

FORT WALTON BEACH, FLORIDA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FORT WALTON BEACH, FL
WITH COMPLIANCE MATTERS
AND RESPONSES
FISCAL YEAR ENDED SEPT. 30, 2019

INTEGRITY

ACCOUNTABILITY

TEAMWORK

CUSTOMER
SERVICE

CONTINUAL
IMPROVEMENT



CITY OF FORT WALTON BEACH, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

PREPARED BY:

THE FINANCE DEPARTMENT
Michael D. Beedie, P.E., City Manager
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, David Schmidt, Nic Allegretto, Kirby Locklear, and Nathan Kelley

Left to right (seated):

MG Moran, Mayor Dick Rynearson, and Amy Jamieson

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 D. Beedie, PE

City Clerk – Kim Barnes

City Attorney – Hayward Dykes, Jr.

Department Directors

Finance – Vacant

Public Works & Utility Services – Daniel Payne, PE

Growth Management – Chris Frassetto

Fire Services – Ken Perkins, Chief

Human Resources – Tarey Franxman

Police Services – Robert Bage, Chief

Recreation & Cultural Services – Jeff Peters

Core Values

Rather than being just words found on the website or located at the top of a 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
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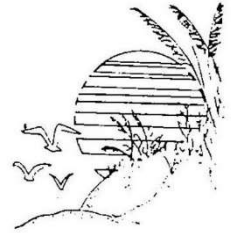
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City of Fort Walton Beach

"The Treasure of the Emerald Coast"

107 Miracle Strip Parkway SW * Fort Walton Beach, FL 32548
(850) 833-9504 * Fax (850) 833-9640



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April 22, 2020

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, 2019, is hereby submitted herewith pursuant to Chapter 218.39(1)(d) of the Florida Statutes 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, 2019, 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, 2019, 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.

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: 7.60 square miles	SIDEWALKS: 63.67 miles
TAXABLE ASSESSED VALUE: \$1,449,583,519	WATER & SEWER LINES: 282.82 miles
CITY MILLAGE RATE: 5.6395	STORM DRAIN: 43.18 miles
POPULATION: 20,940 (April 1, 2019 Est)	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 356 positions, 310.52 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 50	18-HOLE GOLF COURSES: 2
FIREFIGHTING PERSONNEL: 44	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; utility services including water, sewer, and stormwater; and garbage and recycling collection to a coastal community of 20,940 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 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 in 2015 and a new field office Complex in 2019, which has added to the attraction of the City.



Recreation Complex – opened Summer 2015

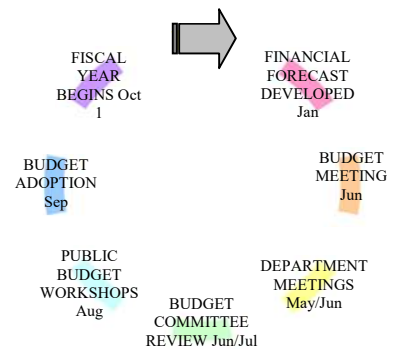


Downtown Redevelopment: Brooks Bridge Park

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 at least one 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 Policy 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 Analyst. The Committee conducts comprehensive meetings with Department Directors to review their budget requests and a collaborative effort is undertaken to achieve City Council and department goals within fiscal constraints. The Budget Committee enlists assistance for areas of specialized interests, such as the Information Technology Manager for computer issues and the Human Resources Director for employee benefits, 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 Statutes and the 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 pages 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 95.

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 2019-20 budget of \$47,231,660 is \$5.5 million, or 13.23%, more than the adopted FY 2018-19 budget. Ad Valorem revenues will remain consistent with the prior year, as the City Council has set the millage rate at the roll-back rate, which is the rate that would generate the same amount of property tax revenue as the prior year. Assessed values are anticipated to increase 3.21% in the General Fund and 22.88% in the CRA Fund. The budget is predicated on reducing the millage rate to 5.6395 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 five-year CIP (Capital Improvement Program) Plan is developed and approved by City Council each year during the annual budget process.
- Five-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 one to three-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 FY 2019-20. The City's budget for FY 2019-20 totals \$47.2 million, which is \$5.5 million, or 13.23%, more when compared to the FY 2018-19 approved budget. The FY 2019-20 budget allocates \$26.7 million to the General Fund, \$16.6 million to the Enterprise funds, and \$3.9 million to other funds.

For the FY 2019-20 budget, the ad valorem rate was decreased to 5.6395 mills. Both water and sewer rates and the stormwater fee remained the same as in FY 2018-19. A new five-year utility rate study will be completed in FY 2019-20 to begin implementation in FY 2020-21. The new utility rate study will include recommendations on rate structures for water and sewer, stormwater and solid waste. In October 2019, the City Council adopted a resolution to establish a fire assessment fee and rates effective in FY 2020. The City expects to generate revenues of approximately \$1,200,000 from the fire assessment. No other significant changes to the City's various rates and fees are included in the FY 2019-20 budget.

AWARDS AND ACKNOWLEDGMENTS

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, 2018. This was the sixteenth 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, 2019. This was the twenty-fourth consecutive year that the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

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

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

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

Respectfully submitted,

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

Michael D. Beedie, PE
City Manager



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

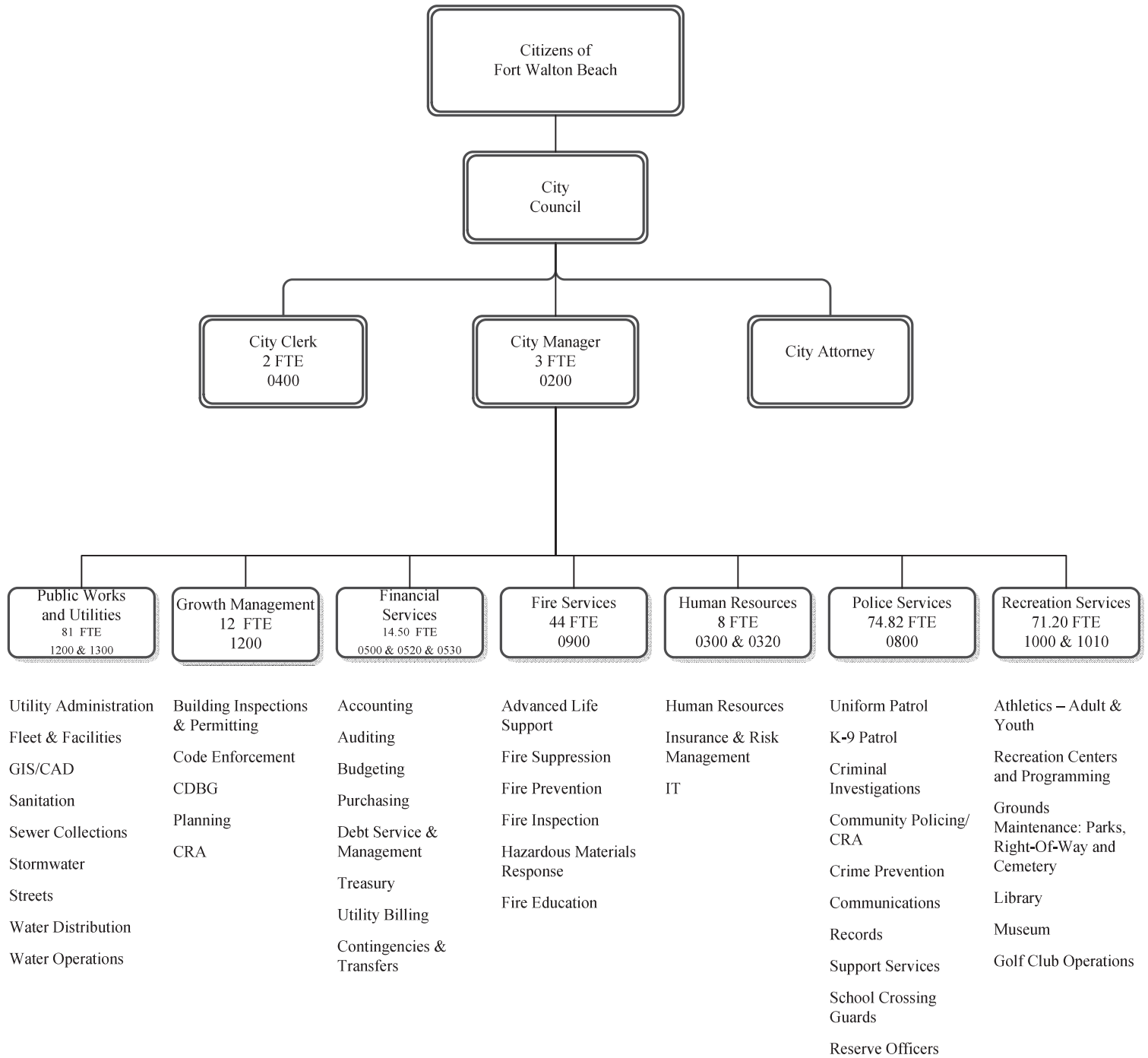
City of Fort Walton Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Community Redevelopment Agency (Special Revenue Fund) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules related to the pension and OPEB liabilities, contributions, and investment returns, as listed in the table of contents, 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 combining and individual non-major fund financial statements and schedules 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 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 April 22, 2020, 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

April 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Walton Beach, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. 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 - ix of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$59.9 million (total net position). Of this amount, \$13.6 million represents unrestricted net position that is available to meet the City's ongoing obligations to citizens and creditors.
- The government's net position increased by \$4.2 million during the fiscal year. Governmental activities experienced an increase that was primarily related to the new discretionary sales tax revenues that were authorized by a taxpayer referendum in November 2018. Business activities increased net position mainly attributable to increases in user charges and investment-related income.
- As of the close of the fiscal year, the City's governmental funds have combined ending fund balances of \$23.9 million, an increase of \$7.5 million from the prior year. This increase is attributable to unexpended resources from the issuance of long-term debt. Approximately 70.1% of this amount, or \$16.7 million, is available for spending at the discretion of City Council.
- As of September 30, 2019, committed, assigned, and unassigned fund balance of the General Fund totaled \$13.7 million, or 47.8% of the total General Fund expenditures.
- The City's total debt increased by \$10.7 million, or 33.7%, during the fiscal year. This increase is attributable to issuing capital improvement revenue bonds to fund the construction of the new field office complex that was completed in fiscal year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the City'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 No. 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'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's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term available resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City.

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 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 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 include utilities (water, sewer, and storm water), and sanitation.

The government-wide financial statements include not only the City 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 is financially accountable. The CRA is considered a blended component unit of the City 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, 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 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 17-20 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 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 major fund for reporting purposes.

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 and the CRA Fund on pages 21-22 of this report.

Proprietary Funds

All proprietary funds of the City 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 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. 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'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's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. The required supplementary information is found on pages 83-94 of this report.

The combining statements referred to earlier in connection with non-major governmental immediately follow the required supplementary information on pension and OPEB plans 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 exceeded its liabilities and deferred inflows of resources by \$59.9 million, as reported in Table 1. The City's net position increased by \$4.2 million for the fiscal year ended September 30, 2019. Both governmental and business activities experienced increases.

By far, the largest portion of the City's assets, \$42.0 million or 70.0%, 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 reports the 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 of \$4.4 million, or 7.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13.6 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	
	2019	2018	2019	2018	2019	2018
<i>Current & Other</i>	\$27,496	\$18,802	\$17,843	\$16,064	\$45,339	\$34,866
<i>Capital Assets</i>	47,406	39,911	33,752	35,023	81,158	74,934
<i>Total Assets</i>	74,902	58,713	51,595	51,087	126,497	109,800
<i>Deferred Outflow of Resources</i>	6,161	7,844	775	1,219	6,936	9,063
<i>Long-Term Liabilities</i>						
<i>Outstanding</i>	41,784	33,134	21,076	23,178	62,860	56,312
<i>Other Liabilities</i>	4,097	2,283	2,127	1,990	6,224	4,273
<i>Total Liabilities</i>	45,881	35,417	23,203	25,168	69,084	60,585
<i>Deferred Inflow of Resources</i>	3,544	2,085	866	459	4,410	2,544
<i>Net Position</i>						
<i>Net Investment in Capital Assets</i>	28,280	29,375	13,678	13,830	41,958	43,205
<i>Restricted</i>	3,736	2,348	612	597	4,348	2,945
<i>Unrestricted</i>	(378)	(2,668)	14,011	12,252	13,633	9,584
<i>Total Net Position</i>	\$31,638	\$29,055	\$28,301	\$26,679	\$59,939	\$55,734

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

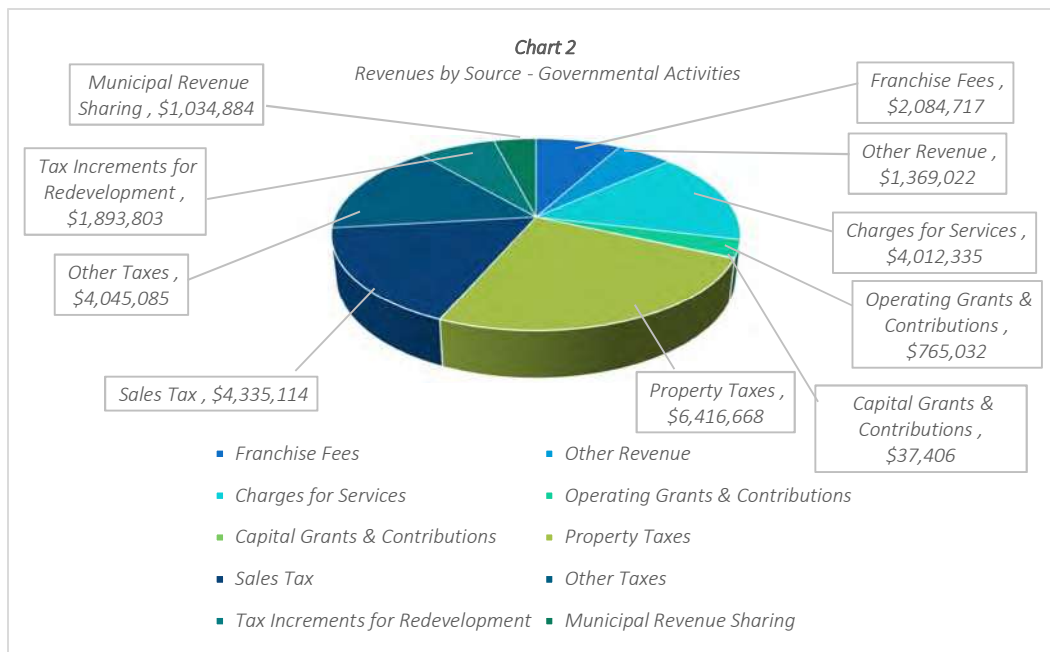
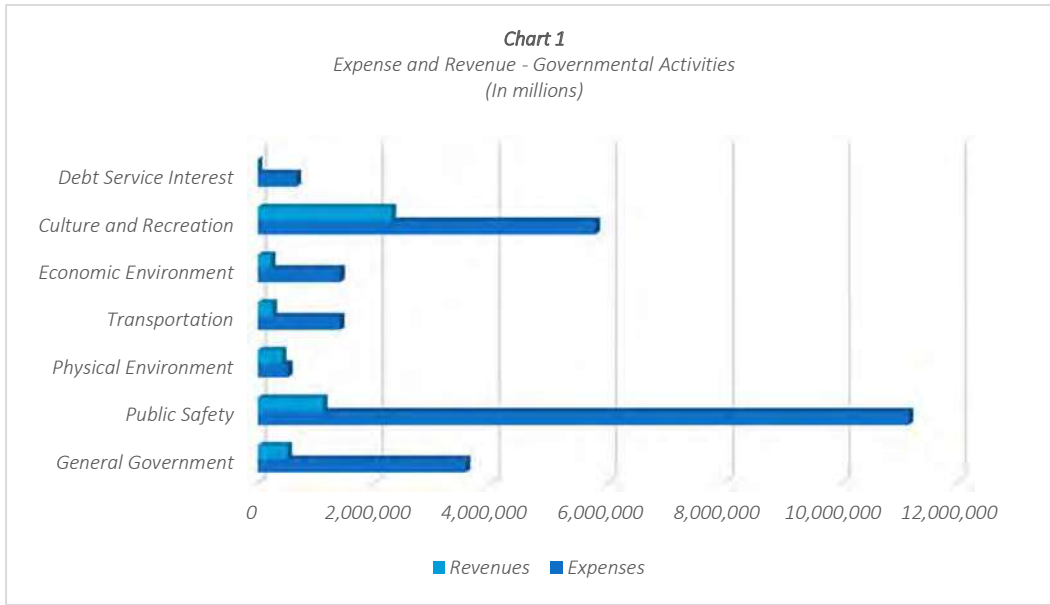
Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenue:						
Charges for Services	\$4,012,335	\$3,679,746	\$16,288,803	\$15,487,820	\$20,301,138	\$19,167,566
Operating Grants & Contributions	765,032	706,094	-	-	765,032	706,094
Capital Grants & Contributions	37,406	1,487,587	93,282	151,049	130,688	1,638,636
General Revenue:						
Property Taxes	6,416,668	6,041,303	-	-	6,416,668	6,041,303
Other Taxes	8,380,199	7,123,327	-	-	8,380,199	7,123,327
Tax Increments for Redevelopment	1,893,803	1,811,121	-	-	1,893,803	1,811,121
Other Revenue	4,488,623	3,497,935	776,094	40,221	5,264,717	3,538,156
Total Revenues	25,994,066	24,347,113	17,158,179	15,679,090	43,152,245	40,026,203
Expenses						
Primary Government						
General Government	3,559,619	3,799,439	-	-	3,559,619	3,799,439
Public Safety	11,159,777	11,420,904	-	-	11,159,777	11,420,904
Physical Environment	519,126	505,458	-	-	519,126	505,458
Transportation	1,406,227	1,401,819	-	-	1,406,227	1,401,819
Economic Environment	1,412,332	1,174,794	-	-	1,412,332	1,174,794
Culture & Recreation	5,781,339	5,538,881	-	-	5,781,339	5,538,881
Debt Service Interest	664,131	291,590	-	-	664,131	291,590
Business-Type Expenses						
Utilities	-	-	9,961,949	9,810,437	9,961,949	9,810,437
Sanitation	-	-	3,720,984	3,774,624	3,720,984	3,774,624
Other	-	-	762,181	727,282	762,181	727,282
Total Expenses	24,502,551	24,132,885	14,445,114	14,312,343	38,947,665	38,445,228
Increase/(Decrease) in Net Position before Transfers	1,491,515	214,228	2,713,065	1,366,747	4,204,580	1,580,975
Transfers	1,091,579	847,373	(1,091,579)	(847,373)	-	-
Increase/(Decrease) in Net Position	2,583,094	1,061,601	1,621,486	519,374	4,204,580	1,580,975
Net Position – Beginning	29,055,249	27,993,648	26,679,073	26,159,699	54,734,322	54,153,347
Net Position – Ending	\$31,638,343	\$29,055,249	\$28,300,559	\$26,679,073	\$59,938,902	\$55,734,322

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net position by \$2.6 million for the fiscal year ended September 30, 2019. Key elements of this change are as follows:

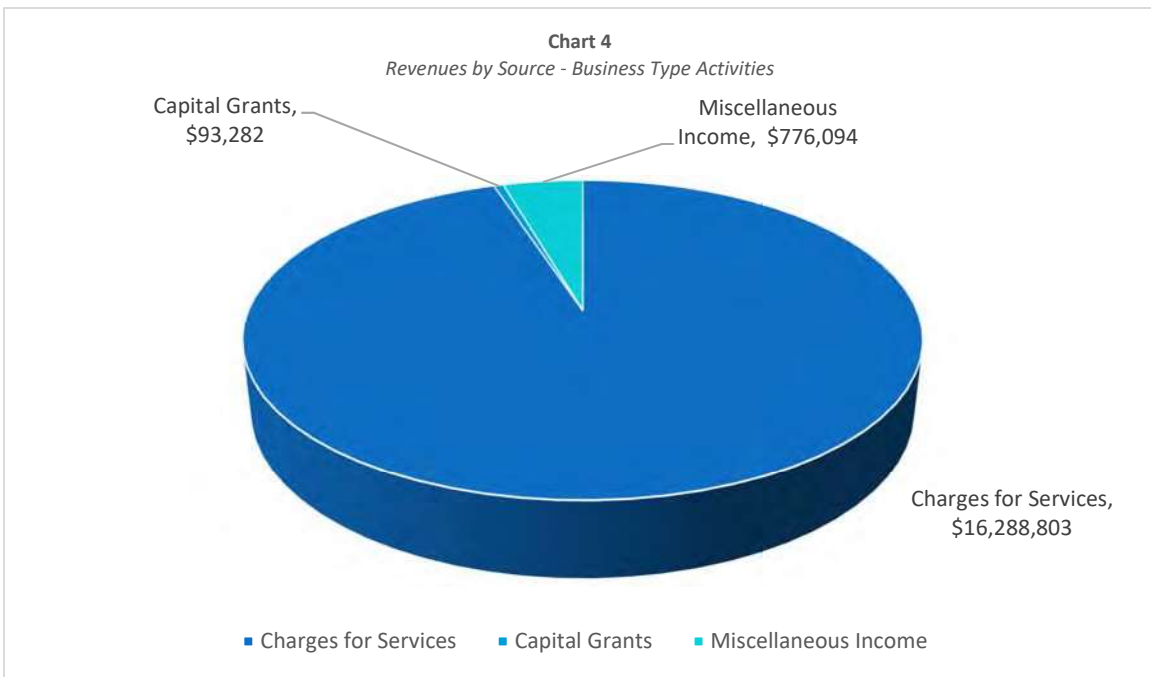
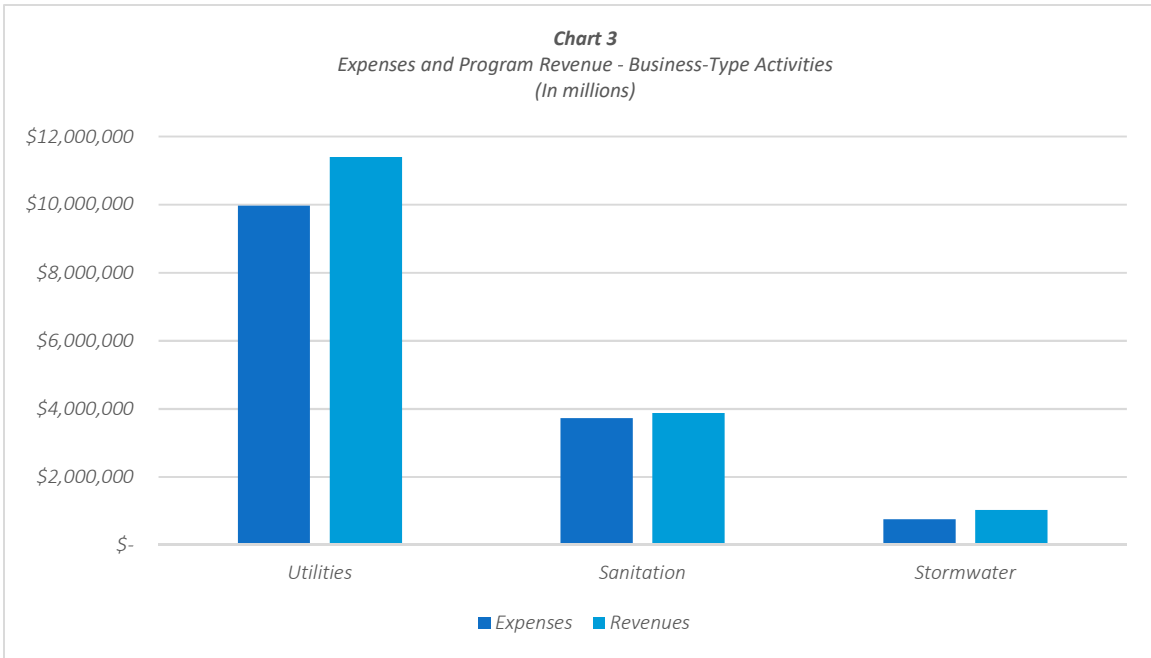
- Total revenues increased by \$1.6 million, which is primarily attributable to the City's share of the local option discretionary sales taxes that were adopted by taxpayer referendum in November 2018.
- Culture and recreation expenses increased by \$242,458 due to an increase in payroll and related employee benefits, while debt service interest expense increased by \$372,541 as a result of making the first interest payment on the Capital Improvement Revenue Bonds, Series 2018, which were issued to finance construction of the new field office complex.
- Overall, expenses for governmental activities increased by \$369,666, or 1.5%, while related revenue increased \$1.6 million, or 6.8%.



Current Year Impacts – Business-Type Activities

Business-type activities increased the City’s net position by \$1,621,486 for the fiscal year ended September 30, 2019. Key elements of this change are as follows:

- Charges for services resulted in additional revenues of \$800,983, or a 5.1% increase from the prior year due to an increase in rates charged to users for utility services.
- Miscellaneous income increased by \$735,873 from the prior year. This was primarily attributable to improved performance of the City’s pooled investments during fiscal year 2019.
- Overall, expenses for the business-type activities of the City increased by \$132,771, or 0.9%, primarily due to increases in salaries and related employee benefits.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City 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, 2019, the City's governmental funds have combined ending fund balances of \$23.9 million, an increase of \$7.5 million from the prior year. Approximately 70.1% of this amount, or \$16.7 million, is available for spending at the discretion of City Council. The remainder of fund balance is nonspendable or restricted. Details of the fund balance classifications can be found on page 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 \$13.7 million, while total fund balance reached \$18.4 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 47.8% of the total General Fund expenditures, while total fund balance represents 64.5% of that same amount.

During the 2019 fiscal year, the fund balance of the City's General Fund increased by \$7.2 million. This increase is attributable to unexpended resources from the issuance of long-term debt related to the field office complex construction, which was completed in December 2019.

The CRA Fund's fund balance decreased by \$121,069. This decrease is primarily attributable to completing the Carson Streetscape Project and Gulfview Hotel renovations in fiscal year 2019.

Proprietary Funds

The City'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 \$14.0 million at September 30, 2019, of which the Utilities Fund amounted to \$10.4 million, the Sanitation Fund totaled \$2.2 million, and the Stormwater Utility Fund was \$1.4 million. The factors concerning the finances of these four funds have already been addressed in the discussion of the City'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 95.1%, an increase of 6.4% over the prior year. Employees contribute 5% of pay to the Plan and the City contributed \$1.8 million, which was a decrease of \$255,271 when compared to the previous fiscal year.

The Police Officers' Retirement Fund's net position as a percentage of the total pension liability was 82.1%, an increase of 4.5% over the previous fiscal year. Employees contribute 5% of pay to the Plan and the City contributed \$732,187, a decrease of \$98,426 when compared to the previous fiscal year.

The Firefighters' Pension Trust Fund's net position as a percentage of the total pension liability was 65.0%, which was an increase of 0.5% over the previous fiscal year. Employees contribute 8.0% of pay to the Plan and the City contributed \$1.0 million, a decrease of \$73,186 when compared to the previous fiscal year.

Additional information on the pension plans can be found on pages 52-66 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 for the General Fund on page 21 of the financial statements. The difference between the original budget and the final budget for expenditures was approximately \$11.8 million. Significant information related to this difference is summarized as follows:

- The City increased appropriations for capital outlay by \$11.9 million in the final budget for construction of the field office complex.

Actual results, when compared to the final budget, show a variance of \$5.3 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, 2019, was \$42.0 million (net of accumulated depreciation and related debt). This represents a net decrease of \$1.2 million, or 2.9%. Highlights are summarized as follows:

- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- The City continued construction of the consolidated field office complex that was not completed until fiscal year 2020. Capital outlay expenditures incurred for the project during fiscal year 2019 totaled \$8.5 million.
- The City placed into service its Gulfview Hotel renovations and the Carson Streetscape improvements.

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	
	2019	2018	2019	2018	2019	2018
Land	\$10,910,210	\$11,148,479	\$709,678	\$709,678	\$11,619,888	\$11,858,157
Buildings	13,674,040	13,751,043	90,721	98,651	13,764,761	13,849,694
Improvements other than Buildings	6,837,867	6,653,717	29,440,410	30,817,177	36,278,277	37,470,894
Infrastructure	3,202,512	3,311,635	-	-	3,202,512	3,311,635
Machinery & Equipment	3,428,487	3,912,577	3,360,685	3,257,852	6,789,172	7,170,429
Equipment under Capital Lease	39,591	53,146	-	-	39,591	53,146
Easements	-	-	39,742	39,742	39,742	39,742
Construction in Progress	9,313,649	1,080,970	111,042	99,772	9,424,691	1,180,742
	\$47,406,356	\$39,911,567	\$33,752,278	\$35,022,872	\$81,158,634	\$74,934,439

Additional information on the capital assets of the City 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, 2019, the City had total outstanding long-term debt of \$42.4 million. All of the City's debt represents notes and bonds 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.

Table 4
Outstanding Debt

	Governmental Assets		Business-Type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Revenue Notes & Bonds	\$22,246,372	\$10,389,217	\$7,537,000	\$7,968,000	\$29,783,372	\$18,357,217
State Revolving Fund	-	-	12,614,297	13,308,089	12,614,297	13,308,089
Capital Leases	6,681	42,217	-	-	6,681	42,217
	\$22,253,053	\$10,431,434	\$20,151,297	\$21,276,089	\$42,404,350	\$31,707,523

Additional information on the City of Fort Walton Beach's long-term debt can be found in Notes 14-16 of this report on pages 73-78.

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 1.3% 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 0.6% 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 local unemployment rate was 2.4%, which represents an approximate 0.1% increase from September 2018. The State of Florida's unemployment rate was 3.0%, which represents an approximate 0.1% decrease from September 2018. The unemployment rate will impact the City's fee and usage-based revenues, and shared portions of the State of Florida's usage-based taxes.
- The published state revenue sharing distribution estimate is up by 3.1% over the prior year, the half-cent sales tax distribution estimate is up by 7.8% over the prior year, and the communication services tax distribution estimate is down by 8.0% compared to the prior year.
- The military has a significant presence in our community with Eglin Air Force Base, Hurlburt Field, and Duke Field. Combined, these three installations employ over 72,000 military and civilian personnel. The military and defense-related industries have a \$22 billion annual impact on Northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

These financial policies, as well as other indicators, were taken into account when adopting the City's budget for fiscal year 2020. The City's budget for fiscal year 2020 totals \$47.2 million, which is \$5.5 million higher than the fiscal year 2019 approved budget. The 2020 budget allocates \$26.7 million, a 20.3% increase as compared to the fiscal year 2019 budget, to the General Fund, \$16.6 million to the enterprise funds, and \$3.9 million to other funds.

For the fiscal year 2020 budget, the ad valorem rate was lowered to 5.6395 mills. In October 2019, the City Council adopted a resolution to adopt a fire assessment fee and rates effective in FY2020. The City expects to generate revenues of approximately \$1,200,000 from the assessment. No other significant changes to the City's various rate and fees are included in the fiscal year 2020 budget.

Personnel expenses account for approximately 49.1% of the City's budget. The City's fiscal year 2020 budget remains relatively stable in this category, at 310.5 full time equivalent (FTE's) positions, an increase of only 9.4 FTE's over the prior 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 City Manager, 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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,144,614	\$ 4,758,185	\$ 11,902,799
Investments	15,979,190	10,984,285	26,963,475
Receivables, net	491,321	873,736	1,365,057
Internal balances	(262,368)	262,368	-
Due from other governments	144,228	44,560	188,788
Inventory, at cost	269,837	20,393	290,230
Prepaid assets	-	4,534	4,534
Restricted assets			
Cash and cash equivalents	3,148,195	889,694	4,037,889
Other assets			
Other receivables, net	580,370	4,445	584,815
Capital assets			
Non-depreciable/amortizable	20,223,859	860,462	21,084,321
Depreciable/amortizable, net	27,182,497	32,891,816	60,074,313
TOTAL ASSETS	74,901,743	51,594,478	126,496,221
DEFERRED OUTFLOWS OF RESOURCES	6,160,913	775,247	6,936,160
LIABILITIES			
Accounts payable	2,189,671	422,505	2,612,176
Accrued liabilities	450,433	178,595	629,028
Due to other governments	3,178	9,384	12,562
Unearned revenues	25,449	41,487	66,936
Payable from restricted assets			
Accrued interest	182,127	-	182,127
Customer deposits	-	277,902	277,902
Non-current liabilities			
Due within one year			
Compensated absences	168,518	46,026	214,544
Leases payable	6,681	-	6,681
Revenue bonds and notes payable	1,070,885	444,000	1,514,885
State revolving loans payable	-	707,038	707,038
Due in more than one year			
Compensated absences	522,508	138,078	660,586
Revenue bonds and notes payable	21,175,487	7,093,000	28,268,487
State revolving loans payable	-	11,907,259	11,907,259
Other post-employment benefits	4,384,930	1,175,546	5,560,476
Net pension liability	15,700,685	762,199	16,462,884
TOTAL LIABILITIES	45,880,552	23,203,019	69,083,571
DEFERRED INFLOWS OF RESOURCES	3,543,761	866,147	4,409,908
NET POSITION			
Net investment in capital assets	28,280,342	13,678,160	41,958,502
Restricted			
Debt service	-	157,228	157,228
System improvements	-	454,564	454,564
Improvement districts	1,691,456	-	1,691,456
Public safety	673,892	-	673,892
Other purposes	1,370,446	-	1,370,446
Unrestricted (deficit)	(377,793)	14,010,607	13,632,814
TOTAL NET POSITION	\$ 31,638,343	\$ 28,300,559	\$ 59,938,902

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Function/program activities	Net (Expense) Revenue and Changes in Net Position						
	Primary Government				Total		
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities
Governmental activities							
General government	\$ 3,559,619	\$ 508,494	\$ 1,135	\$ -	\$ (3,049,990)	\$ -	\$ (3,049,990)
Public safety	11,159,777	643,944	473,092	3,777	(10,038,964)	-	(10,038,964)
Physical environment	519,126	414,695	-	-	(104,431)	-	(104,431)
Transportation	1,406,227	252,418	-	-	(1,153,809)	-	(1,153,809)
Economic environment	1,412,332	21,300	170,313	33,629	(1,187,090)	-	(1,187,090)
Culture and recreation	5,781,339	2,171,484	120,492	-	(3,489,363)	-	(3,489,363)
Debt service interest	664,131	-	-	-	(664,131)	-	(664,131)
Total governmental activities	24,502,551	4,012,335	765,032	37,406	(19,687,778)	-	(19,687,778)
Business-type activities							
Utilities	9,961,949	11,390,289	-	88,802	-	1,517,142	1,517,142
Sanitation	3,720,984	3,871,204	-	-	-	150,220	150,220
Stormwater	762,181	1,027,310	-	4,480	-	269,609	269,609
Total business-type activities	14,445,114	16,288,803	-	93,282	-	1,936,971	1,936,971
Total primary government	\$ 38,947,665	\$ 20,301,138	\$ 765,032	\$ 130,688	\$ (19,687,778)	\$ 1,936,971	\$ (17,750,807)
General revenues							
Taxes							
Property taxes					6,416,668	-	6,416,668
Sales taxes					4,335,114	-	4,335,114
Utility service taxes					4,045,085	-	4,045,085
Tax increments for redevelopment districts					1,893,803	-	1,893,803
Franchise fees					2,084,717	-	2,084,717
Intergovernmental, unrestricted					1,034,884	-	1,034,884
Gain on sale of assets					66,523	44,914	111,437
Miscellaneous					77,264	17,671	94,935
Investment earnings					1,225,235	713,509	1,938,744
Transfers					1,091,579	(1,091,579)	-
Total general revenues and transfers					22,270,872	(315,485)	21,955,387
CHANGE IN NET POSITION					2,583,094	1,621,486	4,204,580
NET POSITION AT BEGINNING OF YEAR					29,055,249	26,679,073	55,734,322
NET POSITION AT END OF YEAR					\$ 31,638,343	\$ 28,300,559	\$ 59,938,902

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,192,328	\$ 202,740	\$ 749,546	\$ 7,144,614
Investments	11,476,076	1,431,368	3,071,746	15,979,190
Receivables	786,484	285,207	-	1,071,691
Due from other funds	71,919	-	-	71,919
Due from other governments	6,268	97,995	39,965	144,228
Inventory, at cost	269,837	-	-	269,837
Restricted assets				
Cash and cash equivalents	3,127,039	-	21,156	3,148,195
TOTAL ASSETS	<u>\$ 21,929,951</u>	<u>\$ 2,017,310</u>	<u>\$ 3,882,413</u>	<u>\$ 27,829,674</u>
LIABILITIES				
Accounts payable	\$ 2,141,292	\$ 30,736	\$ 17,643	\$ 2,189,671
Accrued liabilities	410,043	10,698	29,692	450,433
Due to other funds	-	-	71,919	71,919
Due to other governments	3,178	-	-	3,178
Advance from other funds	262,368	-	-	262,368
Unearned revenue	25,449	-	-	25,449
Total liabilities	<u>2,842,330</u>	<u>41,434</u>	<u>119,254</u>	<u>3,003,018</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	668,032	284,420	-	952,452
FUND BALANCE				
Nonspendable	269,837	-	-	269,837
Restricted	4,497,485	1,691,456	673,892	6,862,833
Committed	8,019,062	-	3,120,593	11,139,655
Assigned	2,341,510	-	-	2,341,510
Unassigned	3,291,695	-	(31,326)	3,260,369
Total fund balance	<u>18,419,589</u>	<u>1,691,456</u>	<u>3,763,159</u>	<u>23,874,204</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 21,929,951</u>	<u>\$ 2,017,310</u>	<u>\$ 3,882,413</u>	<u>\$ 27,829,674</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, 2019**

Fund balance, total governmental funds (page 17)		\$ 23,874,204
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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	20,223,859	
Governmental depreciable/amortizable assets	72,237,641	
Less accumulated depreciation/amortization	<u>(45,055,144)</u>	
		47,406,356

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

Special assessments	319,207	
Receivable related to sale of capital asset	<u>633,245</u>	
		952,452

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 related to pension plans	5,553,121	
Deferred outflows of resources related to OPEB plan	607,792	
Deferred inflows of resources related to pension plans	(2,906,858)	
Deferred inflows of resources related to OPEB plan	<u>(636,903)</u>	
		2,617,152

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

Notes payable	(22,246,372)	
Accrued interest	(182,127)	
Capital leases	(6,681)	
Compensated absences	(691,026)	
Other post-employment benefits	(4,384,930)	
Net pension liability	<u>(15,700,685)</u>	
		<u>(43,211,821)</u>

Net position of governmental activities (page 15)		<u>\$ 31,638,343</u>
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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, 2019**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 11,961,569	\$ 1,139,801	\$ -	\$ 13,101,370
Permits and fees	2,114,019	23,864	521,317	2,659,200
Intergovernmental	4,586,960	787,631	141,633	5,516,224
Charges for services	2,868,887	-	-	2,868,887
Fines	84,181	-	10,397	94,578
Miscellaneous	1,470,751	156,241	143,333	1,770,325
Total revenues	<u>23,086,367</u>	<u>2,107,537</u>	<u>816,680</u>	<u>26,010,584</u>
EXPENDITURES				
Current				
General governmental services	3,377,241	-	-	3,377,241
Public safety	9,838,964	-	318,781	10,157,745
Physical environment	424,278	-	15,168	439,446
Transportation	824,349	-	-	824,349
Economic environment	-	1,143,721	138,342	1,282,063
Culture and recreation	4,685,690	-	-	4,685,690
Capital outlay	9,385,760	1,084,885	27,383	10,498,028
Debt service				
Principal	-	-	698,381	698,381
Interest	6,236	-	540,929	547,165
Total expenditures	<u>28,542,518</u>	<u>2,228,606</u>	<u>1,738,984</u>	<u>32,510,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(5,456,151)</u>	<u>(121,069)</u>	<u>(922,304)</u>	<u>(6,499,524)</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	350,000	-	-	350,000
Long-term debt issuance proceeds	12,520,000	-	-	12,520,000
Transfers in	1,091,579	-	1,262,327	2,353,906
Transfers out	(1,262,327)	-	-	(1,262,327)
Total other financing sources (uses)	<u>12,699,252</u>	<u>-</u>	<u>1,262,327</u>	<u>13,961,579</u>
NET CHANGE IN FUND BALANCE	7,243,101	(121,069)	340,023	7,462,055
FUND BALANCE AT BEGINNING OF YEAR	<u>11,176,488</u>	<u>1,812,525</u>	<u>3,423,136</u>	<u>16,412,149</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,419,589</u>	<u>\$ 1,691,456</u>	<u>\$ 3,763,159</u>	<u>\$ 23,874,204</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balance – governmental funds (page 19)	\$	7,462,055
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	10,498,028	
Less current year depreciation/amortization	<u>(2,719,762)</u>	7,778,266
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	(683,826)	
Accumulated depreciation/amortization – disposals	437,143	
Transfers and adjustments of capital assets	(125,809)	
Accumulated depreciation/amortization – transfers and adjustments	<u>89,015</u>	(283,477)
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	(31,912)	
Special assessment for interest and penalties	924	
Payments received on receivable related to the sale of capital assets	<u>(52,053)</u>	(83,041)
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.		
Proceeds from issuance of long-term debt	(12,520,000)	
Debt principal and capital lease payments	698,381	
Change in accrued interest on long-term debt	<u>(116,966)</u>	(11,938,585)
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	(290,250)	
Change in other post-employment benefits liability and related deferred inflows and deferred outflows of resources	(32,412)	
Change in long-term compensated absences	<u>(29,462)</u>	(352,124)
Change in net position of governmental activities (page 16)	\$	<u><u>2,583,094</u></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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 12,160,547	\$ 12,160,547	\$ 11,961,569	\$ (198,978)
Permits and fees	2,359,975	2,359,975	2,114,019	(245,956)
Intergovernmental	3,171,713	3,177,221	4,586,960	1,409,739
Charges for services	2,629,474	2,647,658	2,868,887	221,229
Fines	95,961	95,961	84,181	(11,780)
Miscellaneous	613,560	666,251	1,470,751	804,500
Total revenues	<u>21,031,230</u>	<u>21,107,613</u>	<u>23,086,367</u>	<u>1,978,754</u>
EXPENDITURES				
Current				
General governmental services	3,924,786	3,869,792	3,377,241	492,551
Public safety	10,517,536	10,425,278	9,838,964	586,314
Physical environment	384,117	384,117	424,278	(40,161)
Transportation	975,009	974,709	824,349	150,360
Culture and recreation	4,989,808	5,006,195	4,685,690	320,505
Capital outlay	1,338,505	13,275,546	9,385,760	3,889,786
Debt service	-	-	6,236	(6,236)
Total expenditures	<u>22,129,761</u>	<u>33,935,637</u>	<u>28,542,518</u>	<u>5,393,119</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(1,098,531)</u>	<u>(12,828,024)</u>	<u>(5,456,151)</u>	<u>7,371,873</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	17,549	350,000	332,451
Long-term debt issuance proceeds	-	12,520,000	12,520,000	-
Transfers in	847,373	847,373	1,091,579	244,206
Transfers out	(1,081,509)	(1,081,509)	(1,262,327)	(180,818)
Total other financing sources (uses)	<u>(234,136)</u>	<u>12,303,413</u>	<u>12,699,252</u>	<u>395,839</u>
NET CHANGE IN FUND BALANCE	<u>(1,332,667)</u>	<u>(524,611)</u>	<u>7,243,101</u>	<u>7,767,712</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,332,667</u>	<u>524,611</u>	<u>11,176,488</u>	<u>10,651,877</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,419,589</u>	<u>\$ 18,419,589</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,139,801	\$ 1,139,801	\$ 1,139,801	\$ -
Permits and fees	-	-	23,864	23,864
Intergovernmental	720,907	754,536	787,631	33,095
Miscellaneous	32,457	44,007	156,241	112,234
Total revenues	<u>1,893,165</u>	<u>1,938,344</u>	<u>2,107,537</u>	<u>169,193</u>
EXPENDITURES				
Current				
Economic environment	1,893,165	1,940,264	1,143,721	796,543
Capital outlay	<u>1,473,270</u>	<u>1,473,270</u>	<u>1,084,885</u>	<u>388,385</u>
Total expenditures	<u>3,366,435</u>	<u>3,413,534</u>	<u>2,228,606</u>	<u>1,184,928</u>
CHANGE IN FUND BALANCE	(1,473,270)	(1,475,190)	(121,069)	1,354,121
FUND BALANCE AT BEGINNING OF YEAR	<u>1,473,270</u>	<u>1,475,190</u>	<u>1,812,525</u>	<u>337,335</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,691,456</u>	<u>\$ 1,691,456</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,158,289	\$ 514,087	\$ 1,085,809	\$ 4,758,185
Restricted assets – cash and cash equivalents	888,814	880	-	889,694
Investments	8,356,097	2,147,737	480,451	10,984,285
Receivables, net	628,955	188,878	55,903	873,736
Advance to other funds	-	50,416	-	50,416
Due from other governments	-	-	44,560	44,560
Inventory – at cost	20,393	-	-	20,393
Prepaid assets	-	-	4,534	4,534
Total current assets	<u>13,052,548</u>	<u>2,901,998</u>	<u>1,671,257</u>	<u>17,625,803</u>
Other assets				
Advance to other funds	-	211,952	-	211,952
Other receivables, net	<u>4,445</u>	<u>-</u>	<u>-</u>	<u>4,445</u>
Total other assets	<u>4,445</u>	<u>211,952</u>	<u>-</u>	<u>216,397</u>
Capital assets, net				
Non-depreciable/amortizable	801,242	-	59,220	860,462
Depreciable/amortization, net	<u>28,816,079</u>	<u>1,016,048</u>	<u>3,059,689</u>	<u>32,891,816</u>
Total capital assets	<u>29,617,321</u>	<u>1,016,048</u>	<u>3,118,909</u>	<u>33,752,278</u>
Total non-current assets	<u>29,621,766</u>	<u>1,228,000</u>	<u>3,118,909</u>	<u>33,968,675</u>
TOTAL ASSETS	<u>42,674,314</u>	<u>4,129,998</u>	<u>4,790,166</u>	<u>51,594,478</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>518,830</u>	<u>200,258</u>	<u>56,159</u>	<u>775,247</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2019**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 281,289	\$ 139,268	\$ 1,948	\$ 422,505
Accrued liabilities				
Compensated absences	27,575	14,214	4,237	46,026
Wages	52,403	28,218	7,405	88,026
Interest	86,627	-	-	86,627
Other	2,039	1,609	294	3,942
Due to other governments	-	9,384	-	9,384
Revenue note payable	444,000	-	-	444,000
State revolving loan payable	707,038	-	-	707,038
Payable from restricted assets				
Customer deposits	277,022	880	-	277,902
Unearned revenue	41,487	-	-	41,487
Total current liabilities	<u>1,919,480</u>	<u>193,573</u>	<u>13,884</u>	<u>2,126,937</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	82,724	42,643	12,711	138,078
Revenue note payable	7,093,000	-	-	7,093,000
State revolving loan payable	11,907,259	-	-	11,907,259
Other post-employment benefits	609,617	406,012	159,917	1,175,546
Net pension liability	508,715	205,082	48,402	762,199
Total non-current liabilities	<u>20,201,315</u>	<u>653,737</u>	<u>221,030</u>	<u>21,076,082</u>
TOTAL LIABILITIES	<u>22,120,795</u>	<u>847,310</u>	<u>234,914</u>	<u>23,203,019</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>552,656</u>	<u>246,071</u>	<u>67,420</u>	<u>866,147</u>
NET POSITION				
Net investment in capital assets	9,543,203	1,016,048	3,118,909	13,678,160
Restricted				
Debt service	157,228	-	-	157,228
System improvements	454,564	-	-	454,564
Unrestricted	<u>10,364,698</u>	<u>2,220,827</u>	<u>1,425,082</u>	<u>14,010,607</u>
TOTAL NET POSITION	<u>\$ 20,519,693</u>	<u>\$ 3,236,875</u>	<u>\$ 4,543,991</u>	<u>\$ 28,300,559</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, 2019**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 11,370,718	\$ 3,871,204	\$ 1,027,310	\$ 16,269,232
OPERATING EXPENSES				
Personal services	2,094,523	1,157,409	277,074	3,529,006
Operating	5,501,453	2,284,905	305,867	8,092,225
Depreciation/amortization expense	1,880,770	278,670	179,240	2,338,680
Total operating expenses	9,476,746	3,720,984	762,181	13,959,911
OPERATING INCOME (LOSS)	<u>1,893,972</u>	<u>150,220</u>	<u>265,129</u>	<u>2,309,321</u>
NON-OPERATING REVENUES (EXPENSES)				
Rental income	19,571	-	-	19,571
Interest expense	(479,092)	-	-	(479,092)
Amortization	(5,613)	-	-	(5,613)
Gain (loss) on sale of capital assets	39,269	5,645	-	44,914
Gain (loss) on investments	285,322	71,055	15,790	372,167
Interest	246,766	64,367	30,209	341,342
Grants in aid	(498)	-	-	(498)
Miscellaneous	14,680	2,987	4	17,671
Total non-operating revenues (expenses)	120,405	144,054	46,003	310,462
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
CONTRIBUTIONS AND TRANSFERS	<u>2,014,377</u>	<u>294,274</u>	<u>311,132</u>	<u>2,619,783</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	36,794	-	4,480	41,274
Impact fees	52,008	-	-	52,008
Transfers out	(815,586)	(173,840)	(102,153)	(1,091,579)
Total capital contributions and transfers	(726,784)	(173,840)	(97,673)	(998,297)
CHANGE IN NET POSITION	1,287,593	120,434	213,459	1,621,486
NET POSITION AT BEGINNING OF YEAR	<u>19,232,100</u>	<u>3,116,441</u>	<u>4,330,532</u>	<u>26,679,073</u>
NET POSITION AT END OF YEAR	<u>\$ 20,519,693</u>	<u>\$ 3,236,875</u>	<u>\$ 4,543,991</u>	<u>\$ 28,300,559</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, 2019**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 11,460,356	\$ 3,882,030	\$ 1,022,960	\$ 16,365,346
Payments to suppliers	(5,437,861)	(2,255,926)	(307,320)	(8,001,107)
Payments to employees	(2,160,611)	(1,175,928)	(279,194)	(3,615,733)
Miscellaneous income	34,251	2,987	4	37,242
Net cash provided by operating activities	<u>3,896,135</u>	<u>453,163</u>	<u>436,450</u>	<u>4,785,748</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Change in intergovernmental balances	-	1,469	-	1,469
Advance to other funds	-	49,427	-	49,427
Grants and aids	(498)	-	-	(498)
Transfers out	(815,586)	(173,840)	(102,153)	(1,091,579)
Net cash used in non-capital financing activities	<u>(816,084)</u>	<u>(122,944)</u>	<u>(102,153)</u>	<u>(1,041,181)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees and capital received	52,008	-	-	52,008
Acquisitions of capital assets	(851,085)	(140,225)	(66,953)	(1,058,263)
Proceeds from disposal of capital assets	39,385	32,500	-	71,885
Proceeds from capital grants and contributions	-	-	4,480	4,480
Principal paid on revenue note	(431,000)	-	-	(431,000)
Principal paid on state revolving loan	(693,792)	-	-	(693,792)
Interest paid on loans and notes payable	(482,238)	-	-	(482,238)
Net cash used in capital and related financing activities	<u>(2,366,722)</u>	<u>(107,725)</u>	<u>(62,473)</u>	<u>(2,536,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(5,736,044)	(1,422,187)	(488,338)	(7,646,569)
Proceeds from sales and maturities of investments	7,154,528	1,514,269	1,081,993	9,750,790
Investment income, net	532,088	135,422	45,999	713,509
Net cash provided by capital and related financing activities	<u>1,950,572</u>	<u>227,504</u>	<u>639,654</u>	<u>2,817,730</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,663,901	449,998	911,478	4,025,377
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,383,202</u>	<u>64,969</u>	<u>174,331</u>	<u>1,622,502</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,047,103</u>	<u>\$ 514,967</u>	<u>\$ 1,085,809</u>	<u>\$ 5,647,879</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, 2019**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 3,158,289	\$ 514,087	\$ 1,085,809	\$ 4,758,185
Restricted assets	888,814	880	-	889,694
Total cash and cash equivalents	<u>\$ 4,047,103</u>	<u>\$ 514,967</u>	<u>\$ 1,085,809</u>	<u>\$ 5,647,879</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,893,972	\$ 150,220	\$ 265,129	\$ 2,309,321
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,880,770	278,670	179,240	2,338,680
Miscellaneous revenue	34,251	2,987	4	37,242
Decrease (increase) in assets:				
Accounts receivable	80,154	18,221	130	98,505
Due from other governments	-	-	(4,480)	(4,480)
Inventory	106	-	-	106
Decrease in deferred outflows of resources	298,150	114,734	24,964	437,848
Increase (decrease) in liabilities:				
Accounts payable	65,259	30,112	(1,216)	94,155
Compensated absences payable	(463)	3,403	2,008	4,948
Wages	9,186	6,918	2,072	18,176
Other liabilities	(1,773)	(1,133)	(237)	(3,143)
Customer deposits	(4,966)	(7,395)	-	(12,361)
Other post-employment benefits	(6,640)	(4,422)	(1,745)	(12,807)
Unearned revenue	14,450	-	-	14,450
Net pension liability	(628,780)	(253,486)	(59,825)	(942,091)
Increase in deferred inflows of resources	262,459	114,334	30,406	407,199
Net cash provided by operating activities	<u>\$ 3,896,135</u>	<u>\$ 453,163</u>	<u>\$ 436,450</u>	<u>\$ 4,785,748</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Capital grants receivable	\$ -	\$ -	\$ 44,560	\$ 44,560
Contributions of assets from other funds	<u>\$ 36,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,794</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, 2019**

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	\$ 2,099,871
Investments, at fair value	
U.S. Government and Agency obligations	6,698,839
Corporate obligations	9,856,904
Corporate equity	13,076,815
Mutual funds and exchange-traded funds	46,991,993
Commingled real estate investment funds	<u>9,437,936</u>
Total investments	<u>86,062,487</u>
TOTAL ASSETS	<u>88,162,358</u>
LIABILITIES	
Accounts payable	<u>134,541</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 88,027,817</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Employee Retirement Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 3,500,401
Plan members	452,364
State of Florida	441,542
Total contributions	<u>4,394,307</u>
Investment income (loss)	3,793,013
Less investment expense	<u>(249,746)</u>
Net investment income (loss)	<u>3,543,267</u>
Miscellaneous revenue	<u>17,474</u>
TOTAL ADDITIONS	<u>7,955,048</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	6,123,730
Disability payments	199,246
Refunds	96,917
Total benefits and refunds paid	<u>6,419,893</u>
Administrative expenses	
Legal	35,616
Contractual services	172,212
Other	74,047
Total administrative expenses	<u>281,875</u>
TOTAL DEDUCTIONS	<u>6,701,768</u>
CHANGE IN FIDUCIARY NET POSITION	1,253,280
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>86,774,537</u>
End of year	<u><u>\$ 88,027,817</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 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, 2019**

**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, 2019**

**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, 2019
Levy Date	November 1, 2019
Due Date	November 1, 2019
Delinquent Date	April 1, 2020

Discounts of 1% for each month taxes are paid prior to March 2020 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 2019 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, 2019**

**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 2019, 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, 2019

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 Outflows/Inflows of Resources, and Net Position or Fund Balance
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 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, 2019**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance
– 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, 2019**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance
– 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, 2019**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – 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 type 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, 2019**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance
– 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. 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, 2017
Measurement Date (MD)	September 30, 2018
Measurement Period (MP)	October 1, 2017 to September 30, 2018

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance
– 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 the formal action (an Ordinance) 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 (an Ordinance) 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 aforementioned 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, 2019**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance
– 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.

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2019, and April 22, 2020, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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.

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, 2019, the value of the City's deposits was \$15,794,206, all of which was held by qualified public depositories or permitted investments under Florida Statutes.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2019, 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, 2019, 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	\$ 21,862,638	\$ 915,190	\$ 20,740,482	\$ 206,966	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal debt	703,246	300,000	403,246	-	-	-	-	-	-
U.S. Treasury	13,603,559	-	10,001,733	219,672	692,381	-	-	2,689,773	-
U.S. Government Agencies	3,524,965	59,726	3,465,239	-	-	-	-	-	-
U.S. Government Agency Pools	699,422	-	-	81,236	138,499	479,687	-	-	-
	<u>40,393,830</u>	<u>\$ 1,274,916</u>	<u>\$ 34,610,700</u>	<u>\$ 507,874</u>	<u>\$ 830,880</u>	<u>\$ 479,687</u>	<u>\$ -</u>	<u>\$ 2,689,773</u>	<u>\$ -</u>
Investments not subject to interest rate risk:									
Money market funds	16,499								
Common stock	13,076,815								
Mutual and exchange-traded funds	50,054,234								
Real estate investment funds	9,437,936								
External investment pools	<u>46,648</u>								
Total	<u>\$ 113,025,962</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, 2019**

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.

<u>Investment Type</u>	<u>General Employees' Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>
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, 2019.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2019, are as follows:

	<u>General Pension Plan</u>	<u>Police Pension Plan</u>	<u>Fire Pension Plan</u>
Corporate debt	Aa1-A3	Aa1-A3	Aa1-Baa1
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, 2019

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, 2019.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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	\$ 9,437,936	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, 2019**

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 16,499	\$ -	\$ 16,499	\$ -
Debt securities				
U.S. Treasury bonds	13,603,559	13,603,559	-	-
U.S. Government Agency obligations	3,524,965	-	3,524,965	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	699,422	-	699,422	-
Corporate bonds	21,862,638	-	21,862,638	-
Municipal bonds	703,246	-	703,246	-
Total debt securities	<u>40,393,830</u>	<u>13,603,559</u>	<u>26,790,271</u>	<u>-</u>
Equity securities				
Domestic common stock	12,250,718	12,250,718	-	-
Foreign common stock	826,097	826,097	-	-
Mutual funds and exchange-traded funds	50,054,234	-	50,054,234	-
Total equity securities	<u>63,131,049</u>	<u>13,076,815</u>	<u>50,054,234</u>	<u>-</u>
* External investment pools	46,648	-	-	-
* Commingled real estate investment funds	9,437,936	-	-	-
Total investments measured at fair value	<u>\$ 113,025,962</u>	<u>\$ 26,680,374</u>	<u>\$ 76,861,004</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.

Money market funds, debt securities, and equity securities classified in Level 2 are determined by broker quotes that utilize matrix pricing models and other observable market inputs.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. RECEIVABLES

Receivables at September 30, 2019, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			<u>Total</u>
	<u>General</u>	<u>Community Redevelopment Fund</u>	<u>Utilities</u>	<u>Sanitation</u>	<u>Stormwater</u>	
Taxes	\$ 19,387	\$ -	\$ -	\$ -	\$ -	\$ 19,387
Accounts	99,065	787	667,171	196,827	59,139	1,022,989
Less allowance for doubtful accounts	-	-	(39,678)	(7,949)	(3,236)	(50,863)
Assessments	34,787	284,420	1,462	-	-	320,669
Other	633,245	-	4,445	-	-	637,690
Total receivables, net	<u>\$ 786,484</u>	<u>\$ 285,207</u>	<u>\$ 633,400</u>	<u>\$ 188,878</u>	<u>\$ 55,903</u>	<u>\$ 1,949,872</u>

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 \$370,245 as of September 30, 2019.

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 \$263,000 as of September 30, 2019.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2019, are \$144,228. Due from other governments in the governmental activities consists primarily of federal proceeds related to the U.S. Department of Housing and Urban Development grants and U.S. Department of Justice grants.

The City's receivables from other governments for business-type activities as of September 30, 2019, are \$44,560 which consists of state proceeds related to stormwater system improvement grants.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated/amortized					
Land	\$ 11,148,479	\$ -	\$ (238,269)	\$ -	\$ 10,910,210
Construction in progress	1,080,970	8,509,254	-	(276,575)	9,313,649
Total capital assets not being depreciated/amortized	<u>12,229,449</u>	<u>8,509,254</u>	<u>(238,269)</u>	<u>(276,575)</u>	<u>20,223,859</u>
Capital assets being depreciated/amortized					
Buildings	25,376,412	522,593	-	81,042	25,980,047
Improvements other than buildings	18,819,972	733,149	-	146,033	19,699,154
Infrastructure	13,156,072	182,865	-	-	13,338,937
Software	521,876	-	-	-	521,876
Machinery and equipment	12,539,346	550,167	(445,557)	(76,309)	12,567,647
Equipment under capital lease	129,980	-	-	-	129,980
Total capital assets being depreciated/amortized	<u>70,543,658</u>	<u>1,988,774</u>	<u>(445,557)</u>	<u>150,766</u>	<u>72,237,641</u>
Less accumulated depreciation/amortization					
Buildings	(11,625,369)	(711,996)	-	31,358	(12,306,007)
Improvements other than buildings	(12,166,255)	(695,032)	-	-	(12,861,287)
Infrastructure	(9,844,437)	(291,988)	-	-	(10,136,425)
Software	(560,253)	(9,790)	-	-	(570,043)
Machinery and equipment	(8,588,392)	(997,401)	437,143	57,657	(9,090,993)
Equipment under capital lease	(76,834)	(13,555)	-	-	(90,389)
Total accumulated depreciation/amortization	<u>(42,861,540)</u>	<u>(2,719,762)</u>	<u>437,143</u>	<u>89,015</u>	<u>(45,055,144)</u>
Total capital assets being depreciated/amortized, net	<u>27,682,118</u>	<u>(730,988)</u>	<u>(8,414)</u>	<u>239,781</u>	<u>27,182,497</u>
Governmental activities, net	<u>\$ 39,911,567</u>	<u>\$ 7,778,266</u>	<u>\$ (246,683)</u>	<u>\$ (36,794)</u>	<u>\$ 47,406,356</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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	99,772	11,270	-	-	111,042
Easements	39,742	-	-	-	39,742
Total capital assets not being depreciated/amortized	<u>849,192</u>	<u>11,270</u>	<u>-</u>	<u>-</u>	<u>860,462</u>
Capital assets being depreciated/amortized					
Buildings	411,900	-	-	-	411,900
Improvements other than buildings	49,513,999	212,442	-	49,500	49,775,941
Software	111,215	-	-	-	111,215
Machinery and equipment	10,551,955	834,551	(456,568)	76,309	11,006,247
Total capital assets being depreciated/amortized	<u>60,589,069</u>	<u>1,046,993</u>	<u>(456,568)</u>	<u>125,809</u>	<u>61,305,303</u>
Less accumulated depreciation/amortization					
Buildings	(313,249)	(7,930)	-		(321,179)
Improvements other than buildings	(18,696,822)	(1,607,351)	-	(31,358)	(20,335,531)
Software	(111,215)	-	-	-	(111,215)
Machinery and equipment	(7,294,103)	(723,399)	429,597	(57,657)	(7,645,562)
Total accumulated depreciation/amortization	<u>(26,415,389)</u>	<u>(2,338,680)</u>	<u>429,597</u>	<u>(89,015)</u>	<u>(28,413,487)</u>
Total capital assets being depreciated/amortized, net	<u>34,173,680</u>	<u>(1,291,687)</u>	<u>(26,971)</u>	<u>36,794</u>	<u>32,891,816</u>
Business-type activities, net	<u>\$ 35,022,872</u>	<u>\$(1,280,417)</u>	<u>\$ (26,971)</u>	<u>\$ 36,794</u>	<u>\$ 33,752,278</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	\$ 137,738
Public safety	762,028
Physical environment	67,925
Transportation	578,245
Economic environment	128,577
Culture and recreation	<u>1,045,249</u>
Total depreciation/amortization expense – governmental activities	<u><u>\$ 2,719,762</u></u>

Business-type activities

Utilities fund	\$ 1,880,770
Sanitation fund	278,670
Stormwater fund	<u>179,240</u>
Total depreciation/amortization expense – business-type activities	<u><u>\$ 2,338,680</u></u>

Construction Commitments

During fiscal year 2019, the City began constructing a new consolidated facility complex. The total project was approved at \$13.4 million and the issuance of a revenue note to finance the project was completed in December 2018. At September 30, 2019, the remaining project costs are approximately \$4.1 million. The project is expected to be completed in December 2019.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2019, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

Governmental activities:

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Governmental Activities</u>
Deferred outflows			
City pension contributions made subsequent to the measurement date	\$ -	\$ -	\$ 3,406,813
Net difference between projected and actual earnings on pension plan investments	-	-	89,551
Differences between expected and actual experience on pension plan actuarial assumptions	-	-	514,838
Changes in assumptions related to pension plan	-	-	1,541,919
City OPEB contributions made subsequent to the measurement date			190,926
Changes in assumptions related to OPEB plan	-	-	416,866
Total deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,160,913</u>
Deferred inflows			
Differences between expected and actual experience on pension plan actuarial assumptions	\$ -	\$ -	\$ 1,159,688
Net difference between projected and actual earnings on pension plan investments	-	-	1,558,398
Changes in assumptions related to pension plan	-	-	188,772
Differences between expected and actual experience on OPEB plan actuarial assumptions	-	-	334,530
Changes in assumptions related to OPEB plan			302,373
Unavailable revenue – special assessments	34,787	284,420	-
Unavailable revenue – long-term receivable from sale of buildings	633,245	-	-
Total deferred inflows	<u>\$ 668,032</u>	<u>\$ 284,420</u>	<u>\$ 3,543,761</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES – CONTINUED

Business-type activities:

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Business-Type Activities</u>
Deferred outflows				
City pension contributions made subsequent to the measurement date	\$ 357,162	\$ 143,986	\$ 33,982	\$ 535,130
Deferred loss on refunding	77,179	-	-	77,179
City OPEB contributions made subsequent to the measurement date	26,535	17,674	6,973	51,182
Changes in assumptions related to OPEB plan	57,954	38,598	15,204	111,756
Total deferred outflows	\$ 518,830	\$ 200,258	\$ 56,159	\$ 775,247
Deferred inflows				
Net difference between projected and actual earnings on pension plan investments	\$ 437,032	\$ 176,185	\$ 41,581	\$ 654,798
Differences between expected and actual experience on pension plan actuarial assumptions	27,106	10,928	2,579	40,613
Changes in assumptions related to OPEB plan	42,024	27,991	11,043	81,058
Differences between expected and actual experience on OPEB plan actuarial assumptions	46,494	30,967	12,217	89,678
Total deferred inflows	\$ 552,656	\$ 246,071	\$ 67,420	\$ 866,147

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), the 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Plan Administration – Continued

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.

Plan membership consists of 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, 2017:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	162
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	42
Active Plan Members	75
	279

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.

Funding Policy and Contributions

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2019, the participants’ contribution rate was 5.0%. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the participants. For the year ended September 30, 2019, the City was required to contribute 53.4% of payroll.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERP

The measurement date is September 30, 2018. The measurement period for the pension expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 through September 30, 2019. The city's net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 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 2018, the inflation rate assumption of the investment advisor was 3.0%.

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	55.00%	7.50%
International Equity	10.00%	8.50%
Broad Market Fixed Income	25.00%	2.50%
Real Estate	10.00%	3.50%
Total	<u>100.00%</u>	

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF – Continued

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.

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, 2018 (Valuation Date of 10/01/2017)	\$ 49,580,471	\$ 44,001,782	\$ 5,578,689
Changes:			
Service cost	446,214	-	446,214
Interest	3,827,379	-	3,827,379
Differences between expected and actual experience	(265,877)	-	(265,877)
Contributions – employer	-	2,006,925	(2,006,925)
Contributions – employee	-	158,138	(158,138)
Net investment income	-	4,975,937	(4,975,937)
Benefit payments, including refunds of employee contributions	(3,157,696)	(3,157,696)	-
Administrative expenses	-	(49,518)	49,518
Net changes	<u>850,020</u>	<u>3,933,786</u>	<u>(3,083,766)</u>
Balances at September 30, 2019 (Measurement Date of 9/30/2018)	<u>\$ 50,430,491</u>	<u>\$ 47,935,568</u>	<u>\$ 2,494,923</u>

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

	Current Discount		
	1% Decrease 6.90%	Rate 7.90%	1% Increase 8.90%
Sponsor's net pension liability (asset)	\$ 7,964,056	\$ 2,494,923	\$ (2,119,461)

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Change in Net Pension Liability – GERP – Continued

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.

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,679,623. On September 30, 2019, 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	\$ 1,751,654	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,143,363
Differences between expected and actual experience	-	132,939
Total	\$ 1,751,654	\$ 2,276,302

Deferred outflows of resources related to pensions of \$1,751,654 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, 2020. 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:

2020		\$ (408,714)
2021		(887,588)
2022		(671,808)
2023		(308,192)
		\$ (2,276,302)

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, 2019**

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, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	47
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	43
	106

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

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2019, the participants’ contribution rate was 5.0% of payroll until a 75% maximum accrual is attained and then 0.5% thereafter. The State of Florida is required to contribute 8.0% of payroll and the City is required to contribute the difference between the actuarially determined rate and the contribution rate of the participants and the State of Florida. For the year ended September 30, 2019, the City was required to contribute 29.0% of payroll.

Net Pension Liability – PORF

The measurement date is September 30, 2018. The measurement period for the pension expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 through September 30, 2019. The city’s net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.60%
Investment rate of return	7.60%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2017 valuation were based on the results of an actuarial experience study dated June 4, 2018. 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 2018, 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, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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, 2019**

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, 2018 (Valuation Date of 10/01/2017)	\$ 27,002,003	\$ 20,960,073	\$ 6,041,930
Changes:			
Service cost	395,440	-	395,440
Interest	2,112,261	-	2,112,261
Contributions – employer	-	830,613	(830,613)
Contributions – state	-	202,468	(202,468)
Contributions – employee	-	112,112	(112,112)
Change in excess state contributions	20,893	-	20,893
Net investment income	-	1,609,609	(1,609,609)
Differences between expected and actual experience	(833,418)	-	(833,418)
Changes of assumptions	(251,695)		(251,695)
Benefit payments, including refunds of employee contributions	(1,764,575)	(1,764,575)	-
Administrative expenses	-	(54,400)	54,400
Net changes	<u>(321,094)</u>	<u>935,827</u>	<u>(1,256,921)</u>
Balances at September 30, 2019 (Measurement Date of 9/30/2018)	<u>\$ 26,680,909</u>	<u>\$ 21,895,900</u>	<u>\$ 4,785,009</u>

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

	Current Discount		
	1% Decrease 6.60%	Rate 7.60%	1% Increase 8.60%
Sponsor's net pension liability	\$ 7,850,968	\$ 4,785,009	\$ 2,230,508

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, 2019**

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, 2019, the City recognized pension expense of \$828,428. On September 30, 2019, 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	\$ 953,828	\$ -
Net difference between projected and actual earnings on pension plan investments	89,551	-
Changes of assumptions	408,281	188,772
Differences between Expected and Actual experience	-	902,876
Total	\$ 1,451,660	\$ 1,091,648

Deferred outflows of resources related to pensions of \$953,828 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, 2020. 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:

2020	\$ 244,235
2021	(486,376)
2022	(359,724)
2023	8,049
	\$ (593,816)

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, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – FRF – Continued

Plan Membership as of October 1, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	36
	66

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

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2019, the participants' contribution rate was 8.0% of payroll. The State of Florida is required to contribute 9.1% of payroll and the City is required to contribute the difference between the actuarially determined rate and the contribution rate of the participants and the State of Florida. For the year ended September 30, 2019, the City was required to contribute 38.6% of payroll.

Net Pension Liability – FRF

The measurement date is September 30, 2018. The measurement period for the pension expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 through September 30, 2019. The city's Net Pension Liability was measured as of September 30, 2018. The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.60%
Investment rate of return	7.60%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 (Inactive) – 10% Annuitant White Collar, 90% Annuitant Blue Collar.

Females (Inactive) – 100% Annuitant White Collar.

Males (Active) – 10% Combined Healthy White Collar, 90% Combined Healthy Blue Collar.

Females (Active) – 100% Combined Healthy 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 set back, 40% Annuitant White Collar with no setback.

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

The most recent actuarial experience study used to review the other significant assumptions was dated June 2, 2017.

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 2018, 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	50.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	20.00%	2.50%
Global fixed income	5.00%	3.50%
Real estate	10.00%	4.50%
Total	<u>100.00%</u>	

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability – FRF

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2018 (Valuation Date of 10/01/2017)	\$ 24,087,817	\$ 15,532,148	\$ 8,555,669
Changes:			
Service cost	477,930	-	477,930
Interest	1,864,720	-	1,864,720
Contributions – employer	-	1,089,746	(1,089,746)
Contributions – state	-	195,017	(195,017)
Contributions – employee	-	182,127	(182,127)
Net investment income	-	1,430,717	(1,430,717)
Changes of assumptions	601,424	-	601,424
Differences between expected and actual experience	513,043	-	513,043
Benefit payments, including refunds of employee contributions	(1,318,156)	(1,318,156)	-
Administrative expenses	-	(67,773)	67,773
Net changes	<u>2,138,961</u>	<u>1,511,678</u>	<u>627,283</u>
Balances at September 30, 2019 (Measurement Date of 9/30/2018)	<u>\$ 26,226,778</u>	<u>\$ 17,043,826</u>	<u>\$ 9,182,952</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability – FRF – Continued

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

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Sponsor's net pension liability	\$ 12,589,370	\$ 9,182,952	\$ 6,389,276

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.

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

For the year ended September 30, 2019, the City recognized a pension expense of \$1,605,602. On September 30, 2019, 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	\$ 1,236,461	\$ -
Net difference between projected and actual earnings on pension plan investments	-	69,833
Changes of assumptions	1,133,638	-
Differences between expected and actual experience	514,838	164,486
Total	\$ 2,884,937	\$ 234,319

Deferred outflows of resources related to pensions of \$1,236,461 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, 2020. 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:

2020	\$ 632,506
2021	462,596
2022	139,371
2023	179,684
	\$ 1,414,157

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

COMBINING STATEMENT OF PLAN NET POSITION

	<u>Employee Retirement Funds</u>			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ASSETS				
Cash and cash equivalents	\$ 1,080,545	\$ 645,868	\$ 373,458	\$ 2,099,871
Investments, at market				
U.S. Government and Agency obligations	3,177,337	2,214,309	1,307,193	6,698,839
Corporate obligations	4,788,254	3,019,986	2,048,664	9,856,904
Corporate equity	13,076,815	-	-	13,076,815
Mutual and exchange-traded funds	20,806,038	14,141,743	12,044,212	46,991,993
Commingled real estate investment funds	5,506,298	2,139,283	1,792,355	9,437,936
Total investments, at market	<u>47,354,742</u>	<u>21,515,321</u>	<u>17,192,424</u>	<u>86,062,487</u>
TOTAL ASSETS	48,435,287	22,161,189	17,565,882	88,162,358
LIABILITIES				
Accounts payable	<u>50,588</u>	<u>60,385</u>	<u>23,568</u>	<u>134,541</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 48,384,699</u>	<u>\$ 22,100,804</u>	<u>\$ 17,542,314</u>	<u>\$ 88,027,817</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	<u>Employee Retirement Funds</u>			<u>Total Employee Retirement Funds</u>
	<u>General Employees' Retirement</u>	<u>Police Officers' Retirement</u>	<u>Firefighters' Retirement</u>	
ADDITIONS				
Contributions				
Employer	\$ 1,751,654	\$ 732,187	\$ 1,016,560	\$ 3,500,401
Plan members	150,018	113,192	189,154	452,364
State of Florida	-	221,641	219,901	441,542
Total contributions	<u>1,901,672</u>	<u>1,067,020</u>	<u>1,425,615</u>	<u>4,394,307</u>
Investment income (loss)	2,009,736	1,151,228	632,049	3,793,013
Less investment expense	<u>(171,301)</u>	<u>(36,560)</u>	<u>(41,885)</u>	<u>(249,746)</u>
Net investment income (loss)	<u>1,838,435</u>	<u>1,114,668</u>	<u>590,164</u>	<u>3,543,267</u>
Miscellaneous revenue	<u>11,034</u>	<u>1,264</u>	<u>5,176</u>	<u>17,474</u>
TOTAL ADDITIONS	<u>3,751,141</u>	<u>2,182,952</u>	<u>2,020,955</u>	<u>7,955,048</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	3,126,018	1,663,464	1,334,248	6,123,730
Disability payments	35,794	157,558	5,894	199,246
Other	-	30,052	66,865	96,917
Total benefits and refunds paid	<u>3,161,812</u>	<u>1,851,074</u>	<u>1,407,007</u>	<u>6,419,893</u>
Administrative expenses				
Legal	5,257	14,153	16,206	35,616
Contractual	47,875	61,582	62,755	172,212
Other	<u>32,234</u>	<u>19,641</u>	<u>22,172</u>	<u>74,047</u>
Total administrative expenses	<u>85,366</u>	<u>95,376</u>	<u>101,133</u>	<u>281,875</u>
TOTAL DEDUCTIONS	<u>3,247,178</u>	<u>1,946,450</u>	<u>1,508,140</u>	<u>6,701,768</u>
INCREASE IN PLAN NET POSITION	503,963	236,502	512,815	1,253,280
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>47,880,736</u>	<u>21,864,302</u>	<u>17,029,499</u>	<u>86,774,537</u>
End of year	<u>\$ 48,384,699</u>	<u>\$ 22,100,804</u>	<u>\$ 17,542,314</u>	<u>\$ 88,027,817</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

9. DEFINED CONTRIBUTION PENSION PLAN

City of Fort Walton Beach Defined Contribution Plan

In December 2009, City Council closed the General Employees' Defined Benefit Plan. All general, full-time employees hired on or after January 1, 2010, are members of the Defined Contribution Retirement Plan (Plan). The Plan is a money purchase defined contribution retirement plan administered by ICMA Retirement Corporation, with the City serving as trustee. All funds are held in the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust in the name of each participant. The City finance director serves as the coordinator for the Plan. The Plan requires a 5% payroll contribution by the employee with a 5% employer (City) match. Employees can increase their contribution; however, only an additional 2 ½% 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 \$217,725 and \$217,725, respectively, for the fiscal year ending September 30, 2019. 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 \$2,374,550 at September 30, 2019. Contributions made by Plan members during the fiscal year ended September 30, 2019, were \$45,638.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 September 30, 2018:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	136
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	248
	384

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.

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2018. The total OPEB liability was determined by an actuarial valuation. The measurement period for OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 to September 30, 2019.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	4.18%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	56

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Total OPEB Liability – Continued

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.

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 4.18%. 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Change in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) – (b)
Balances at September 30, 2018	\$ 5,621,056	\$ -	\$ 5,621,056
Changes for the year:			
Service cost	91,714	-	91,714
Interest	205,213	-	205,213
Differences between expected and actual experience	(494,909)	-	(494,909)
Changes of assumptions	288,811	-	288,811
Contributions – employer	-	154,409	(154,409)
Benefit payments	(151,409)	(151,409)	-
Administrative expense	-	(3,000)	3,000
Net changes	(60,580)	-	(60,580)
Reporting period ending September 30, 2019	<u>\$ 5,560,476</u>	<u>\$ -</u>	<u>\$ 5,560,476</u>

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

	1% Decrease	Current	1% Increase
	3.18%	Discount Rate 4.18%	5.18%
Total OPEB liability	\$ 6,442,631	\$ 5,560,476	\$ 4,854,687

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

	1% Decrease	Healthcare Cost	1% Increase
	3.00%-7.00%	Trend Rates 4.00%-8.00%	5.00%-9.00%
Total OPEB liability	\$ 4,937,112	\$ 5,560,476	\$ 6,338,625

OPEB Plan Fiduciary Net Position

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$283,209. On September 30, 2019, 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	\$ -	\$ 424,208
Changes of assumptions	528,622	383,431
Employer contributions subsequent to the measurement date	242,108	-
Total	\$ 770,730	\$ 807,639

Deferred outflows of resources related to pensions of \$242,108 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2020. Other 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:

2020	\$ (16,718)
2021	(16,716)
2022	(157,253)
2023	(29,442)
2024	(29,442)
Thereafter	(29,446)
	\$ (279,017)

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, 2019. 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, 2019**

13. OPERATING LEASES

Lessor

The City receives rental income from leasing various parcels of land and buildings under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2019, was \$329,580 in the General Fund, \$21,300 in the CRA Fund, and \$19,571 in the Utilities Fund.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ 351,285	\$ 20,158
2021	348,357	20,750
2022	323,862	20,373
2023	278,785	22,014
Total minimum lease payments	<u>\$ 1,302,289</u>	<u>\$ 83,295</u>

Lessee

The City leases golf carts in the General Fund through an operating lease with Yamaha. The original lease term began August 2016 and expires on July 31, 2020. Under the lease, monthly payments are \$6,474 plus property tax paid by the lessor. Rent expense for the fiscal year ending September 30, 2019 was \$83,064.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2020	<u>\$ 64,740</u>
Total minimum lease payments	<u>\$ 64,740</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

13. OPERATING LEASES – CONTINUED

Lessee – Continued

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 which began January 1, 2016 and expires December 31, 2020. The utility cart lease is a four-year lease which began September 1, 2016 and terminates August 31, 2020. Monthly lease payments for the grounds equipment and utility carts are \$2,105 plus property taxes paid by the lessor. Lease expense for the fiscal year ending September 30, 2019 was \$31,346.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2020	\$ 24,421
2021	3,808
Total minimum lease payments	<u>\$ 28,229</u>

14. CAPITAL LEASES

The City has entered into a lease agreement for financing the acquisition of fitness equipment for its recreation complex. The lease agreement qualifies as a capital lease for accounting purposes as a result of the transfer of title or bargain purchase option and therefore has been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Fitness equipment	\$ 67,774
Accumulated depreciation	(59,867)
Assets acquired by lease, net	<u>\$ 7,907</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2020	\$ 6,777
Total minimum lease payments	6,777
Less amount representing interest	(96)
Present value of minimum lease payments	<u>\$ 6,681</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
<i>Direct placements:</i>					
Capital Improvement Revenue Note, Series 2011	\$ 204,330	\$ -	\$ (59,941)	\$ 144,389	\$ 81,721
Capital Improvement Revenue Note, Series 2013	3,418,021	-	(227,408)	3,190,613	233,083
Capital Improvement Revenue Note, Series 2013A	6,766,866	-	(375,496)	6,391,370	385,597
Capital Improvement Revenue Note, Series 2018	-	12,520,000	-	12,520,000	370,484
<i>Direct borrowings:</i>					
Capital lease - phone system	21,490	-	(21,490)	-	-
Capital lease - fitness equipment	20,727	-	(14,046)	6,681	6,681
Compensated absences	661,564	761,298	(731,836)	691,026	168,518
Total governmental activities	<u>\$ 11,092,998</u>	<u>\$ 13,281,298</u>	<u>\$ (1,430,217)</u>	<u>\$ 22,944,079</u>	<u>\$ 1,246,084</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
<i>Direct placements:</i>					
Utility System Revenue Refunding Note, Series 2015	\$ 7,968,000	\$ -	\$ (431,000)	\$ 7,537,000	\$ 444,000
<i>Direct borrowings:</i>					
State Revolving Fund Loan, 2015	13,308,089	-	(693,792)	12,614,297	707,038
Compensated absences	179,156	186,757	(181,809)	184,104	46,026
Total business-type activities	<u>\$ 21,455,245</u>	<u>\$ 186,757</u>	<u>\$ (1,306,601)</u>	<u>\$ 20,335,401</u>	<u>\$ 1,197,064</u>

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

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Placements

\$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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Governmental Activities – Direct Placements – Continued

\$4,470,610 City of Fort Walton Beach, Florida, Capital Improvement Refunding Revenue Note, Series 2013, 2.30% interest due semiannually 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.

\$8,500,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2013A, 2.69% interest due semiannually 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.

\$12,520,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Bond, Series 2018, bearing interest at 3.83%, due semiannual payment of principal and interest ranging from \$11,583 to \$1,019,479 through 2038. Available non ad valorem revenues are pledged for payment of the bond. Proceeds used to finance the construction of a new field office complex on Hollywood Blvd.

In the event of default (non-payment), the lender may declare all outstanding payments of principal and interest on the debt to be immediately due and payable for all of the direct placement issuances discussed above. Furthermore, these direct placement issuances do not contain any subjective acceleration clauses.

Governmental Activities – Direct Borrowings

\$103,784 capital lease payable, 2013, due in monthly installments of \$2,088 through August 2019, collateralized by the City's phone system. This capital lease was repaid in full during fiscal year 2019.

\$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. In the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable or repossess the financed fitness equipment. This lease agreement does not contain any subjective acceleration clauses.

Business-Type Activities – Direct Placements

\$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. In the event of default (non-payment), the lender may declare all outstanding payments of principal and interest on the debt to be immediately due and payable. This note does not contain any subjective acceleration clauses.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Business-Type Activities – Direct Borrowings

\$15,637,939 State of Florida Department of Environmental Protection Revolving Loan Fund; semiannual 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. In the event of default (non-payment), the lender may notify financial market credit rating agencies, file suit for past due amounts, and accelerate repayment of unpaid principal to as much as 1.667 times the financing rate. This loan does not contain any subjective acceleration clauses.

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, 2019, are as follows:

Governmental Activities

<u>Year Ending September 30</u>	<u>Capital Lease</u>		<u>Revenue Notes and Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 6,681	\$ 96	\$ 1,070,885	\$ 727,733
2021	-	-	1,081,711	695,705
2022	-	-	1,049,375	664,037
2023	-	-	1,084,957	632,205
2024	-	-	1,115,885	599,277
2025-2029	-	-	8,683,510	2,357,951
2030-2034	-	-	4,696,434	1,167,090
2035-2039	-	-	3,463,615	314,385
Total	<u>\$ 6,681</u>	<u>\$ 96</u>	<u>\$ 22,246,372</u>	<u>\$ 7,158,383</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

15. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding – Continued

Business-Type Activities

<u>Year Ending September 30</u>	<u>Revenue Note</u>		<u>State Revolving Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 444,000	\$ 220,080	\$ 707,038	\$ 236,329
2021	456,000	207,116	720,535	222,832
2022	470,000	193,800	734,290	209,076
2023	484,000	180,076	748,308	195,059
2024	498,000	165,944	762,594	180,773
2025-2029	2,714,000	603,097	4,036,979	679,856
2030-2034	2,471,000	182,996	4,437,307	279,525
2035-2039	-	-	467,246	4,439
Total	<u>\$ 7,537,000</u>	<u>\$ 1,753,109</u>	<u>\$ 12,614,297</u>	<u>\$ 2,007,889</u>

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.

	<u>Principal/Interest Payments Due</u>	<u>Sinking Fund Requirement at September 30, 2019</u>
Principal due at October 1, 2019	\$ 19,233	\$ 19,233
Interest due at October 1, 2019	1,924	1,924
Total	<u>\$ 21,157</u>	<u>\$ 21,157</u> ¹

(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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES – CONTINUED

Capital Improvement Refunding Revenue Note, Series 2013

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2019.
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 semiannual payment date. The sinking fund was not required to be funded at September 30, 2019.
3. The City is not aware of any instances of noncompliance with the debt covenants.

Capital Improvement Revenue Note, Series 2018

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 semiannual payment date. The sinking fund was not required to be funded at September 30, 2019.
3. The City is not aware of any instances of noncompliance with the debt covenants.

Utility System Revenue Refunding Note, Series 2015

1. The statement of net position and statement of revenues, expenses, and changes in net position 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 2019 were approximately \$3,774,742.
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 2019 were \$830,100. The covenant is based upon 125% of the annual debt service requirement.
6. The pledged revenues exceeded the debt service requirements by \$3,110,662 in fiscal year 2019.

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, 2019**

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ 41,736
General	Debt Service	\$ 30,183

Advance to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sanitation	General	\$ 262,368

General Fund receivables from the Community Development Block Grant Fund and the Debt Service Fund are the result of eliminating temporary deficit cash balances.

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

The balance of the advance as of September 30, 2019 is \$262,368. The composition of interfund transfers for the year ended September 30, 2019, is as follows:

Transfers Out	Transfers In		
	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 1,262,327	\$ 1,262,327
Utilities Fund	815,586	-	815,586
Sanitation Fund	173,840	-	173,840
Stormwater Fund	102,153	-	102,153
	<u>\$ 1,091,579</u>	<u>\$ 1,262,327</u>	<u>\$ 2,353,906</u>

The transfers out of the General Fund are \$1,262,327. These transfers consist of a \$1,230,257 transfer to the Debt Service Fund (Other Governmental Fund) for principal and interest payments on debt, and a \$32,070 transfer to the Beal Memorial Cemetery Perpetual Care Fund (Other Governmental Fund) for permanent maintenance.

Transfers in to the General Fund of \$1,091,579 consist of franchise fees, compensation for heavy trucks wear and tear on roadways, and a portion of the debt service for the new field office complex from the enterprise funds representing their portion of use of the facility.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

18. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2019, were as follows:

Governmental Funds –	
General Fund	\$ 1,076,253
Community Redevelopment Agency Fund	256,110
Other Governmental Funds	42,259
	<u>\$ 1,374,622</u>

Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the statement of revenues, expenditures, and changes in fund balances.

19. GOVERNMENTAL FUND BALANCES

At September 30, 2019, the City's governmental fund balances were classified as follows:

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventory	\$ 269,837	\$ -	\$ -	\$ 269,837
Restricted for				
Improvement districts	-	1,691,456	-	1,691,456
Library	96,268	-	-	96,268
Public safety	-	-	673,892	673,892
Field office complex	3,127,039	-	-	3,127,039
Discretionary sales taxes	1,267,293	-	-	1,267,293
Other purposes	6,885	-	-	6,885
Total restricted	<u>4,497,485</u>	<u>1,691,456</u>	<u>673,892</u>	<u>6,862,833</u>
Committed				
Cemetery maintenance	-	-	3,120,593	3,120,593
Natural disaster recovery	8,019,062	-	-	8,019,062
Total committed	<u>8,019,062</u>	<u>-</u>	<u>3,120,593</u>	<u>11,139,655</u>
Assigned to				
Capital projects	1,132,222	-	-	1,132,222
Long-term debt	850,000	-	-	850,000
Other purposes	359,288	-	-	359,288
Total assigned	<u>2,341,510</u>	<u>-</u>	<u>-</u>	<u>2,341,510</u>
Unassigned	<u>3,291,695</u>	<u>-</u>	<u>(31,326)</u>	<u>3,260,369</u>
	<u>\$ 18,419,589</u>	<u>\$ 1,691,456</u>	<u>\$ 3,763,159</u>	<u>\$ 23,874,204</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

20. EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The following funds had an excess of expenditures over final budgeted appropriations for the year ending September 30, 2019:

Fund	Excess Over Budget
Community Redevelopment Agency Fund	\$ 288,342
Debt Service Fund	\$ 197,569

21. 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 \$4,893 per month. Each year in March, the rate per thousand and the Readiness to Serve Fee will increase by 3%. Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2019, were \$2,700,142.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

21. COMMITMENTS AND CONTINGENCIES – CONTINUED

Wastewater Service Interlocal Agreement with Okaloosa County – Continued

The minimum commitment by the City under the Agreement is as follows:

Fiscal Year Ending September 30

2020	\$ 59,742
2021	61,534
2022	63,380
2023	65,281
2024	67,239
2025 through 2029	367,690
2030 through 2034	426,251
2035 through 2039	<u>494,141</u>
Total	<u>\$ 1,605,258</u>

22. SUBSEQUENT EVENTS

Special Assessment – Fire Protection

In October 2019, the City Council adopted a resolution to adopt a fire assessment fee and establish rates effective in 2020. This form of this fee is a non-ad valorem special assessment. The rates for the first year will be \$80 per residential dwelling unit, \$0.07 per square foot for commercial property, and \$0.02 per square foot for industrial property. The City expects to generate revenues of \$1,235,668 in the first year of the assessment. Proceeds will be used to increase the level of fire protection services and fund improvements to existing facilities.

Alleged Fraud

In February 2020, the City's Finance Director was arrested and charged with criminal misconduct. The charges allege that the Finance Director opened a credit card in the City's name and used the card for personal use. The card account balance was paid with City funds. The amount of the known charges in question is approximately \$50,000 of which \$5,840 was expended during the year ended September 30, 2019. The investigation is ongoing as of the date of this report.

Health Pandemic (COVID-19)

On March 11, 2020, the World Health Organization (WHO) declared the novel strain of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production of services across a range of industries, including but not limited to, tourism and travel. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain and cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION



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

Reporting Date *	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 446,214	\$ 504,055	\$ 557,163	\$ 569,712	\$ 622,382
Interest	3,827,379	3,771,606	3,317,396	3,314,990	3,222,809
Differences between expected and actual experience	(265,877)	(404,763)	400,221	(1,074,244)	-
Changes of assumptions ¹	-	-	4,485,495	-	-
Benefit payments, including refunds of employee contributions	<u>(3,157,696)</u>	<u>(3,056,444)</u>	<u>(2,858,889)</u>	<u>(2,676,038)</u>	<u>(2,575,304)</u>
Net change in total pension liability	850,020	814,454	5,901,386	134,420	1,269,887
Total pension liability – beginning	<u>49,580,471</u>	<u>48,766,017</u>	<u>42,864,631</u>	<u>42,730,211</u>	<u>41,460,324</u>
Total pension liability – ending (a)	<u>\$ 50,430,491</u>	<u>\$ 49,580,471</u>	<u>\$ 48,766,017</u>	<u>\$ 42,864,631</u>	<u>\$ 42,730,211</u>
Plan Fiduciary Net Position					
Contributions – employer	\$ 2,006,925	\$ 1,254,097	\$ 1,280,082	\$ 1,355,041	\$ 1,296,450
Contributions – member	158,138	171,869	202,268	209,567	212,790
Net investment income	4,975,937	4,967,834	4,031,981	(4,390)	3,228,153
Benefit payments, including refunds of employee contributions	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)	(2,575,304)
Administrative expenses	<u>(49,518)</u>	<u>(42,201)</u>	<u>(35,704)</u>	<u>(39,535)</u>	<u>(42,483)</u>
Net change in plan fiduciary net position	3,933,786	3,295,155	2,619,738	(1,155,355)	2,119,606
Plan fiduciary net position – beginning	<u>44,001,782</u>	<u>40,706,627</u>	<u>38,086,889</u>	<u>39,242,244</u>	<u>37,122,638</u>
Plan fiduciary net position – ending (b)	<u>\$ 47,935,568</u>	<u>\$ 44,001,782</u>	<u>\$ 40,706,627</u>	<u>\$ 38,086,889</u>	<u>\$ 39,242,244</u>
Net pension liability – ending (a) – (b)	<u>\$ 2,494,923</u>	<u>\$ 5,578,689</u>	<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	95.05%	88.75%	83.47%	88.85%	91.84%
Covered payroll	\$ 3,162,762	\$ 3,437,375	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801
Net pension liability as a percentage of covered employee payroll	78.88%	162.30%	199.23%	113.99%	81.96%

Notes:

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 the 2016 measurement date.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Reporting Date *	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 395,440	\$ 334,061	\$ 344,958	\$ 336,234	\$ 322,118
Interest	2,112,261	2,084,744	1,948,181	1,953,123	1,905,286
Change in excess state money	20,893	8,823	-	-	-
Differences between expected and actual experiences	(833,418)	(343,066)	(425,107)	(659,966)	-
Changes of assumptions ²	(251,695)	-	1,633,122	-	-
Benefit payments, including refunds of employee contributions	<u>(1,764,575)</u>	<u>(1,821,727)</u>	<u>(1,744,710)</u>	<u>(1,655,069)</u>	<u>(1,632,053)</u>
Net change in total pension liability	(321,094)	262,835	1,756,444	(25,678)	595,351
Total pension liability – beginning	<u>27,002,003</u>	<u>26,739,168</u>	<u>24,982,724</u>	<u>25,008,402</u>	<u>24,413,051</u>
Total pension liability – ending (a)	<u>\$ 26,680,909</u>	<u>\$ 27,002,003</u>	<u>\$ 26,739,168</u>	<u>\$ 24,982,724</u>	<u>\$ 25,008,402</u>
Plan Fiduciary Net Position					
Contributions – employer ¹	\$ 830,613	\$ 569,215	\$ 577,564	\$ 628,975	\$ 836,053
Contributions – state	202,468	190,399	181,303	175,025	175,703
Contributions – member	112,112	104,557	102,214	101,886	96,591
Net investment income	1,609,609	2,036,244	1,698,093	(538,198)	1,869,244
Benefit payments, including refunds of employee contributions	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)	(1,632,053)
Administrative expenses	<u>(54,400)</u>	<u>(39,184)</u>	<u>(44,882)</u>	<u>(25,084)</u>	<u>(38,242)</u>
Net change in plan fiduciary net position	935,827	1,039,504	769,582	(1,312,465)	1,307,296
Plan fiduciary net position – beginning	<u>20,960,073</u>	<u>19,920,569</u>	<u>19,150,987</u>	<u>20,463,452</u>	<u>19,156,156</u>
Plan fiduciary net position – ending (b)	<u>\$ 21,895,900</u>	<u>\$ 20,960,073</u>	<u>\$ 19,920,569</u>	<u>\$ 19,150,987</u>	<u>\$ 20,463,452</u>
Net pension liability – ending (a) – (b)	<u>\$ 4,785,009</u>	<u>\$ 6,041,930</u>	<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	82.07%	77.62%	74.50%	76.66%	81.83%
Covered payroll	\$ 2,242,245	\$ 2,091,146	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478
Net pension liability as a percentage of covered employee payroll	213.40%	288.93%	328.89%	286.19%	230.07%

Notes:

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 the 2016 measurement date.

For the 2018 measurement date, changes of assumptions were based on an experience study dated June 4, 2018. This experience study resulted in changes to actuarial assumptions for the investment rate of return, cost-of-living increases, salary increases, early retirement rates, normal retirement rates, disability rates, and termination rates.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Reporting Date *	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 477,930	\$ 494,032	\$ 453,506	\$ 478,365	\$ 414,836	\$ 384,107
Interest	1,864,720	1,830,663	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	513,043	(199,349)	261,007	(224,382)	-	-
Contributions – buy back	-	32,155	-	72,413	-	-
Changes of assumptions ¹	601,424	258,300	1,243,794	-	-	-
Benefit payments, including refunds of employee contributions	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Net change in total pension liability	2,138,961	981,327	2,366,872	1,544,133	859,295	709,583
Total pension liability – beginning	24,087,817	23,106,490	20,739,618	19,195,485	18,336,190	17,626,607
Total pension liability – ending (a)	\$ 26,226,778	\$ 24,087,817	\$ 23,106,490	\$ 20,739,618	\$ 19,195,485	\$ 18,336,190
Plan Fiduciary Net Position						
Contributions – employer	\$ 1,089,746	\$ 794,144	\$ 744,019	\$ 672,369	\$ 715,439	\$ 703,618
Contributions – state	195,017	204,568	201,904	205,007	214,272	204,226
Contributions – member	182,127	173,480	164,876	150,357	135,622	133,633
Contributions – buy back	-	32,155	-	72,413	-	-
Net investment income	1,430,717	1,401,324	969,107	15,563	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Administrative expenses	(67,773)	(28,449)	(43,625)	(47,088)	(34,537)	(33,706)
Net change in plan fiduciary net position	1,511,678	1,142,748	798,892	(71,811)	1,160,656	1,064,736
Plan fiduciary net position – beginning	15,532,148	14,389,400	13,590,508	13,662,319	12,501,663	11,436,927
Plan fiduciary net position – ending (b)	\$ 17,043,826	\$ 15,532,148	\$ 14,389,400	\$ 13,590,508	\$ 13,662,319	\$ 12,501,663
Net pension liability – ending (a) – (b)	\$ 9,182,952	\$ 8,555,669	\$ 8,717,090	\$ 7,149,110	\$ 5,533,166	\$ 5,834,527
Plan fiduciary net position as a percentage of the total pension liability	64.99%	64.48%	62.27%	65.53%	71.17%	68.18%
Covered payroll	\$ 2,276,592	\$ 2,168,503	\$ 2,060,954	\$ 2,072,260	\$ 2,054,879	\$ 2,054,879
Net pension liability as a percentage of covered employee payroll	403.36%	394.54%	422.96%	344.99%	269.27%	283.94%

Notes:

¹ For the 2018 measurement date, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.80% to 7.60% per year, net of investment related expenses.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**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**

Reporting Date *	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 91,714	\$ 105,139	\$ 85,100
Interest	205,213	187,954	195,814
Changes of benefit terms	-	-	-
Differences between expected and actual experience ²	(494,909)	-	-
Changes of assumptions ¹	288,811	(639,051)	702,672
Benefit payments	<u>(151,409)</u>	<u>(139,227)</u>	<u>(139,227)</u>
Net change in total OPEB liability	(60,580)	(485,185)	844,359
Total OPEB liability - beginning	<u>5,621,056</u>	<u>6,106,241</u>	<u>5,261,882</u>
Total OPEB liability - ending (a)	<u>5,560,476</u>	<u>5,621,056</u>	<u>6,106,241</u>
Plan Fiduciary Net Position			
Contributions - employer	154,409	148,727	141,727
Benefit payments	(151,409)	(139,227)	(139,227)
Administrative expenses	<u>(3,000)</u>	<u>(9,500)</u>	<u>(2,500)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>	<u>-</u>	<u>-</u>
Sponsor's total OPEB liability - ending (a) - (b)	<u>\$ 5,560,476</u>	<u>\$ 5,621,056</u>	<u>\$ 6,106,241</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered payroll (projected)	\$ 10,891,364	\$ 7,927,323	\$ 7,520,263
City's total OPEB liability as a percentage of covered employee payroll	51.05%	70.91%	81.20%

Notes:

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. Changes of assumptions and other inputs also reflect the changes in the discount rate each period. The following are the discount rates used in each period:

FY 2019: 4.18%
FY 2018: 3.64%
FY 2017: 3.06%
FY 2016: 3.71%

In addition, there were changes to actuarial assumptions for updated health care costs and premiums, health care trend rates, mortality rates, salary increases, retirement rates, disability rates, and termination rates.

² Differences between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of 9/30/2018.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Reporting Date	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>General Employees' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,602,192	\$ 1,771,147	\$ 1,120,584	\$ 1,197,424	\$ 1,286,744	\$ 1,187,794	\$ 1,268,253	\$ 1,258,659	\$ 1,091,338	\$ 1,477,933
Contributions in relation to the actuarially determined contributions	1,751,654	2,006,925	1,254,097	1,280,082	1,355,041	1,296,450	1,318,790	1,306,268	1,159,438	1,477,777
Contribution deficiency (excess)	\$ (149,462)	\$ (235,778)	\$ (133,513)	\$ (82,658)	\$ (68,297)	\$ (108,656)	\$ (50,537)	\$ (47,609)	\$ (68,100)	\$ 156
Covered payroll¹	\$ 3,000,359	\$ 3,162,762	\$ 3,437,375	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801	\$ 4,259,070	\$ 4,542,537	\$ 5,004,486	\$ 5,595,076
Contributions as a percentage of covered employee payroll	58.38%	63.45%	36.48%	32.33%	32.33%	30.46%	30.96%	28.76%	23.17%	26.41%
<u>Police Officers' Retirement Fund</u>										
Actuarially determined contribution	\$ 837,623	\$ 928,289	\$ 650,347	\$ 709,037	\$ 772,294	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860	\$ 665,220
Contributions in relation to the actuarially determined contributions	953,828	1,033,081	750,791	790,573	772,294	1,011,756	925,589	968,003	682,860	665,220
Contribution deficiency (excess)	\$ (116,205)	\$ (104,792)	\$ (100,444)	\$ (81,536)	\$ -	\$ (79,330)	\$ (43,892)	\$ (92,948)	\$ -	\$ -
Covered payroll¹	\$ 2,263,844	\$ 2,242,245	\$ 2,091,146	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478	\$ 2,038,886	\$ 2,178,847	\$ 2,239,545	\$ 2,195,529
Contributions as a percentage of covered employee payroll	42.13%	46.07%	35.90%	38.13%	37.90%	51.22%	45.40%	44.43%	30.49%	30.30%
<u>Firefighters' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,127,832	\$ 1,138,295	\$ 899,929	\$ 816,138	\$ 748,086	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386	\$ 708,063
Contributions in relation to the actuarially determined contributions	1,236,461	1,284,763	998,712	945,923	877,376	839,825	829,245	784,705	675,386	708,063
Contribution deficiency (excess)	\$ (108,629)	\$ (146,468)	\$ (98,783)	\$ (129,785)	\$ (129,290)	\$ (15,818)	\$ (11,248)	\$ (84,660)	\$ -	\$ -
Covered payroll¹	\$ 2,364,429	\$ 2,276,592	\$ 2,168,503	\$ 2,060,954	\$ 2,072,260	\$ 2,121,613	\$ 2,153,568	\$ 1,946,811	\$ 1,961,080	\$ 2,116,516
Contributions as a percentage of covered employee payroll	52.29%	56.43%	46.06%	45.90%	42.34%	39.58%	38.51%	40.31%	34.44%	33.45%

¹ As of 2014, the Covered 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, 2019**

Measurement Date	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
General Employees' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	11.43%	12.45%	10.78%	-0.01%	8.82%	Not Available
Police Officers' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	7.82%	10.52%	9.12%	-2.69%	9.96%	Not Available
Firefighters' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	9.24%	9.88%	7.25%	0.12%	9.72%	9.63%

Note: This information is not available for previous years.

**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, 2017

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:

Healthy lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

Disabled lives:

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male set back four years

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

Inflation: 3.00%

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%

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

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

Age	Increase*
Under 25	6.50%
25-34	5.50%
35-44	4.50%
45+	3.50%

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

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, 2017

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

Mortality rates:

Healthy lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no set back, no projection scale

Male: 60% RP2000 Disabled Male set back four years / 40% Annuitant White Collar with no set back, no projection scale

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

Retirement age:	<u>Member Age</u>	<u>Retirement Probability</u>
	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.

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

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.

Cost-of-living increase: 3.0% 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%	10.63%
30	0.18%	9.60%
40	0.30%	6.90%
50	1.00%	3.40%

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

Valuation Date: October 1, 2017

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

Mortality rates:

Healthy lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no set back, no projection scale

Male: 60% RP2000 Disabled Male set back four years / 40% Annuitant White Collar with no set back, no projection scale

Interest rate: 7.80% 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.

Termination rate: See table below; assumed rates were approved in conjunction with an actuarial experience study dated June 2017.

Salary increases: See table below; assumed rates were approved in conjunction with an actuarial experience study dated June 2017.

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

Payroll increase: 1.49% per year, in compliance with Part VII of Chapter 112, Florida Statutes

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.

Disability rate:	Age	Disability Rate
	20	0.14%
	30	0.18%
	40	0.30%
	50	1.00%

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

Termination rate:	Service Years	Termination Rate
	0	13.00%
	1	12.00%
	2	11.00%
	3	10.00%
	4	9.00%
	5	8.00%
	6	7.00%
	7	6.50%
	8	6.00%
	9	5.50%
	10	5.00%
	11	4.50%
	12+	4.00%

Salary increases:	Service Years	Increase
	0	12.0%
	1-9	6.0%
	10+	5.0%

**CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2019**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Memorial Cemetery Perpetual Care	Debt Service		
ASSETS								
Cash and cash equivalents	\$ 128,901	\$ 9,089	\$ 559,725	\$ -	\$ 51,831	\$ -	\$ -	\$ 749,546
Investments	-	-	-	-	3,071,746	-	-	3,071,746
Due from other governments	10,843	-	-	29,122	-	-	-	39,965
Cash and cash equivalents - restricted	-	-	-	-	-	21,156	-	21,156
TOTAL ASSETS	\$ 139,744	\$ 9,089	\$ 559,725	\$ 29,122	\$ 3,123,577	\$ 21,156	\$ -	\$ 3,882,413
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 4,974	\$ 9,685	\$ 2,984	\$ -	\$ -	\$ 17,643
Accrued liabilities	23,764	-	5,928	-	-	-	-	29,692
Due to other funds	-	-	-	41,736	-	30,183	-	71,919
Total liabilities	23,764	-	10,902	51,421	2,984	30,183	-	119,254
FUND BALANCE								
Restricted	115,980	9,089	548,823	-	-	-	-	673,892
Committed	-	-	-	-	3,120,593	-	-	3,120,593
Unassigned	-	-	-	(22,299)	-	(9,027)	-	(31,326)
Total fund balance	115,980	9,089	548,823	(22,299)	3,120,593	(9,027)	-	3,763,159
TOTAL LIABILITIES AND FUND BALANCE	\$ 139,744	\$ 9,089	\$ 559,725	\$ 29,122	\$ 3,123,577	\$ 21,156	\$ -	\$ 3,882,413

**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, 2019**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service		
REVENUES								
Permits and fees	\$ -	\$ -	\$ 521,317	\$ -	\$ -	\$ -	\$ -	\$ 521,317
Intergovernmental	6,320	-	-	135,313	-	-	-	141,633
Fines	5,469	4,928	-	-	-	-	-	10,397
Miscellaneous	2,658	130	10,903	-	129,642	-	-	143,333
Total revenues	14,447	5,058	532,220	135,313	129,642	-	-	816,680
EXPENDITURES								
Current								
Public safety	10,784	-	307,997	-	-	-	-	318,781
Physical environment	-	-	-	-	15,168	-	-	15,168
Economic environment	-	-	-	138,342	-	-	-	138,342
Capital outlay	3,699	-	23,684	-	-	-	-	27,383
Debt service	-	-	-	-	-	698,381	698,381	698,381
Principal	-	-	-	-	-	540,929	540,929	540,929
Interest	-	-	-	-	-	-	-	-
Total expenditures	14,483	-	331,681	138,342	15,168	1,239,310	1,738,984	1,738,984
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36)	5,058	200,539	(3,029)	114,474	(1,239,310)	(922,304)	
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	32,070	1,230,257	1,262,327	1,262,327
Total other financing sources	-	-	-	-	32,070	1,230,257	1,262,327	1,262,327
NET CHANGE IN FUND BALANCE	(36)	5,058	200,539	(3,029)	146,544	(9,053)	340,023	
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	116,016	4,031	348,284	(19,270)	2,974,049	26	3,423,136	
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 115,980	\$ 9,089	\$ 548,823	\$ (22,299)	\$ 3,120,593	\$ (9,027)	\$ 3,763,159	

**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 4,368	\$ 6,320	\$ 1,952
Fines	-	-	5,469	5,469
Miscellaneous	2,309	2,309	2,658	349
Total revenues	<u>2,309</u>	<u>6,677</u>	<u>14,447</u>	<u>7,770</u>
EXPENDITURES				
Current				
Public safety	7,309	13,299	10,784	2,515
Capital outlay	-	4,368	3,699	669
Total expenditures	<u>7,309</u>	<u>17,667</u>	<u>14,483</u>	<u>3,184</u>
NET CHANGE IN FUND BALANCE	(5,000)	(10,990)	(36)	10,954
FUND BALANCE AT BEGINNING OF YEAR	<u>5,000</u>	<u>10,990</u>	<u>116,016</u>	<u>105,026</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,980</u>	<u>\$ 115,980</u>

**CITY OF FORT WALTON BEACH, FLORIDA
LAW ENFORCEMENT TRUST TRAINING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 4,000	\$ 4,000	\$ 4,928	\$ 928
Miscellaneous	97	97	130	33
Total revenues	<u>4,097</u>	<u>4,097</u>	<u>5,058</u>	<u>961</u>
EXPENDITURES				
Current				
Public safety	<u>4,097</u>	<u>4,097</u>	<u>-</u>	<u>4,097</u>
NET CHANGE IN FUND BALANCE	-	-	5,058	5,058
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>4,031</u>	<u>4,031</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,089</u>	<u>\$ 9,089</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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Permits and fees	\$ 387,249	\$ 398,539	\$ 521,317	\$ 122,778
Miscellaneous	4,100	4,100	10,903	6,803
Total revenues	<u>391,349</u>	<u>402,639</u>	<u>532,220</u>	<u>129,581</u>
EXPENDITURES				
Current				
Public safety	386,427	388,276	307,997	80,279
Capital outlay	22,617	22,617	23,684	(1,067)
Total expenditures	<u>409,044</u>	<u>410,893</u>	<u>331,681</u>	<u>79,212</u>
NET CHANGE IN FUND BALANCE	(17,695)	(8,254)	200,539	208,793
FUND BALANCE AT BEGINNING OF YEAR	<u>17,695</u>	<u>8,254</u>	<u>348,284</u>	<u>340,030</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,823</u>	<u>\$ 548,823</u>

**CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 138,113	\$ 144,658	\$ 135,313	\$ (9,345)
Miscellaneous	-	-	-	-
Total revenues	<u>138,113</u>	<u>144,658</u>	<u>135,313</u>	<u>(9,345)</u>
EXPENDITURES				
Current				
Economic environment	180,633	144,658	138,342	6,316
Capital outlay	5,123	-	-	-
Total expenditures	<u>185,756</u>	<u>144,658</u>	<u>138,342</u>	<u>6,316</u>
NET CHANGE IN FUND BALANCE	(47,643)	-	(3,029)	(3,029)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>47,643</u>	<u>-</u>	<u>(19,270)</u>	<u>(19,270)</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,299)</u>	<u>\$ (22,299)</u>

**CITY OF FORT WALTON BEACH, FLORIDA
 BEAL MEMORIAL CEMETERY PERPETUAL CARE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ 26,500	\$ 26,500	\$ 129,642	\$ 103,142
EXPENDITURES				
Current				
Physical environment	12,200	12,200	15,168	(2,968)
EXCESS OF REVENUES OVER EXPENDITURES	<u>14,300</u>	<u>14,300</u>	<u>114,474</u>	<u>100,174</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,922	38,922	32,070	(6,852)
Transfers out	(53,222)	(53,222)	-	53,222
Total other financing sources (uses)	<u>(14,300)</u>	<u>(14,300)</u>	<u>32,070</u>	<u>46,370</u>
NET CHANGE IN FUND BALANCE	-	-	146,544	146,544
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>2,974,049</u>	<u>2,974,049</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,120,593</u>	<u>\$ 3,120,593</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	767,536	767,536	698,381	69,155
Interest	274,205	274,205	540,929	(266,724)
Total expenditures	1,041,741	1,041,741	1,239,310	(197,569)
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(1,041,741)	(1,041,741)	(1,239,310)	(197,569)
OTHER FINANCING SOURCES				
Transfers in	1,041,741	1,041,741	1,230,257	188,516
NET CHANGE IN FUND BALANCE	-	-	(9,053)	(9,053)
FUND BALANCE AT BEGINNING OF YEAR	-	-	26	26
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,027)</u>	<u>\$ (9,027)</u>

III. STATISTICAL SECTION (UNAUDITED)

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, and note disclosures say about the City's overall financial Health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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



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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net investment in capital assets	\$ 20,605,683	\$ 24,756,705	\$ 25,379,050	\$ 23,531,576	\$ 24,866,399	\$ 27,443,877	\$ 27,791,054	\$ 27,347,098	\$ 29,375,380	\$ 28,280,342
Restricted										
Debt service	92,880	113,816	113,507	21,156	25,449	25,449	21,156	21,156	26	-
Improvement Districts	-	4,212,984	3,736,100	3,833,430	4,073,364	1,874,265	1,437,363	1,552,484	1,812,525	1,691,456
Public safety	269,600	268,820	262,648	462,375	565,946	507,625	536,448	426,892	468,331	673,892
Perpetual care - expendable	1,898,445	-	-	-	-	-	-	-	-	-
Other purposes	477,194	234,568	194,193	177,129	172,630	187,575	165,895	93,456	66,707	1,370,446
Unrestricted (deficit)	8,975,046	12,666,165	11,487,979	9,329,608	10,700,661	159,868	2,158,813	(1,447,438)	(2,667,720)	(377,793)
Total governmental activities net position	\$ 32,318,848	\$ 42,253,058	\$ 41,173,477	\$ 37,355,274	\$ 40,404,449	\$ 30,198,659	\$ 32,110,729	\$ 27,993,648	\$ 29,055,249	\$ 31,638,343
Business-Type Activities										
Net investment in capital assets	\$ 18,928,438	\$ 17,037,456	\$ 14,929,648	\$ 17,305,881	\$ 13,779,184	\$ 12,886,793	\$ 12,893,855	\$ 13,818,340	\$ 13,829,575	\$ 13,678,160
Restricted										
Debt service	481,023	184,711	184,933	1,087,405	1,082,935	157,228	157,228	157,228	157,228	157,228
System improvements	61,559	82,573	112,863	305,508	367,263	382,734	404,761	452,472	440,212	454,564
Unrestricted	6,791,840	6,859,952	8,552,169	9,379,587	9,658,709	10,656,992	11,118,844	11,731,659	12,252,058	14,010,607
Total business-type activities net position	\$ 26,262,860	\$ 24,164,692	\$ 23,779,613	\$ 28,078,381	\$ 24,888,091	\$ 24,083,747	\$ 24,574,688	\$ 26,159,699	\$ 26,679,073	\$ 28,300,559
Primary Government										
Net investment in capital assets	\$ 38,728,907	\$ 41,794,161	\$ 40,308,698	\$ 40,837,576	\$ 38,645,583	\$ 40,330,670	\$ 40,684,909	\$ 41,165,438	\$ 43,204,955	\$ 41,958,502
Restricted	3,297,029	5,097,472	4,604,244	5,887,003	6,287,587	3,134,876	2,722,851	2,703,688	2,945,029	4,347,586
Unrestricted	16,805,772	19,526,117	20,040,148	18,709,195	20,359,370	10,816,860	13,277,657	10,284,221	9,584,338	13,632,814
Total primary government net position	\$ 58,831,708	\$ 66,417,750	\$ 64,953,090	\$ 65,433,774	\$ 65,292,540	\$ 54,282,406	\$ 56,685,417	\$ 54,153,347	\$ 55,734,322	\$ 59,938,902

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government	\$ 5,306,003	\$ 3,765,536	\$ 4,314,050	\$ 2,662,406	\$ 3,179,768	\$ 2,735,875	\$ 3,285,039	\$ 3,581,072	\$ 3,799,439	\$ 3,559,619
Public safety	9,231,632	9,206,784	9,805,368	9,729,228	9,685,621	9,562,140	10,172,215	11,507,059	11,420,904	11,159,777
Physical environment	304,907	393,752	383,970	379,681	392,255	379,334	430,490	543,287	505,458	519,126
Transportation	1,543,310	1,570,038	1,592,150	1,631,665	1,495,374	1,474,209	1,494,178	1,536,979	1,401,819	1,406,227
Economic environment	98,996	545,242	707,603	1,090,025	803,175	1,813,782	1,540,230	1,591,643	1,174,794	1,412,332
Culture and recreation	2,944,221	2,677,051	2,880,815	2,715,977	4,829,004	4,601,503	5,375,183	5,403,198	5,538,881	5,781,339
Debt service interest	240,940	214,470	254,516	324,405	483,301	340,497	323,639	304,331	291,590	664,131
Total government activities	19,670,009	18,372,873	19,938,472	18,533,387	20,868,498	20,907,340	22,620,974	24,467,569	24,132,885	24,502,551
Business-type activities										
Utilities	6,725,349	9,162,926	7,017,160	7,644,240	9,185,338	9,205,259	10,066,769	9,420,248	9,810,437	9,961,949
Sanitation	2,466,881	2,524,994	2,741,266	3,163,638	3,393,269	3,319,760	3,407,992	3,687,087	3,774,624	3,720,984
Golf	2,203,739	2,199,453	2,012,165	2,023,186	2,215	-	-	-	-	-
Stormwater	374,951	339,543	497,211	611,962	439,191	460,314	611,351	681,541	727,282	762,181
Total business-type activities	11,770,920	14,226,916	12,267,802	13,443,026	13,020,013	12,985,333	14,086,112	13,788,876	14,312,343	14,445,114
Total primary government expenses	\$ 31,440,929	\$ 32,599,789	\$ 32,206,274	\$ 31,976,413	\$ 33,888,511	\$ 33,892,673	\$ 36,707,086	\$ 38,256,445	\$ 38,445,228	\$ 38,947,665
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,759,080	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824	\$ 421,987	\$ 421,503	\$ 448,911	\$ 434,820	\$ 508,494
Public safety	467,835	430,017	373,855	640,271	495,111	490,379	523,163	570,556	532,536	643,944
Physical environment	289,654	394,513	439,555	404,429	376,998	409,253	371,205	399,338	387,821	414,695
Transportation	83,586	104,776	118,067	122,275	140,038	140,809	207,860	240,653	246,164	252,418
Economic environment	-	16,400	58,000	34,652	10	5,000	392,118	12,000	-	21,300
Culture and recreation	408,351	404,047	400,215	374,362	1,853,087	1,930,131	1,805,332	1,846,019	2,078,405	2,171,484
Operating grants and contributions	639,370	761,643	589,253	786,652	682,200	909,461	908,595	825,624	706,094	765,032
Capital grants and contributions	731,275	351,006	156,794	80,936	109,629	525,320	802,809	361,641	1,487,587	37,406
Total governmental activities program revenues	5,379,151	5,018,672	2,566,457	2,853,560	4,133,897	4,832,340	5,432,585	4,704,742	5,873,427	4,814,773
Business-type activities										
Charges for services										
Utilities	6,761,654	7,608,355	7,974,601	8,623,082	8,586,045	9,233,820	10,141,724	10,970,823	10,737,496	11,390,289
Sanitation	3,345,127	3,311,744	3,313,559	3,499,559	3,571,037	3,582,005	3,599,838	3,663,445	3,774,519	3,871,204
Golf	1,934,392	2,052,501	1,776,649	1,758,709	-	-	-	-	-	-
Stormwater	626,903	481,854	577,706	591,196	596,133	694,581	860,644	917,844	975,805	1,027,310
Operating grants and contributions	-	118,226	-	1,071	-	-	-	-	-	-
Capital grants and contributions	173,370	65,496	331,609	1,871,295	(157,294)	87,797	533,515	1,314,521	151,049	93,282
Total business-type activities program revenues	12,841,446	13,638,176	13,974,124	16,344,912	12,595,921	13,598,203	15,135,721	16,866,633	15,638,869	16,382,085
Total primary government program revenues	\$ 18,220,597	\$ 18,656,848	\$ 16,540,581	\$ 19,198,472	\$ 16,729,818	\$ 18,430,543	\$ 20,568,306	\$ 21,571,375	\$ 21,512,296	\$ 21,196,858

Continued...

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental activities	\$(14,290,858)	\$(13,354,201)	\$(17,372,015)	\$(15,679,827)	\$(16,734,601)	\$(16,075,000)	\$(17,188,389)	\$(19,762,827)	\$(18,259,458)	\$(19,687,778)
Business-type activities	1,070,526	(588,740)	1,706,322	2,901,886	(424,092)	612,870	1,049,609	3,077,757	1,326,526	1,936,971
Total primary government	\$(13,220,332)	\$(13,942,941)	\$(15,665,693)	\$(12,777,941)	\$(17,158,693)	\$(15,462,130)	\$(16,138,780)	\$(16,685,070)	\$(16,932,932)	\$(17,750,807)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 4,380,221	\$ 4,482,819	\$ 4,295,068	\$ 4,175,136	\$ 5,385,235	\$ 5,473,438	\$ 5,617,998	\$ 5,807,598	\$ 6,041,303	\$ 6,416,668
Sales taxes	1,943,337	2,066,834	2,198,270	2,241,242	2,362,190	2,557,062	2,707,153	2,792,840	2,941,301	4,335,114
Utility service taxes	3,914,362	3,926,930	3,739,311	3,761,437	3,889,976	4,036,009	3,931,939	3,962,859	4,182,026	4,045,085
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	1,811,121	1,893,803
Franchise Fees	-	-	1,876,575	1,764,733	2,004,101	2,162,617	2,202,420	2,034,209	2,131,104	2,084,717
Intergovernmental, unrestricted	712,776	825,591	809,756	818,039	819,556	896,837	910,615	981,613	1,009,901	1,034,884
Gain on sale of assets	795,860	16,865	16,440	37,833	520,152	524,720	873,101	-	-	66,523
Miscellaneous	492,052	96,105	154,996	106,546	103,986	199,776	27,976	157,806	93,106	77,264
Investment earnings	152,884	133,419	159,465	62,285	345,734	272,076	444,972	414,160	263,824	1,225,235
Special item: Impairment loss	-	-	-	(271,287)	-	-	-	-	-	-
Transfers	1,667,644	1,682,717	1,656,032	(2,145,441)	2,851,638	657,558	755,846	761,739	847,373	1,091,579
Total governmental activities	14,059,136	14,778,889	16,292,434	11,861,624	19,783,776	18,332,663	19,100,459	18,562,413	19,321,059	22,270,872
Business-type activities										
Taxes										
Utility service taxes	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	56,795	75,904	35,111	20,662	22,813	716	26,093	32,663	14,258	44,914
Miscellaneous	177,657	31,424	48,550	6,504	6,839	9,222	5,502	27,727	16,575	17,671
Investment earnings	202,071	65,961	69,622	11,107	55,669	159,761	165,583	85,567	9,388	713,509
Special item: Impairment loss	-	-	(588,652)	(786,713)	-	-	-	-	-	-
Transfers	(1,667,644)	(1,682,717)	(1,656,032)	2,145,441	(2,851,638)	(657,558)	(755,846)	(761,739)	(847,373)	(1,091,579)
Total business-type activities	(1,231,121)	(1,509,428)	(2,091,401)	1,397,001	(2,766,317)	(487,859)	(558,668)	(615,782)	(807,152)	(315,485)
Total primary government	\$ 12,828,015	\$ 13,269,461	\$ 14,201,033	\$ 13,258,625	\$ 17,017,459	\$ 17,844,794	\$ 18,541,791	\$ 17,946,631	\$ 18,513,907	\$ 21,955,387
Change in Net Position										
Governmental activities	\$ (231,722)	\$ 1,424,668	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175	\$ 2,257,653	\$ 1,912,070	\$ (1,200,414)	\$ 1,061,601	\$ 2,563,084
Business-type activities	(160,595)	(2,098,168)	(385,079)	4,298,887	(3,190,409)	125,011	490,941	2,461,975	519,374	1,621,486
Total primary government	\$(392,317)	\$(673,480)	\$(1,464,660)	\$ 480,684	\$(141,234)	\$ 2,382,664	\$ 2,403,011	\$ 1,261,561	\$ 1,580,975	\$ 4,204,580

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 499,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,314,142	-	2,857,963	254,229	263,964	249,732	240,865	245,181	250,315	269,837
Nonspendable	-	3,032,726	194,193	7,868,522	4,083,267	183,512	163,817	93,456	66,707	4,497,485
Restricted	-	234,768	5,040,585	5,501,353	5,589,056	5,761,221	6,009,523	6,687,557	6,663,230	8,019,062
Committed	-	5,219,706	354,999	1,301,385	1,584,887	1,396,207	1,198,378	1,891,555	1,913,861	2,341,510
Assigned	-	1,537,572	1,611,120	788,076	1,300,881	2,225,633	4,356,681	3,561,586	2,282,375	3,291,695
Unassigned	-	1,189,562	-	-	-	-	-	-	-	-
Total general fund	\$ 9,813,526	\$ 11,214,334	\$ 10,058,860	\$ 15,713,565	\$ 12,821,055	\$ 9,816,305	\$ 11,969,264	\$ 12,479,335	\$ 11,176,488	\$ 18,419,589
All Other Governmental Funds										
Reserved	\$ 12,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Debt service	92,880	-	-	-	-	-	-	-	-	-
Special revenue funds	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	2,280,882	2,365,348
Committed	-	1,929,448	1,959,836	2,035,225	2,249,720	2,259,756	2,467,828	2,739,865	2,974,049	3,120,593
Unassigned	-	(306)	(302)	(2,745)	(6,231)	-	-	(5,861)	(19,270)	(31,326)
Total all other governmental funds	\$ 2,264,541	\$ 6,524,562	\$ 6,071,789	\$ 6,349,441	\$ 6,908,248	\$ 4,671,158	\$ 4,464,873	\$ 4,734,536	\$ 5,235,661	\$ 5,454,615

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 9,414,513	\$ 10,438,481	\$ 10,065,983	\$ 9,901,157	\$ 11,537,812	\$ 11,837,177	\$ 11,941,311	\$ 12,220,392	\$ 12,741,642	\$ 13,101,370
Licenses, permits, and fees	2,406,916	2,428,621	2,142,995	2,221,406	2,392,487	2,564,079	2,623,810	2,514,178	2,586,035	2,659,200
Intergovernmental	3,502,904	3,358,615	3,291,693	3,400,876	3,376,079	3,951,367	4,322,696	4,266,425	4,880,937	5,516,224
Charges for services	907,476	911,405	969,560	1,065,316	2,373,486	2,499,107	2,402,801	2,488,384	2,739,021	2,868,887
Fines and forfeits	204,849	151,616	142,936	241,923	133,645	131,020	121,513	127,406	101,378	94,578
Miscellaneous	1,370,077	817,975	537,975	431,625	827,526	1,142,936	935,821	1,042,958	819,264	1,770,325
Total Revenues	17,806,735	18,106,713	17,151,142	17,262,303	20,641,035	22,125,686	22,347,952	22,659,743	23,868,277	26,010,584
Expenditures										
General governmental services	5,095,790	3,699,506	3,899,740	2,514,734	2,891,275	2,813,835	3,017,374	3,228,767	3,631,410	3,377,241
Public safety	8,872,424	8,676,620	9,154,002	9,066,246	9,082,876	9,080,984	9,053,178	9,913,344	10,584,430	10,157,745
Physical environment	250,691	306,365	295,459	311,684	325,864	339,596	337,831	372,552	425,472	439,446
Transportation	1,207,449	994,272	966,050	1,012,387	867,730	862,712	852,602	890,762	762,058	824,349
Economic environment	98,996	493,526	652,086	1,032,659	745,586	1,730,631	1,432,788	1,468,393	1,045,687	1,282,063
Culture and recreation	2,535,682	2,233,104	2,383,239	2,267,141	3,744,452	4,122,310	4,196,979	4,170,787	4,477,927	4,685,690
Capital outlay	1,335,369	1,561,057	2,609,203	1,282,142	4,721,096	8,128,139	2,105,686	1,598,285	3,574,823	10,498,028
Debt service										
Principal	175,629	198,699	211,683	4,540,488	612,996	660,107	673,851	682,229	718,320	698,381
Interest and other costs	240,093	236,268	243,959	203,347	377,574	354,544	336,835	316,629	297,245	547,165
Total expenditures	19,812,123	18,399,417	20,415,421	22,230,828	23,369,449	28,092,858	22,007,124	22,641,748	25,517,372	32,510,108
Excess of revenue over (under) expenditures	(2,005,388)	(292,704)	(3,264,279)	(4,968,525)	(2,728,414)	(5,967,172)	340,828	17,995	(1,649,095)	(6,499,524)
Other Financing Sources (Uses)										
Capital lease proceeds	-	-	-	103,784	-	67,774	-	-	-	-
Transfers in	2,342,226	2,296,944	2,284,416	673,836	1,636,165	1,721,632	1,798,184	1,794,419	1,868,634	2,353,906
Transfers out	(674,583)	(614,227)	(628,384)	(2,819,277)	(1,241,454)	(1,064,074)	(1,042,338)	(1,032,680)	(1,021,261)	(1,262,327)
Sale of general capital assets	-	-	-	-	-	-	850,000	-	-	350,000
Debt issuance	-	739,805	-	12,942,539	-	-	-	-	-	12,520,000
Total other financing sources (uses)	1,667,643	2,422,522	1,656,032	10,900,882	394,711	725,332	1,605,846	761,739	847,373	13,961,579
Net change in fund balance	\$ (337,745)	\$ 2,129,818	\$ (1,608,247)	\$ 5,932,357	\$ (2,333,703)	\$ (5,241,840)	\$ 1,946,674	\$ 779,734	\$ (801,722)	\$ 7,462,055
Debt service as a percentage of noncapital expenditures	2.25%	2.58%	2.56%	22.65%	5.31%	5.08%	5.08%	4.75%	4.63%	5.66%

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
2019	\$ 13,101,370	\$ 2,659,200	\$ 5,516,224	\$ 2,868,887	\$ 94,578	\$ 1,770,325	\$ 15,223,906	\$ 41,234,490
2018	12,741,642	2,586,035	4,880,937	2,739,021	101,378	819,264	1,868,634	25,736,911
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	10,065,983	2,142,995	3,291,693	969,560	142,936	537,975	2,284,416	19,435,558
2011	10,438,481	2,428,621	3,358,615	911,405	151,616	817,975	2,296,944	20,403,657
2010	9,414,513	2,406,916	3,502,904	907,476	204,849	1,370,077	2,342,226	20,148,961

⁽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
2019	\$1,330,528,554	\$ 118,539,677	\$1,942,542,259	\$ 493,474,028	\$ 1,449,068,231	5.6395
2018	1,240,032,941	113,382,574	1,831,324,319	477,406,649	1,353,415,515	5.7697
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

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The January 2019 assessment is the basis for Fiscal Year 2018-19 tax revenues.

Source: Okaloosa County Property Appraiser

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

City of Fort Walton Beach Direct Rate			Overlapping Rates*			
Fiscal Year	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2019	5.6395	5.6395	3.8308	6.2060	0.0327	10.0695
2018	5.7697	5.7697	3.8308	6.3610	0.0338	10.2256
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

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

The 2019 millage rate is the basis for Fiscal Year 2018-19 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	2019			2010		
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank
Gulf Power Co.	\$ 25,816,874	1.78%	1	\$ 15,015,243	1.20%	1
Suso 2 Uptown, LP	17,595,506	1.21%	2			
127 Miracle Strip LLC	8,521,199	0.59%	3			
BAE Systems Technology	8,165,108	0.56%	4			
DJD Investments of FL II LLC	7,667,613	0.53%	5			
North Florida Hotel	7,494,850	0.52%	6			
DRS Training & Control	6,966,634	0.48%	7			
Cox Communications Gulf Coast, LLC	6,756,467	0.47%	8			
99 Eglin LTD	6,712,633	0.46%	9	13,953,676	1.11%	2
Pacifica Walton Beach LLC	6,627,259	0.46%	10			
Embarq Corp				11,761,265	0.94%	3
Presidio Developers LLC				8,857,700	0.71%	4
COXCOM Inc				8,401,044	0.67%	5
BLC Westwood LLC				7,634,171	0.61%	6
Fort Walton Machining, Inc.				6,956,002	0.55%	7
DRS Training & Control				6,815,158	0.54%	8
DRS Training & Control Systems				6,253,192	0.50%	9
DDRM Shoppes at Paradise				5,722,845	0.46%	10
Total Taxable Assessed Value of Principal Taxpayers	102,324,143	7.06%		91,370,296	7.28%	
Total Taxable Assessed Value of Other Taxpayers	1,346,744,088	92.94%		1,163,828,986	92.72%	
Total Taxable Assessed Value	\$ 1,449,068,231	100.00%		\$ 1,255,199,282	100.00%	

⁽¹⁾The 2018 tax roll is the basis for Fiscal Year 2018-19 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
2019								
2018	\$ 7,822,441	\$ 7,526,583	96.2%	\$ 20,747	\$ 7,547,330	96.5%	\$ 3,469	0.0%
2017	7,387,081	7,119,876	96.4%	8,632	7,128,508	96.5%	8,122	0.1%
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%

The 2019 tax levy is the basis for Fiscal Year 2018-19 tax revenues.

⁽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			
2019	\$ -	\$ 6,681	\$22,246,372	\$ -	\$ -	\$ 7,537,000	\$ 12,614,297	\$ -	\$ 42,404,350	0.42%	1,902.91
2018	-	42,217	10,389,217	-	-	7,968,000	13,308,089	-	31,707,523	0.34%	1,483.88
2017	-	76,099	11,073,656	-	-	8,387,000	13,988,885	-	33,525,640	0.38%	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	0.43%	1,773.40
2013	-	101,696	13,535,936	-	-	73,533	7,068,522	9,925,055	30,704,742	0.39%	1,515.83
2012	-	-	661,796	4,470,000	-	13,458	61,221	10,199,963	15,406,438	0.21%	762.92
2011	-	-	728,480	4,615,000	-	66,118	76,586	10,464,872	15,951,056	0.22%	816.58
2010	-	47,374	-	4,755,000	-	141,737	-	13,856,796	18,800,907	0.19%	923.65

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

⁽¹⁾ See Schedule 15 for personal income data.

⁽²⁾ See Schedule 15 for population data.

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

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Percentage of Actual Taxable Value of Property ⁽¹⁾</u>	<u>Per Capita ⁽²⁾</u>
	<u>General Obligation Bonds</u>		
2019	\$ -	0.00%	\$ -
2018	-	0.00%	-
2017	-	0.00%	-
2016	-	0.00%	-
2015	-	0.00%	-
2014	-	0.00%	-
2013	-	0.00%	-
2012	-	0.00%	-
2011	-	0.00%	-
2010	-	0.00%	-

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

⁽¹⁾ See Schedule 6 for property value data.

⁽²⁾ See Schedule 15 for population data.

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

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

Fiscal Year	Non-Ad Valorem Revenues ⁽¹⁾	Average Non-Ad Valorem Revenues Avail. for Debt Service	Debt Service Requirements ⁽²⁾			Coverage
			Principal	Interest	Total	
2019	\$ 49,544,961	\$ 40,526,928	\$ 1,823,173	\$ 1,029,403	\$ 2,852,576	14.21
2018	31,508,894	29,893,013	1,846,847	803,314	2,650,161	11.28
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

⁽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 – GENERAL OBLIGATIONS
Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Fort Walton Beach</u>	<u>Amount Applicable to Fort Walton Beach</u>
Overlapping Debt			
Okaloosa County			
Revenue Bonds	\$ 58,618,000	10.94%	(2) \$ 6,413,088
Okaloosa County School District			
Certificates of Participation	15,157,000	31.11%	(1) 4,715,511
	73,775,000		11,128,600
Subtotal: Overlapping Debt			
Direct Debt			
City of Fort Walton Beach Revenue Notes	22,246,372	100.00%	22,246,372
City of Fort Walton Beach Lease Payable	6,681	100.00%	6,681
	22,253,053		22,253,053
Subtotal: Direct Debt			
	\$ 96,028,053		\$ 33,381,653
Total Direct and Overlapping Debt			
	\$ 96,028,053		\$ 33,381,653

Source: Okaloosa County, Okaloosa County School Board

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

(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	2019			2010		
			Employees	Percentage of Total	Ranking	Employees	Percentage of Total	Ranking
	USAF - Eglin ⁽¹⁾	Air Force Development Test Center	17,040	17.36%	1	16,476	17.43%	1
	USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	12,957	13.20%	2	11,171	11.82%	2
	Okaloosa County School District	Education Services	5,117	5.21%	3	3,278	3.47%	3
	Walmart (Okaloosa Combined)	Consumer Products	1,363	1.39%	4			
	Fort Walton Beach Medical Center ⁽⁴⁾	Medical Services	1,222	1.25%	5	1,305	1.38%	5
	Northwest Florida State College	Education Services	1,081	1.10%	6	763	0.81%	8
	Okaloosa County BCC ⁽³⁾	Local Government Services	936	0.95%	7	1,383	1.46%	4
	Reliance Test and Technology	Military Technical Support	750	0.76%	8			
	North Okaloosa Medical Center	Medical Services	652	0.66%	9			
	BAE	Military Technical Support	545	0.56%	10	700	0.74%	10
	DRS Training and Control Systems	Radar Systems, Digital Computers		0.00%		875	0.93%	6
	InDyne	Military Technical Support		0.00%		786	0.83%	7
	ResortQuest	Property Management		0.00%		750	0.79%	9
			41,663	48.55%		37,487	45.94%	

⁽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 FY19.

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
2019	22,284	203,684	10.94%	\$ 10,130,252	\$ 48,875	2.3%
2018	21,368	197,591	10.81%	9,627,521	47,433	3.4%
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%

		OKALOOSA COUNTY EDUCATION	
		FY 2019	FY 2018
Schools:	Grades K-5	23	23
	Grades 6-8	12	12
	Grades 9-12	8	8
	PK-12 / Charter / Alterna	2 / 5 / 10	2 / 5 / 10
	Grades K-8	1	1
	Vocational / Technical	1	1
	Exceptional Children	2	2
Students:	Grades K-5	15,459	14,936
	Grades 6-8	8,014	7,551
	Grades 9-12	9,428	9,150
	Adult Students	473	132
	Exceptional Children	6,023	5,953
Personnel:	Instructional (Classroom)	1,920	1,879
	Non-Instructional	752	740

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
City Manager	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Administrative Services	4.70	4.70	4.70	3.60	3.00	3.00	3.00	3.00	3.00	4.00
Risk Management	-	-	-	-	-	-	-	-	-	1.00
Information Technology	4.00	4.00	3.80	2.00	2.00	2.00	2.00	2.00	2.00	2.75
City Clerk	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.50	3.00
Finance	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Purchasing	3.00	3.00	3.00	3.00	2.75	2.75	2.50	2.50	2.50	2.50
Public Safety										
Police	71.82	70.90	65.90	61.90	61.38	60.99	59.99	70.99	67.99	67.59
Fire	37.00	37.00	37.00	37.00	38.00	37.00	37.00	37.00	37.00	38.00
Recreation & Cultural Services										
Administration	12.70	11.50	11.50	12.90	12.64	12.32	13.45	13.67	13.81	15.93
Parks Maintenance	12.00	10.25	10.25	10.00	10.00	10.00	10.00	11.00	11.00	11.00
Right-of-Way Maintenance	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	7.00
Senior Citizens Center	-	-	-	-	-	1.85	1.85	1.85	1.85	1.85
Golf Club	13.96	13.81	13.81	14.26	13.93	14.26	-	-	-	-
Golf Grounds Maintenance	15.75	15.75	15.75	15.75	15.75	15.75	-	-	-	-
Library	8.72	8.72	8.72	8.02	8.02	8.02	8.02	8.02	8.10	9.90
Museum	3.60	4.00	4.00	4.60	4.10	3.60	3.60	3.60	2.60	3.85
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Public Works										
Administration	2.00	3.00	3.00	3.00	4.00	4.00	5.00	5.00	5.00	6.00
Planning & Zoning	4.00	4.00	4.00	3.00	2.00	2.00	1.00	1.00	1.00	1.00
Building & Permitting	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.70	3.00	3.00
Code Enforcement	2.00	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	9.00	9.00	8.75	8.75	10.00
Facilities Maintenance	6.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	11.00
Streets Maintenance	5.00	5.00	5.00	6.00	6.00	6.00	5.50	5.50	5.50	6.50
Community Development Block Grant	-	-	-	-	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
Utility (Water/Sewer) Enterprise										
Administration	6.00	5.00	5.00	8.00	8.00	8.00	7.00	7.00	6.75	1.00
Customer Service	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	7.50
GIS	3.00	3.00	3.00	-	-	-	-	-	-	-
Water Operations	8.00	9.00	9.00	9.00	10.00	9.00	9.00	9.00	10.00	7.00
Sewer Operations	-	-	-	-	-	-	-	-	-	2.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00
Sewer Collections	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00	11.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	18.75	19.62
Recycling	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-	-
Golf Enterprise										
Golf Club	-	-	-	-	-	-	14.26	14.26	14.26	14.26
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	6.00	6.00	7.00
Total	301.15	299.53	300.33	292.03	292.05	291.02	289.40	300.07	296.09	312.48

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

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

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

MISCELLANEOUS PERMITS

<u>Year</u>	<u>Mechanical</u>	<u>Electrical</u>	<u>Gas</u>	<u>Plumbing</u>	<u>Water & Sewer</u>
2019	303	392	201	172	25
2018	300	360	159	159	37
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

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

<u>Year</u>	<u>Number Sold</u>
2019	1,389
2018	1,101
2017	2,595
2016	2,115
2015	2,259
2014	2,402
2013	2,087
2012	1,947
2011	2,269
2010	2,311

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	4 Soccer Field Facility
7 Exercise/Walking Tracks	4 Tennis Court Facilities
1 Fairgrounds	7 Undeveloped Parks
0 Football Stadium	4 Waterfront Parks
4 Beach Volleyball Court	

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	2,420	300	1,776	321	23
02	BLACKMON	635	95	459	79	2
03	MILLIGAN	1,291	185	871	221	14
04	HOLT	1,315	207	888	209	11
05	LAUREL HILL	1,063	196	685	173	9
06	GARDEN CITY	3,687	586	2,407	645	49
07	DORCAS	1,671	288	1,013	356	14
08	HONEY CREEK	4,311	863	2,512	876	60
09	YELLOW RIVER	4,172	789	2,434	886	63
10	WEST WRIGHT	6,223	1,474	3,046	1,606	97
11	EAST CRESTVIEW	9,379	2,078	4,638	2,478	185
12	WEST CRESTVIEW	883	459	227	187	10
13	NORTH CRESTVIEW	3,823	762	2,237	774	50
14	WEST NICEVILLE	2,922	553	1,688	634	47
15	VALPARAISO	3,032	538	1,772	673	49
16	SHALIMAR	2,891	606	1,586	659	40
17	CENTRAL WRIGHT	3,241	852	1,476	841	72
18	OCEAN CITY	2,588	586	1,303	659	40
19*	EAST FWB	1,737	490	742	478	27
20	WEST DESTIN	2,504	426	1,516	532	30
21	MARY ESTHER	2,655	570	1,494	554	37
22*	S CENTRAL FWB	1,911	518	928	440	25
23	EGLIN AFB	764	152	316	284	12
24*	WEST FWB	2,678	759	1,246	638	35
25	N CENTRAL NICEVILLE	1,897	360	1,118	388	31
26	SEMINOLE	2,715	349	1,855	480	31
27	CINCO BAYOU	293	53	149	83	8
28*	GARNIERS	327	56	207	58	6
29*	GOLF COURSE	1,959	323	1,258	363	15
30	OKALOOSA ISLAND	1,588	265	912	388	23
31	LONGWOOD	2,078	330	1,391	334	23
32*	FERRY PARK	2,464	446	1,477	504	37
33	ROCKY BAYOU	4,730	551	3,331	801	47
34	FLOROSA	3,660	825	1,814	956	65
35	NORTH DESTIN	3,504	494	2,190	770	50
36	SOUTH NICEVILLE	2,678	361	1,794	477	46
37	LAKE LORRAINE	2,776	371	1,838	539	28
38	NORTHGATE	2,224	490	1,203	499	32
39	EAST WRIGHT	2,164	552	1,082	503	27
40	SOUTH BLUEWATER	3,011	368	2,041	576	26
41*	N CENTRAL FWB	1,319	256	796	251	16
42*	NEW HEIGHTS	2,100	645	910	525	20
43	S CENTRAL NICEVILLE	2,222	393	1,315	488	26
44	CENTRAL DESTIN	1,902	360	1,000	513	29
45	SOUTH CRESTVIEW	4,313	960	2,228	1,051	74
46	NORTH BLUEWATER	4,566	618	2,939	935	74
47	WYNNEHAVEN BEACH	2,024	415	970	591	48
48*	WESTWOOD RETIREMENT	107	30	67	10	0
49	EAST DESTIN	3,275	379	2,274	584	38
50	SOUTH DESTIN	3,123	384	2,078	635	26
51	AIRPORT ROAD	1,908	298	1,211	381	18
52	LIVE OAK	3,887	745	2,174	899	69
Countywide Total		136,610	26,009	78,882	29,785	1,934
*City Precinct City Total		14,602	3,523	7,631	3,267	181

Source: Okaloosa County Supervisor of Elections

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

<u>Fiscal Year</u>	<u>Assessments ⁽¹⁾</u>	<u>Assessments Collected or Released</u>	<u>Ratio of Collections to Amount Assessed</u>	<u>Total Outstanding Current and Delinquent Assessment</u>
2019	\$ 325,278	\$ 25,597	7.87%	\$ 1,371,958
2018	352,698	27,714	7.86%	1,072,277
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	-	-

⁽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
2019	\$ 6,416,668	18.0%	\$ 12,358,719	34.7%	\$ 7,005,068	19.7%	\$ 3,871,165	10.9%	\$ 4,041,311	11.3%	\$ 1,696,822	4.8%
2018	6,041,303	17.0%	7,343,744	20.6%	6,728,172	18.9%	3,774,520	10.6%	3,902,809	11.0%	1,676,940	4.7%
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%

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⁾	\$11.21	\$14.01	\$11.21	\$14.01	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$11.21	\$14.01	\$11.21	\$14.01	9,079
1.0"	\$11.21	\$14.01	\$11.21	\$14.01	333
1.5"	\$15.23	\$19.04	\$15.23	\$19.04	112
2.0"	\$25.89	\$32.36	\$25.89	\$32.36	229
3.0"	\$39.45	\$49.31	\$39.45	\$49.31	14
4.0"	\$49.30	\$61.63	\$49.30	\$61.63	22
6.0"	\$78.43	\$98.04	\$78.43	\$98.04	0
8.0" or 10.0"	\$117.54	\$146.93	\$117.54	\$146.93	1
Multi-Residential, Add'l per Unit	\$8.30	\$10.38	\$8.30	\$10.38	
					<u>9,790</u>
					Residential Customers ⁽⁶⁾ 8,544
					Commercial Customers ⁽⁶⁾ 1,138
					Total Customers <u>9,682</u>

Gallage Rate (per 1,000 gallons per unit)	<u>Inside</u>	<u>Outside</u>
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 - 4,000)	\$3.34	\$4.18
Block 3 (4,001 - 8,000)	\$4.09	\$5.11
Block 4 (8,001 +)	\$6.13	\$7.66

Monthly Wastewater Rates⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$24.95	\$29.87
Monthly Base Charge	\$24.95	\$29.87
Gallage Rate (per 1,000 gallons per unit)		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$8.10	\$9.65

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

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

⁽³⁾Outside City surcharge of 25% for water

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

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

⁽⁶⁾Billed in September

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

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

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Police										
Arrests	611	660	757	921	1,041	873	867	1,042	1,265	1,773
Traffic citations	1,404	1,632	2,436	2,693	2,864	3,119	3,413	3,773	3,246	6,207
Fire										
Emergency medical responses	3,123	3,310	2,994	3,067	3,322	3,278	3,231	3,197	3,041	2,791
Fire responses	1,406	1,324	1,249	1,210	1,270	1,389	1,277	1,288	1,224	1,158
Inspections	1,008	966	932	2,409	1,000	700	800	758	1,431	2,040
Code Enforcement										
Code violations	1,251	1,446	1,825	1,807	1,702	1,766	2,118	2,158	2,456	2,426
Engineering Services										
Building permits issued	2,095	2,006	332	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Residential building permits issued	1,942	1,855	483	23	1,214	1,220	1,095	697	588	630
Commercial building permits issued	153	151	178	5	402	310	457	164	284	380
Value of permits (in millions)	\$65.80	\$4.10	\$2.70	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Value of residential permits (in millions)	\$ 41	\$ 26	\$ 12	\$ 4	\$ 16	\$ 16	\$ 15	\$ 9	\$ 10	\$ 7
Value of commercial permits (in millions)	\$ 24	\$ 15	\$ 15	\$ 1	\$ 832	\$ 27	\$ 23	\$ 9	\$ 7	\$ 7
Business Tax Receipts Sold	406	628	1,769	2,115	2,259	2,402	2,087	1,947	2,269	2,311
Street resurfacing (lane miles)	0.00	0.18	0.00	1.01	0.64	0.16	-	1.70	2.25	5.71
Pot holes (hours spent repairing)	557	166	213	163	770	528	813	989	1,014	617
Sanitation										
Refuse collected (tons)	26,498	26,317	26,151	25,203	24,467	26,102	24,059	25,374	25,332	25,676
Recyclables collected (tons)	2,048	2,032	1,811	1,507	1,191	754	615	375	251	161
Culture and Recreation										
Parks and Recreation										
Recreation program participants ⁽³⁾	206	199	102	154	n/a	n/a	n/a	92,267	106,486	103,121
Recreation program registrations ⁽⁵⁾	n/a	n/a	n/a	n/a	650	651	571	n/a	n/a	n/a
Adult athletic participants ⁽³⁾	820	770	530	n/a	n/a	n/a	n/a	6,728	9,003	10,009
Youth athletic registrations ⁽³⁾	2,264	2,123	2,394	n/a	424	426	467	n/a	n/a	n/a
Skater/tennis park participants ⁽⁴⁾	n/a	n/a	n/a	2,086	1,978	1,347	1,253	n/a	n/a	n/a
Library										
Circulation volume	157,554	147,760	139,980	144,474	137,363	145,684	142,888	139,196	126,146	135,314
Museum										
Number of visitors/participants ⁽¹⁾	30,050	23,012	24,522	22,437	22,683	19,461	22,901	21,480	28,200	39,935
Water System										
New connections	25	37	45	81	34	27	26	39	18	27
Water customers	0	9,682	9,620	9,618	9,537	9,480	9,279	8,846	8,804	8,795
Water produced (million gallons)	912	895	866	883	891	884	855	868	899	897
Wastewater System										
Wastewater treated (million gallons) ⁽²⁾	-	-	-	-	-	-	-	-	-	381

⁽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 back 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	45	47	45	39	43	43	43	51	48	49
Engineering Services										
Miles of roads	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.06	92.65 ⁽²⁾	112.76
Miles of sidewalks	63.79	63.67	63.67	64.73	63.67	64.73	64.05	63.93	62.80	62.11
Signs fabricated and installed	461	286	614	854	1,133	918	785	935	976	910
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	129	129	129	129	129	116 ⁽⁷⁾	117 ⁽⁴⁾	122	122	122 ⁽³⁾
Parks (acres)	206.00	206.00	206.00	206.00	196.56	180.26	180.26	180.26	180.26	180.26
Library										
Inventoried collection	56,973	62,513	67,881	70,353	72,313	72,729	74,649	74,448	72,873	74,317
Water and Sewer System										
Potable water lines (miles)	146.40	146.33	146.10	144.91	144.77	146.25	145.9 ⁽⁵⁾	118.63	118.57	118.52
Sanitary sewer lines (miles)	129.49	129.49	129.62	129.51	110.45	130.32 ⁽⁶⁾	118.76	118.76	118.76	118.77
Reuse water lines (miles)	7.10	7.10	7.10	7.10	7.10	7.10	7.14	3.82	3.82	3.82
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)	43.33	43.18	42.10	42.03	42.05	42.01	41.64	41.64	45.70	45.66

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

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

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

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

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

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

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

N/A: Not available.

Source: City of Fort Walton Beach Performance Measures.

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

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/12/18 to 10/12/19	Wright National	1151291251	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	14 Robinwood Drive SW Sanitation Building
12/6/18 to 12/6/19	Wright National	1151306332	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Boulevard Police Department
10/12/18 to 10/12/19	Wright National	1151291263	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 300,000 C	#5 Hollywood Boulevard Fire Department
10/12/18 to 10/12/19	Wright National	1151292103	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/18 to 10/12/19	Wright National	1151291796	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/18 to 10/12/19	Wright National	1151292114	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber
10/12/18 to 10/12/19	Wright National	1151292125	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building
10/12/18 to 10/12/19	Wright National	1151292120	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building
10/12/18 to 10/12/19	Wright National	1151291389	Fisher-Brown Agency	Flood	\$ 450,000 B \$ 100,000 C	141 Miracle Strip Parkway City Museum
10/12/18 to 10/12/19	Wright National	1151291280	Fisher-Brown Agency	Flood	\$ 350,000 B \$ 50,000 C	22 McGriff Street Child Care Facility
12/2/18 to 12/2/19	Wright National	1150164378	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom, East of Pavilion Liza Jackson Park
12/2/18 to 12/2/19	Wright National	1150164379	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/18 to 05/17/19	Wright National	1150342974	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/18 to 07/23/19	Wright National	1151270502	Fisher-Brown Agency	Flood	\$ 300,000 B \$ 50,000 C	18 Robinwood Drive Pump Station #1

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

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
06/23/18 to 06/23/19	Wright National	1150458831	Fisher-Brown Agency	Flood	\$ 55,000	B 168 Coral Drive SW City Hall Ball Field Restrooms
10/01/18 to 10/10/19	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, Recreation Center
10/01/18 to 10/10/19	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Inland Marine	\$ 750,000.00 # \$ 332,326.00 # \$ 336,677.00 # \$ 330,204.00 # \$ 330,204.00 # \$ 330,204.00 # \$ 330,749.00 # \$ 226,827.00 # \$ 229,079.00 # \$ 229,079.00 # \$ 443,205.00 # \$ 442,574.00 # \$ 442,849.00 # \$ 442,849.00 # \$ 78,902.00 # \$ 93,150.00 # \$ 730,000.00 # \$ 250,000.00 # \$ 445,000.00 # \$ 52,765.00 # \$ 97,373.00 # \$ 35,807.94 # \$ 48,088.00 # \$ 55,654.00 # \$ 1,000,000.00 # \$ 2,040,716.94 # \$ 3,040,716.94 #	2M Blanket Unscheduled 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 7M Electronic Data Processing Equipment - RC 11M Fine Arts - Agreed Value 14M Rented, Borrowed, Leased Equipment - ACV 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value 6M Contractor's / Mobile Equipment - Agreed Value Blanket Unscheduled Inland Marine Scheduled Inland Marine Total All Inland Marine
9/16/18 to 9/16/19	Hartford	21BSBDB7459	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
02/09/18 to 02/09/19	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/18 to 10/10/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
10/01/18 to 10/10/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/18 to 10/10/19	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money & Securities (theft)	\$ 10,000	
10/01/18 to 10/10/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees (Employee dishonesty) Blanket Fidelity Bond
10/01/18 to 10/10/19	PGIT	PKFL1046200316-07	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurrence
10/01/18 to 10/10/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 46,666,662	Blank Real & Personal Property
10/1/18 to 10/1/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 100,000 \$ 500,000	Business Income Additional Expense
10/1/18 to 10/1/19	PGIT	WC-FL1046200316-07	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/18 to 10/10/19	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Public Officials Empl. Practice	\$ 5000000/inc \$ 5000000/agg	
10/01/18 to 10/10/19	Federal Insurance	9906-62-32	Federal Insurance Co. ACHUBB Co. Ace American Ins. Co.	AD&D	\$ 67,901 \$ 67,901 \$ 197,876	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/18 to 10/10/19	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	\$ 46,666,662	
5/01/18 to 5/01/19	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, 2019**

Source	<u>Amounts Received in the 2018-2019 Fiscal Year</u>	<u>Amounts Expended in the 2018-2019 Fiscal Year</u>
Florida Coastal Protection Trust Fund		
Early Restoration Deepwater Horizon oil spill	<u>\$ -</u>	<u>\$ 33,629</u>

**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, 2019, and have issued our report thereon dated April 22, 2020, 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 Chapter 10.557(3)(f), *Rules of the Auditor General*, 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.



Fort Walton Beach, Florida
April 22, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 22, 2020.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-003, and 2019-004 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-002 and 2019-005 to be significant deficiencies.

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 matter that are required to be reported under *Government Auditing Standards*.

City of Fort Walton Beach, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

April 22, 2020

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-001 BANK RECONCILIATIONS

Criteria

Under *Government Auditing Standards*, the auditor is required to obtain an understanding of the entity's internal control relevant to the audit. Internal Control is defined as a process affected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Conditions

Bank reconciliations were not performed on a timely basis during FY 2019. Bank reconciliations fell behind starting in March 2019 due to staff vacancies. The amount of activity of these accounts on a monthly basis is voluminous and data is captured from various transaction sources making timely monthly reconciliations critical to the internal control over cash.

The City was over six months behind on completing its bank reconciliations in February 2020 when the Finance Director was arrested for alleged criminal misconduct. The City does not have a written policy that requires bank reconciliations be prepared within a designated time period after the end of the month.

Cause

Bank reconciliations from March to September 2019 were not prepared and reviewed on a timely basis due to a lack of oversight by the former Finance Director and staff turnover in the City's Financial Services Department during fiscal year 2019.

Effect

The internal controls over cash during the period under audit, as designed and placed in operation, does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis.

Recommendation

Bank accounts should be reconciled monthly and all differences between book and bank balances should be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected. All accounts reconciled should be reviewed by supervisory personnel. The City should require all bank reconciliations be completed within a designated time period after the end of the month and any exceptions should be reported to the appropriate member of management/Governance.

Management's Response

Concur. Finance Department staff is aware of the importance of ensuring the bank accounts are up to date. A new internal department policy will be drafted to ensure this practice continues.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-002 CUSTODY OF CASH

Criteria

The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis.

Condition

The fiscal year 2019 internal cash audit performed by City personnel in the Financial Services department on October 2, 2019 could not verify the existence of \$5,000 of cash held in the safe for emergency/disaster purposes. The funds were missing from the safe at the time of the cash counts. The Finance Director and the City Clerk were notified at the date of discovery of the missing funds. However no further investigation of the missing funds took place.

The suspected fraud was not brought to the attention of the external auditors in fraud risk questions asked of the City Finance Director and City Comptroller. The external auditors were made aware of the missing funds in February 2020 after arrest of the City Finance Director. City personnel also advised that the keys to safe do not have the appropriate physical safeguards and thus access to the safe is not effectively limited. Limited funds are stored in the safe.

Cause

Any number of City employees could have had access to the safe due to the lack of physical safeguards to the key and thus ultimate resolution of how the funds went missing most likely can not be factually proved. Appropriate investigation into the missing funds did not take place as reliance was placed on the Finance Director, due to her position of authority, to inform the City Manager and Police Chief about the missing funds.

Recommendation

The City should ensure appropriate physical safeguards to the keys to the safe as only a limited number of people would need access to the safe. Further access to the key and entry into the safe should require dual entry process. The City should require in its policy that the internal cash counts take place more frequently than annually.

City personnel should also be trained to ensure the City Manager, Police Chief and external auditors are aware of any known or suspected fraud

The City should consider a written fraud policy that promotes consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations as it applies to any irregularity or suspected irregularity. Annual fraud awareness training for City employees should also be considered as this incident coupled with other behaviors exhibited by the Finance Director was a red flag. Fraud awareness training has been provided to City personnel in past years but is not a yearly requirement.

Management's Response

Concur. The existing fraud policy/procedure is outdated and will be changed drastically. Finance Department staff will consult with experts, including the Police Department, to implement better safeguarding of the cash and access to the vault. The City will then adopt updated policies and procedures for fraud prevention and detection and safeguards of cash on hand for emergency response; this will include employee training. The COVID-19 pandemic has been a great exercise in developing emergency procedures for purchasing necessary resources.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-003 AUDITOR PROPOSED JOURNAL ENTRIES

Criteria

The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis.

Condition

The final September 30, 2019 trial balances were not available for audit until January 19, 2020. Several audit adjustments were then necessary to properly reflect account balances as follows:

- The City failed to record the trade-in of an existing garbage truck as a disposal. The new garbage truck purchased was recorded using the cash price paid without considering the proceeds of \$32,500 received from the trade-in.
- Retainage payable of approximately \$440,000 on the new field office complex was not recorded.
- Fund balance in the debt service fund varied by \$21,000 from the prior year audit.
- Accrued interest of approximately \$62,000 was not record on long term debt.
- Capital asset account classifications per the subsidiary detail did not agree the general ledger balances.
- Pooled investment earnings were not properly recorded as interest income/realized gains and losses.

Cause

Recurring monthly and year end accounting activity, processes and account reconciliation is not taking place on a timely basis. The City Comptroller has not been trained in certain functions, to include capital asset accounting which is a transaction cycle with over \$42 million in assets at September 30, 2019. This is a result of staff vacancies, lack of training and lack of oversight by the Finance Director during the year ended September 30, 2019.

Effect

The auditors proposed material entries either individually or in the aggregate which were reviewed and accepted by management to correct certain account balances at September 30, 2019. The system of internal control over financial accounting and reporting is not functioning as intended.

Recommendation

The City should ensure monthly and year end accounting activity to include account reconciliations are performed and reviewed on a timely basis by appropriately experienced and trained personnel.

Management's Response

Concur. A training program for Finance Department staff will be developed and implemented under the oversight of the City Manager, Finance Director and Human Resources Department. In addition, the Finance Department will update policies and procedures to ensure timely reconciliations for all accounts, including subledgers (i.e. fixed assets) to the general ledger.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-004 – ALLEGED FRAUD

Criteria

The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis.

Conditions

The Finance Director opened an American Express card in the name of the City in May 2019. Purchases were made on the card beginning in August 2019. An outbound ACH transaction was used to make payment of \$5,840 on the credit card account on September 24, 2019. The credit card charges have been alleged to be for personal use. The Finance Director was terminated after being arrested and charged with criminal misconduct in February 2020.

A journal entry in the amount of \$5,840 was posted in the City's general ledger on September 25, 2019 to account for the ACH payment. The support documentation provided with the journal entry was falsified and not reflective of the actual charges made on the credit card. The City's accounting system required two individuals to post the journal entry. The journal entries and the accompanying falsified support documentation were prepared by the City's Finance Director and reviewed and approved by the City's Comptroller.

Additional amounts of approximately \$45,000 were paid for charges on the card using City funds in FY2020 by ACH payment method. The additional charges on the card are alleged to be for personal use.

Cause

City policy allowed the Finance Director to open a credit card account in the City's name without secondary approval or notification. Outbound ACH transactions were able to be initiated and approved by the Finance Director as she served in the administrator role in the City's banking platform. City policy does not require payments made by ACH payment method to follow the same input and approval process as check disbursements. The Finance Director used her position of trust and authority to open the account and prepare journal entries and falsified support documentation to account for the transaction. The journal entry and falsified support documentation were reviewed and approved by the City Comptroller and posted to general ledger.

The City has experienced significant turnover in the Financial Services department beginning in February of 2018. There have been two Comptroller's in place since that date. As noted in a separate report prepared under the direction of a fraud investigation, certain employees were hired that may not have had the proper experience, qualifications or training for the position contributing to a slow erosion of the effectiveness of the Financial Services function. The current Comptroller is new in the role and lacks appropriate experience to robustly review and approve journal entries.

Effect

The City expended funds of approximately \$5,840 on unauthorized transactions during the year ended September 30, 2019. While the amounts are not material to the financial statements, the City Council has asked all suspected fraud to be brought to their attention.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-004 – ALLEGED FRAUD – CONTINUED

Recommendation

The City has a written policy for approvals related to disbursements made via check. However the policy has not been updated to account for disbursements made via electronic funds transfer to include Automated Clearing House (ACH) electronic payment delivery system transactions and wire transactions. We recommend the City update its cash disbursement policy to address these methods used to provide payments to vendors. The policy should require a vendor to complete a form in order to be paid by an electronic payment method. Input documentation for new ACH and wire transactions should be reviewed and approved independently from the cash disbursement process similar to the process to add a vendor to the vendor master file. The City should work with its financial institution to determine if access controls at a task level can be configured in its electronic banking platform to achieve this objective. In addition City policy defines a process for the production of a check register each week prior to the disbursement of funds. The check register and related input and approval process should include disbursements by both physical checks and payments planned to be made by ACH and wire payment methods.

City policy expressly requires journal entries prepared by the Comptroller are to be reviewed by the Finance Director. Management should adhere to the City's policy that all adjusting journal entries be reviewed and approved by the Finance Director or another appropriate individual other than the individual responsible for recording journal entries in the general ledger.

City policy does not address journal entries prepared by the Finance Director since the system does not contemplate the need for the Finance Director to make journal entries. Due to the turnover and lack of experience in the City's finance function there may have been valid reasons for a journal entry to be prepared by the Finance Director; however the review of such entries should have been elevated to an individual with requisite financial experience that is not a direct report of the Finance Director. We recommend the City update its policy in this regard.

City policy should require two individuals approve the opening of new accounts as well as the issuance of credit or procurement cards.

Ultimately crime is a combination of motive and opportunity. Due the responsibility and authority of the Finance Director's position it is virtually impossible to design a system of internal control to prevent an individual in that position from having opportunity to override the system of internal control. However additional checks and balances over the opening of accounts and the approval process for vendor disbursements using electronic payment methods can make it more difficult for fraud to be committed and increase the frequency in which fraud can be detected.

Management's Response

Concur. The appropriate internal controls and policies will be amended or created to ensure this does not happen in the future. Recommendations from the forensic audit will be immediately implemented. Positive pay for ACH transactions has already been implemented after it was determined this feature was never activated for ACH as it was for checks.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDING 2019-005 IT RISK ASSESSMENT

Criteria

With threats to sensitive data growing in number and sophistication, along with targeted attacks on governmental agencies, management should focus limited IT budgets and resources on specific vulnerabilities. An IT risk assessment identifies, analyzes and prioritizes the risks to the confidentiality, integrity or availability of the organization's data or information systems, based on both the likelihood of the event and the level of impact it might have on the organization.

Condition

City management has discussed the need for a current external IT risk assessment but has not formally taken action to procure the assessment.

Cause

City management has varying priorities and other items have taken precedence over this action item. IT management also agrees an external assessment would be valuable however management would like to accomplish certain IT objectives before proceeding forward.

Recommendation

The City should procure an external IT risk assessment that can be used as a foundation of its IT security strategy. IT risk assessment needs to be an on-going process that is constantly maintained and updated. While there is no good time for such an activity, proactive identification of system weaknesses can ultimately prevent a reactive response which can be very costly in the event of a breach.

Management's Response

Concur. An overall IT assessment is needed for the City, which includes an enterprise software evaluation. Funding was allocated in the FY 2019-20 budget to contract with a third-party vendor for an overall City software evaluation project. This will be expanded to include an IT risk assessment as part of the overall project.

**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, 2019:

- 1) Section 218.415, Florida Statutes, in regard to the investments.
- 2) Section 218.8018, Florida Statutes, in regard 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination of 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, 2019.


Fort Walton Beach, Florida
April 22, 2020

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, 2019, and have issued our report thereon dated April 22, 2020.

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*; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 22, 2020, 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 the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City of Fort Walton Beach, Florida has been disclosed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate 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 to identify 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.

Financial Condition and Management – Continued

Pursuant to Sections 10.554(1)(i)5.b., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. 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, see the schedule of findings and responses.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or are 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, see the schedule of findings and responses.

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
April 22, 2020



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