741

The City leases copiers in the General, Utilities, and Sanitation Funds through Great American Financial Services. The lease term began October 1, 2015 and expires on September 30, 2019. Monthly lease payments in each fund are as follows: General Fund: \$1,500; Utilities Fund: \$80; and Sanitation Fund: \$41. Rent expense for each fund for the year ending September 30, 2017 was as follows: General Fund: \$17,707; Utilities Fund: \$935; and Sanitation Fund: \$486.

Future minimum lease payments are as follows:

Year Ending September 30	Business-Type Activities		
	Governmental Activities	Utilities	Sanitation
2018	\$ 17,995	\$ 963	\$ 494
2019	<u>17,995</u>	<u>963</u>	<u>494</u>
Total minimum lease payments	\$ 35,990	\$ 1,926	\$ 988

The City leases a postage machine in the General Fund through an operating lease with MailFinance. The lease term began on March 12, 2015 and expires on June 11, 2020. Quarterly rent payments are \$687, and rent expense for the fiscal year ending September 30, 2017 was \$2,748.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2018	\$ 2,748
2019	2,748
2020	1,374
Total minimum lease payments	\$ 6,870

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

14. CAPITAL LEASES

The City has entered into a lease agreement 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 have 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:

Assets	Governmental Activities	
Telephone system	\$	103,784
Fitness equipment		67,774
Accumulated depreciation		<u>(63,279)</u>
Assets acquired by lease, net	\$	<u>108,279</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

Year Ending September 30	Governmental Activities	
2018	\$	39,993
2019		37,905
2020		<u>6,778</u>
Total minimum lease payments		84,676
Less amount representing interest		<u>(8,577)</u>
Present value of minimum lease payments	\$	<u>76,099</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

15. 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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue notes payable	\$ 11,725,331	\$ -	\$ (651,675)	\$ 11,073,656	\$ 664,711
Capital leases	106,653	-	(30,554)	76,099	32,706
Compensated absences	634,145	729,563	(696,954)	666,754	163,123
Total governmental activities	<u>\$ 12,466,129</u>	<u>\$ 729,563</u>	<u>\$ (1,379,183)</u>	<u>\$ 11,816,509</u>	<u>\$ 860,540</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue notes payable	\$ 8,794,000	\$ -	\$ (407,000)	\$ 8,387,000	\$ 419,000
State revolving loans	14,656,929	-	(668,044)	13,988,885	680,796
Compensated absences	172,642	178,553	(175,395)	175,800	43,950
Total business-type activities	<u>\$ 23,623,571</u>	<u>\$ 178,553</u>	<u>\$ (1,250,439)</u>	<u>\$ 22,551,685</u>	<u>\$ 1,143,746</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
Revenue Notes			
\$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 note. 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.	\$ 365,660	\$ 6,766,866	\$ 7,132,526
\$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 note. Proceeds used for refunding Series 2001 revenue bonds for construction of certain capital improvements.	221,381	3,418,021	3,639,402
\$819,000 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 note. Proceeds used for purchase of a fire truck and golf equipment.	77,670	224,058	301,728
Total revenue notes	664,711	10,408,945	11,073,656
Leases			
\$103,784 capital lease payable, 2013, due in monthly installments of \$2,088 through August 2019, collateralized by the City's phone system.	20,613	21,490	42,104
\$67,774 capital lease payable, 2015, due in quarterly installments of \$3,734 through December 2019, collateralized by fitness equipment at the City's Recreation Complex.	12,093	21,902	33,995
Total leases	32,706	43,392	76,099
Accrued Compensated Absences			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	163,123	503,631	666,754
TOTAL GOVERNMENTAL ACTIVITIES	\$ 860,540	\$ 10,955,968	\$ 11,816,509

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
<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 note. Proceeds used to refinance and refund the Utility System Revenue Bonds, Series 2005, which was for water system and wastewater system improvements.	\$ 419,000	\$ 7,968,000	\$ 8,387,000
<i>State Revolving Loans</i>			
\$15,637,939 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$471,683 including interest at 1.90% beginning August 2015, through February 2035. Proceeds used for force main replacement, storage tank construction and pump station upgrades.	680,796	13,308,089	13,988,885
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds	43,950	131,850	175,800
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,143,746	\$ 21,407,939	\$ 22,551,685
GRAND TOTAL LONG-TERM DEBT			\$ 34,368,194

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

15. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2017, are as follows:

Governmental Activities

Year Ending September 30	Leases		Revenue Notes	
	Principal	Interest	Principal	Interest
2018	\$ 32,706	\$ 6,112	\$ 664,711	\$ 282,526
2019	36,712	2,369	682,573	265,599
2020	6,681	96	700,401	248,217
2021	-	-	697,037	230,379
2022	-	-	3,425,805	897,254
2023-2027	-	-	4,903,129	274,531
Total	\$ 76,099	\$ 8,577	\$ 11,073,656	\$ 2,198,506

Business-Type Activities

Year Ending September 30	Revenue Note		State Revolving Loan	
	Principal	Interest	Principal	Interest
2018	\$ 419,000	\$ 244,900	\$ 680,796	\$ 262,570
2019	431,000	232,666	693,793	249,574
2020	444,000	220,080	707,038	236,329
2021	456,000	207,116	720,535	222,832
2022	2,491,000	827,674	3,814,332	902,502
2023-2027	2,875,000	442,292	4,192,583	524,251
2028-2032	1,271,000	55,947	3,179,808	121,975
Total	\$ 8,387,000	\$ 2,230,675	\$ 13,988,885	\$ 2,520,033

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

16. 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.

	Principal/Interest Payments Due	Sinking Fund Requirement at September 30, 2017
Principal due at October 1, 2017	\$ 18,750	\$ 18,750
Interest due at October 1, 2017	2,406	2,406
Total	\$ 21,156	\$ 21,156¹

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

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

Capital Improvement Refunding Revenue Note, Series 2013

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
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, 2017.
3. The City is not aware of any instances of noncompliance with the debt 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, 2017.
3. The City is not aware of any instances of noncompliance with the debt covenants.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES – CONTINUED

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. Net revenues pledged consist of gross revenues less costs of operation and maintenance. The net revenues pledged in fiscal year 2017 were approximately \$3,999,000.
3. The debt issued refunded Series 2005 bond used for system improvements.
4. The term of the pledge commitment ends in January 2033.
5. The pledged revenues needed to meet the rate covenants in fiscal year 2017 were \$829,731. The covenant is based upon 125% of the annual debt service requirement.
6. The pledged revenues exceeded the debt service requirements by \$3,169,158 in fiscal year 2017.
7. The City is not aware of any instances of noncompliance with the debt covenants.

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ <u>67,846</u>

Advance to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sanitation	General	\$ <u>360,253</u>

General Fund receivables from the Community Development Block Grant Fund in the amount of \$67,846 are the result of eliminating a temporary deficit cash balance.

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, 2017 is \$360,253.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

Transfers Out	Transfers In		
	Other Governmental Funds		Total
	General Fund	General Fund	
General Fund	\$ -	\$ 1,012,463	\$ 1,012,463
Other Governmental Funds	20,217	-	20,217
Utilities Fund	618,208	-	618,208
Sanitation Fund	143,531	-	143,531
	\$ 781,956	\$ 1,012,463	\$ 1,794,419

The transfers out of the General Fund are \$1,012,463. These transfers consist of a \$990,703 transfer to the Debt Service Fund (Other Governmental Funds) for principal and interest payments on debt, and a \$21,760 transfer to the Cemetery Perpetual Care Fund (Other Governmental Funds) for maintenance.

Transfers in to the General Fund of \$781,956 consist of a \$20,217 transfer from the Cemetery Perpetual Care Fund (Other Governmental Funds) for the purchase of a niche wall and mower, franchise fees from the Utilities Fund of \$618,208, and compensation from the Sanitation Fund for additional roadway wear & tear caused by the heavy trucks in the amount of \$143,531.

18. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2017, were as follows:

Governmental Funds –

General Fund	\$ 720,525
Other Governmental Funds	211,730
	\$ 932,255

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

19. GOVERNMENTAL FUND BALANCES

At September 30, 2017, the City's governmental fund balances were classified as follows:

	General Fund	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	\$ 245,181	\$ -	\$ -	\$ 245,181
Restricted for				
Improvement districts	-	1,552,484	-	1,552,484
Library	87,465	-	-	87,465
Public safety	-	-	426,892	426,892
Debt service	-	-	21,156	21,156
Other purposes	<u>5,991</u>	-	-	5,991
Total restricted	<u>93,456</u>	<u>1,552,484</u>	<u>448,048</u>	<u>2,093,988</u>
Committed				
Cemetery maintenance	-	-	2,739,865	2,739,865
Natural disaster recovery	<u>6,687,557</u>	-	-	6,687,557
Total committed	<u>6,687,557</u>	-	<u>2,739,865</u>	<u>9,427,422</u>
Assigned to				
Capital projects	753,061	-	-	753,061
Citizen police academy	2,232	-	-	2,232
Long-term debt	850,000	-	-	850,000
Other purposes	<u>286,262</u>	-	-	286,262
Total assigned	<u>1,891,555</u>	-	-	<u>1,891,555</u>
Unassigned	<u>3,561,586</u>	-	<u>(5,861)</u>	<u>3,555,725</u>
	<u><u>\$ 12,479,335</u></u>	<u><u>\$ 1,552,484</u></u>	<u><u>\$ 3,182,052</u></u>	<u><u>\$ 17,213,871</u></u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

20. COMMITMENTS AND CONTINGENCIES

Grants

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

Wastewater Service Interlocal Agreement with Okaloosa County

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

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

Fiscal Year Ending September 30

2018	\$ 56,313
2019	58,002
2020	59,742
2021	61,534
2022	63,380
2023 through 2027	346,584
2028 through 2032	401,783
2033 through 2037	465,776
2038 through 2039	<u>206,459</u>
Total	<u>\$ 1,719,573</u>

Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2017, were \$2,513,276.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

21. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION

The GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The City has elected to implement GASB 75 during the year ended September 30, 2017. The impact of the City's adoption of GASB 75 during the current fiscal year requires it to restate the beginning net position for both the governmental activities and business-type activities in the City's government-wide financial statements. In addition, the City will also restate its beginning net position in the proprietary funds statement of revenue, expenses, and changes in net position.

The table below summarizes the components of the restatement of net position as of October 1, 2016.

	Business-Type Activities				Primary Government	
	Governmental Activities	Utilities	Sanitation	Stormwater		
Net position, as previously reported	\$ 32,110,729	\$18,367,071	\$ 3,596,132	\$ 2,611,485	\$ 24,574,688	\$ 56,685,417
Effect of restatement	(2,916,667)	(540,792)	(277,706)	(58,466)	(876,964)	(3,793,631)
Net position, restated	<u>\$ 29,194,062</u>	<u>\$17,826,279</u>	<u>\$ 3,318,426</u>	<u>\$ 2,553,019</u>	<u>\$ 23,697,724</u>	<u>\$ 52,891,786</u>



THIS PAGE IS LEFT INTENTIONALLY 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

Measurement Date	2016	2015	2014
Total Pension Liability			
Service cost	\$ 557,163	\$ 569,712	\$ 622,382
Interest	3,317,396	3,314,990	3,222,809
Differences between expected and actual experience	400,221	(1,074,244)	-
Changes of assumptions ¹	4,485,495	-	-
Benefit payments, including refunds of employee contributions	<u>(2,858,889)</u>	<u>(2,676,038)</u>	<u>(2,575,304)</u>
Net change in total pension liability	5,901,386	134,420	1,269,887
Total pension liability – beginning	<u>42,864,631</u>	<u>42,730,211</u>	<u>41,460,324</u>
Total pension liability – ending (a)	<u>\$ 48,766,017</u>	<u>\$ 42,864,631</u>	<u>\$ 42,730,211</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 1,280,082	\$ 1,355,041	\$ 1,296,450
Contributions – member	202,268	209,567	212,790
Net investment income	4,031,981	(4,390)	3,228,153
Benefit payments, including refunds of employee contributions	<u>(2,858,889)</u>	<u>(2,676,038)</u>	<u>(2,575,304)</u>
Administrative expenses	<u>(35,704)</u>	<u>(39,535)</u>	<u>(42,483)</u>
Net change in plan fiduciary net position	2,619,738	(1,155,355)	2,119,606
Plan fiduciary net position – beginning	<u>38,086,889</u>	<u>39,242,244</u>	<u>37,122,638</u>
Plan fiduciary net position – ending (b)	<u>\$ 40,706,627</u>	<u>\$ 38,086,889</u>	<u>\$ 39,242,244</u>
Net pension liability – ending (a) – (b)	<u>\$ 8,059,390</u>	<u>\$ 4,777,742</u>	<u>\$ 3,487,967</u>
Plan fiduciary net position as a percentage of the total pension liability	83.47%	88.85%	91.84%
Covered employee payroll	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801
Net pension liability as a percentage of covered employee payroll	199.23%	113.99%	81.96%

Notes to schedule:

¹ As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

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

Measurement Date	2016	2015	2014
Total Pension Liability			
Service cost	\$ 344,958	\$ 336,234	\$ 322,118
Interest	1,948,181	1,953,123	1,905,286
Differences between expected and actual experiences	(425,107)	(659,966)	-
Changes of assumptions ²	1,633,122	-	-
Benefit payments, including refunds of employee contributions	<u>(1,744,710)</u>	<u>(1,655,069)</u>	<u>(1,632,053)</u>
Net change in total pension liability	1,756,444	(25,678)	595,351
Total pension liability – beginning	24,982,724	25,008,402	24,413,051
Total pension liability – ending (a)	<u>\$ 26,739,168</u>	<u>\$ 24,982,724</u>	<u>\$ 25,008,402</u>
Plan Fiduciary Net Position			
Contributions – employer ¹	\$ 577,564	\$ 628,975	\$ 836,053
Contributions – state	181,303	175,025	175,703
Contributions – member	102,214	101,886	96,591
Net investment income	1,698,093	(538,198)	1,869,244
Benefit payments, including refunds of employee contributions	<u>(1,744,710)</u>	<u>(1,655,069)</u>	<u>(1,632,053)</u>
Administrative expenses	<u>(44,882)</u>	<u>(25,084)</u>	<u>(38,242)</u>
Net change in plan fiduciary net position	769,582	(1,312,465)	1,307,296
Plan fiduciary net position – beginning	19,150,987	20,463,452	19,156,156
Plan fiduciary net position – ending (b)	<u>\$ 19,920,569</u>	<u>\$ 19,150,987</u>	<u>\$ 20,463,452</u>
Net pension liability – ending (a) – (b)	<u>\$ 6,818,599</u>	<u>\$ 5,831,737</u>	<u>\$ 4,544,950</u>
Plan fiduciary net position as a percentage of the total pension liability	74.50%	76.66%	81.83%
Covered employee payroll	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478
Net pension liability as a percentage of covered employee payroll	328.89%	286.19%	230.07%

Notes to schedule:

¹ Adjusted for actual contributions made

² As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

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	2016	2015	2014	2013
Total Pension Liability				
Service cost	\$ 453,506	\$ 478,365	\$ 414,836	\$ 384,107
Interest	1,645,954	1,554,072	1,425,875	1,367,809
Change in excess state money	-	-	89,886	-
Changes of benefit terms	-	804,097	-	-
Differences between expected and actual experiences	261,007	(224,382)	-	-
Contributions – buy back	-	72,413	-	-
Changes of assumptions ¹	1,243,794	-	-	-
Benefit payments, including refunds of employee contributions	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Net change in total pension liability	2,366,872	1,544,133	859,295	709,583
Total pension liability – beginning	20,739,618	19,195,485	18,336,190	17,626,607
Total pension liability – ending (a)	\$ 23,106,490	\$ 20,739,618	\$ 19,195,485	\$ 18,336,190
Plan Fiduciary Net Position				
Contributions – employer	\$ 744,019	\$ 672,369	\$ 715,439	\$ 703,618
Contributions – state	201,904	205,007	214,272	204,226
Contributions – member	164,876	150,357	135,622	133,633
Contributions – buy back	-	72,413	-	-
Net investment income	969,107	15,563	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Administrative expenses	(43,625)	(47,088)	(34,537)	(33,706)
Net change in plan fiduciary net position	798,892	(71,811)	1,160,656	1,064,736
Plan fiduciary net position – beginning	13,590,508	13,662,319	12,501,663	11,436,927
Plan fiduciary net position – ending (b)	\$ 14,389,400	\$ 13,590,508	\$ 13,662,319	\$ 12,501,663
Net pension liability – ending (a) – (b)	\$ 8,717,090	\$ 7,149,110	\$ 5,533,166	\$ 5,834,527
Plan fiduciary net position as a percentage of the total pension liability	62.27%	65.53%	71.17%	68.18%
Covered employee payroll	\$ 2,060,954	\$ 2,072,260	\$ 2,054,879	\$ 2,054,879
Net pension liability as a percentage of covered employee payroll	422.96%	344.99%	269.27%	283.94%

Notes to schedule:

¹ As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the plan's investment consultant.

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS (UNAUDITED)
FORT WALTON BEACH RETIREE HEALTH CARE PLAN

Measurement Date	2016
Total OPEB Liability	
Service cost	\$ 85,100
Interest	195,814
Changes of assumptions ¹	702,672
Benefit payments	<u>(139,227)</u>
Net change in total OPEB liability	844,359
Total OPEB liability - beginning	<u>5,261,882</u>
Total OPEB liability - ending (a)	<u>6,106,241</u>
Plan Fiduciary Net Position	
Contributions - employer	141,727
Benefit payments	<u>(139,227)</u>
Administrative expenses	<u>(2,500)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Sponsor's net OPEB liability - ending (a) - (b)	<u>\$ 6,106,241</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered employee payroll	\$ 7,520,263
City's net OPEB liability as a percentage of covered employee payroll	81.20%

Notes to schedule:

¹ As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System to match the pension plan assumptions.

* This schedule is not available for earlier years.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>General Employees' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,197,424	\$ 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
Contributions in relation to the actuarially determined contributions	<u>1,280,082</u>	<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>
Contribution deficiency (excess)	<u>\$ (82,658)</u>	<u>\$ (68,297)</u>	<u>\$ (108,656)</u>	<u>\$ (50,537)</u>	<u>\$ (47,609)</u>	<u>\$ (68,100)</u>	<u>\$ 156</u>	<u>\$ 168</u>	<u>\$ 155</u>	<u>\$ -</u>
Covered employee payroll¹	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801	\$ 4,259,070	\$ 4,542,537	\$ 5,004,486	\$ 5,595,076	\$ 7,252,396	\$ 7,521,520	\$ 8,199,930
Contributions as a percentage of covered employee payroll	31.64%	32.33%	30.46%	30.96%	28.76%	23.17%	26.41%	17.49%	16.86%	15.01%
<u>Police Officers' Retirement Fund</u>										
Actuarially determined contribution	\$ 709,037	\$ 772,294	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860	\$ 665,220	\$ 578,670	\$ 488,381	\$ 516,528
Contributions in relation to the actuarially determined contributions	<u>790,573</u>	<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>
Contribution deficiency (excess)	<u>\$ (81,536)</u>	<u>\$ -</u>	<u>\$ (79,330)</u>	<u>\$ (43,892)</u>	<u>\$ (92,948)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll¹	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478	\$ 2,038,886	\$ 2,178,847	\$ 2,239,545	\$ 2,195,529	\$ 2,557,811	\$ 5,230,182	\$ 2,602,616
Contributions as a percentage of covered employee payroll	38.13%	37.90%	51.22%	45.40%	44.43%	30.49%	30.30%	22.62%	9.34%	19.85%
<u>Firefighters' Retirement Fund</u>										
Actuarially determined contribution	\$ 816,138	\$ 748,086	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386	\$ 708,063	\$ 555,720	\$ 326,864	\$ 299,027
Contributions in relation to the actuarially determined contributions	<u>945,923</u>	<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>
Contribution deficiency (excess)	<u>\$ (129,785)</u>	<u>\$ (129,290)</u>	<u>\$ (15,818)</u>	<u>\$ (11,248)</u>	<u>\$ (84,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,976)</u>	<u>\$ -</u>
Covered employee payroll¹	\$ 2,060,954	\$ 2,072,260	\$ 2,121,613	\$ 2,153,568	\$ 1,946,811	\$ 1,961,080	\$ 2,116,516	\$ 1,988,762	\$ 1,632,275	\$ 1,409,038
Contributions as a percentage of covered employee payroll	45.90%	42.34%	39.58%	38.51%	40.31%	34.44%	33.45%	27.94%	21.98%	21.22%

¹ As of 2014, the Covered employee payroll numbers shown are in compliance with GASB Statement No. 82.

See notes to the schedule of contributions.

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2017

	9/30/2016	9/30/2015	9/30/2014
General Employees' Retirement Fund			
Annual Money-Weighted Rate of Return			
Net of Investment Expense	10.78%	-0.01%	8.82%
Police Officers' Retirement Fund			
Annual Money-Weighted Rate of Return			
Net of Investment Expense	9.12%	-2.69%	9.96%
Firefighters' Retirement Fund			
Annual Money-Weighted Rate of Return			
Net of Investment Expense	7.25%	0.12%	9.72%

Note: This information is not available for previous years.

See notes to the schedule of contributions.

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

Valuation Date: October 1, 2015

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years 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 Actuarial Cost Method

Mortality rates:

Non-disabled lives: RP-2000 Sex-Distinct Healthy Mortality Table, without projection

Disabled lives: Social Security Study #74 Mortality Table, without projection

Interest rate: 7.9% 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: Age-based rates. Sample rates as follows:

Sample Ages	Probability
20	0.07%
30	0.11%
40	0.19%
50	0.51%
60	1.66%

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 PENSION CONTRIBUTIONS (UNAUDITED) – CONTINUED
GENERAL EMPLOYEES' RETIREMENT FUND

Retirement age: 100% probability of retirement upon attaining age 62 and ten years of service, along with probabilities of retiring with a subsidized benefit prior to age 62 at the following rates:

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%

Payroll growth: None (closed plan) for purposes of amortizing the Unfunded Actuarial Accrued Liability.

Actuarial asset method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

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

Valuation Date: October 1, 2015

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years 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

Mortality: RP-2000 Sex-Distinct Combined Healthy Table 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	10.0%
	56	10.0%
	57	25.0%
	58	20.0%
	59	33.3%
	60+	100.0%

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

Early retirement: Earlier of 1) Age 50 and ten 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	10.0%
	31-35	8.5%
	36-40	7.0%
	41-45	6.0%
	45-50	4.5%
	51-55	4.0%
	56+	3.0%

In addition to the above table, 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 PENSION CONTRIBUTIONS (UNAUDITED) – CONTINUED
POLICE OFFICERS' RETIREMENT FUND

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

Payroll growth: None

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

Termination and disability rate table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.14%	10.6%
30	0.18%	9.6%
40	0.30%	6.9%
50	1.00%	3.4%

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

Valuation Date: October 1, 2015

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two 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: Entry Age Normal Actuarial Cost Method

Amortization method: Level percentage of pay, closed

Remaining
amortization period: 30 years

Mortality: RP-2000 Combined Healthy Table 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: Earlier of Age 55 and ten 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 rate: See table below; it is assumed that 75% of disablements and active Member deaths are service related.

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 asset
method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average market value return. It is possible that over time

Termination and
disability rate table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.14%	7.9%
30	0.18%	7.2%
40	0.30%	5.2%
50	1.00%	2.6%



THIS PAGE IS LEFT INTENTIONALLY BLANK

CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2017

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
ASSETS							
Cash and cash equivalents	\$ 160,660	\$ 577	\$ 315,099	\$ -	\$ 13,262	\$ -	\$ 489,598
Investments	-	-	-	-	2,728,937	-	2,728,937
Due from other governments	17,376	-	-	69,925	-	-	87,301
Cash and cash equivalents - restricted	-	-	-	-	-	21,156	21,156
TOTAL ASSETS	\$ 178,036	\$ 577	\$ 315,099	\$ 69,925	\$ 2,742,199	\$ 21,156	\$ 3,326,992
LIABILITIES							
Accounts payable	\$ 45,302	\$ -	\$ 2,396	\$ 7,940	\$ 2,334	\$ -	\$ 57,972
Accrued liabilities	12,470	-	6,652	-	-	-	19,122
Due to other funds	-	-	-	67,846	-	-	67,846
Total liabilities	57,772	-	9,048	75,786	2,334	-	144,940
FUND BALANCE							
Restricted	120,264	577	306,051	-	-	21,156	448,048
Committed	-	-	-	-	2,739,865	-	2,739,865
Unassigned	-	-	-	(5,861)	-	-	(5,861)
Total fund balance	120,264	577	306,051	(5,861)	2,739,865	21,156	3,182,052
TOTAL LIABILITIES AND FUND BALANCE	\$ 178,036	\$ 577	\$ 315,099	\$ 69,925	\$ 2,742,199	\$ 21,156	\$ 3,326,992

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, 2017

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
REVENUES							
Permits and fees	\$ -	\$ -	\$ 409,920	\$ -	\$ -	\$ -	\$ 409,920
Intergovernmental	20,146	-	-	246,186	-	-	266,332
Fines	3,748	4,918	-	-	-	-	8,666
Miscellaneous	1,261	-	1,898	-	283,618	-	286,777
Total revenues	25,155	4,918	411,818	246,186	283,618	-	971,695
EXPENDITURES							
Current							
Public safety	121,365	4,429	416,683	-	-	-	542,477
Physical environment	-	-	-	-	13,124	-	13,124
Economic environment	-	-	-	254,125	-	-	254,125
Capital outlay	8,970	-	-	-	-	-	8,970
Debt service							
Principal	-	-	-	-	-	682,229	682,229
Interest	-	-	-	-	-	308,474	308,474
Total expenditures	130,335	4,429	416,683	254,125	13,124	990,703	1,809,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES							
	(105,180)	489	(4,865)	(7,939)	270,494	(990,703)	(837,704)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	21,760	990,703	1,012,463
Transfers out	-	-	-	-	(20,217)	-	(20,217)
Total other financing sources (uses)	-	-	-	-	1,543	990,703	992,246
NET CHANGE IN FUND BALANCE							
	(105,180)	489	(4,865)	(7,939)	272,037	-	154,542
FUND BALANCE AT BEGINNING OF YEAR							
	225,444	88	310,916	2,078	2,467,828	21,156	3,027,510
FUND BALANCE (DEFICIT) AT END OF YEAR							
	\$ 120,264	\$ 577	\$ 306,051	\$ (5,861)	\$ 2,739,865	\$ 21,156	\$ 3,182,052

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 28,324	\$ 20,146	\$ (8,178)
Fines	-	-	3,748	3,748
Miscellaneous	2,309	2,309	1,261	(1,048)
Total revenues	<u>2,309</u>	<u>30,633</u>	<u>25,155</u>	<u>(5,478)</u>
EXPENDITURES				
Current				
Public safety	2,309	75,998	121,365	(45,367)
Capital outlay	-	65,464	8,970	56,494
Total expenditures	<u>2,309</u>	<u>141,462</u>	<u>130,335</u>	<u>11,127</u>
NET CHANGE IN FUND BALANCE	-	(110,829)	(105,180)	5,649
FUND BALANCE AT BEGINNING OF YEAR	-	110,829	225,444	114,615
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 120,264	\$ 120,264

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines	\$ 7,100	\$ 7,100	\$ 4,918	\$ (2,182)
Miscellaneous	97	97	-	(97)
Total revenues	<u>7,197</u>	<u>7,197</u>	<u>4,918</u>	<u>(2,279)</u>
EXPENDITURES				
Current				
Public safety	<u>7,197</u>	<u>7,197</u>	<u>4,429</u>	<u>2,768</u>
NET CHANGE IN FUND BALANCE				
	-	-	489	489
FUND BALANCE AT BEGINNING OF YEAR				
	-	-	88	88
FUND BALANCE AT END OF YEAR				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577</u>	<u>\$ 577</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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Permits and fees	\$ 329,444	\$ 329,444	\$ 409,920	\$ 80,476
Miscellaneous	3,973	13,547	1,898	(11,649)
Total revenues	333,417	342,991	411,818	68,827
EXPENDITURES				
Current				
Public safety	432,964	432,964	416,683	16,281
Capital outlay	700	700	-	700
Total expenditures	433,664	433,664	416,683	16,981
NET CHANGE IN FUND BALANCE	(100,247)	(90,673)	(4,865)	85,808
FUND BALANCE AT BEGINNING OF YEAR	100,247	90,673	310,916	220,243
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 306,051	\$ 306,051

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, 2017

				Variance with Final Budget -
		Budgeted Amounts		Positive (Negative)
		Original	Final	Actual
REVENUES				
Intergovernmental		\$ 112,646	\$ 358,833	\$ 246,186
				\$ (112,647)
EXPENDITURES				
Current				
Economic environment		216,212	462,399	254,125
Capital outlay		149,011	149,011	-
		365,223	611,410	254,125
		(252,577)	(252,577)	(7,939)
				244,638
NET CHANGE IN FUND BALANCE				
FUND BALANCE AT BEGINNING OF YEAR		252,577	252,577	2,078
				(250,499)
FUND BALANCE (DEFICIT) AT END OF YEAR		\$ -	\$ -	\$ (5,861)
				\$ (5,861)

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ 26,500	\$ 26,500	\$ 283,618	\$ 257,118
EXPENDITURES				
Current				
Physical environment	12,200	12,643	13,124	(481)
DEFICIENCY OF REVENUES				
OVER (UNDER) EXPENDITURES	14,300	13,857	270,494	256,637
OTHER FINANCING				
SOURCES (USES)				
Transfers in	35,000	35,000	21,760	(13,240)
Transfers out	(22,350)	(23,318)	(20,217)	3,101
Total other financing sources (uses)	12,650	11,682	1,543	(10,139)
NET CHANGE IN FUND BALANCE	26,950	25,539	272,037	246,498
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,467,828	2,467,828
FUND BALANCE AT END OF YEAR	<u>\$ 26,950</u>	<u>\$ 25,539</u>	<u>\$ 2,739,865</u>	<u>\$ 2,714,326</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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	729,739	729,739	682,229	47,510
Interest	316,705	316,705	308,474	8,231
Total expenditures	1,046,444	1,046,444	990,703	55,741
DEFICIENCY OF REVENUES				
OVER (UNDER) EXPENDITURES	(1,046,444)	(1,046,444)	(990,703)	55,741
OTHER FINANCING				
SOURCES (USES)				
Transfers in	1,046,444	1,046,444	990,703	(55,741)
NET CHANGE IN FUND BALANCE				
	-	-	-	-
FUND BALANCE AT BEGINNING				
OF YEAR	-	-	21,156	21,156
FUND BALANCE AT END				
OF YEAR	\$ -	\$ -	\$ 21,156	\$ 21,156

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 21,095,355	\$ 20,563,790	\$ 20,605,683	\$ 24,756,705	\$ 25,379,050	\$ 23,531,576	\$ 24,866,399	\$ 27,443,877	\$ 27,791,054	\$ 27,347,098
Restricted										
Debt service	91,713	91,713	92,880	113,816	113,507	21,156	25,449	25,449	21,156	21,156
System improvements	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Improvement Districts	-	-	-	4,212,984	3,736,100	3,833,430	4,073,364	1,874,265	1,437,363	1,552,484
Public safety	307,983	254,409	269,600	268,820	262,648	462,375	565,946	507,625	536,448	426,892
Perpetual care - expendable	1,877,086	1,869,558	1,898,445	-	-	-	-	-	-	-
Other purposes	473,655	463,168	477,194	234,568	194,193	177,129	172,630	187,575	165,895	93,456
Unrestricted	9,821,155	9,347,576	8,975,046	12,666,165	11,487,979	9,329,608	10,700,661	159,868	2,158,813	(1,447,438)
Total governmental activities net position	<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>	<u>\$ 32,110,729</u>	<u>\$ 27,993,648</u>
Business-Type Activities										
Net investment in capital assets	\$ 21,043,965	\$ 17,577,019	\$ 18,928,438	\$ 17,037,456	\$ 14,929,648	\$ 17,305,881	\$ 13,779,184	\$ 12,886,793	\$ 12,893,855	\$ 13,818,340
Restricted										
Debt service	316,153	471,441	481,023	184,711	184,933	1,087,405	1,082,935	157,228	157,228	157,228
System improvements	60,709	98,292	61,559	82,573	112,863	305,508	367,263	382,734	404,761	452,472
Unrestricted	8,301,545	8,276,703	6,791,840	6,859,952	8,552,169	9,379,587	9,658,709	10,656,992	11,118,844	11,731,659
Total business-type activities net position	<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>	<u>\$ 24,574,688</u>	<u>\$ 26,159,699</u>
Primary Government										
Net investment in capital assets	\$ 42,139,320	\$ 38,140,809	\$ 38,728,907	\$ 41,794,161	\$ 40,308,698	\$ 40,837,576	\$ 38,645,583	\$ 40,330,670	\$ 40,684,909	\$ 41,165,438
Restricted	3,127,299	3,257,332	3,297,029	5,097,472	4,604,244	5,887,003	6,287,587	3,134,876	2,722,851	2,703,688
Unrestricted	18,122,700	17,624,279	16,805,772	19,526,117	20,040,148	18,709,195	20,359,370	10,816,860	13,277,657	10,284,221
Total primary government net position	<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>	<u>\$ 56,685,417</u>	<u>\$ 54,153,347</u>

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

Note: Beginning in FY11, the Community Redevelopment Area was included with the Governmental Activities and the Perpetual care - expendable was reclassified from Restricted to Unrestricted

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
General government	\$ 5,494,094	\$ 4,625,871	\$ 5,306,003	\$ 3,765,536	\$ 4,314,050	\$ 2,662,406	\$ 3,179,768	\$ 2,735,875	\$ 3,285,039	\$ 3,581,072
Public safety	10,048,884	9,908,644	9,231,632	9,206,784	9,805,368	9,729,228	9,685,621	9,562,140	10,172,215	11,507,059
Physical environment	343,411	350,374	304,907	393,752	383,970	379,681	392,255	379,334	430,490	543,287
Transportation	2,135,639	1,672,741	1,543,310	1,570,038	1,592,150	1,631,665	1,495,374	1,474,209	1,494,178	1,536,979
Economic environment	127,355	266,132	98,996	545,242	707,603	1,090,025	803,175	1,813,782	1,540,230	1,591,643
Culture and recreation	3,097,289	3,028,285	2,944,221	2,677,051	2,880,815	2,715,977	4,829,004	4,601,503	5,375,183	5,403,198
Debt service interest	302,948	247,703	240,940	214,470	254,516	324,405	483,301	340,497	323,639	304,331
Total government activities	<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>	<u>22,620,974</u>	<u>24,467,569</u>
Business-type activities										
Utilities	5,809,192	5,474,550	6,725,349	9,162,926	7,017,160	7,644,240	9,185,338	9,205,259	10,066,769	9,420,248
Sanitation	2,609,129	2,493,357	2,466,881	2,524,994	2,741,266	3,163,638	3,393,269	3,319,760	3,407,992	3,687,087
Golf	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	611,351	681,541
Total business-type activities	<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>	<u>14,086,112</u>	<u>13,788,876</u>
Total primary government expenses	<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>	<u>\$ 36,707,086</u>	<u>\$ 38,256,445</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,752,330	\$ 2,921,887	\$ 2,759,080	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824	\$ 421,987	\$ 421,503	\$ 448,911
Public safety	641,941	642,364	467,835	430,017	373,855	640,271	495,111	490,379	523,163	570,556
Physical environment	348,838	286,623	289,654	394,513	439,555	404,429	376,998	409,253	371,205	399,338
Transportation	93,987	87,654	83,586	104,776	118,067	122,275	140,038	140,809	207,860	240,653
Economic environment	-	-	-	16,400	58,000	34,652	10	5,000	392,118	12,000
Culture and recreation	417,253	426,110	408,351	404,047	400,215	374,362	1,853,087	1,930,131	1,805,332	1,846,019
Operating grants and contributions	903,079	1,119,033	639,370	761,643	589,253	786,652	682,200	909,461	908,595	825,624
Capital grants and contributions	50,687	88,941	731,275	351,006	156,794	80,936	109,629	525,320	802,809	361,641
Total governmental activities program revenues	<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>	<u>5,432,585</u>	<u>4,704,742</u>
Business-type activities										
Charges for services										
Utilities	6,505,297	6,403,262	6,761,654	7,608,355	7,974,601	8,623,082	8,586,045	9,233,820	10,141,724	10,970,823
Sanitation	3,446,397	3,384,375	3,345,127	3,311,744	3,313,559	3,499,559	3,571,037	3,582,005	3,599,838	3,663,445
Golf	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	860,644	917,844
Operating grants and contributions	39,403	-	-	118,226	-	1,071	-	-	-	-
Capital grants and contributions	92,872	555,698	173,370	65,496	331,609	1,871,295	(157,294)	87,797	533,515	1,314,521
Total business-type activities program revenues	<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>	<u>15,135,721</u>	<u>16,866,633</u>
Total primary government program revenues	<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>	<u>\$ 20,568,306</u>	<u>\$ 21,571,375</u>

Continued... Continued...

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (16,341,505)	\$ (14,527,138)	\$ (14,290,859)	\$ (13,354,201)	\$ (17,372,015)	\$ (15,679,827)	\$ (16,734,601)	\$ (16,075,000)	\$ (17,188,389)	\$ (19,762,827)
Business-type activities	1,498,104	2,262,537	1,070,526	(588,740)	1,706,322	2,901,886	(424,092)	612,870	1,049,609	3,077,757
Total primary government	<u><u>\$ (14,843,401)</u></u>	<u><u>\$ (12,264,601)</u></u>	<u><u>\$ (13,220,333)</u></u>	<u><u>\$ (13,942,941)</u></u>	<u><u>\$ (15,665,693)</u></u>	<u><u>\$ (12,777,941)</u></u>	<u><u>\$ (17,158,693)</u></u>	<u><u>\$ (15,462,130)</u></u>	<u><u>\$ (16,138,780)</u></u>	<u><u>\$ (16,685,070)</u></u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 5,052,903	\$ 4,631,028	\$ 4,380,221	\$ 4,482,819	\$ 4,295,068	\$ 4,175,136	\$ 5,385,235	\$ 5,473,438	\$ 5,617,998	\$ 5,807,598
Sales taxes	2,214,232	1,977,959	1,943,337	2,066,834	2,198,270	2,241,242	2,362,190	2,557,062	2,707,153	2,792,840
Utility service taxes	5,094,918	3,454,691	3,914,362	3,926,930	3,739,311	3,761,437	3,889,976	4,036,009	3,931,939	3,962,859
Tax Increments for Redevelopment district	-	-	-	1,547,609	1,386,521	1,311,101	1,501,208	1,552,560	1,628,439	1,649,589
Franchise Fees	-	-	-	-	1,876,575	1,764,733	2,004,101	2,162,617	2,202,420	2,034,209
Intergovernmental, unrestricted	740,554	709,550	712,776	825,591	809,756	818,039	819,556	896,837	910,615	981,613
Gain on sale of assets	2,592	2,950	795,860	16,865	16,440	37,833	520,152	524,720	873,101	-
Miscellaneous	61,199	54,223	492,052	96,105	154,996	106,546	103,986	199,776	27,976	157,806
Investment earnings	444,488	269,896	152,884	133,419	159,465	62,285	345,734	272,076	444,972	414,160
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Special item: Impairment loss	-	-	-	-	-	(271,287)	-	-	-	-
Transfers	2,917,310	2,310,464	1,667,644	1,682,717	1,656,032	(2,145,441)	2,851,638	657,558	755,846	761,739
Total governmental activities	<u><u>16,528,196</u></u>	<u><u>13,410,761</u></u>	<u><u>14,059,136</u></u>	<u><u>14,778,889</u></u>	<u><u>16,292,434</u></u>	<u><u>11,861,624</u></u>	<u><u>19,783,776</u></u>	<u><u>18,332,653</u></u>	<u><u>19,100,459</u></u>	<u><u>18,562,413</u></u>
Business-type activities										
Taxes										
Utility service taxes	5,930	4,597	-	-	-	-	-	-	-	-
Gain on sale of assets	482	98,907	56,795	75,904	35,111	20,662	22,813	716	26,093	32,663
Miscellaneous	129,678	141,406	177,657	31,424	48,550	6,504	6,839	9,222	5,502	27,727
Investment earnings	579,578	340,155	202,071	65,961	69,622	11,107	55,669	159,761	165,583	85,567
Special item: Impairment loss	-	(3,836,055)	-	-	(588,652)	(786,713)	-	-	-	-
Transfers	(2,917,310)	(2,310,464)	(1,667,644)	(1,682,717)	(1,656,032)	2,145,441	(2,851,638)	(657,558)	(755,846)	(761,739)
Total business-type activities	<u><u>715,668</u></u>	<u><u>(3,250,990)</u></u>	<u><u>436,523</u></u>	<u><u>173,289</u></u>	<u><u>(435,369)</u></u>	<u><u>1,397,001</u></u>	<u><u>(2,766,317)</u></u>	<u><u>(487,859)</u></u>	<u><u>(558,668)</u></u>	<u><u>(615,782)</u></u>
Total primary government	<u><u>\$ 17,243,864</u></u>	<u><u>\$ 10,159,771</u></u>	<u><u>\$ 14,495,659</u></u>	<u><u>\$ 14,952,178</u></u>	<u><u>\$ 15,857,065</u></u>	<u><u>\$ 13,258,625</u></u>	<u><u>\$ 17,017,459</u></u>	<u><u>\$ 17,844,794</u></u>	<u><u>\$ 18,541,791</u></u>	<u><u>\$ 17,946,631</u></u>
Change in Net Position										
Governmental activities	\$ 186,691	\$ (1,116,377)	\$ (231,722)	\$ 1,424,688	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175	\$ 2,257,653	\$ 1,912,070	\$ (1,200,414)
Business-type activities	(703,538)	(3,298,917)	(160,595)	(2,098,168)	(385,079)	4,298,887	(3,190,409)	125,011	490,941	2,461,975
Total primary government	<u><u>\$ (516,847)</u></u>	<u><u>\$ (4,415,294)</u></u>	<u><u>\$ (392,317)</u></u>	<u><u>\$ (673,480)</u></u>	<u><u>\$ (1,464,660)</u></u>	<u><u>\$ 480,684</u></u>	<u><u>\$ (141,234)</u></u>	<u><u>\$ 2,382,664</u></u>	<u><u>\$ 2,403,011</u></u>	<u><u>\$ 1,261,561</u></u>

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

Note: Beginning in FY11, the Community Redevelopment Area was included with the Governmental Activities

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

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 509,080	\$ 482,179	\$ 499,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,367,864	9,709,202	9,314,142	-	3,032,726	2,857,963	254,229	262,964	249,732	240,865
Nonspendable	-	-	-	234,768	194,193	7,868,522	4,083,267	183,512	163,817	93,456
Restricted	-	-	-	5,219,706	5,040,585	5,501,353	5,589,056	5,761,221	6,009,523	6,687,557
Committed	-	-	-	1,537,572	354,999	1,301,385	1,584,887	1,396,207	1,198,378	1,891,555
Assigned	-	-	-	1,189,562	1,611,120	788,076	1,300,881	2,225,633	4,356,681	3,561,586
Unassigned	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 9,876,944</u>	<u>\$ 10,191,381</u>	<u>\$ 9,813,526</u>	<u>\$ 11,214,334</u>	<u>\$ 10,058,860</u>	<u>\$ 15,713,565</u>	<u>\$ 12,821,055</u>	<u>\$ 9,816,305</u>	<u>\$ 11,969,264</u>	<u>\$ 12,479,335</u>
All Other Governmental Funds										
Reserved	\$ -	\$ 50,117	\$ 12,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in	-	-	-	-	-	-	-	-	-	-
Capital projects	-	8,751	-	-	-	-	-	-	-	-
Debt service	91,713	91,713	92,880	-	-	-	-	-	-	-
Special revenue funds	2,153,440	2,073,850	2,158,878	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	798	848	1,762	-
Restricted	-	-	-	4,595,420	4,112,255	4,316,961	4,663,961	2,410,554	1,995,283	2,000,532
Committed	-	-	-	1,929,448	1,959,836	2,035,225	2,249,720	2,259,756	2,467,828	2,739,865
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(306)	(302)	(2,745)	(6,231)	-	-	(5,861)
Total all other governmental funds	<u>\$ 2,245,153</u>	<u>\$ 2,224,431</u>	<u>\$ 2,264,541</u>	<u>\$ 6,524,562</u>	<u>\$ 6,071,789</u>	<u>\$ 6,349,441</u>	<u>\$ 6,908,248</u>	<u>\$ 4,671,158</u>	<u>\$ 4,464,873</u>	<u>\$ 4,734,536</u>

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

Note: The City implemented GASB 54 in FY11 and the Community Redevelopment 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 9,039,398	\$ 9,160,133	\$ 9,414,513	\$ 10,438,481	\$ 10,065,983	\$ 9,901,157	\$ 11,537,812	\$ 11,837,177	\$ 11,941,311	\$ 12,220,392
Licenses, permits, and fees	2,225,224	2,320,683	2,406,916	2,428,621	2,142,995	2,221,406	2,392,487	2,564,079	2,623,810	2,514,178
Intergovernmental	2,914,162	2,950,179	3,502,904	3,358,615	3,291,693	3,400,876	3,376,079	3,951,367	4,322,696	4,266,425
Charges for services	1,216,687	1,132,681	907,476	911,405	969,560	1,065,316	2,373,486	2,499,107	2,402,801	2,488,384
Fines and forfeits	268,415	387,449	204,849	151,616	142,936	241,923	133,645	131,020	121,513	127,406
Miscellaneous	1,211,662	1,020,342	1,370,077	817,975	537,975	431,625	827,526	1,142,936	935,821	1,042,958
Total Revenues	16,875,548	16,971,467	17,806,735	18,106,713	17,151,142	17,262,303	20,641,035	22,125,686	22,347,952	22,659,743
Expenditures										
General governmental services	5,306,276	4,419,077	5,095,790	3,699,506	3,899,740	2,514,734	2,891,275	2,813,835	3,017,374	3,228,767
Public safety	9,614,744	9,379,319	8,872,424	8,676,620	9,154,002	9,066,246	9,082,876	9,080,984	9,053,178	9,913,344
Physical environment	278,273	283,460	250,691	306,365	295,459	311,684	325,864	339,596	337,831	372,552
Transportation	1,750,680	1,316,954	1,207,449	994,272	966,050	1,012,387	867,730	862,712	852,602	890,762
Economic environment	127,355	266,132	98,996	493,526	652,086	1,032,659	745,586	1,730,631	1,432,788	1,468,393
Culture and recreation	2,698,993	2,582,642	2,535,682	2,233,104	2,383,239	2,267,141	3,744,452	4,122,310	4,196,979	4,170,787
Capital outlay	652,734	520,722	1,335,369	1,561,057	2,609,203	1,282,142	4,721,096	8,128,139	2,105,686	1,598,285
Debt service										
Principal	2,052,797	168,949	175,629	198,699	211,683	4,540,488	612,996	660,107	673,851	682,229
Interest and other costs	297,335	246,774	240,093	236,268	243,959	203,347	377,574	354,544	336,835	316,629
Total expenditures	22,779,187	19,184,029	19,812,123	18,399,417	20,415,421	22,230,828	23,369,449	28,092,858	22,007,124	22,641,748
Excess of revenue over (under) expenditures	(5,903,639)	(2,212,562)	(2,005,388)	(292,704)	(3,264,279)	(4,968,525)	(2,728,414)	(5,967,172)	340,828	17,995
Other Financing Sources (Uses)										
Capital lease proceeds	-	-	-	-	-	103,784	-	67,774	-	-
Transfers in	5,367,633	3,191,822	2,342,226	2,296,944	2,284,416	673,836	1,636,165	1,721,632	1,798,184	1,794,419
Transfers out	(2,450,323)	(685,545)	(674,583)	(614,227)	(628,384)	(2,819,277)	(1,241,454)	(1,064,074)	(1,042,338)	(1,032,680)
Sale of general capital assets	-	-	-	-	-	-	-	-	850,000	-
Debt issuance	-	-	-	739,805	-	12,942,539	-	-	-	-
Total other financing sources (uses)	2,917,310	2,506,277	1,667,643	2,422,522	1,656,032	10,900,882	394,711	725,332	1,605,846	761,739
Net change in fund balance	\$ (2,986,329)	\$ 293,715	\$ (337,745)	\$ 2,129,818	\$ (1,608,247)	\$ 5,932,357	\$ (2,333,703)	\$ (5,241,840)	\$ 1,946,674	\$ 779,734
Debt service as a percentage of noncapital expenditures	10.62%	2.23%	2.25%	2.58%	2.56%	22.65%	5.31%	5.08%	5.08%	4.75%

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

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

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

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

Fiscal Year	Taxes	Licenses, Fees, and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other Revenues	Other Financing Sources	TOTAL
2017	\$12,220,392	\$2,514,178	\$4,266,425	\$2,488,384	\$127,406	\$1,042,958	\$1,794,419	\$24,454,162
2016	\$11,941,311	\$2,623,810	\$4,322,696	\$2,402,801	\$121,513	\$935,821	\$2,648,184	\$24,996,136
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	3,376,079	2,373,486	133,645	827,526	0	20,641,035	0	27,351,771
2011	3,400,876	2,428,621	3,358,615	911,405	151,616	817,975	2,296,944	13,366,052
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

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

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

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

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

Tax Year	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations	Total Direct Tax Rate
2017	\$ 1,622,927,933	\$ 117,555,021	\$ 1,740,482,954	\$ 462,721,193	\$ 1,277,761,761	5.7697
2016	\$ 1,569,650,612	\$ 113,113,590	\$ 1,682,764,202	\$ 458,344,109	\$ 1,224,420,093	5.7697
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

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.

The January 2017 assessment is the basis for Fiscal Year 2017-18 tax revenues.

Source: Okaloosa County Property Appraiser

City of Fort Walton Beach, Florida

SCHEDULE 7

**PROPERTY TAX RATES PER \$1,000 OF TAXABLE VALUE - ALL DIRECT AND OVERLAPPING
GOVERNMENTS ⁽¹⁾
Last Ten Fiscal Years
Unaudited**

Fiscal Year	City of Fort Walton Beach Direct Rate		Overlapping Rates*				Total Overlapping Rates
	Basic Rate	Total Direct Rate	Okaloosa County	County School Board	Northwest Florida Water Management		
2017	5.7697	5.7697	3.8308	6.5880	0.0353		10.4536
2016	5.7697	5.7697	3.4308	6.9070	0.0366		10.3744
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

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

The 2017 millage rate is the basis for Fiscal Year 2017-18 tax revenues.

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

Source: Okaloosa County Tax Collector

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

Taxpayer	2017			2008		
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank
Gulf Power Co.	\$ 21,096,424	1.65%	1			
Suso 2 Uptown, LP	14,865,578	1.16%	2			
Cox Communications Gulf Coast, LLC	7,553,701	0.59%	3			
DRS Training & Control	6,935,183	0.54%	4			
99 Eglin LTD	6,218,436	0.49%	5			
Fort Walton Machining, Inc.	6,167,468	0.48%	6			
Pacifica Walton Beach LLC	5,477,074	0.43%	7			
FNBT.COM Bank	5,180,086	0.41%	8			
PSH Of Okaloosa LLC	5,175,705	0.41%	9			
Embarq Corp.	5,043,817	0.39%	10			
Sprint Florida, Inc.				\$ 14,813,025	1.08%	1
Metric Systems				7,602,289	0.55%	4
Dakota Group, LLC				5,569,008	0.40%	10
BLC Westwood, LLC				9,355,932	0.68%	2
Presidio Developers, LLC				8,300,000	0.60%	3
DDRM Shoppes at Paradise				6,809,850	0.49%	5
Choctaw Plaza LTD				6,342,210	0.46%	6
EHC II - Captain's Quarters, LLC				6,273,968	0.46%	7
DEAS J JR ET AL				5,736,000	0.42%	8
Mariner Plaza Realty Assoc.				5,729,938	0.42%	9
 Total Taxable Assessed Value of Principal Taxpayers	 83,713,472	 6.55%		 76,532,220	 5.56%	
 Total Taxable Assessed Value of Other Taxpayers	 1,194,048,289	 93.45%		 1,301,047,257	 94.44%	
 Total Taxable Assessed Value	 \$ 1,277,761,761	 100.00%		 \$ 1,377,579,477	 100.00%	

⁽¹⁾ The 2017 tax roll is the basis for Fiscal Year 2017-18 tax revenues.

Source: Okaloosa County Property Appraiser

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

Tax Year	Total Tax Levy ⁽¹⁾	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Amount of Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2017	The 2017 tax levy is the basis for Fiscal Year 2017-18 tax revenues.							
2016	\$ 7,080,530	\$ 6,826,718	96.4%	\$ 18,798	\$ 6,845,517	96.7%	\$ 9,696	0.1%
2015	\$ 6,858,983	\$ 6,606,940	96.3%	\$ 30,392	\$ 6,637,332	96.8%	\$ 8,058	0.1%
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%

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

Source: Okaloosa County Tax Collector

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

Fiscal Year	Governmental Activities				Business Activities						Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	State Revolving Loans	Revenue Bonds				
2017	\$ -	\$ 76,099	\$ 11,073,656	\$ -	\$ -	\$ -	\$ 8,387,000	\$ 13,988,885	\$ -	\$ 33,525,640	0.36%	1,578.57	
2016	-	106,653	11,725,331	-	-	-	8,794,000	14,656,929	-	35,282,913	0.40%	1,617.22	
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%	1,773.40	
2013	-	101,696	13,535,936	-	-	-	73,533	7,068,522	9,925,055	30,704,742	0.36%	1,515.83	
2012	-	-	661,796	4,470,000	-	13,458	61,221	-	10,199,963	15,406,438	0.19%	762.92	
2011	-	-	728,480	4,615,000	-	66,118	76,586	-	10,464,872	15,951,056	0.21%	816.58	
2010	-	47,374	-	4,755,000	-	141,737	-	-	13,856,796	18,800,907	0.26%	923.65	
2009	-	93,003	-	4,885,000	-	226,886	-	-	14,575,130	19,780,019	0.28%	956.71	
2008	-	197,509	-	5,010,000	-	584,170	-	-	15,125,535	20,917,214	0.30%	999.96	

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

⁽¹⁾ See Schedule 15 for personal income data.

⁽²⁾ See Schedule 15 for population data.

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

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

Fiscal Year	Governmental Activities		Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds			
2017	\$	-	0.00%	\$ -
2016		-	0.00%	-
2015		-	0.00%	-
2014		-	0.00%	-
2013		-	0.00%	-
2012		-	0.00%	-
2011		-	0.00%	-
2010		-	0.00%	-
2009		-	0.00%	-
2008		-	0.00%	-

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

⁽¹⁾ See Schedule 6 for property value data.

⁽²⁾ See Schedule 15 for population data.

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

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

Fiscal Year	Average Non-Ad Valorem Revenues		Debt Service Requirements⁽²⁾			
	Non-Ad Valorem Revenues⁽¹⁾	Avail. for Debt Service	Principal	Interest	Total	Coverage
2017	\$ 28,277,131	\$ 28,292,306	\$ 1,726,719	831,220	\$ 2,557,939	11.06
2016	28,307,481	28,537,163	1,301,785	860,023	2,161,808	13.20
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

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

⁽²⁾ Combined Debt Service requirements for Capital Improvement Revenue Note Series 2013 & 2013A, Utility System Revenue 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

Governmental Unit	Net Debt Outstanding	Percentage Applicable to Fort Walton Beach	Amount Applicable to Fort Walton Beach	
Overlapping Debt				
Okaloosa County				
Revenue Bonds	\$ 63,899,514	10.85%	(2) \$	6,931,112
Okaloosa County School District				
Certificates of Participation	\$ 45,612,000	31.11%	(1) \$	14,190,400
Subtotal: Overlapping Debt	<hr/> \$ 109,511,514			<hr/> \$ 21,121,512
Direct Debt				
City of Fort Walton Beach Revenue Notes	\$ 11,073,656	100.00%	\$	11,073,656
City of Fort Walton Beach Lease Payable	\$ 76,099	100.00%	\$	76,099
Subtotal: Direct Debt	<hr/> \$ 11,149,755			<hr/> \$ 11,149,755
Total Direct and Overlapping Debt	<hr/> <hr/> \$ 120,661,269			<hr/> <hr/> \$ 32,271,267

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	2017			2008		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	19,413	19.78%	1	14,880	15.74%	1
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	10,729	10.93%	2	7,642	8.08%	2
Okaloosa County School District	Education Services	3,349	3.41%	3	3,430	3.63%	3
Okaloosa County ⁽³⁾	Local Government Services	1,619	1.65%	4	650	0.69%	8
Fort Walton Beach Medical Center ⁽⁴⁾	Medical Services	1,065	1.09%	5	750	0.79%	7
Lockheed Martin Corporation ⁽⁴⁾	Military Technical Support	926	0.94%	6			
Reliance Test & Technology	Military Technical Support	800	0.82%	7			
North Okaloosa Medical Center	Medical Services	643	0.66%	8			
CenturyLink	Communications	600	0.62%	9			
Walmart (Okaloosa Combined)	Consumer Products	600	0.61%	10			
Marconi Services	Technical Support for Military		0.00%		1,250	1.32%	4
State of Florida	State Government Services		0.00%		966	1.02%	5
ResortQuest	Vacation Home Realty Services		0.00%		800	0.85%	6
DRS Training and Control Systems	Radar Systems, Digital Computers		0.00%		600	0.63%	9
Tybrin Corporation	Military Technical Support		0.00%		450	0.48%	10
		<u>39,744</u>	<u>34.78%</u>		<u>31,418</u>	<u>24.37%</u>	

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

⁽²⁾Includes military and civilian personnel.

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

⁽⁴⁾Economic Development Council estimated the employee count for largest employers in Okaloosa County for FY16.

Source: Personnel Department of each employer

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

Fiscal Year	Fort Walton Beach Population	Okaloosa County Population	FWB as a % of the County	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2017	21,238	195,798	10.85%	\$ 9,422,078	\$ 46,836	3.0%
2016	21,817	198,664	10.98%	8,803,001	44,923	4.9%
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%

OKALOOSA COUNTY EDUCATION						
		FY 2017	FY 2016	FY 2015		
Schools:	Grades K-5	19	18	18		
	Grades 6-8	8	7	7		
	Grades 9-12	5	4	4		
	PK-12 / Charter / Alternate	2 / 5 / 10	2 / 5 / 10	2 / 5 / 10		
	Grades K-8	1	1	1		
	Vocational / Technical	1	1	1		
	Exceptional Children	2	2	2		
Students:	Grades K-5	16,583	15,200	15,046		
	Grades 6-8	7,754	7,046	7,034		
	Grades 9-12	9,919	8,801	8,701		
	Adult Students	508	225	237		
	Exceptional Children	7,001	5,105	5,316		
Personnel:	Instructional (Classroom)	1,794	1,900	1,889		
	Non-Instructional	624	1,098	1,181		

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
City Manager	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Administrative Services	4.70	3.60	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Risk Management	-	-	-	-	-	-	-	1.00	1.00	-
Information Technology	3.80	2.00	2.00	2.00	2.00	2.00	2.00	2.75	2.75	3.00
City Clerk	2.40	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00
Finance	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Purchasing	3.00	3.00	2.75	2.75	2.50	2.50	2.50	2.50	2.00	5.00
Public Safety										
Police	65.90	61.90	61.38	60.99	59.99	70.99	67.99	67.59	68.05	74.05
Fire	37.00	37.00	38.00	37.00	37.00	37.00	37.00	38.00	38.00	39.00
Recreation & Cultural Services										
Administration	11.50	12.90	12.64	12.32	13.45	13.67	13.81	15.93	17.19	32.09
Parks Maintenance	10.25	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.90	-
Right-of-Way Maintenance	2.00	1.00	1.00	1.00	1.00	1.00	1.00	7.00	8.00	9.00
Senior Citizens Center	-	-	-	1.85	1.85	1.85	1.85	1.85	1.85	2.38
Golf Club	13.81	14.26	13.93	14.26	-	-	-	-	-	-
Golf Grounds Maintenance	15.75	15.75	15.75	15.75	-	-	-	-	-	-
Library	8.72	8.02	8.02	8.02	8.02	8.02	8.10	9.90	9.90	10.60
Museum	4.00	4.60	4.10	3.60	3.60	3.60	2.60	3.85	4.98	5.18
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50
Engineering Services										
Administration	3.00	3.00	4.00	4.00	5.00	5.00	5.00	6.00	6.00	7.00
Planning & Zoning	4.00	3.00	2.00	2.00	1.00	1.00	1.00	1.00	-	4.00
Building & Permitting	4.00	4.00	4.00	4.00	4.00	3.70	3.00	3.00	3.00	6.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-
Fleet Maintenance	9.00	9.00	9.00	9.00	9.00	8.75	8.75	10.00	11.00	12.00
Facilities Maintenance	7.00	7.00	7.00	7.00	8.00	8.00	8.00	11.00	11.00	10.00
Streets Maintenance	5.00	6.00	6.00	6.00	5.50	5.50	5.50	6.50	6.50	14.50
Community Development Block Grant	-	-	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Community Redevelopment Agency	5.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00	1.00
Utility (Water/Sewer) Enterprise										
Administration	5.00	8.00	8.00	8.00	7.00	7.00	6.75	1.00	2.00	6.00
Customer Service	5.50	5.50	5.50	5.50	5.50	5.50	5.50	7.50	7.50	8.00
GIS	3.00	-	-	-	-	-	-	-	-	-
Water Operations	9.00	9.00	10.00	9.00	9.00	9.00	10.00	7.00	7.00	7.00
Sewer Operations	-	-	-	-	-	-	-	2.00	11.00	11.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00
Sewer Collections	13.00	13.00	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	19.00	18.75	19.62	19.87	21.00
Recycling	1.00	1.00	1.00	1.00	-	-	-	-	-	-
Golf Enterprise										
Golf Club	-	-	-	-	14.26	14.26	14.26	14.26	31.01	36.51
Golf Grounds Maintenance	-	-	-	-	15.75	15.75	15.75	15.75	-	-
Stormwater Enterprise										
Stormwater	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	8.00	-
Total	300.33	292.03	292.05	291.02	289.40	300.07	296.09	312.48	329.48	362.29

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

Year	Mechanical	Electrical	Gas	Plumbing	Water & Sewer
2017	260	368	169	213	45
2016	200	216	144	92	81
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

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

Year	Number Sold
2017	2,595
2016	2,115
2015	2,259
2014	2,402
2013	2,087
2012	1,947
2011	2,269
2010	2,311
2009	2,364
2008	2,426

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	4 Museums
1 Auditorium	23 Playgrounds
12 Baseball-Softball Facilities	2 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

Unaudited

Pct	Place Name	Registered Voters				
		Total	Dems	Reps	NPA	Other
01	BAKER	2,217	311	1,610	292	4
02	BLACKMON	616	111	433	72	0
03	MILLIGAN	1,212	201	807	199	5
04	HOLT	1,218	202	804	207	5
05	LAUREL HILL	1,012	208	627	172	5
06	GARDEN CITY	3,243	535	2,112	577	19
07	DORCAS	1,518	273	924	319	2
08	HONEY CREEK	3,994	849	2,333	786	26
09	YELLOW RIVER	3,766	724	2,261	758	23
10	WEST WRIGHT	5,755	1,297	2,922	1,489	47
11	EAST CRESTVIEW	8,043	1,676	4,134	2,142	91
12	WEST CRESTVIEW	856	478	199	178	1
13	NORTH CRESTVIEW	3,587	709	2,127	723	28
14	WEST NICEVILLE	2,732	507	1,572	629	24
15	VALPARAISO	2,806	523	1,625	641	17
16	SHALIMAR	2,691	550	1,514	610	17
17	CENTRAL WRIGHT	3,100	808	1,431	833	28
18	OCEAN CITY	2,279	530	1,159	576	14
19*	EAST FWB	1,623	486	667	460	10
20	WEST DESTIN	2,375	409	1,445	509	12
21	MARY ESTHER	2,496	518	1,433	528	17
22*	S CENTRAL FWB	2,016	551	996	458	11
23	EGLIN AFB	561	94	242	218	7
24*	WEST FWB	2,760	754	1,295	692	19
25	N CENTRAL NICEVILLE	1,769	322	1,060	372	15
26	SEMINOLE	2,541	324	1,734	462	21
27	CINCO BAYOU	278	56	136	80	6
28*	GARNIERS	314	59	196	54	5
29*	GOLF COURSE	2,016	315	1,326	366	9
30	OKALOOSA ISLAND	1,468	232	841	387	8
31	LONGWOOD	1,956	319	1,327	297	13
32*	FERRY PARK	2,347	428	1,444	455	20
33	ROCKY BAYOU	4,449	484	3,220	726	19
34	FLOROSA	3,377	753	1,684	913	27
35	NORTH DESTIN	3,063	395	1,969	684	15
36	SOUTH NICEVILLE	2,518	320	1,713	465	20
37	LAKE LORRAINE	2,683	348	1,818	498	19
38	NORTHGATE	2,147	455	1,190	485	17
39	EAST WRIGHT	2,208	537	1,115	540	16
40	SOUTH BLUEWATER	2,854	328	1,998	523	5
41*	N CENTRAL FWB	1,348	243	855	243	7
42*	NEW HEIGHTS	2,193	665	966	552	10
43	S CENTRAL NICEVILLE	2,148	379	1,273	480	16
44	CENTRAL DESTIN	1,746	313	925	496	12
45	SOUTH CRESTVIEW	4,330	957	2,264	1,087	22
46	NORTH BLUEWATER	4,322	564	2,863	868	27
47	WYNNEHAVEN BEACH	1,851	358	932	539	22
48*	WESTWOOD RETIREMENT	104	24	68	12	0
49	EAST DESTIN	3,086	383	2,105	576	22
50	SOUTH DESTIN	3,043	359	2,026	646	12
51	AIRPORT ROAD	1,783	277	1,137	357	12
52	LIVE OAK	3,452	670	1,998	758	26
		Countywide Total	113,149	20,646	67,042	24,697
		City Total	14,721	3,525	7,813	3,292
						91

Source: Okaloosa County Supervisor of Elections

*City Precinct

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

Fiscal Year	Assessments⁽¹⁾	Assessments Collected or Released	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessment
2017	\$ 370,885	\$ 29,831	8.04%	\$747,293
2016	380,118	28,081	7.39%	406,239
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	-	-
2009	-	6,528	-	-
2008	-	7,511	-	-

⁽¹⁾Assessments are payable over a 15-20 year period.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

Fiscal Year	Property Taxes	% of Total Revenues	Other Taxes/ Franchise Fees	% of Total Revenues	Sewer Fees	% of Total Revenues	Sanitation Fees	% of Total Revenues	Water Fees	% of Total Revenues	Golf Fees	% of Total Revenues
2017	\$ 7,457,189	20.9%	\$ 7,015,584	19.7%	\$ 6,668,790	18.7%	\$ 3,663,445	10.3%	\$ 3,906,282	11.0%	\$ 1,317,803	3.7%
2016	7,271,903	20.4%	7,124,985	20.0%	6,310,574	17.7%	3,589,419	10.1%	3,769,366	10.6%	1,378,730	3.9%
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%

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

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

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

Monthly Water Rates^(1,2)	Residential		Commercial		Number of Meters
	Inside	Outside⁽³⁾	Inside	Outside⁽³⁾	
Lifeline Rate ⁽⁴⁾	\$10.67	\$13.34	\$10.67	\$13.34	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$10.67	\$13.34	\$10.67	\$13.34	9,023
1.0"	\$10.67	\$13.34	\$10.67	\$13.34	333
1.5"	\$14.50	\$18.13	\$14.50	\$18.13	110
2.0"	\$24.64	\$30.80	\$24.64	\$30.80	223
3.0"	\$37.55	\$46.94	\$37.55	\$46.94	14
4.0"	\$46.93	\$58.66	\$46.93	\$58.66	20
6.0"	\$74.65	\$93.31	\$74.65	\$93.31	0
8.0" or 10.0"	\$111.87	\$139.84	\$111.87	\$139.84	1
Multi-Residential, Addt'l per Unit	\$7.90	\$9.88	\$7.90	\$9.88	
					<u><u>9,724</u></u>
Residential Customers ⁽⁶⁾					8,501
Commercial Customers ⁽⁶⁾					1,119
Total Customers					<u><u>9,620</u></u>

Gallonage 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)	\$3.18	\$3.98
Block 3 (4,001 - 8,000)	\$3.89	\$4.86
Block 4 (8,001 +)	\$5.83	\$7.29

Monthly Wastewater Rates⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$23.77	\$28.45
Monthly Base Charge	\$23.77	\$28.45
Gallonage Rate (per 1,000 gallons per unit) ⁽⁵⁾		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$7.73	\$9.20

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

⁽²⁾Monthly Base Charge is per Unit. Residential Single Family and Commercial count as 1 unit

Multi-Family and Multi-Commercial are billed according to meter size and unit count

⁽³⁾Outside City surcharge of 25% for water

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

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

⁽⁶⁾Billed in September

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

<u>Basic Garbage Rates</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
Residential			
One Container	\$ 10.60	\$ 6.45	\$ 17.05
Two Containers	21.20	12.80	34.00
Residential Dumpsters, Individual Meters	10.60	6.45	17.05
Commercial			
One Container	28.60	7.25	35.85
Two Containers	57.20	14.55	71.75
Shared Dumpster (minimum charge)	28.60	7.25	35.85
<u>Garbage and Trash Collection</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
2 Cubic Yards			
2 times per week	\$ 60.70	\$ 52.40	\$ 113.10
3 times per week	91.05	78.50	169.55
4 times per week	121.45	104.55	226.00
5 times per week	151.75	130.70	282.45
6 times per week	182.10	156.80	338.90
4 Cubic Yards			
2 times per week	85.70	104.55	190.25
3 times per week	128.55	156.80	285.35
4 times per week	171.40	209.05	380.45
5 times per week	214.25	261.30	475.55
6 times per week	257.10	313.55	570.65
6 Cubic Yards			
2 times per week	112.50	156.80	269.30
3 times per week	168.75	235.20	403.95
4 times per week	224.95	313.55	538.50
5 times per week	281.20	391.90	673.10
6 times per week	337.45	470.35	807.80
8 Cubic Yards			
2 times per week	135.70	209.05	344.75
3 times per week	203.55	313.55	517.10
4 times per week	271.40	418.05	689.45
5 times per week	339.25	522.60	861.85
6 times per week	407.10	627.05	1,034.15
Compactor	Commercial Rate x 3 x Bulk Container(s)		
<u>Commercial Recycling</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
4 Cubic Yards			
2 times per week	112.70	-	112.70
3 times per week	169.00	-	169.00
4 times per week	225.35	-	225.35
5 times per week	281.70	-	281.70
6 Cubic Yards			
2 times per week	169.00	-	169.00
3 times per week	253.50	-	253.50
4 times per week	338.00	-	338.00
5 times per week	422.50	-	422.50
8 Cubic Yards			
2 times per week	225.35	-	225.35
3 times per week	338.00	-	338.00
4 times per week	450.70	-	450.70
5 times per week	563.35	-	563.35
Contaminated Load Fee (per dump)			
4 CY	20.00	32.45	52.45
6 CY	20.00	58.35	78.35
8CY	20.00	90.70	110.70

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

Unaudited

Function	Fiscal Year										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	
Engineering Services											
Building permits issued	332	n/a	1,429	1,582							
Residential building permits issued	483	23	1,214	1,220	1,095	697	588	630	n/a	n/a	
Commercial building permits issued	178	5	402	310	457	164	284	380	n/a	n/a	
Value of permits (in millions)	\$2.70	n/a	\$46.20	\$37.40							
Value of residential permits (in millions)	\$ 12	\$ 4	\$ 16	\$ 16	\$ 15	\$ 9	\$ 10	\$ 7	n/a	n/a	
Value of commercial permits (in millions)	\$ 15	\$ 1	\$ 832	\$ 27	\$ 23	\$ 9	\$ 7	\$ 7	n/a	n/a	
Business Tax Receipts Sold	1,769	2,115	2,259	2,402	2,087	1,947	2,269	2,311	2,364	2,426	
Street resurfacing (lane miles)	0	1.01	0.64	0.16	-	1.70	2.25	5.71	1.53	0.78	
Pot holes (hours spent repairing)	213	163	770	528	813	989	1,014	617	1,257	1,476	
Sanitation											
Refuse collected (tons)	26,151	25,203	24,467	26,102	24,059	25,374	25,332	25,676	25,485	27,873	
Recyclables collected (tons)	1,811	1,507	1,191	754	615	375	251	161	150	112	
Culture and Recreation											
Parks and Recreation											
Recreation program participants ⁽³⁾	102	154	n/a	n/a	n/a	92,267	106,486	103,121	116,565	118,890	
Recreation program registrations ⁽⁵⁾	n/a	n/a	650	651	571	n/a	n/a	n/a	n/a	n/a	
Adult athletic participants ⁽³⁾	530	n/a	n/a	n/a	n/a	6,728	9,003	10,009	11,406	14,591	
Adult athletic registrations	n/a	621	424	426	467	n/a	n/a	n/a	n/a	n/a	
Youth athletic participants ⁽³⁾	2,394	n/a	n/a	n/a	n/a	14,548	13,038	12,525	14,211	15,570	
Youth athletic registrations	n/a	2,086	1,978	1,347	1,253	n/a	n/a	n/a	n/a	n/a	
Skate/tennis park participants ⁽⁴⁾	n/a	n/a	n/a	n/a	n/a	13,114	18,291	15,297	18,480	24,100	
Library											
Circulation volume	139,980	144,474	137,363	145,684	142,888	139,196	126,146	135,314	142,148	137,002	
Museum											
Number of visitors/participants ⁽¹⁾	24,522	22,437	22,683	19,461	22,901	21,480	28,200	39,935	47,700	45,168	
Water System											
New connections	45	81	34	27	26	39	18	27	16	20	
Water customers	9,620	9,618	9,537	9,480	9,279	8,846	8,804	8,795	8,741	8,927	
Water produced (million gallons)	866	883	891	884	855	868	899	897	943	963	
Wastewater System											
Wastewater treated (million gallons) ⁽²⁾	-	-	-	-	-	-	-	-	381	769	916

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

⁽²⁾Wastewater treatment transferred to County in March 2010

⁽³⁾FY 2013 total participants was changed to total registrations; changed back to participants in FY 2016

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

⁽⁵⁾FY 2016 registrations were changed to participants so that each person was counted once

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	45	39	43	43	43	51	48	49	49	55
Engineering Services										
Miles of roads	93.12	93.12	93.12	93.12	93.12	93.06	92.65 ⁽²⁾	112.76	112.76 ⁽¹⁾	99.35
Miles of sidewalks	63.67	64.73	63.67	64.73	64.05	63.93	62.80	62.11	61.35	61.32
Signs fabricated and installed	614	854	1,133	918	785	935	976	910	1,110	1,223
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	129	129	129	116 ⁽⁷⁾	117 ⁽⁴⁾	122	122	122 ⁽³⁾	91	90
Parks (acres)	206.00	206.00	196.56	180.26	180.26	180.26	180.26	180.26	180.26	180.26
Library										
Inventoried collection	67,881	70,353	72,313	72,729	74,649	74,448	72,873	74,317	73,641	71,006
Water and Sewer System										
Potable water lines (miles)	146.10	144.91	144.77	146.25	145.9 ⁽⁵⁾	118.63	118.57	118.52	118.10	118.09
Sanitary sewer lines (miles)	129.62	129.51	110.45	130.32 ⁽⁶⁾	118.76	118.76	118.76	118.77	118.77	118.77
Reuse water lines (miles)	7.10	7.10	7.10	7.10	7.14	3.82	3.82	3.82	4.14	4.14
Potable Water Elevated Storage Tank Capacity: 1 ⁽⁶⁾ tank 200,000 gal; 1 tank 750,000 gal; 2 tanks 500,000 gal										
Potable Water Ground Storage Tank Capacity: 1 tank 135,000 gal; 1 tank 250,000 gal; 1 tank 1,000,000 gal; 1 tank 25,000 gal										
Pumping Capacity of Potable Water Wells: 9.231 million gallons per day										
Sanitary Sewer Ground Storage Tank Capacity: 4,000,000 gal										
Reuse Water Elevated Storage Tank Capacity: 1 tank 200,000 gal										
Reuse Water Ground Storage Tank Capacity: 1 tank 1,000,000 gal										
Stormwater System										
Storm drains (miles)	43.18	42.10	42.03	42.05	42.01	41.64	41.64	45.70	45.66	34.73

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

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

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

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

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

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

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

N/A: Not available.

Source: City of Fort Walton Beach Performance Measures.

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
10/12/16 to 10/12/17	Wright National	1151291251	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	14 Robinwood Drive SW Sanitation Building
10/12/16 to 10/12/17	Wright National	1151306332	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/16 to 10/12/17	Wright National	1151291263	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 300,000 C	#5 Hollywood Boulevard Fire Department
10/12/16 to 10/12/17	Wright National	1151292103	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/16 to 10/12/17	Wright National	1151291796	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/16 to 10/12/17	Wright National	1151292114	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber
10/12/16 to 10/12/17	Wright National	1151292125	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building
10/12/16 to 10/12/17	Wright National	1151292120	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building
10/12/16 to 10/12/17	Wright National	1151291389	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	141 Miracle Strip Parkway City Museum
10/12/16 to 10/12/17	Wright National	1151291280	Fisher-Brown Agency	Flood	\$ 350,000 B \$ 50,000 C	22 McGriff Street Child Care Facility
10/12/16 to 10/12/17	Wright National	1150164378	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom, East of Pavilion Liza Jackson Park
10/12/16 to 10/12/17	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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
05/17/16 to 05/17/17	Wright National	1150342974	Fisher-Brown Agency	Flood	\$ 98,300 B	Liza Jackson Park
					\$ 55 Ferry Road Boy Scout Hut	
07/23/16 to 07/23/17	Wright National	1151270502	Fisher-Brown Agency	Flood	\$ 300,000 B \$ 50,000 C	18 Robinwood Drive Pump Station #1
06/23/16 to 06/23/17	Wright National	1150458831	Fisher-Brown Agency	Flood	\$ 55,000 B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/16 to 10/10/17	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
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Inland Marine	\$ 504,644 \$ 250,000 \$ 770,377 \$ 291,748 \$ 250,000 \$ 39,265 \$ 38,665 \$ 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
9/16/17 to 9/16/18	Hartford	21BSBDB7459	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
02/09/17 to 02/09/18	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/16 to 10/10/17	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability
10/01/16 to 10/10/17	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money &	\$ 10,000	

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
				Securities		
10/01/16 to 10/10/17	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	City Clerk
10/01/16 to 10/10/17	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/16 to 10/10/17	PGIT	PKFL1046200316-07	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurance
10/01/16 to 10/10/17	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 45,883,959	Blank Real & Personal Property
9/16/17 to 9/16/18	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 100,000 500,000	Business Income Additional Expense
02/09/17 to 02/09/18	PGIT	WC-FL1046200316-07	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/16 to 10/10/17	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Public Officials Empl. Practice	\$ 5,000,000 \$ 5,000,000	
10/01/16 to 10/10/17	Federal Insurance	9906-62-32	Federal Insurance Co. ACHIUBB Co.	AD&D	\$ 65,000 \$ 65,000 \$ 190,000	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	\$ 45,883,959	
5/01/17 to 5/01/18	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, 2017

Source	Amounts Received in the 2016-2017 Fiscal Year	Amounts Expended in the 2016-2017 Fiscal Year
Florida Coastal Protection Trust Fund Stormwater projects (MOEX) Deepwater Horizon oil spill ¹	\$ -	\$ -

¹ Information for this grant is included in the schedule of expenditures of state financial assistance on page 133.



THIS PAGE IS LEFT INTENTIONALLY BLANK

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

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

We have audited the financial statements of the City of Fort Walton Beach, Florida (the City) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 19, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 131 is presented for the purpose of additional analysis as required by Chapter 288.8018, Florida Statutes, and the Rules of the Auditor General Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Fort Walton Beach, Florida
March 19, 2018

CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

State Agency Pass-Through Entity State Project	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Environmental Protection			
Direct projects			
Surface Water Restoration and Wastewater Projects	37.039	S0841	\$ 586,146
Stormwater Projects (MOEX) / Deepwater Horizon Oil Spill	37.082	S0693	<u>736,428</u>
			<u>1,322,574</u>
Florida Department of Economic Opportunity			
Direct project			
Division of Community Development	40.038	HL050	<u>200,000</u>
Florida Department of Education			
Direct project			
Fixed Capital Outlay - Fort Walton Firefighters	48.126	468-98111-7Q001	<u>143,481</u>
Florida Fish and Wildlife Conservation Commission			
Direct project			
Florida Boating Improvement Program	77.006	11134	<u>526</u>
TOTAL EXPENDITURES OF			
STATE FINANCIAL ASSISTANCE			<u>\$ 1,666,581</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state award activity of the City of Fort Walton Beach, Florida (the City), under programs of the State of Florida for the year ended September 30, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with the requirements described in Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in the 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 (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City'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'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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida

March 19, 2018

**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 the City of Fort Walton Beach, Florida's (the City) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2017. The City's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the City has 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, 2017.

Report on Internal Control over Compliance

Management of the City 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 the City'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, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control 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, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida

March 19, 2018

CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

• Significant deficiency(ies) identified? Yes X None
Reported

Noncompliance material to financial statements noted? Yes X No

State Projects

Internal control over major programs:

• Material weakness(es) identified? Yes X No

• Significant deficiency(ies) identified? Yes X None
Reported

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

• Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?

Yes X No

Identification of major programs:

State CSFA Number	Name of State Project
37.039	Surface Water Restoration and Wastewater Projects
37.082	Stormwater Projects (MOEX) / Deepwater Horizon Oil Spill

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

\$ 300,000

II. FINANCIAL STATEMENT FINDINGS

The results of our audit of the City did not disclose any findings required to be reported under Section 10.557, 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's) compliance with the following requirements for the year ended September 30, 2017:

- 1) Chapter 218.415, Florida Statutes, in regards to the investments.
- 2) Chapter 218.8018, Florida Statutes, 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 complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Warren Averett, LLC

Fort Walton Beach, Florida
March 19, 2018

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, 2017, and have issued our report thereon dated March 19, 2018.

Auditors' Responsibility

We conducted our audit 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.

Other Reporting Requirements

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 Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 19, 2018, 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 Statement No. 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, 2017. 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 and Management

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.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require 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, 2017, 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, 2017. 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 communicate the failure of a special district that is a component unit of the City, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the City 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.

Additional Matters

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 has occurred, or is likely to have occurred, that has 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 19, 2018