

FORT WALTON BEACH

FLORIDA

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FY 2019-2020 Comprehensive Annual Financial Report

CITY OF FORT WALTON BEACH, FL
WITH COMPLIANCE MATTERS AND RESPONSES
FISCAL YEAR ENDED SEPT. 30, 2020

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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
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March 12, 2021

Honorable Mayor, City Council Members,
& 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, 2020, 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, 2020, 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, 2020, 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: \$1,533,134,670	WATER & SEWER LINES: 282.82 miles
CITY MILLAGE RATE: 5.3293	STORM DRAIN: 43.18 miles
POPULATION: 21,064 (April 1, 2020 Est)	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 351 positions, 312.64 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 53	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



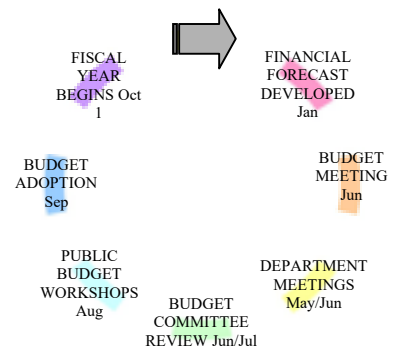
Downtown Redevelopment: Brooks Bridge Park

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 2020-21 budget of \$49,575,666 is \$2.3 million, or 4.96%, more than the adopted FY 2019-20 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 6.02% in the General Fund and 4.77% in the CRA Fund. The budget is predicated on reducing the millage rate to 5.3293 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 2020-21. The City's budget for FY 2020-21 totals \$49.6 million, which is \$2.3 million, or 4.96%, more when compared to the FY 2019-20 approved budget. The FY 2020-21 budget allocates \$26.8 million to the General Fund, \$17.3 million to the Enterprise funds, and \$5.5 million to other funds.

For the FY 2020-21 budget, the ad valorem rate was decreased to 5.3293 mills. A new five-year utility rate study was adopted during the FY 2020-21 budget process and implemented with the FY 2020-21 budget. The new utility rate study included recommendations on rate structures for water and sewer, stormwater and solid waste. Also, in FY 2020-21, the fire services assessment rates remained the same as in FY 2019-20, but the collection method was moved to the annual ad valorem tax bill through the Okaloosa County Tax Collector's Office. The City expects to generate revenues of approximately \$1.15 million from the fire services assessment in FY 2020-21. No other significant changes to the City's various rates and fees are included in the FY 2020-21 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, 2019. This was the seventeenth 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, 2020. This was the twenty-fifth 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 "Michael D. Beedie". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael D. Beedie, PE
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

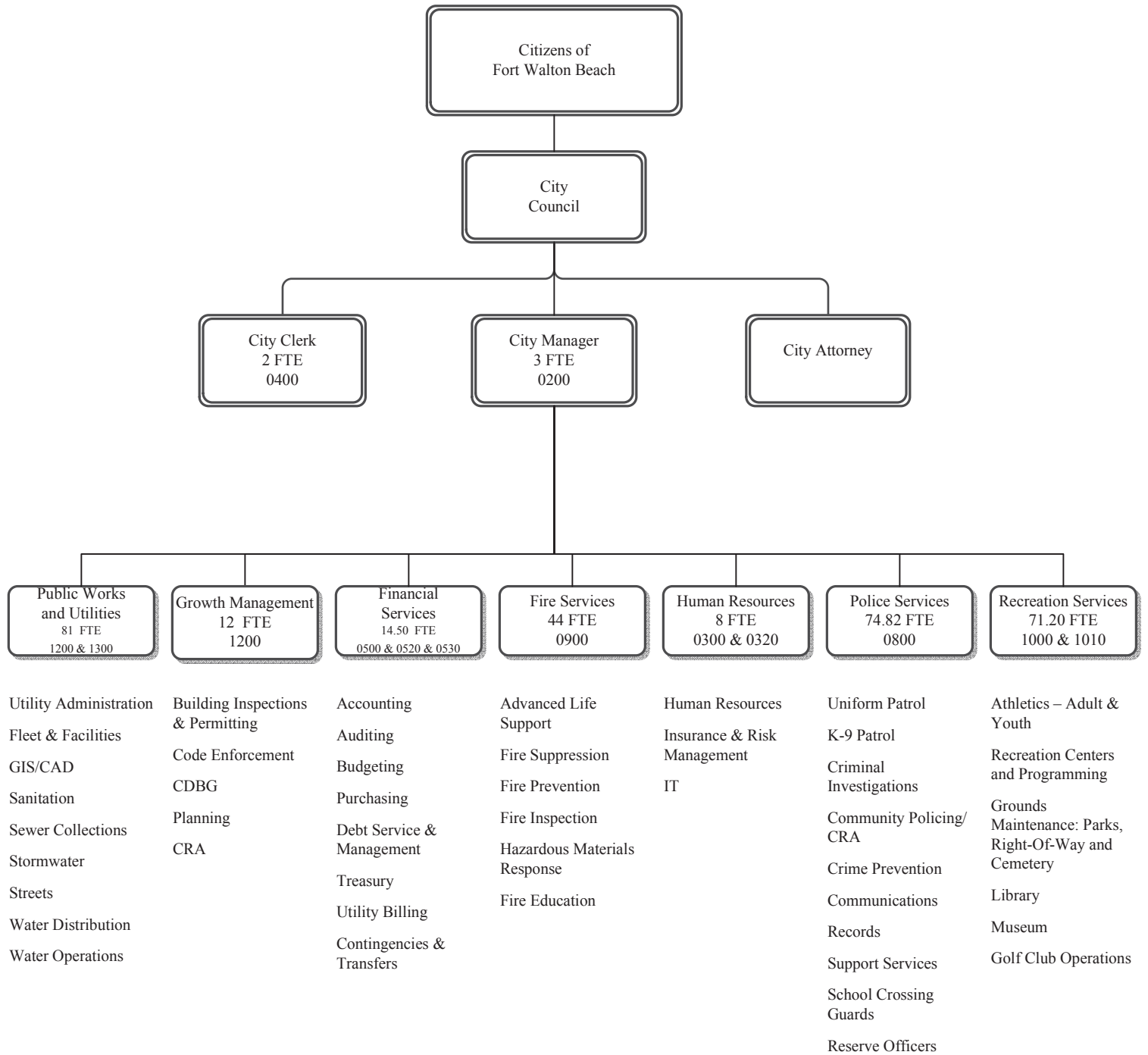
**City of Fort Walton Beach
Florida**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

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, 2020, 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, 2020, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
March 12, 2021

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, 2020. 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 \$68.5 million (total net position). Of this amount, \$18.8 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 \$8.5 million during the fiscal year. In the governmental activities, revenues and transfers exceeded expenses by \$7.0 million in fiscal year 2020. This was a result of multiple factors including receipt of a CARES Act grant award of \$3.1 million that was eligible to be used to offset public safety expenses during the pandemic; the new fire assessment fee which was implemented in January 2020; and projects planned but not completed primarily due to the impacts of COVID-19. In the business-type activities, revenues exceeded expenses and transfers out by \$1.5 million in fiscal year 2020. Charges for services in the business-type activities and related expenses were relatively consistent between the current and prior fiscal year. Transfers to the governmental activities increased \$656,107 from the prior fiscal year due to the business-type activities allocated usage of the new field office complex.
- As of the close of the fiscal year, the City's governmental funds have combined ending fund balances of \$28.4 million, an increase of \$4.5 million from the prior fiscal year. This increase was a result of receiving a CARES Act grant of \$3.1 million that was eligible to be used to offset public safety expenditures during the pandemic.
- As of September 30, 2020, committed, assigned, and unassigned fund balance of the General Fund totaled \$18.4 million, or 73.9% of the total General Fund expenditures.
- The City's total debt decreased by \$2.2 million, or 5.1%, during the fiscal year. This decrease is proportional to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended 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 separated 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 utility 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 \$68.5 million, as reported in Table 1. The City's net position increased by \$8.5 million for the fiscal year ended September 30, 2020. Both governmental and business activities experienced increases.

By far, the largest portion of the City's net position, \$42.8 million or 62.6%, 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 \$6.8 million, or 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18.8 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Statement of Net Position
As of September 30
(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<i>Current & Other</i>	\$30,536	\$27,496	\$18,350	\$17,843	\$48,886	\$45,339
<i>Capital Assets</i>	48,994	47,406	33,496	33,752	82,490	81,158
<i>Total Assets</i>	79,529	74,902	51,846	51,595	131,375	126,497
<i>Deferred Outflow of Resources</i>	7,203	6,161	726	775	7,929	6,936
<i>Long-Term Liabilities</i>						
<i>Outstanding</i>	43,506	41,784	19,885	21,076	63,391	62,860
<i>Other Liabilities</i>	2,747	4,097	2,446	2,127	5,193	6,224
<i>Total Liabilities</i>	46,253	45,881	22,331	23,203	68,584	69,084
<i>Deferred Inflow of Resources</i>	1,832	3,544	412	866	2,244	4,410
<i>Net Position</i>						
<i>Net Investment in Capital Assets</i>	28,266	28,280	14,567	13,678	42,833	41,958
<i>Restricted</i>	6,209	3,736	622	612	6,831	4,348
<i>Unrestricted</i>	4,172	(378)	14,640	14,011	18,812	13,633
<i>Total Net Position</i>	\$38,647	\$31,638	\$29,829	\$28,301	\$68,476	\$59,939

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

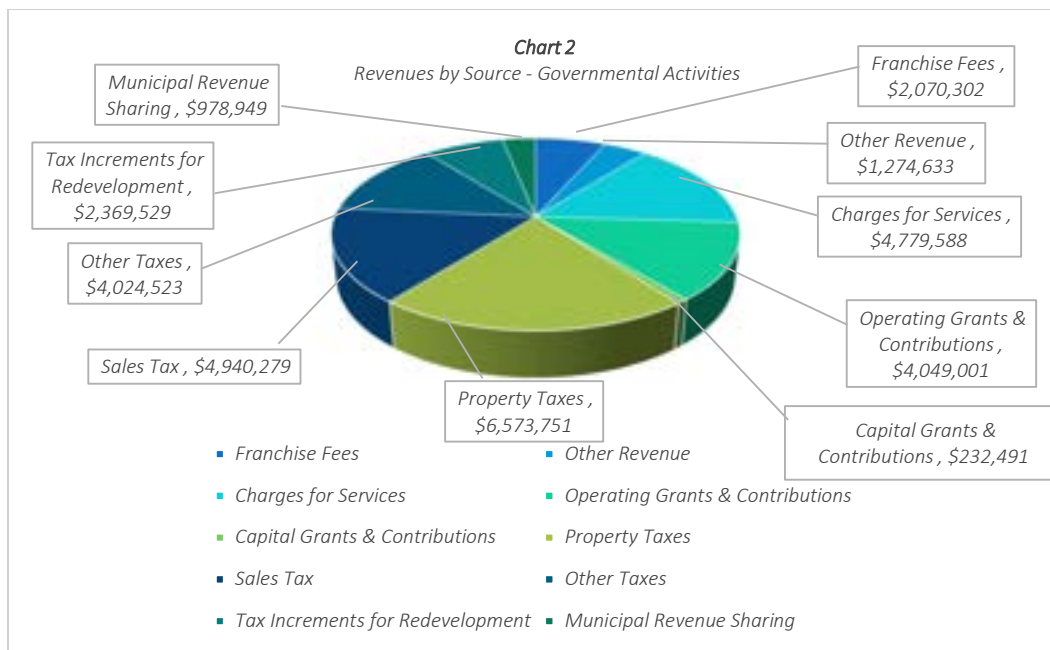
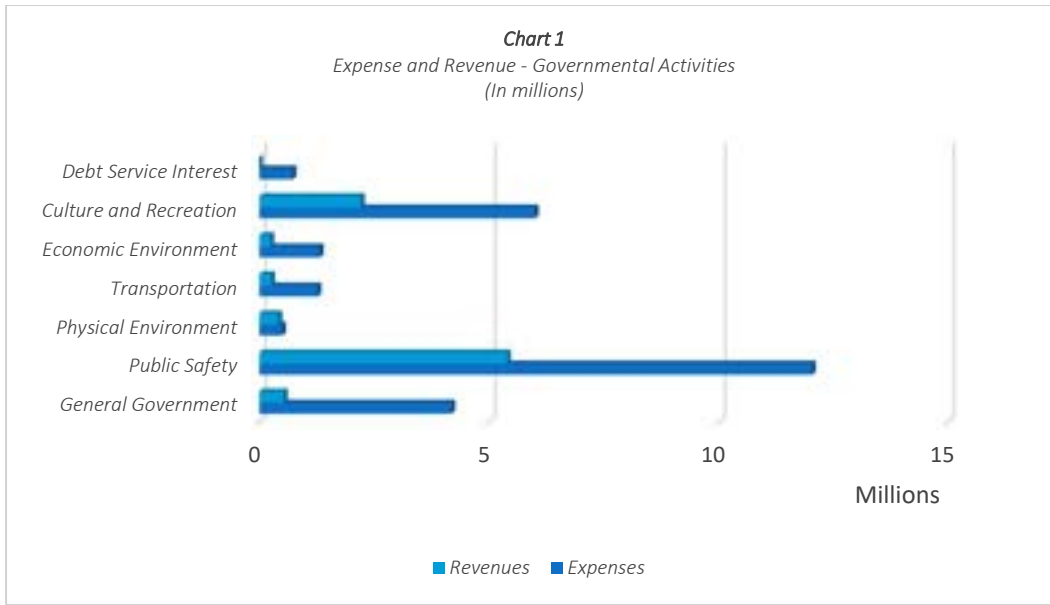
Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenue:						
Charges for Services	\$4,779,588	\$4,012,335	\$16,325,285	\$16,288,803	\$21,104,873	\$20,301,138
Operating Grants & Contributions	4,049,001	765,032	-	-	4,049,001	765,032
Capital Grants & Contributions	232,491	37,406	211,962	93,282	444,453	130,688
General Revenue:						
Property Taxes	6,573,751	6,416,668	-	-	6,573,751	6,416,668
Other Taxes	8,964,802	8,380,199	-	-	8,964,802	8,380,199
Tax Increments for Redevelopment	2,369,529	1,893,803	-	-	2,369,529	1,893,803
Other Revenue	4,323,884	4,488,623	643,351	776,094	4,967,235	5,264,717
Total Revenues	31,293,046	25,994,066	17,180,598	17,158,179	48,473,664	43,152,245
Expenses						
Primary Government						
General Government	4,182,204	3,559,619	-	-	4,182,204	3,559,619
Public Safety	12,040,368	11,159,777	-	-	12,040,368	11,159,777
Physical Environment	497,072	519,126	-	-	497,072	519,126
Transportation	1,268,589	1,406,227	-	-	1,268,589	1,406,227
Economic Environment	1,317,571	1,412,332	-	-	1,317,571	1,412,332
Culture & Recreation	5,999,273	5,781,339	-	-	5,999,273	5,781,339
Debt Service Interest	727,034	664,131	-	-	727,034	664,131
Business-Type Expenses						
Utilities	-	-	9,315,619	9,961,949	9,315,619	9,961,949
Sanitation	-	-	3,824,136	3,720,984	3,824,136	3,720,984
Other	-	-	764,925	762,181	764,925	762,181
Total Expenses	26,032,111	24,502,551	13,904,680	14,445,114	39,936,791	38,947,665
Increase/(Decrease) in Net Position before Transfers	5,260,935	1,491,515	3,275,918	2,713,065	8,536,853	4,204,580
Transfers	1,747,686	1,091,579	(1,747,686)	(1,091,579)	-	-
Increase/(Decrease) in Net Position	7,008,621	2,583,094	1,528,232	1,621,486	8,536,853	4,204,580
Net Position – Beginning	31,638,343	29,055,249	28,300,599	26,679,073	59,938,902	55,734,322
Net Position – Ending	\$38,646,964	\$31,638,343	\$29,828,791	\$28,300,559	\$68,475,755	\$59,938,902

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net position by \$7.0 million for the fiscal year ended September 30, 2020. Key elements of this change are as follows:

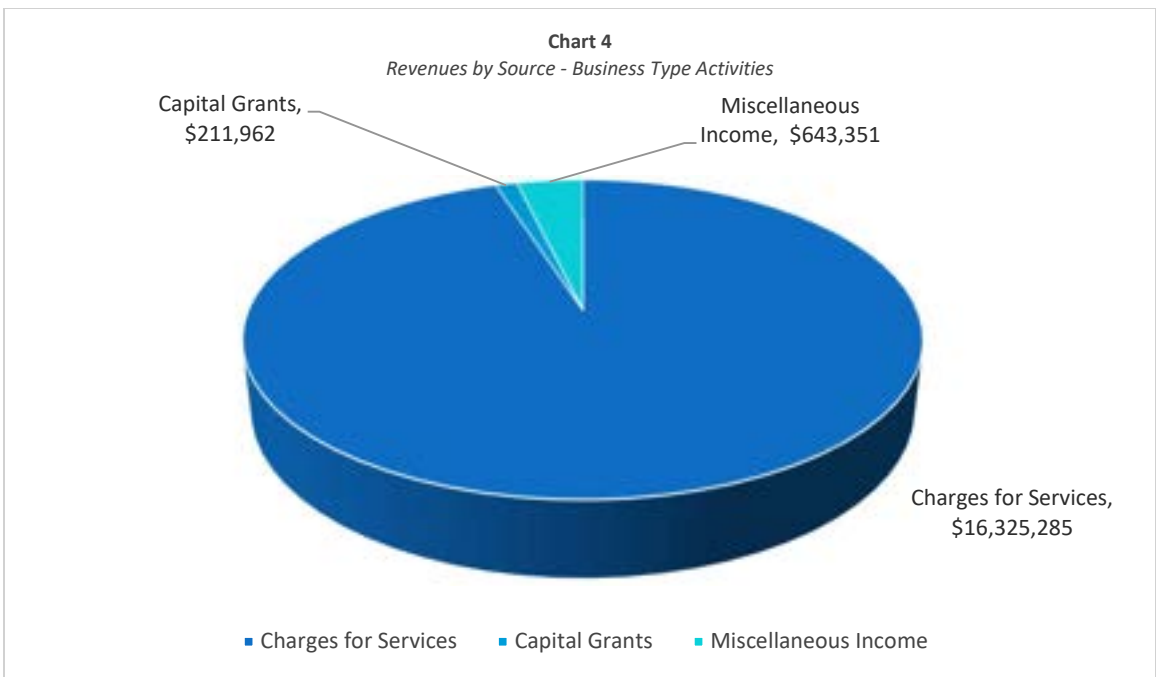
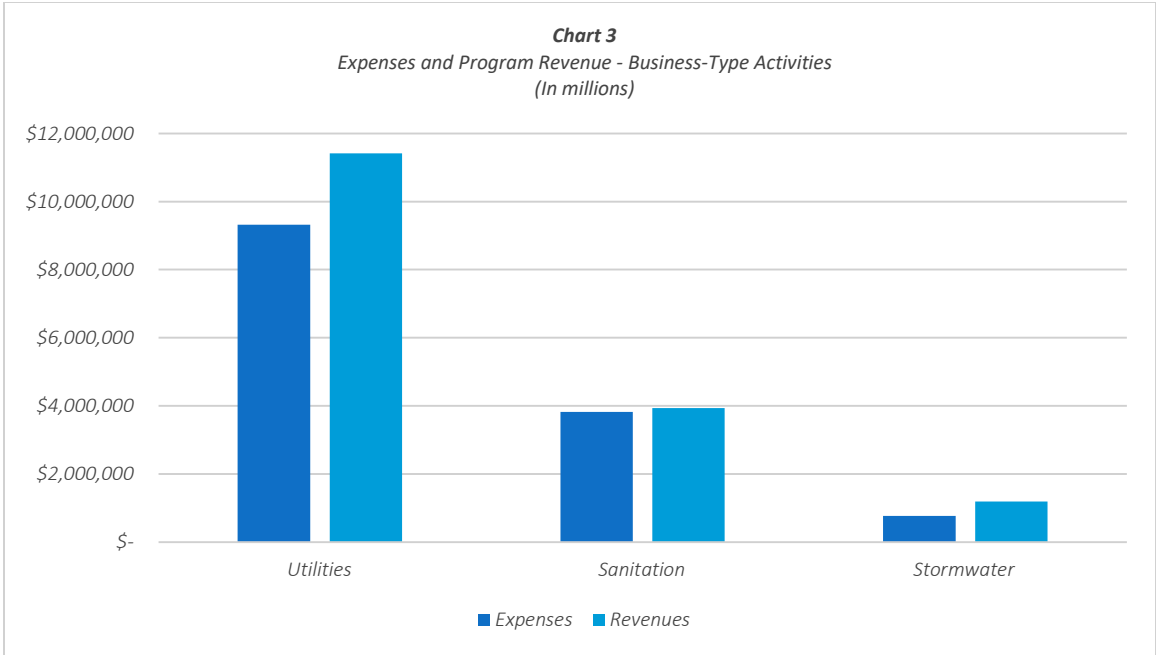
- Total revenues increased by \$5.3 million, which is primarily attributable to the Federal Grants such as Cares Act funding due to COVID-19, increases in property taxes, the implementation of a Fire Assessment Fee, and increases in discretionary sales taxes received.
- Culture and recreation expenses increased by \$217,934 due to an increase in payroll and related employee benefits and operating leases for the golf course and parks.
- Public safety expenses increased by \$880,591 due to an increase in payroll expenses due to Hurricane Sally and the City's portion of personnel costs not covered by the SAFER Grant.
- Overall, expenses for governmental activities increased by \$1.5 million, or 6.2%, while related revenue increased \$5.3 million, or 20.4%.



Current Year Impacts – Business-Type Activities

Business-type activities increased the City’s net position by \$1.5 million for the fiscal year ended September 30, 2020. Key elements of this change are as follows:

- Charges for services resulted in additional revenues of \$36,481, or a 0.2% increase from the prior year due an increase in usage demand for utility services.
- Overall, expenses for the business-type activities of the City decreased by \$540,434, or 3.7%, primarily due to a decrease in plant and system repairs.



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. 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, 2020, the City's governmental funds have combined ending fund balances of \$28.4 million, an increase of \$4.5 million from the prior year. Approximately 77.1% of this amount, or \$21.9 million, is available for spending at the discretion of City Council. The remainder of fund balance is non-spendable or restricted. Details of the fund balance classifications can be found on page 17 of this report, as well as in Note 19.

The General Fund is the chief operating fund of the City. At the end of this fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$18.4 million, while total fund balance reached \$21.0 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 73.9% of the total General Fund expenditures, while total fund balance represents 84.0% of that same amount.

During the 2020 fiscal year, the fund balance of the City's General Fund increased by \$2.6 million. This increase was a result of receiving a CARES Act grant of \$3.1 million that was eligible to be used to offset public safety expenditures during the pandemic. However, capital outlay expenditures to complete the field office complex of \$1.5 million were incurred in fiscal year 2020 reducing fund balance since the debt proceeds for the field office complex were recognized in previous fiscal year. The remaining net increase in fund balance results from revenues exceeding expenditures due to projects planned but delayed as a result of COVID-19.

The CRA's fund balance increased by \$1.4 million. This is mainly attributed to an increase in recognition of additional properties within the CRA, and delays in planned expenditures due to COVID-19.

Proprietary Funds

The City's proprietary funds provide the same City type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds totaled \$14.6 million at September 30, 2020, of which the Utilities Fund amounted to \$11.9 million, the Sanitation Fund totaled \$1.8 million, and the Stormwater Utility Fund was \$901,975. 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 96.3%, an increase of 1.2% 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, which is related to the Plan's closed status.

Fiduciary Funds – Continued

The Police Officers' Retirement Fund's net position as a percentage of the total pension liability was 78.8%, a decrease of 3.3% 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 62.6%, which was a decrease of 2.4% 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 a decrease of \$500,073. Significant information related to this difference is summarized as follows:

- A decrease in the budgeted Fire Assessment Fee of \$1.25 million.
- SCBA & cardiac monitors FEMA grant for an increase of \$202,857.
- Six fire personnel positions FEMA grant for an increase of \$362,430.
- Parks and Recreations General Donations for an increase of \$87,769.
- Cares Act Grant for an increase of \$76,450.
- Various donations and fees for an increase of \$20,421.

Actual results, when compared to the final budget, show a variance of \$8.1 million for expenditures. This variance is primarily due to amending the budget for capital 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, 2020, was \$82.5 million (net of accumulated depreciation). This represents a net increase of \$1.3 million, or 1.6%. 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 2020 totaled \$1.6 million.

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	
	2020	2019	2020	2019	2020	2019
Land	\$10,915,210	\$10,910,210	\$709,678	\$709,678	\$11,624,888	\$11,619,888
Buildings	23,700,410	13,674,040	83,760	90,721	23,784,170	13,764,761
Improvements other than Buildings	9,773,457	10,040,379	29,117,586	29,440,410	38,891,043	39,480,789
Machinery & Equipment	4,465,950	3,428,487	3,433,863	3,360,685	7,899,813	6,789,172
Equipment under Capital Lease	108,673	39,591	-	-	108,673	39,591
Easements	-	-	39,742	39,742	39,742	39,742
Construction in Progress	30,110	9,313,649	111,042	111,042	141,152	9,424,691
	\$48,993,810	\$47,406,356	\$33,495,671	\$33,752,278	\$82,489,481	\$81,158,634

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, 2020, the City had total outstanding long-term debt of \$40.2 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	
	2020	2019	2020	2019	2020	2019
Revenue Notes & Bonds	\$21,175,487	\$22,246,372	\$7,093,000	\$7,537,000	\$28,268,487	\$29,783,372
State Revolving Fund	-	-	11,907,259	12,614,297	11,907,259	12,614,297
Capital Leases	67,035	6,681	-	-	13,294	6,681
	\$21,242,522	\$22,253,053	\$19,000,259	\$20,151,297	\$40,189,040	\$42,404,350

Additional information on the City'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 1.0% 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 3.8%, which represents an approximate 1.4% increase from September 2019. The State of Florida's unemployment rate was 7.2%, which represents an approximate 4.3% increase from September 2019. 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 down by 6.4% over the prior year, the half-cent sales tax distribution estimate is down by 5.8% over the prior year, and the communication services tax distribution estimate is down by 4.6% 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 considered when adopting the City's budget for fiscal year 2021. The City's budget for fiscal year 2021 totals \$49.6 million, which is \$2.3 million higher than the fiscal year 2020 approved budget. The 2021 budget allocates \$26.8 million, a 0.3% increase as compared to the fiscal year 2020 budget, to the General Fund; \$17.3 million to the enterprise funds, and \$5.5 million to other funds.

For the fiscal year 2021 budget, the City Council adopted a lower millage of 5.3293 mills due to the economic impact residents encountered due to COVID-19. Budget shortfalls were funded using unrestricted fund balance.

Personnel expenses account for approximately 48.4% of the City's budget. The City's fiscal year 2021 budget remains relatively stable in this category, at 312.6 full time equivalent (FTE's) positions, an increase of only 2.12 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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,101,117	\$ 39,945	\$ 1,141,062
Investments	24,182,183	15,813,487	39,995,670
Receivables, net	621,375	1,169,866	1,791,241
Internal balances	(188,513)	188,513	-
Due from other governments	3,448,329	200,000	3,648,329
Inventory, at cost	286,427	19,021	305,448
Prepaid assets	-	4,534	4,534
Restricted assets			
Cash and cash equivalents	21,156	910,551	931,707
Investments	514,983	-	514,983
Other assets			
Other receivables, net	548,618	3,971	552,589
Capital assets			
Non-depreciable/amortizable	10,945,320	860,462	11,805,782
Depreciable/amortizable, net	38,048,490	32,635,209	70,683,699
TOTAL ASSETS	79,529,485	51,845,559	131,375,044
DEFERRED OUTFLOWS OF RESOURCES	7,203,200	726,370	7,929,570
LIABILITIES			
Accounts payable	550,711	667,814	1,218,525
Accrued liabilities	691,789	220,488	912,277
Due to other governments	3,067	9,521	12,588
Unearned revenues	25,926	28,677	54,603
Payable from restricted assets			
Accrued interest	174,481	-	174,481
Customer deposits	-	288,200	288,200
Non-current liabilities			
Due within one year			
Compensated absences	205,895	54,517	260,412
Leases payable	13,294	-	13,294
Revenue bonds and notes payable	1,081,711	456,000	1,537,711
State revolving loans payable	-	720,535	720,535
Due in more than one year			
Compensated absences	641,444	163,549	804,993
Leases payable	53,741	-	53,741
Revenue bonds and notes payable	20,093,776	6,637,000	26,730,776
State revolving loans payable	-	11,186,724	11,186,724
Other post-employment benefits	4,947,942	1,326,473	6,274,415
Net pension liability	17,769,538	571,589	18,341,127
TOTAL LIABILITIES	46,253,315	22,331,087	68,584,402
DEFERRED INFLOWS OF RESOURCES	1,832,406	412,051	2,244,457
NET POSITION			
Net investment in capital assets	28,266,271	14,566,978	42,833,249
Restricted			
Debt service	21,156	157,228	178,384
System improvements	-	465,123	465,123
Improvement districts	3,060,014	-	3,060,014
Public safety	879,583	-	879,583
Other purposes	2,248,298	-	2,248,298
Unrestricted	4,171,642	14,639,462	18,811,104
TOTAL NET POSITION	\$ 38,646,964	\$ 29,828,791	\$ 68,475,755

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 4,182,204	\$ 532,475	\$ 5,000	\$ -	\$ (3,644,729)	\$ -	\$ (3,644,729)
Public safety	12,040,368	1,440,937	3,749,754	202,857	(6,646,820)	-	(6,646,820)
Physical environment	497,072	415,266	-	-	(81,806)	-	(81,806)
Transportation	1,268,589	258,883	-	-	(1,009,706)	-	(1,009,706)
Economic environment	1,317,571	36,701	174,691	29,634	(1,076,545)	-	(1,076,545)
Culture and recreation	5,999,273	2,095,326	119,556	-	(3,784,391)	-	(3,784,391)
Debt service interest	727,034	-	-	-	(727,034)	-	(727,034)
Total governmental activities	26,032,111	4,779,588	4,049,001	232,491	(16,971,031)	-	(16,971,031)
Business-type activities							
Utilities	9,315,619	11,356,045	-	56,522	-	2,096,948	2,096,948
Sanitation	3,824,136	3,934,207	-	-	-	110,071	110,071
Stormwater	764,925	1,035,033	-	155,440	-	425,548	425,548
Total business-type activities	13,904,680	16,325,285	-	211,962	-	2,632,567	2,632,567
Total primary government	\$ 39,936,791	\$ 21,104,873	\$ 4,049,001	\$ 444,453	(16,971,031)	2,632,567	(14,338,464)
General revenues							
Taxes							
Property taxes					6,573,751	-	6,573,751
Sales taxes					4,940,279	-	4,940,279
Utility service taxes					4,024,523	-	4,024,523
Tax increments for redevelopment districts					2,369,529	-	2,369,529
Franchise fees					2,070,302	-	2,070,302
Intergovernmental, unrestricted					978,949	-	978,949
Gain on sale of assets					158,530	16,801	175,331
Miscellaneous					44,913	1,551	46,464
Investment earnings					1,071,190	624,999	1,696,189
Transfers					1,747,686	(1,747,686)	-
Total general revenues and transfers					23,979,652	(1,104,335)	22,875,317
CHANGE IN NET POSITION					7,008,621	1,528,232	8,536,853
NET POSITION AT BEGINNING OF YEAR					31,638,343	28,300,559	59,938,902
NET POSITION AT END OF YEAR					\$ 38,646,964	\$ 29,828,791	\$ 68,475,755

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 79,998	\$ 16,693	\$ 1,004,426	\$ 1,101,117
Investments	17,836,069	2,962,232	3,383,882	24,182,183
Receivables	908,810	261,183	-	1,169,993
Due from other funds	62,927	-	-	62,927
Due from other governments	3,292,833	127,628	27,868	3,448,329
Inventory, at cost	286,427	-	-	286,427
Restricted assets				
Cash and cash equivalents	-	-	21,156	21,156
Investments	514,983	-	-	514,983
TOTAL ASSETS	<u>\$ 22,982,047</u>	<u>\$ 3,367,736</u>	<u>\$ 4,437,332</u>	<u>\$ 30,787,115</u>
LIABILITIES				
Accounts payable	\$ 516,063	\$ 30,398	\$ 4,250	\$ 550,711
Accrued liabilities	616,019	17,114	58,656	691,789
Due to other funds	-	-	39,488	39,488
Due to other governments	3,067	-	-	3,067
Advance from other funds	211,952	-	-	211,952
Unearned revenue	25,926	-	-	25,926
Total liabilities	<u>1,373,027</u>	<u>47,512</u>	<u>102,394</u>	<u>1,522,933</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	<u>626,204</u>	<u>260,210</u>	<u>-</u>	<u>886,414</u>
FUND BALANCE				
Nonspendable	286,427	-	-	286,427
Restricted	2,248,298	3,060,014	900,739	6,209,051
Committed	8,045,739	-	3,451,682	11,497,421
Assigned	2,184,202	-	-	2,184,202
Unassigned	8,218,150	-	(17,483)	8,200,667
Total fund balance	<u>20,982,816</u>	<u>3,060,014</u>	<u>4,334,938</u>	<u>28,377,768</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 22,982,047</u>	<u>\$ 3,367,736</u>	<u>\$ 4,437,332</u>	<u>\$ 30,787,115</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, 2020**

Fund balance, total governmental funds (page 17) \$ 28,377,768

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	10,945,320	
Governmental depreciable/amortizable assets	85,070,160	
Less accumulated depreciation/amortization	<u>(47,021,670)</u>	
		48,993,810

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

Special assessments	288,887	
Receivable related to sale of capital asset	<u>597,527</u>	
		886,414

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	6,378,081	
Deferred outflows of resources related to OPEB plan	825,119	
Deferred inflows of resources related to pension plans	(1,352,049)	
Deferred inflows of resources related to OPEB plan	<u>(480,357)</u>	
		5,370,794

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

Notes payable	(21,175,487)	
Accrued interest	(174,481)	
Capital leases	(67,035)	
Compensated absences	(847,339)	
Other post-employment benefits	(4,947,942)	
Net pension liability	<u>(17,769,538)</u>	
		<u>(44,981,822)</u>

Net position of governmental activities (page 15) \$ 38,646,964

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, 2020**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 12,088,890	\$ 1,352,976	\$ -	\$ 13,441,866
Permits and fees	2,890,272	24,210	560,907	3,475,389
Intergovernmental	8,629,647	1,046,187	194,909	9,870,743
Charges for services	2,757,191	-	-	2,757,191
Fines	81,073	-	12,754	93,827
Miscellaneous	1,132,547	114,288	314,703	1,561,538
Total revenues	<u>27,579,620</u>	<u>2,537,661</u>	<u>1,083,273</u>	<u>31,200,554</u>
EXPENDITURES				
Current				
General governmental services	3,620,756	-	-	3,620,756
Public safety	10,895,640	-	360,010	11,255,650
Physical environment	430,927	-	9,842	440,769
Transportation	723,669	-	-	723,669
Economic environment	-	1,043,675	139,212	1,182,887
Culture and recreation	4,929,243	-	-	4,929,243
Capital outlay	4,359,774	125,428	61,289	4,546,491
Debt service				
Principal	-	-	1,084,666	1,084,666
Interest	5,247	-	729,433	734,680
Total expenditures	<u>24,965,256</u>	<u>1,169,103</u>	<u>2,384,452</u>	<u>28,518,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>2,614,364</u>	<u>1,368,558</u>	<u>(1,301,179)</u>	<u>2,681,743</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	74,135	-	-	74,135
Transfers in	1,747,686	-	1,872,958	3,620,644
Transfers out	(1,872,958)	-	-	(1,872,958)
Total other financing sources (uses)	<u>(51,137)</u>	<u>-</u>	<u>1,872,958</u>	<u>1,821,821</u>
NET CHANGE IN FUND BALANCE	2,563,227	1,368,558	571,779	4,503,564
FUND BALANCE AT BEGINNING OF YEAR	<u>18,419,589</u>	<u>1,691,456</u>	<u>3,763,159</u>	<u>23,874,204</u>
FUND BALANCE AT END OF YEAR	<u>\$ 20,982,816</u>	<u>\$ 3,060,014</u>	<u>\$ 4,334,938</u>	<u>\$ 28,377,768</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, 2020**

Net change in fund balance – governmental funds (page 19)	\$	4,503,564
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Expenditures for capital assets	4,546,491	
Less current year depreciation/amortization	<u>(3,117,567)</u>	1,428,924
<p>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.</p>		
Disposals of capital assets	(1,100,319)	
Accumulated depreciation/amortization – disposals	1,090,645	
Transfers and adjustments of capital assets	107,808	
Accumulated depreciation/amortization – transfers and adjustments	<u>60,396</u>	158,530
<p>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).</p>		
Payments received from special assessments	(31,086)	
Special assessment for interest and penalties	766	
Payments received on receivable related to the sale of capital assets	<u>(35,718)</u>	(66,038)
<p>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.</p>		
Proceeds from issuance of long-term debt	(74,135)	
Debt principal and capital lease payments	1,084,666	
Change in accrued interest on long-term debt	<u>7,646</u>	1,018,177
<p>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:</p>		
Change in net pension liability and related deferred inflows and deferred outflows of resources	310,916	
Change in other post-employment benefits liability and related deferred inflows and deferred outflows of resources	(189,139)	
Change in long-term compensated absences	<u>(156,313)</u>	<u>(34,536)</u>
Change in net position of governmental activities (page 16)	\$	<u><u>7,008,621</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 11,579,031	\$ 11,579,031	\$ 12,088,890	\$ 509,859
Permits and fees	4,535,933	3,285,933	2,890,272	(395,661)
Intergovernmental	4,835,874	5,493,262	8,629,647	3,136,385
Charges for services	2,701,972	2,703,950	2,757,191	53,241
Fines	104,695	104,695	81,073	(23,622)
Miscellaneous	855,737	944,240	1,132,547	188,307
Total revenues	<u>24,613,242</u>	<u>24,111,111</u>	<u>27,579,620</u>	<u>3,468,509</u>
EXPENDITURES				
Current				
General governmental services	4,499,552	3,346,116	3,620,756	(274,640)
Public safety	11,851,676	12,190,443	10,895,640	1,294,803
Physical environment	420,847	420,847	430,927	(10,080)
Transportation	813,088	801,278	723,669	77,609
Culture and recreation	5,228,432	5,318,179	4,929,243	388,936
Capital outlay	10,780,083	11,016,742	4,359,774	6,656,968
Debt service	-	-	5,247	(5,247)
Total expenditures	<u>33,593,678</u>	<u>33,093,605</u>	<u>24,965,256</u>	<u>8,128,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(8,980,436)</u>	<u>(8,982,494)</u>	<u>2,614,364</u>	<u>11,596,858</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	74,135	74,135
Transfers in	998,324	998,324	1,747,686	749,362
Transfers out	<u>(1,145,530)</u>	<u>(1,145,530)</u>	<u>(1,872,958)</u>	<u>(727,428)</u>
Total other financing sources (uses)	<u>(147,206)</u>	<u>(147,206)</u>	<u>(51,137)</u>	<u>96,069</u>
NET CHANGE IN FUND BALANCE	<u>(9,127,642)</u>	<u>(9,129,700)</u>	<u>2,563,227</u>	<u>11,692,927</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>9,127,642</u>	<u>9,129,700</u>	<u>18,419,589</u>	<u>9,289,889</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,982,816</u>	<u>\$ 20,982,816</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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,352,976	\$ 1,352,976	\$ 1,352,976	\$ -
Permits and fees	-	-	24,210	24,210
Intergovernmental	830,701	830,701	1,046,187	215,486
Miscellaneous	32,457	32,457	114,288	81,831
Total revenues	<u>2,216,134</u>	<u>2,216,134</u>	<u>2,537,661</u>	<u>321,527</u>
EXPENDITURES				
Current				
Economic environment	2,043,583	2,043,583	1,043,675	999,908
Capital outlay	509,896	509,896	125,428	384,468
Total expenditures	<u>2,553,479</u>	<u>2,553,479</u>	<u>1,169,103</u>	<u>1,384,376</u>
CHANGE IN FUND BALANCE	(337,345)	(1,475,190)	1,368,558	2,843,748
FUND BALANCE AT BEGINNING OF YEAR	<u>337,345</u>	<u>1,475,190</u>	<u>1,691,456</u>	<u>216,266</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,060,014</u>	<u>\$ 3,060,014</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 35,730	\$ -	\$ 4,215	\$ 39,945
Restricted assets – cash and cash equivalents	909,671	880	-	910,551
Investments	12,693,145	2,251,063	869,279	15,813,487
Receivables, net	886,505	220,018	63,343	1,169,866
Advance to other funds	-	51,424	-	51,424
Due from other governments	-	-	200,000	200,000
Inventory – at cost	19,021	-	-	19,021
Prepaid assets	-	-	4,534	4,534
Total current assets	<u>14,544,072</u>	<u>2,523,385</u>	<u>1,141,371</u>	<u>18,208,828</u>
Other assets				
Advance to other funds	-	160,528	-	160,528
Other receivables, net	<u>3,971</u>	<u>-</u>	<u>-</u>	<u>3,971</u>
Total other assets	<u>3,971</u>	<u>160,528</u>	<u>-</u>	<u>164,499</u>
Capital assets, net				
Non-depreciable/amortizable	801,242	-	59,220	860,462
Depreciable/amortization, net	<u>27,478,511</u>	<u>1,321,803</u>	<u>3,834,895</u>	<u>32,635,209</u>
Total capital assets	<u>28,279,753</u>	<u>1,321,803</u>	<u>3,894,115</u>	<u>33,495,671</u>
Total non-current assets	<u>28,283,724</u>	<u>1,482,331</u>	<u>3,894,115</u>	<u>33,660,170</u>
TOTAL ASSETS	<u>42,827,796</u>	<u>4,005,716</u>	<u>5,035,486</u>	<u>51,868,998</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>475,663</u>	<u>193,059</u>	<u>57,648</u>	<u>726,370</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2020**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 491,599	\$ 163,541	\$ 12,674	\$ 667,814
Accrued liabilities				
Compensated absences	32,973	16,394	5,150	54,517
Wages	79,345	44,369	10,991	134,705
Interest	80,059	-	-	80,059
Other	3,036	2,214	474	5,724
Due to other funds	-	23,439	-	23,439
Due to other governments	-	9,521	-	9,521
Revenue note payable	456,000	-	-	456,000
State revolving loan payable	720,535	-	-	720,535
Payable from restricted assets				
Customer deposits	287,320	880	-	288,200
Unearned revenue	28,677	-	-	28,677
Total current liabilities	<u>2,179,544</u>	<u>260,358</u>	<u>29,289</u>	<u>2,469,191</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	98,919	49,182	15,448	163,549
Revenue note payable	6,637,000	-	-	6,637,000
State revolving loan payable	11,186,724	-	-	11,186,724
Other post-employment benefits	687,865	458,130	180,478	1,326,473
Net pension liability	381,496	153,795	36,298	571,589
Total non-current liabilities	<u>18,992,004</u>	<u>661,107</u>	<u>232,224</u>	<u>19,885,335</u>
TOTAL LIABILITIES	<u>21,171,548</u>	<u>921,465</u>	<u>261,513</u>	<u>22,354,526</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>255,831</u>	<u>120,689</u>	<u>35,531</u>	<u>412,051</u>
NET POSITION				
Net investment in capital assets	9,351,060	1,321,803	3,894,115	14,566,978
Restricted				
Debt service	157,228	-	-	157,228
System improvements	465,123	-	-	465,123
Unrestricted	11,902,669	1,834,818	901,975	14,639,462
TOTAL NET POSITION	<u>\$ 21,876,080</u>	<u>\$ 3,156,621</u>	<u>\$ 4,796,090</u>	<u>\$ 29,828,791</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, 2020**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 11,336,474	\$ 3,934,207	\$ 1,035,033	\$ 16,305,714
OPERATING EXPENSES				
Personal services	1,973,196	1,213,773	282,086	3,469,055
Operating	5,014,188	2,375,368	281,833	7,671,389
Depreciation/amortization expense	1,872,382	234,995	201,006	2,308,383
Total operating expenses	8,859,766	3,824,136	764,925	13,448,827
OPERATING INCOME	<u>2,476,708</u>	<u>110,071</u>	<u>270,108</u>	<u>2,856,887</u>
NON-OPERATING REVENUES (EXPENSES)				
Rental income	19,571	-	-	19,571
Interest expense	(449,842)	-	-	(449,842)
Amortization	(5,613)	-	-	(5,613)
Gain (loss) on sale of capital assets	6,801	10,000	-	16,801
Gain (loss) on investments	222,777	57,286	12,732	292,795
Interest	259,160	57,580	15,464	332,204
Grants in aid	(398)	-	-	(398)
Miscellaneous	1,105	446	-	1,551
Total non-operating revenues (expenses)	53,561	125,312	28,196	207,069
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
CONTRIBUTIONS AND TRANSFERS	<u>2,530,269</u>	<u>235,383</u>	<u>298,304</u>	<u>3,063,956</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	-	-	155,440	155,440
Impact fees	56,522	-	-	56,522
Transfers out	(1,230,404)	(315,637)	(201,645)	(1,747,686)
Total capital contributions and transfers	(1,173,882)	(315,637)	(46,205)	(1,535,724)
CHANGE IN NET POSITION	1,356,387	(80,254)	252,099	1,528,232
NET POSITION AT BEGINNING OF YEAR	<u>20,519,693</u>	<u>3,236,875</u>	<u>4,543,991</u>	<u>28,300,559</u>
NET POSITION AT END OF YEAR	<u>\$ 21,876,080</u>	<u>\$ 3,156,621</u>	<u>\$ 4,796,090</u>	<u>\$ 29,828,791</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, 2020**

	<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	\$ 11,076,886	\$ 3,903,067	\$ 872,153	\$ 15,852,106
Payments to suppliers	(4,801,509)	(2,350,490)	(270,927)	(7,422,926)
Payments to employees	(2,232,903)	(1,306,255)	(299,771)	(3,838,929)
Miscellaneous income	20,676	446	-	21,122
Net cash provided by operating activities	<u>4,063,150</u>	<u>246,768</u>	<u>301,455</u>	<u>4,611,373</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Change in intergovernmental balances	-	137	-	137
Change in interfund balances	-	73,855	-	73,855
Grants and aids	(398)	-	-	(398)
Transfers out	<u>(1,230,404)</u>	<u>(315,637)</u>	<u>(201,645)</u>	<u>(1,747,686)</u>
Net cash used in non-capital financing activities	<u>(1,230,802)</u>	<u>(241,645)</u>	<u>(201,645)</u>	<u>(1,674,092)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees and capital received	56,522	-	-	56,522
Acquisitions of capital assets	(536,013)	(540,750)	(976,212)	(2,052,975)
Proceeds from disposal of capital assets	8,000	10,000	-	18,000
Proceeds from capital grants and contributions	-	-	155,440	155,440
Principal paid on revenue note	(444,000)	-	-	(444,000)
Principal paid on state revolving loan	(707,038)	-	-	(707,038)
Interest paid on loans and notes payable	<u>(456,410)</u>	<u>-</u>	<u>-</u>	<u>(456,410)</u>
Net cash used in capital and related financing activities	<u>(2,078,939)</u>	<u>(530,750)</u>	<u>(820,772)</u>	<u>(3,430,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(9,058,162)	(1,069,434)	(696,658)	(10,824,254)
Proceeds from sales and maturities of investments	4,721,114	966,108	307,830	5,995,052
Investment income, net	<u>481,937</u>	<u>114,866</u>	<u>28,196</u>	<u>624,999</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,855,111)</u>	<u>11,540</u>	<u>(360,632)</u>	<u>(4,204,203)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(3,101,702)</u>	<u>(514,087)</u>	<u>(1,081,594)</u>	<u>(4,697,383)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,047,103</u>	<u>514,967</u>	<u>1,085,809</u>	<u>5,647,879</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 945,401</u>	<u>\$ 880</u>	<u>\$ 4,215</u>	<u>\$ 950,496</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, 2020**

	<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	\$ 35,730	\$ -	\$ 4,215	\$ 39,945
Restricted assets	909,671	880	-	910,551
Total cash and cash equivalents	<u>\$ 945,401</u>	<u>\$ 880</u>	<u>\$ 4,215</u>	<u>\$ 950,496</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,476,708	\$ 110,071	\$ 270,108	\$ 2,856,887
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,872,382	234,995	201,006	2,308,383
Miscellaneous revenue	20,676	446	-	21,122
Decrease (increase) in assets:				
Accounts receivable	(257,076)	(31,140)	(7,440)	(295,656)
Due from other governments	-	-	(155,440)	(155,440)
Inventory	1,372	-	-	1,372
Decrease in deferred outflows of resources	37,554	7,199	(1,489)	43,264
Increase (decrease) in liabilities:				
Accounts payable	210,310	24,273	10,726	245,309
Compensated absences payable	21,593	8,719	3,650	33,962
Wages	26,942	16,151	3,586	46,679
Other liabilities	997	605	180	1,782
Customer deposits	10,298	-	-	10,298
Other post-employment benefits	78,248	52,118	20,561	150,927
Unearned revenue	(12,810)	-	-	(12,810)
Net pension liability	(127,219)	(51,287)	(12,104)	(190,610)
Increase in deferred inflows of resources	(296,825)	(125,382)	(31,889)	(454,096)
Net cash provided by operating activities	<u>\$ 4,063,150</u>	<u>\$ 246,768</u>	<u>\$ 301,455</u>	<u>\$ 4,611,373</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Capital grants receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</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, 2020**

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	\$ 2,261,825
Investments, at fair value	
U.S. Government and Agency obligations	7,221,264
Corporate obligations	9,279,191
Corporate equity	14,068,721
Mutual funds and exchange-traded funds	52,386,140
Commingled real estate investment funds	9,424,527
Total investments	92,379,843
TOTAL ASSETS	94,641,668
LIABILITIES	
Accounts payable	102,468
NET POSITION RESTRICTED FOR PENSIONS	\$ 94,539,200

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, 2020**

	Employee Retirement Funds
ADDITIONS	
Contributions	
Employer	\$ 3,434,195
Plan members	484,763
State of Florida	427,195
Total contributions	4,346,153
Investment income (loss)	9,315,860
Less investment expense	(223,259)
Net investment income (loss)	9,092,601
Miscellaneous revenue	3,448
TOTAL ADDITIONS	13,442,202
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	6,350,129
Disability payments	196,351
Refunds	99,893
Total benefits and refunds paid	6,646,373
Administrative expenses	
Legal	25,333
Contractual services	194,081
Other	65,032
Total administrative expenses	284,446
TOTAL DEDUCTIONS	6,930,819
CHANGE IN FIDUCIARY NET POSITION	6,511,383
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	88,027,817
End of year	\$ 94,539,200

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 the GASB literature for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB guidance, 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, 2020, the City had one component unit, 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, 2020**

**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, 2020**

**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 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

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

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2020 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, 2020**

**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 2020, 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, 2020**

**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, 2020**

**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 – Continued

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, 2020**

**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 repayment of Capital Improvement Revenue Note, Series 2011; in the General Fund for unspent proceeds related to the Capital Improvement Revenue Note, Series 2018; and in the Utilities Fund customer deposits, impact fees, and repayment of Utility System Revenue Refunding Note, Series 2015.

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 / 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, 2020**

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 / system infrastructure	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 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, 2020**

**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 net OPEB liability of the Fort Walton Beach's Retiree Health Care Plan and additions to/deductions from the plan's net OPEB liability 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, 2018
Measurement Date (MD)	September 30, 2019
Measurement Period (MP)	October 1, 2018 to September 30, 2019

Classification of Fund Balance

GASB guidance 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 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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

**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

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.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

**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**

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.

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2020, and March 12, 2021, 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, 2020**

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 the originally adopted amounts were made in a legally permissible manner, except as noted in finding 2020-005 in the attached schedule of findings of questioned costs.

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, 2020, the value of the City's deposits was \$2,520,249, 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, 2020**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2020, 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, 2020, 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	\$ 19,633,045	\$ 442,479	\$ 11,154,147	\$ 7,202,346	\$ 834,073	\$ -	\$ -	\$ -	\$ -
Municipal debt	2,078,777	-	2,078,777	-	-	-	-	-	-
U.S. Treasury	9,349,005	307,980	7,584,947	1,456,078	-	-	-	-	-
U.S. Government Agencies	9,801,883	5,119,141	4,682,742	-	-	-	-	-	-
U.S. Government Agency Pools	505,756	-	32,111	9,186	326,358	138,101	-	-	-
	<u>41,368,466</u>	<u>\$ 5,869,600</u>	<u>\$ 25,532,724</u>	<u>\$ 8,667,610</u>	<u>\$ 1,160,431</u>	<u>\$ 138,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to interest rate risk:									
Money market funds	152,499								
Common stock	14,068,721								
Mutual and exchange-traded funds	55,761,323								
Real estate investment funds	9,424,527								
External investment pools	<u>12,114,960</u>								
Total	<u>\$ 132,890,496</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, 2020**

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, 2020.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2020, 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, 2020

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, 2020.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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	\$ 9,424,527	None	Quarterly	0 - 90 days

The real estate funds consist of three 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, 2020**

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 152,499	\$ -	\$ 152,499	\$ -
Debt securities				
U.S. Treasury bonds	9,349,005	9,349,005	-	-
U.S. Government Agency obligations	9,801,883	-	9,801,883	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	505,756	-	505,756	-
Corporate bonds	19,633,045	-	19,633,045	-
Municipal bonds	2,078,777	-	2,078,777	-
Total debt securities	<u>41,368,466</u>	<u>9,349,005</u>	<u>32,019,461</u>	<u>-</u>
Equity securities				
Domestic common stock	12,794,543	12,794,543	-	-
Foreign common stock	1,274,178	1,274,178	-	-
Mutual funds and exchange-traded funds	55,761,323	-	55,761,323	-
Total equity securities	<u>69,830,044</u>	<u>14,068,721</u>	<u>55,761,323</u>	<u>-</u>
* Commingled real estate investment funds	9,424,527	-	-	-
Total investments measured at fair value	120,775,536	<u>\$ 23,417,726</u>	<u>\$ 87,933,283</u>	<u>\$ -</u>
Total investments measured at amortized cost	<u>12,114,960</u>			
Total investments at September 30, 2020	<u>\$ 132,890,496</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, 2020**

5. RECEIVABLES

Receivables at September 30, 2020, were as follows:

	Governmental Activities		Business-Type Activities				Total
	General	Community Redevelopment Fund	Utilities	Sanitation	Stormwater		
Taxes	\$ 28,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,826
Accounts	188,626	972	921,412	226,297	66,472		1,403,779
Less allowance for doubtful accounts	-	-	(36,308)	(6,279)	(3,129)		(45,716)
Assessments	93,831	260,211	1,401	-	-		355,443
Other	597,527	-	3,971	-	-		601,498
Total receivables, net	<u>\$ 908,810</u>	<u>\$ 261,183</u>	<u>\$ 890,476</u>	<u>\$ 220,018</u>	<u>\$ 63,343</u>	<u>\$ -</u>	<u>\$ 2,343,830</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 \$250,065 due to the City in October 2026. The balance of this note receivable is \$361,527 as of September 30, 2020.

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 \$236,000 as of September 30, 2020.

Since these receivables will be collected outside the periods of availability, they are reflected in the general fund's balance sheet as unavailable revenues as of September 30, 2020.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2020, are \$3,448,329. Due from other governments in the governmental activities consists primarily of federal proceeds related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant, as well as grants from the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, and the Federal Emergency Management Agency.

The City's receivables from other governments for business-type activities, as of September 30, 2020, are \$200,000 which consists of state financial assistance related to a stormwater system improvement grant.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, 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	\$ 10,910,210	\$ 5,000	\$ -	\$ -	\$ 10,915,210
Construction in progress	9,313,649	1,582,442	-	(10,865,981)	30,110
Total capital assets not being depreciated/amortized	<u>20,223,859</u>	<u>1,587,442</u>	<u>-</u>	<u>(10,865,981)</u>	<u>10,945,320</u>
Capital assets being depreciated/amortized					
Buildings	25,980,047	108,520	(510,620)	10,842,003	36,419,950
Improvements other than buildings ⁽¹⁾	33,038,091	442,769	-	91,017	33,571,877
Software	521,876	-	-	51,442	573,318
Machinery and equipment	12,567,647	2,332,375	(555,213)	51,533	14,396,342
Equipment under capital lease	129,980	75,385	(34,486)	(62,206)	108,673
Total capital assets being depreciated/amortized	<u>72,237,641</u>	<u>2,959,049</u>	<u>(1,100,319)</u>	<u>10,973,789</u>	<u>85,070,160</u>
Less accumulated depreciation/amortization					
Buildings	(12,306,007)	(1,085,547)	507,656	164,358	(12,719,540)
Improvements other than buildings ⁽¹⁾	(22,997,712)	(910,254)	-	109,546	(23,798,420)
Software	(570,043)	(1,000)	-	-	(571,043)
Machinery and equipment	(9,090,993)	(1,106,577)	548,503	(283,600)	(9,932,667)
Equipment under capital lease	(90,389)	(14,189)	34,486	70,092	-
Total accumulated depreciation/amortization	<u>(45,055,144)</u>	<u>(3,117,567)</u>	<u>1,090,645</u>	<u>60,396</u>	<u>(47,021,670)</u>
Total capital assets being depreciated/amortized, net	<u>27,182,497</u>	<u>(158,518)</u>	<u>(9,674)</u>	<u>11,034,185</u>	<u>38,048,490</u>
Governmental activities, net	<u>\$ 47,406,356</u>	<u>\$ 1,428,924</u>	<u>\$ (9,674)</u>	<u>\$ 168,204</u>	<u>\$ 48,993,810</u>

⁽¹⁾ Includes infrastructure assets

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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	111,042	-	-	-	111,042
Easements	39,742	-	-	-	39,742
Total capital assets not being depreciated/amortized	<u>860,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,462</u>
Capital assets being depreciated/amortized					
Buildings	411,900	-	-	-	411,900
Improvements other than buildings	49,775,941	1,288,073	(1,789)	-	51,062,225
Software	111,215	8,816	-	-	120,031
Machinery and equipment	11,006,247	756,087	(516,872)	(13,635)	11,231,827
Total capital assets being depreciated/amortized	<u>61,305,303</u>	<u>2,052,976</u>	<u>(518,661)</u>	<u>(13,635)</u>	<u>62,825,983</u>
Less accumulated depreciation/amortization					
Buildings	(321,179)	(6,961)	-	-	(328,140)
Improvements other than buildings	(20,335,531)	(1,612,071)	1,652	1,311	(21,944,639)
Software	(111,215)	(8,894)	-	28,590	(91,519)
Machinery and equipment	(7,645,562)	(680,457)	515,828	(16,285)	(7,826,476)
Total accumulated depreciation/amortization	<u>(28,413,487)</u>	<u>(2,308,383)</u>	<u>517,480</u>	<u>13,616</u>	<u>(30,190,774)</u>
Total capital assets being depreciated/amortized, net	<u>32,891,816</u>	<u>(255,407)</u>	<u>(1,181)</u>	<u>(19)</u>	<u>32,635,209</u>
Business-type activities, net	<u>\$ 33,752,278</u>	<u>\$ (255,407)</u>	<u>\$ (1,181)</u>	<u>\$ (19)</u>	<u>\$ 33,495,671</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	\$ 523,157
Public safety	826,776
Physical environment	57,211
Transportation	538,799
Economic environment	129,483
Culture and recreation	<u>1,042,141</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 3,117,567</u>

Business-type activities

Utilities Fund	\$ 1,872,382
Sanitation Fund	234,995
Stormwater Fund	<u>201,006</u>
Total depreciation/amortization expense – business-type activities	<u>\$ 2,308,383</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2020, 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	\$ -	\$ -	\$ 3,451,339
Net difference between projected and actual earnings on pension plan investments	-	-	599,123
Differences between expected and actual experience on pension plan actuarial assumptions	-	-	651,447
Changes in assumptions related to pension plan	-	-	1,676,172
City OPEB contributions made subsequent to the measurement date			200,220
Changes in assumptions related to OPEB plan	-	-	624,899
Total deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,203,200</u>
Deferred inflows			
Differences between expected and actual experience on pension plan actuarial assumptions	\$ -	\$ -	\$ 744,129
Net difference between projected and actual earnings on pension plan investments	-	-	215,139
Changes in assumptions related to pension plan	-	-	392,781
Differences between expected and actual experience on OPEB plan actuarial assumptions	-	-	278,775
Changes in assumptions related to OPEB plan			201,582
Unavailable revenue – special assessments	28,677	260,210	-
Unavailable revenue – long-term receivable from sale of buildings	597,527	-	-
Total deferred inflows	<u>\$ 626,204</u>	<u>\$ 260,210</u>	<u>\$ 1,832,406</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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	\$ 289,403	\$ 116,670	\$ 27,535	\$ 433,608
Deferred loss on refunding	71,566	-	-	71,566
City OPEB contributions made subsequent to the measurement date	27,827	18,534	7,312	53,673
Changes in assumptions related to OPEB plan	86,867	57,855	22,801	167,523
Total deferred outflows	<u>\$ 475,663</u>	<u>\$ 193,059</u>	<u>\$ 57,648</u>	<u>\$ 726,370</u>
Deferred inflows				
Net difference between projected and actual earnings on pension plan investments	\$ 63,164	\$ 25,464	\$ 6,009	\$ 94,637
Changes in assumptions related to pension plan	78,370	31,594	7,456	117,420
Differences between expected and actual experience on pension plan actuarial assumptions	47,536	19,164	4,523	71,223
Changes in assumptions related to OPEB plan	28,016	18,661	7,362	54,039
Differences between expected and actual experience on OPEB plan actuarial assumptions	38,745	25,806	10,181	74,732
Total deferred inflows	<u>\$ 255,831</u>	<u>\$ 120,689</u>	<u>\$ 35,531</u>	<u>\$ 412,051</u>

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, 2020**

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, 2018:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	163
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	44
Active Plan Members	66
	273

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, 2020, the participants’ contribution rate was 5.0%. The City is required to contribute the remaining amount necessary to fund the normal cost and amortize the unfunded actuarial accrued liability over not more than 15 years. For the year ended September 30, 2020, the City was required to contribute \$1,419,339.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERS

The measurement date is September 30, 2019. The measurement period for the pension expense was October 1, 2018 to September 30, 2019. The reporting period is October 1, 2019 through September 30, 2020. The city's net pension liability was measured as of September 30, 2019. 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, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% - 6.50%
Discount Rate	7.60%
Investment Rate of Return	7.60%

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 2019, the inflation rate assumption of the investment advisor was 2.5%.

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, 2019 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, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF – Continued

Discount Rate

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

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, 2019 (Valuation Date of 10/01/2018)	\$ 50,430,491	\$ 47,935,568	\$ 2,494,923
Changes:			
Service cost	372,064	-	372,064
Interest	3,888,510	-	3,888,510
Differences between expected and actual experience	(466,270)	-	(466,270)
Changes of assumptions	(768,706)	-	(768,706)
Contributions – employer	-	1,751,654	(1,751,654)
Contributions – employee	-	150,018	(150,018)
Net investment income	-	1,788,274	(1,788,274)
Benefit payments, including refunds of employee contributions	(3,161,812)	(3,161,812)	-
Administrative expenses	-	(40,421)	40,421
Net changes	(136,214)	487,713	(623,927)
Balances at September 30, 2020 (Measurement Date of 9/30/2019)	<u>\$ 50,294,277</u>	<u>\$ 48,423,281</u>	<u>\$ 1,870,996</u>

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

	1% Decrease	Current Discount	1% Increase
	6.60%	Rate 7.60%	8.60%
Sponsor's net pension liability (asset)	\$ 7,182,165	\$ 1,870,996	\$ (2,622,093)

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, the City recognized pension income of \$221,311. On September 30, 2020, 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	\$ 1,419,339	\$ -
Net difference between projected and actual earnings on pension plan investments	-	309,776
Changes of assumptions	-	384,353
Differences between expected and actual experience	-	233,135
Total	\$ 1,419,339	\$ 927,264

Deferred outflows of resources related to pensions of \$1,419,339 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, 2021. 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:	
2021	\$ (1,115,623)
2022	(282,355)
2023	81,261
2024	389,453
	\$ (927,264)

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, 2020**

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, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	48
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	43
	107

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, 2020, 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 8.1% 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, 2020, the City was required to contribute 30.7% of payroll.

Net Pension Liability – PORF

The measurement date is September 30, 2019. The measurement period for the pension expense was October 1, 2018 to September 30, 2019. The reporting period is October 1, 2019 through September 30, 2020. The city’s net pension liability was measured as of September 30, 2019. 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, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.40%
Investment rate of return	7.40%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2018 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 2019, 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, 2019 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	25.00%	2.50%
Fixed income (core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. 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, 2020**

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, 2019 (Valuation Date of 10/01/2018)	\$ 26,680,909	\$ 21,895,900	\$ 4,785,009
Changes:			
Service cost	384,431	-	384,431
Interest	1,976,534	-	1,976,534
Contributions – employer	-	732,187	(732,187)
Contributions – state	-	221,641	(221,641)
Contributions – employee	-	113,192	(113,192)
Change in excess state contributions	40,065	-	40,065
Net investment income	-	1,085,486	(1,085,486)
Differences between expected and actual experience	283,813	-	283,813
Changes of assumptions	584,615		584,615
Benefit payments, including refunds of employee contributions	(1,851,074)	(1,851,074)	-
Administrative expenses	-	(64,930)	64,930
Net changes	1,418,384	236,502	1,181,882
Balances at September 30, 2020 (Measurement Date of 9/30/2019)	\$ 28,099,293	\$ 22,132,402	\$ 5,966,891

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

	Current Discount		
	1% Decrease 6.40%	Rate 7.40%	1% Increase 8.40%
Sponsor's net pension liability	\$ 9,252,111	\$ 5,966,891	\$ 3,234,909

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, 2020**

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, 2020, the City recognized pension expense of \$1,291,552. On September 30, 2020, 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	\$ 1,024,419	\$ -
Net difference between projected and actual earnings on pension plan investments	227,346	-
Changes of assumptions	438,462	125,848
Differences between Expected and Actual experience	212,859	502,477
Total	\$ 1,903,086	\$ 628,325

Deferred outflows of resources related to pensions of \$1,024,419 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, 2021. 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:

2021	\$ (160,001)
2022	(33,349)
2023	334,424
2024	109,268
	\$ 250,342

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, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – FRF – Continued

Plan Membership as of October 1, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	36
	67

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, 2020, the participants' contribution rate was 8.0% of payroll. The State of Florida is required to contribute 8.3% 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, 2020, the City was required to contribute 42.1% of payroll.

Net Pension Liability – FRF

The measurement date is September 30, 2019. The measurement period for the pension expense was October 1, 2018 to September 30, 2019. The reporting period is October 1, 2019 through September 30, 2020. The city's net pension liability was measured as of September 30, 2019. 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, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.40%
Investment rate of return	7.40%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 2019, 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, 2019 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%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	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, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. 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, 2019 (Valuation Date of 10/01/2018)	\$ 26,226,778	\$ 17,043,826	\$ 9,182,952
Changes:			
Service cost	513,466	-	513,466
Interest	1,978,589	-	1,978,589
Contributions – employer	-	1,016,560	(1,016,560)
Contributions – state	-	219,901	(219,901)
Contributions – employee	-	189,154	(189,154)
Changes of benefit terms	(2,402)	-	(2,402)
Net investment income	-	564,309	(564,309)
Changes of assumptions	655,972	-	655,972
Differences between expected and actual experience	98,199	-	98,199
Benefit payments, including refunds of employee contributions	(1,407,554)	(1,407,554)	-
Administrative expenses	-	(66,388)	66,388
Net changes	<u>1,836,270</u>	<u>515,982</u>	<u>1,320,288</u>
Balances at September 30, 2020 (Measurement Date of 9/30/2019)	<u>\$ 28,063,048</u>	<u>\$ 17,559,808</u>	<u>\$ 10,503,240</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Sponsor's net pension liability	\$ 14,224,854	\$ 10,503,240	\$ 7,459,399

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, 2020, the City recognized a pension expense of \$2,002,571. On September 30, 2020, 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	\$ 1,441,189	\$ -
Net difference between projected and actual earnings on pension plan investments	371,777	-
Changes of assumptions	1,237,710	-
Differences between expected and actual experience	438,588	79,740
Total	\$ 3,489,264	\$ 79,740

Deferred outflows of resources related to pensions of \$1,441,189 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, 2021. 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:

2021	\$ 759,267
2022	436,042
2023	476,355
2024	296,671
	\$ 1,968,335

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense

For the fiscal year ended September 30, 2020, the City recognized an aggregate pension expense of \$3,072,812, on all defined benefit pension plans.

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, 2020:

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	\$ 1,166,654	\$ 398,108	\$ 697,063	\$ 2,261,825
Investments, at market				
U.S. Government and Agency obligations	3,401,122	2,193,868	1,626,274	7,221,264
Corporate obligations	4,430,252	2,874,341	1,974,598	9,279,191
Corporate equity	14,068,721	-	-	14,068,721
Mutual and exchange-traded funds	22,867,134	15,995,048	13,523,958	52,386,140
Commingled real estate investment funds	5,554,937	2,068,172	1,801,418	9,424,527
Total investments, at market	<u>50,322,166</u>	<u>23,131,429</u>	<u>18,926,248</u>	<u>92,379,843</u>
TOTAL ASSETS	51,488,820	23,529,537	19,623,311	94,641,668
LIABILITIES				
Accounts payable	<u>36,816</u>	<u>44,759</u>	<u>20,893</u>	<u>102,468</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 51,452,004</u>	<u>\$ 23,484,778</u>	<u>\$ 19,602,418</u>	<u>\$ 94,539,200</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	<u>Employee Retirement Funds</u>			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ADDITIONS				
Contributions				
Employer	\$ 1,413,012	\$ 789,717	\$ 1,231,466	\$ 3,434,195
Plan members	147,885	132,013	204,865	484,763
State of Florida	-	217,473	209,722	427,195
Total contributions	<u>1,560,897</u>	<u>1,139,203</u>	<u>1,646,053</u>	<u>4,346,153</u>
Investment income (loss)	5,099,984	2,233,313	1,982,563	9,315,860
Less investment expense	<u>(158,416)</u>	<u>(36,031)</u>	<u>(28,812)</u>	<u>(223,259)</u>
Net investment income (loss)	<u>4,941,568</u>	<u>2,197,282</u>	<u>1,953,751</u>	<u>9,092,601</u>
Miscellaneous revenue	<u>3,016</u>	<u>422</u>	<u>10</u>	<u>3,448</u>
TOTAL ADDITIONS	<u>6,505,481</u>	<u>3,336,907</u>	<u>3,599,814</u>	<u>13,442,202</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	3,229,503	1,688,616	1,432,010	6,350,129
Disability payments	33,583	156,874	5,894	196,351
Other	<u>58,793</u>	<u>19,610</u>	<u>21,490</u>	<u>99,893</u>
Total benefits and refunds paid	<u>3,321,879</u>	<u>1,865,100</u>	<u>1,459,394</u>	<u>6,646,373</u>
Administrative expenses				
Legal	6,695	9,399	9,239	25,333
Contractual	76,000	59,791	58,290	194,081
Other	<u>33,602</u>	<u>18,643</u>	<u>12,787</u>	<u>65,032</u>
Total administrative expenses	<u>116,297</u>	<u>87,833</u>	<u>80,316</u>	<u>284,446</u>
TOTAL DEDUCTIONS	<u>3,438,176</u>	<u>1,952,933</u>	<u>1,539,710</u>	<u>6,930,819</u>
INCREASE IN PLAN NET POSITION	3,067,305	1,383,974	2,060,104	6,511,383
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>48,384,699</u>	<u>22,100,804</u>	<u>17,542,314</u>	<u>88,027,817</u>
End of year	<u>\$ 51,452,004</u>	<u>\$ 23,484,778</u>	<u>\$ 19,602,418</u>	<u>\$ 94,539,200</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$241,341 and \$241,341, respectively, for the fiscal year ending September 30, 2020. 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 \$2,528,946 at September 30, 2020. Contributions made by Plan members during the fiscal year ended September 30, 2020, were \$42,034.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2019. The total OPEB liability was determined by an actuarial valuation. The measurement period for OPEB expense was October 1, 2018 to September 30, 2019. The reporting period is October 1, 2019 to September 30, 2020.

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	3.58%
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, 2020**

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 3.58%. 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, 2020**

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, 2019	\$ 5,560,476	\$ -	\$ 5,560,476
Changes for the year:			
Service cost	190,791	-	190,791
Interest	235,597	-	235,597
Differences between expected and actual experience	-	-	-
Changes of assumptions	519,859	-	519,859
Contributions – employer	-	242,108	(242,108)
Benefit payments	(232,308)	(232,308)	-
Administrative expense	-	(9,800)	9,800
Net changes	713,939	-	713,939
Reporting period ending September 30, 2020	<u>\$ 6,274,415</u>	<u>\$ -</u>	<u>\$ 6,274,415</u>

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

	1% Decrease	Current	1% Increase
	2.58%	Discount Rate 3.58%	4.58%
Total OPEB liability	\$ 7,318,609	\$ 6,274,415	\$ 5,444,658

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	\$ 5,494,877	\$ 6,274,415	\$ 7,259,624

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, 2020**

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, 2020, the City recognized OPEB expense of \$493,736. On September 30, 2020, 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	\$ -	\$ 353,507
Changes of assumptions	792,422	255,621
Employer contributions subsequent to the measurement date	253,893	-
Total	\$ 1,046,315	\$ 609,128

Deferred outflows of resources related to pensions of \$253,893 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, 2021. 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:

2021	\$ 57,550
2022	(82,987)
2023	44,824
2024	44,824
2025	44,820
Thereafter	74,263
	\$ 183,294

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, 2020. 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, 2020**

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, 2020, was \$358,068 in the General Fund, \$36,701 in the CRA Fund, and \$19,558 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>
2021	\$ 348,357	\$ 20,750
2022	323,862	20,373
2023	278,785	22,014
Total minimum lease payments	<u>\$ 951,004</u>	<u>\$ 63,137</u>

Lessee

The City leases golf carts in the General Fund through an operating lease with Yamaha. The original lease term began September 2020 and expires in August 2024. Monthly payments are \$7,370 plus property tax paid by the lessor. Rent expense for the fiscal year ending September 30, 2020 was \$80,805.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2021	\$ 83,445
2022	83,445
2023	83,445
2024	76,491
Total minimum lease payments	<u>\$ 326,826</u>

The City leases maintenance equipment and utility carts for the golf course and parks department in the General Fund through various operating leases with DLL Finance. The leases have expiration dates ranging from December 2020 to December 2023. Aggregate monthly lease payments for the maintenance equipment and utility carts are \$5,709 plus property taxes paid by the lessor. Lease expense for the fiscal year ending September 30, 2020 was \$53,697.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

13. OPERATING LEASES – CONTINUED

Lessee – Continued

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2021	\$ 57,088
2022	53,280
2023	39,543
2024	3,490
Total minimum lease payments	<u>\$ 153,401</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	\$ 75,385
Accumulated depreciation	(6,282)
Assets acquired by lease, net	<u>\$ 69,103</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2021	\$ 17,161
2022	17,161
2023	17,161
2024	17,161
2025	8,580
Total minimum lease payments	77,224
Less amount representing interest	(10,189)
Present value of minimum lease payments	<u>\$ 67,035</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020:

	<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	\$ 144,389	\$ -	\$ (81,721)	\$ 62,668	\$ 62,668
Capital Improvement Revenue Note, Series 2013	3,190,613	-	(233,083)	2,957,530	238,399
Capital Improvement Revenue Note, Series 2013A	6,391,370	-	(385,597)	6,005,773	395,970
Capital Improvement Revenue Note, Series 2018	12,520,000	-	(370,484)	12,149,516	384,674
<i>Direct borrowings:</i>					
Capital lease - fitness equipment 2015	6,681	-	(6,681)	-	-
Capital lease - fitness equipment 2020	-	74,135	(7,100)	67,035	13,294
Compensated absences	691,026	805,730	(649,417)	847,339	205,895
Total governmental activities	<u>\$ 22,944,079</u>	<u>\$ 879,865</u>	<u>\$ (1,734,083)</u>	<u>\$ 22,089,861</u>	<u>\$ 1,300,900</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	\$ 7,537,000	\$ -	\$ (444,000)	\$ 7,093,000	\$ 456,000
<i>Direct borrowings:</i>					
State Revolving Fund Loan, 2015	12,614,297	-	(707,038)	11,907,259	720,535
Compensated absences	184,104	200,706	(166,744)	218,066	54,517
Total business-type activities	<u>\$ 20,335,401</u>	<u>\$ 200,706</u>	<u>\$ (1,317,782)</u>	<u>\$ 19,218,325</u>	<u>\$ 1,231,052</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, 2020**

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

\$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. This capital lease was repaid in fiscal year 2020.

\$75,135 capital lease payable, 2020, due in monthly installments of \$1,430 through March 2025, 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, 2020**

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, 2020, 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>
2021	\$ 13,294	\$ 3,867	\$ 1,081,711	\$ 695,705
2022	14,161	3,000	1,049,375	664,037
2023	15,086	2,075	1,084,957	632,205
2024	16,070	1,091	1,115,885	599,277
2025	8,424	156	1,247,310	565,352
2026-2030	-	-	8,490,380	2,096,054
2031-2035	-	-	4,559,598	996,289
2036-2040	-	-	2,546,271	181,729
Total	<u>\$ 67,035</u>	<u>\$ 10,189</u>	<u>\$ 21,175,487</u>	<u>\$ 6,430,648</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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>
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	512,000	151,402	777,152	166,215
2026-2030	2,793,000	523,848	4,114,046	602,789
2031-2035	1,880,000	110,843	4,050,334	194,816
Total	<u>\$ 7,093,000</u>	<u>\$ 1,533,029</u>	<u>\$ 11,907,259</u>	<u>\$ 1,771,560</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, 2020</u>
Principal due at October 1, 2020	\$ 20,236	\$ 20,236
Interest due at October 1, 2020	920	920
Total	<u>\$ 21,156</u>	<u>\$ 21,156</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, 2020**

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, 2020.
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, 2020.
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, 2020.
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 2020 were approximately \$4,349,090.
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 2020 were \$830,101. The covenant is based upon 125% of the annual debt service requirement.
6. The pledged revenues exceeded the debt service requirements by \$3,518,989 in fiscal year 2020.

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, 2020**

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2020, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ 39,488
General	Sanitation	\$ 23,439

Advance to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sanitation	General	\$ 211,952

General Fund receivables from the Community Development Block Grant Fund and the Sanitation 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, 2020 is \$211,952. The composition of interfund transfers for the year ended September 30, 2020, is as follows:

Transfers Out	Transfers In		
	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 1,872,958	\$ 1,872,958
Utilities Fund	1,230,404	-	1,230,404
Sanitation Fund	315,637	-	315,637
Stormwater Fund	201,645	-	201,645
	<u>\$ 1,747,686</u>	<u>\$ 1,872,958</u>	<u>\$ 3,620,644</u>

The transfers out of the General Fund are \$1,872,958. These transfers consist of a \$1,844,282 transfer to the Debt Service Fund (Other Governmental Fund) for principal and interest payments on debt, and a \$28,676 transfer to the Beal Memorial Cemetery Perpetual Care Fund (Other Governmental Fund) for permanent maintenance.

Transfers in to the General Fund of \$1,747,686 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, 2020**

18. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2020, were as follows:

Governmental Funds –	
General Fund	\$ 640,298
Community Redevelopment Agency Fund	380,476
Other Governmental Funds	11,589
	<u>\$ 1,032,363</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, 2020, 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	\$ 286,427	\$ -	\$ -	\$ 286,427
Restricted for				
Improvement districts	-	3,060,014	-	3,060,014
Library capital projects	115,346	-	-	115,346
Public safety	-	-	879,583	879,583
Field office complex	514,983	-	-	514,983
Debt service	-	-	21,156	21,156
Discretionary sales taxes	1,613,183	-	-	1,613,183
Other purposes	4,786	-	-	4,786
Total restricted	<u>2,248,298</u>	<u>3,060,014</u>	<u>900,739</u>	<u>6,209,051</u>
Committed				
Cemetery maintenance	4,849	-	3,451,682	3,456,531
Natural disaster recovery	8,040,890	-	-	8,040,890
Total committed	<u>8,045,739</u>	<u>-</u>	<u>3,451,682</u>	<u>11,497,421</u>
Assigned to				
Capital expenditures	936,314	-	-	936,314
Long-term debt	850,000	-	-	850,000
Other purposes	397,888	-	-	397,888
Total assigned	<u>2,184,202</u>	<u>-</u>	<u>-</u>	<u>2,184,202</u>
Unassigned	<u>8,218,150</u>	<u>-</u>	<u>(17,483)</u>	<u>8,200,667</u>
	<u>\$ 20,982,816</u>	<u>\$ 3,060,014</u>	<u>\$ 4,334,938</u>	<u>\$ 28,377,768</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

19. GOVERNMENTAL FUND BALANCES – CONTINUED

The Community Development Block Grant special revenue fund had a deficit fund balance at year end. The deficit will be eliminated by future transfers from other funds and by future grant funding.

20. EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The Debt Service Fund had an excess of expenditures over final budgeted appropriations for the year ending September 30, 2020 in the amount of \$709,556.

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

In 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 bills the City at a rate equal to \$2.77 per each 1,000 gallons of wastewater flow. Additionally, the City pays to the County the Sewer Readiness to Serve Fee, which is equal to \$4,893 per month. Annually, the rate per thousand and the Readiness to Serve Fee increases by 3%. Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2020, were \$2,566,023.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

2021	\$ 61,534
2022	63,380
2023	65,281
2024	67,239
2025	69,256
2026 through 2030	378,720
2031 through 2035	439,039
2036 through 2040	<u>401,067</u>
Total	<u>\$ 1,545,516</u>

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

**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 *	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 372,064	\$ 446,214	\$ 504,055	\$ 557,163	\$ 569,712	\$ 622,382
Interest	3,888,510	3,827,379	3,771,606	3,317,396	3,314,990	3,222,809
Differences between expected and actual experience	(466,270)	(265,877)	(404,763)	400,221	(1,074,244)	-
Changes of assumptions ¹	(768,706)	-	-	4,485,495	-	-
Benefit payments, including refunds of employee contributions	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)	(2,575,304)
Net change in total pension liability	(136,214)	850,020	814,454	5,901,386	134,420	1,269,887
Total pension liability – beginning	50,430,491	49,580,471	48,766,017	42,864,631	42,730,211	41,460,324
Total pension liability – ending (a)	<u>\$ 50,294,277</u>	<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	\$ 1,751,654	\$ 2,006,925	\$ 1,254,097	\$ 1,280,082	\$ 1,355,041	\$ 1,296,450
Contributions – member	150,018	158,138	171,869	202,268	209,567	212,790
Net investment income	1,788,274	4,975,937	4,967,834	4,031,981	(4,390)	3,228,153
Benefit payments, including refunds of employee contributions	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)	(2,575,304)
Administrative expenses	(40,421)	(49,518)	(42,201)	(35,704)	(39,535)	(42,483)
Net change in plan fiduciary net position	487,713	3,933,786	3,295,155	2,619,738	(1,155,355)	2,119,606
Plan fiduciary net position – beginning	47,935,568	44,001,782	40,706,627	38,086,889	39,242,244	37,122,638
Plan fiduciary net position – ending (b)	<u>\$ 48,423,281</u>	<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>\$ 1,870,996</u>	<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	96.28%	95.05%	88.75%	83.47%	88.85%	91.84%
Covered payroll	\$ 3,000,359	\$ 3,162,762	\$ 3,437,375	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801
Net pension liability as a percentage of covered payroll	62.36%	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 2017 reporting date.

The investment rate of return assumption was lowered from 7.90% to 7.60% for the 2020 reporting date. Additionally, the cost-of-living assumption was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the plan's investment consultant.

* 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 *	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 384,431	\$ 395,440	\$ 334,061	\$ 344,958	\$ 336,234	\$ 322,118
Interest	1,976,534	2,112,261	2,084,744	1,948,181	1,953,123	1,905,286
Change in excess state money	40,065	20,893	8,823	-	-	-
Differences between expected and actual experiences	283,813	(833,418)	(343,066)	(425,107)	(659,966)	-
Changes of assumptions ²	584,615	(251,695)	-	1,633,122	-	-
Benefit payments, including refunds of employee contributions	<u>(1,851,074)</u>	<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	1,418,384	(321,094)	262,835	1,756,444	(25,678)	595,351
Total pension liability – beginning	<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>	<u>24,413,051</u>
Total pension liability – ending (a)	<u>\$ 28,099,293</u>	<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	\$ 732,187	\$ 830,613	\$ 569,215	\$ 577,564	\$ 628,975	\$ 836,053
Contributions – state	221,641	202,468	190,399	181,303	175,025	175,703
Contributions – member	113,192	112,112	104,557	102,214	101,886	96,591
Net investment income	1,085,486	1,609,609	2,036,244	1,698,093	(538,198)	1,869,244
Benefit payments, including refunds of employee contributions	(1,851,074)	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)	(1,632,053)
Administrative expenses	<u>(64,930)</u>	<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	236,502	935,827	1,039,504	769,582	(1,312,465)	1,307,296
Plan fiduciary net position – beginning	<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>	<u>19,156,156</u>
Plan fiduciary net position – ending (b)	<u>\$ 22,132,402</u>	<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>\$ 5,966,891</u>	<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	78.76%	82.07%	77.62%	74.50%	76.66%	81.83%
Covered payroll	\$ 2,263,844	\$ 2,242,245	\$ 2,091,146	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478
Net pension liability as a percentage of covered payroll	263.57%	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 2017 reporting date.

For the 2019 reporting 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.

The investment rate of return assumption was lowered from 7.60% to 7.40% for the 2020 reporting 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)
FIREFIGHTERS' RETIREMENT FUND**

Reporting Date *	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 513,466	\$ 477,930	\$ 494,032	\$ 453,506	\$ 478,365	\$ 414,836	\$ 384,107
Interest	1,978,589	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 ²	(2,402)	-	-	-	804,097	-	-
Differences between expected and actual experiences	98,199	513,043	(199,349)	261,007	(224,382)	-	-
Contributions – buy back	-	-	32,155	-	72,413	-	-
Changes of assumptions ¹	655,972	601,424	258,300	1,243,794	-	-	-
Benefit payments, including refunds of employee contributions	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Net change in total pension liability	1,836,270	2,138,961	981,327	2,366,872	1,544,133	859,295	709,583
Total pension liability – beginning	26,226,778	24,087,817	23,106,490	20,739,618	19,195,485	18,336,190	17,626,607
Total pension liability – ending (a)	\$ 28,063,048	\$ 26,226,778	\$ 24,087,817	\$ 23,106,490	\$ 20,739,618	\$ 19,195,485	\$ 18,336,190
Plan Fiduciary Net Position							
Contributions – employer	\$ 1,016,560	\$ 1,089,746	\$ 794,144	\$ 744,019	\$ 672,369	\$ 715,439	\$ 703,618
Contributions – state	219,901	195,017	204,568	201,904	205,007	214,272	204,226
Contributions – member	189,154	182,127	173,480	164,876	150,357	135,622	133,633
Contributions – buy back	-	-	32,155	-	72,413	-	-
Net investment income	564,309	1,430,717	1,401,324	969,107	15,563	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Administrative expenses	(66,388)	(67,773)	(28,449)	(43,625)	(47,088)	(34,537)	(33,706)
Net change in plan fiduciary net position	515,982	1,511,678	1,142,748	798,892	(71,811)	1,160,656	1,064,736
Plan fiduciary net position – beginning	17,043,826	15,532,148	14,389,400	13,590,508	13,662,319	12,501,663	11,436,927
Plan fiduciary net position – ending (b)	\$ 17,559,808	\$ 17,043,826	\$ 15,532,148	\$ 14,389,400	\$ 13,590,508	\$ 13,662,319	\$ 12,501,663
Net pension liability – ending (a) – (b)	\$ 10,503,240	\$ 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	62.57%	64.99%	64.48%	62.27%	65.53%	71.17%	68.18%
Covered payroll	\$ 2,364,429	\$ 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 payroll	444.22%	403.36%	394.54%	422.96%	344.99%	269.27%	283.94%

Notes:

¹ For the 2019 reporting 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.

The investment rate of return assumption was lowered from 7.60% to 7.40% for the 2020 reporting date.

² Effective July 1, 2019, Chapter 118.1816, Florida Statutes states that a death or disability for a firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

* 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 *	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 190,791	\$ 91,714	\$ 105,139	\$ 85,100
Interest	235,597	205,213	187,954	195,814
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience ²	-	(494,909)	-	-
Changes of assumptions ¹	519,859	288,811	(639,051)	702,672
Benefit payments	(232,308)	(151,409)	(139,227)	(139,227)
Net change in total OPEB liability	713,939	(60,580)	(485,185)	844,359
Total OPEB liability - beginning	5,560,476	5,621,056	6,106,241	5,261,882
Total OPEB liability - ending (a)	6,274,415	5,560,476	5,621,056	6,106,241
Plan Fiduciary Net Position				
Contributions - employer	242,108	154,409	148,727	141,727
Benefit payments	(232,308)	(151,409)	(139,227)	(139,227)
Administrative expenses	(9,800)	(3,000)	(9,500)	(2,500)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-
Sponsor's total OPEB liability - ending (a) - (b)	\$ 6,274,415	\$ 5,560,476	\$ 5,621,056	\$ 6,106,241
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll (projected)	\$ 11,392,366	\$ 10,891,364	\$ 7,927,323	\$ 7,520,263
City's total OPEB liability as a percentage of covered payroll	55.08%	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 2020: 3.58%
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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Employees' Retirement Fund										
Actuarially determined contribution	\$ 1,419,339	\$ 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
Contributions in relation to the actuarially determined contributions	<u>1,419,339</u>	<u>1,751,654</u>	<u>2,006,925</u>	<u>1,254,097</u>	<u>1,280,082</u>	<u>1,355,041</u>	<u>1,296,450</u>	<u>1,318,790</u>	<u>1,306,268</u>	<u>1,159,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (149,462)</u>	<u>\$ (235,778)</u>	<u>\$ (133,513)</u>	<u>\$ (82,658)</u>	<u>\$ (68,297)</u>	<u>\$ (108,656)</u>	<u>\$ (50,537)</u>	<u>\$ (47,609)</u>	<u>\$ (68,100)</u>
Covered payroll¹	\$ 2,957,684	\$ 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
Contributions as a percentage of covered payroll	47.99%	58.38%	63.45%	36.48%	32.33%	32.33%	30.46%	30.96%	28.76%	23.17%
Police Officers' Retirement Fund										
Actuarially determined contribution	\$ 1,024,419	\$ 837,623	\$ 928,289	\$ 650,347	\$ 709,037	\$ 772,294	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860
Contributions in relation to the actuarially determined contributions	<u>1,024,419</u>	<u>913,763</u>	<u>1,033,081</u>	<u>750,791</u>	<u>790,573</u>	<u>772,294</u>	<u>1,011,756</u>	<u>925,589</u>	<u>968,003</u>	<u>682,860</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (76,140)</u>	<u>\$ (104,792)</u>	<u>\$ (100,444)</u>	<u>\$ (81,536)</u>	<u>\$ -</u>	<u>\$ (79,330)</u>	<u>\$ (43,892)</u>	<u>\$ (92,948)</u>	<u>\$ -</u>
Covered payroll¹	\$ 2,640,254	\$ 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
Contributions as a percentage of covered payroll	38.80%	40.36%	46.07%	35.90%	38.13%	37.90%	51.22%	45.40%	44.43%	30.49%
Firefighters' Retirement Fund										
Actuarially determined contribution	\$ 1,293,057	\$ 1,127,832	\$ 1,138,295	\$ 899,929	\$ 816,138	\$ 748,086	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386
Contributions in relation to the actuarially determined contributions	<u>1,441,189</u>	<u>1,236,461</u>	<u>1,284,763</u>	<u>998,712</u>	<u>945,923</u>	<u>877,376</u>	<u>839,825</u>	<u>829,245</u>	<u>784,705</u>	<u>675,386</u>
Contribution deficiency (excess)	<u>\$ (148,132)</u>	<u>\$ (108,629)</u>	<u>\$ (146,468)</u>	<u>\$ (98,783)</u>	<u>\$ (129,785)</u>	<u>\$ (129,290)</u>	<u>\$ (15,818)</u>	<u>\$ (11,248)</u>	<u>\$ (84,660)</u>	<u>\$ -</u>
Covered payroll¹	\$ 2,560,508	\$ 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
Contributions as a percentage of covered payroll	56.29%	52.29%	56.43%	46.06%	45.90%	42.34%	39.58%	38.51%	40.31%	34.44%

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, 2020**

Measurement Date	<u>9/30/2019</u>	<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>
General Employees' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	3.78%	11.43%	12.45%	10.78%	-0.01%	8.82%
Police Officers' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	5.08%	7.82%	10.52%	9.12%	-2.69%	9.96%
Firefighters' Retirement Fund						
Annual Money-Weighted Rate of Return Net of Investment Expense	3.33%	9.24%	9.88%	7.25%	0.12%	9.72%

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, 2018

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, 2018

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: 7.60% per year, compounded annually, net of investment related expenses

Retirement age:	Member Age	Retirement Probability
	55	10.0%
	56	10.0%
	57	33.0%
	58	50.0%
	59	50.0%
	60+	100.0%

In addition to the above table, 50% are assumed to retire upon completion of 30 years of service, and 100% are assumed to retire upon completion of 31 years of service.

Early retirement:	Service Years	Retirement Probability
	Less than 25	5.0%
	25-27	10.0%
	28-29	25.0%

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

Salary increases:	<u>Service Years</u>	<u>Assumption</u>
	Less than 1	10.0%
	1-4	6.5%
	5-9	6.0%
	10-14	5.5%
	15-19	4.5%
	20+	3.5%

In addition to the above table, projected salary at retirement is increased 20% to account for non-regular compensation.

Cost-of-living increase: 2.5% 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.

Disability rate:

	<u>Age</u>	<u>% Becoming Disabled During the Year</u>
	20	0.28%
	30	0.36%
	40	0.60%
	50	2.00%

Termination rate:	<u>Service Years</u>	<u>Termination Probability</u>
	Less than 2	15.0%
	2-4	12.0%
	5-6	10.0%
	7-9	2.0%
	10	8.0%
	11	7.5%
	12	7.0%
	13	6.5%
	14-19	6.0%
	20+	2.0%

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

Valuation Date: October 1, 2018

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: 7.60% 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.

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 growth: 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, 2020**

	Special Revenue Funds						
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 140,637	\$ 13,529	\$ 780,495	\$ -	\$ 69,765	\$ -	\$ 1,004,426
Investments	-	-	-	-	3,383,882	-	3,383,882
Due from other governments	4,523	-	-	23,345	-	-	27,868
Cash and cash equivalents - restricted	-	-	-	-	-	21,156	21,156
TOTAL ASSETS	\$ 145,160	\$ 13,529	\$ 780,495	\$ 23,345	\$ 3,453,647	\$ 21,156	\$ 4,437,332
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 945	\$ 1,340	\$ 1,965	\$ -	\$ 4,250
Accrued liabilities	48,346	-	10,310	-	-	-	58,656
Due to other funds	-	-	-	39,488	-	-	39,488
Total liabilities	48,346	-	11,255	40,828	1,965	-	102,394
FUND BALANCE							
Restricted	96,814	13,529	769,240	-	-	21,156	900,739
Committed	-	-	-	-	3,451,682	-	3,451,682
Unassigned	-	-	-	(17,483)	-	-	(17,483)
Total fund balance	96,814	13,529	769,240	(17,483)	3,451,682	21,156	4,334,938
TOTAL LIABILITIES AND FUND BALANCE	\$ 145,160	\$ 13,529	\$ 780,495	\$ 23,345	\$ 3,453,647	\$ 21,156	\$ 4,437,332

**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, 2020**

	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	\$ -	\$ -	\$ 560,907	\$ -	\$ -	\$ -	\$ 560,907
Intergovernmental	20,218	-	-	174,691	-	-	194,909
Fines	8,406	4,348	-	-	-	-	12,754
Miscellaneous	659	92	1,697	-	312,255	-	314,703
Total revenues	<u>29,283</u>	<u>4,440</u>	<u>562,604</u>	<u>174,691</u>	<u>312,255</u>	<u>-</u>	<u>1,083,273</u>
EXPENDITURES							
Current							
Public safety	26,448	-	333,562	-	-	-	360,010
Physical environment	-	-	-	-	9,842	-	9,842
Economic environment	-	-	-	139,212	-	-	139,212
Capital outlay	22,001	-	8,625	30,663	-	-	61,289
Debt service							
Principal	-	-	-	-	-	1,084,666	1,084,666
Interest	-	-	-	-	-	729,433	729,433
Total expenditures	<u>48,449</u>	<u>-</u>	<u>342,187</u>	<u>169,875</u>	<u>9,842</u>	<u>1,814,099</u>	<u>2,384,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,166)</u>	<u>4,440</u>	<u>220,417</u>	<u>4,816</u>	<u>302,413</u>	<u>(1,814,099)</u>	<u>(1,301,179)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	-	-	28,676	1,844,282	1,872,958
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,676</u>	<u>1,844,282</u>	<u>1,872,958</u>
NET CHANGE IN FUND BALANCE	<u>(19,166)</u>	<u>4,440</u>	<u>220,417</u>	<u>4,816</u>	<u>331,089</u>	<u>30,183</u>	<u>571,779</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>115,980</u>	<u>9,089</u>	<u>548,823</u>	<u>(22,299)</u>	<u>3,120,593</u>	<u>(9,027)</u>	<u>3,763,159</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 96,814</u>	<u>\$ 13,529</u>	<u>\$ 769,240</u>	<u>\$ (17,483)</u>	<u>\$ 3,451,682</u>	<u>\$ 21,156</u>	<u>\$ 4,334,938</u>

**CITY OF FORT WALTON BEACH, FLORIDA
LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 15,863	\$ 20,218	\$ 4,355
Fines	-	20,062	8,406	(11,656)
Miscellaneous	2,309	2,309	659	(1,650)
Total revenues	<u>2,309</u>	<u>38,234</u>	<u>29,283</u>	<u>(8,951)</u>
EXPENDITURES				
Current				
Public safety	8,058	23,657	26,448	(2,791)
Capital outlay	-	26,652	22,001	4,651
Total expenditures	<u>8,058</u>	<u>50,309</u>	<u>48,449</u>	<u>1,860</u>
NET CHANGE IN FUND BALANCE	(5,749)	(12,075)	(19,166)	(7,091)
FUND BALANCE AT BEGINNING OF YEAR	<u>5,749</u>	<u>12,075</u>	<u>115,980</u>	<u>103,905</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,814</u>	<u>\$ 96,814</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, 2020**

	<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	\$ 4,348	\$ 348
Miscellaneous	97	97	92	(5)
Total revenues	<u>4,097</u>	<u>4,097</u>	<u>4,440</u>	<u>343</u>
EXPENDITURES				
Current				
Public safety	<u>4,097</u>	<u>4,097</u>	-	<u>4,097</u>
NET CHANGE IN FUND BALANCE	-	-	4,440	4,440
FUND BALANCE AT BEGINNING OF YEAR	-	-	9,089	9,089
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,529</u>	<u>\$ 13,529</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits and fees	\$ 355,325	\$ 355,325	\$ 560,907	\$ 205,582
Miscellaneous	2,235	2,235	1,697	(538)
Total revenues	<u>357,560</u>	<u>357,560</u>	<u>562,604</u>	<u>205,044</u>
EXPENDITURES				
Current				
Public safety	353,805	353,805	333,562	20,243
Capital outlay	8,625	8,625	8,625	-
Total expenditures	<u>362,430</u>	<u>362,430</u>	<u>342,187</u>	<u>20,243</u>
NET CHANGE IN FUND BALANCE	(4,870)	(4,870)	220,417	225,287
FUND BALANCE AT BEGINNING OF YEAR	4,870	4,870	548,823	543,953
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 769,240</u>	<u>\$ 769,240</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 151,789	\$ 151,789	\$ 174,691	\$ 22,902
Miscellaneous	-	-	-	-
Total revenues	<u>151,789</u>	<u>151,789</u>	<u>174,691</u>	<u>22,902</u>
EXPENDITURES				
Current				
Economic environment	188,429	188,429	139,212	49,217
Capital outlay	-	-	30,663	(30,663)
Total expenditures	<u>188,429</u>	<u>188,429</u>	<u>169,875</u>	<u>18,554</u>
NET CHANGE IN FUND BALANCE	(36,640)	(36,640)	4,816	41,456
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>36,640</u>	<u>36,640</u>	<u>(22,299)</u>	<u>(58,939)</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,483)</u>	<u>\$ (17,483)</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 26,500	\$ 26,500	\$ 312,255	\$ 285,755
EXPENDITURES				
Current				
Physical environment	12,200	12,200	9,842	2,358
EXCESS OF REVENUES OVER EXPENDITURES	<u>14,300</u>	<u>14,300</u>	<u>302,413</u>	<u>288,113</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,922	38,922	28,676	(10,246)
Transfers out	(53,222)	(53,222)	-	53,222
Total other financing sources (uses)	<u>(14,300)</u>	<u>(14,300)</u>	<u>28,676</u>	<u>42,976</u>
NET CHANGE IN FUND BALANCE	-	-	331,089	331,089
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>3,120,593</u>	<u>3,120,593</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,451,682</u>	<u>\$ 3,451,682</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	810,235	810,235	1,084,666	(274,431)
Interest	294,308	294,308	729,433	(435,125)
Total expenditures	1,104,543	1,104,543	1,814,099	(709,556)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,104,543)</u>	<u>(1,104,543)</u>	<u>(1,814,099)</u>	<u>(709,556)</u>
OTHER FINANCING SOURCES				
Transfers in	1,104,543	1,104,543	1,844,282	739,739
NET CHANGE IN FUND BALANCE	-	-	30,183	30,183
FUND BALANCE AT BEGINNING OF YEAR	-	-	(9,027)	(9,027)
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,156</u>	<u>\$ 21,156</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.*

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 28,266,271
Restricted										
Debt service	113,816	113,507	21,156	25,449	25,449	21,156	21,156	26	-	21,156
Capital projects	-	-	-	-	-	-	-	-	-	-
Improvement Districts	4,212,984	3,736,100	3,833,430	4,073,364	1,874,265	1,437,363	1,552,484	1,812,525	1,691,456	3,060,014
Public safety	268,820	262,648	462,375	565,946	507,625	536,448	426,892	468,331	673,892	879,583
Perpetual care - expendable	-	-	-	-	-	-	-	-	-	-
Other purposes	234,568	194,193	177,129	172,630	187,575	165,895	93,456	66,707	1,370,446	2,248,298
Unrestricted	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)	4,171,642
Total governmental activities net position	<u>\$ 42,253,058</u>	<u>\$ 41,173,477</u>	<u>\$ 37,355,274</u>	<u>\$ 40,404,449</u>	<u>\$ 30,198,659</u>	<u>\$ 32,110,729</u>	<u>\$ 27,993,648</u>	<u>\$ 29,055,249</u>	<u>\$ 31,638,343</u>	<u>\$ 38,646,964</u>
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 14,566,978
Restricted										
Debt service	184,711	184,933	1,087,405	1,082,935	157,228	157,228	157,228	157,228	157,228	157,228
System improvements	82,573	112,863	305,508	367,263	382,734	404,761	452,472	440,212	454,564	465,123
Unrestricted	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	14,639,462
Total business-type activities net position	<u>\$ 24,164,692</u>	<u>\$ 23,779,613</u>	<u>\$ 28,078,381</u>	<u>\$ 24,888,091</u>	<u>\$ 24,083,747</u>	<u>\$ 24,574,688</u>	<u>\$ 26,159,699</u>	<u>\$ 26,679,073</u>	<u>\$ 28,300,559</u>	<u>\$ 29,828,791</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 42,833,249
Restricted	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	6,831,402
Unrestricted	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	18,811,104
Total primary government net position	<u>\$ 66,417,750</u>	<u>\$ 64,953,090</u>	<u>\$ 65,433,774</u>	<u>\$ 65,292,540</u>	<u>\$ 54,282,406</u>	<u>\$ 56,685,417</u>	<u>\$ 54,153,347</u>	<u>\$ 55,734,322</u>	<u>\$ 59,938,902</u>	<u>\$ 68,475,755</u>

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

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
General government	\$ 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	\$ 4,182,204
Public safety	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	12,040,368
Physical environment	393,752	383,970	379,681	392,255	379,334	430,490	543,287	505,458	519,126	497,072
Transportation	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	1,268,589
Economic environment	545,242	707,603	1,090,025	803,175	1,813,782	1,540,230	1,591,643	1,174,794	1,412,332	1,317,571
Culture and recreation	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	5,999,273
Debt service interest	214,470	254,516	324,405	483,301	340,497	323,639	304,331	291,590	664,131	727,034
Total government activities	<u>18,372,873</u>	<u>19,938,472</u>	<u>18,533,387</u>	<u>20,868,498</u>	<u>20,907,340</u>	<u>22,620,974</u>	<u>24,467,569</u>	<u>24,132,885</u>	<u>24,502,551</u>	<u>26,032,111</u>
Business-type activities										
Utilities	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	9,315,619
Sanitation	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	3,824,136
Golf	2,199,453	2,012,165	2,023,186	2,215	-	-	-	-	-	-
Stormwater	339,543	497,211	611,962	439,191	460,314	611,351	681,541	727,282	762,181	764,925
Total business-type activities	<u>14,226,916</u>	<u>12,267,802</u>	<u>13,443,026</u>	<u>13,020,013</u>	<u>12,985,333</u>	<u>14,086,112</u>	<u>13,788,876</u>	<u>14,312,343</u>	<u>14,445,114</u>	<u>13,904,680</u>
Total primary government expenses	<u>\$ 32,599,789</u>	<u>\$ 32,206,274</u>	<u>\$ 31,976,413</u>	<u>\$ 33,888,511</u>	<u>\$ 33,892,673</u>	<u>\$ 36,707,086</u>	<u>\$ 38,256,445</u>	<u>\$ 38,445,228</u>	<u>\$ 38,947,665</u>	<u>\$ 39,936,791</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824	\$ 421,987	\$ 421,503	\$ 448,911	\$ 434,820	\$ 508,494	\$ 532,475
Public safety	430,017	373,855	640,271	495,111	490,379	523,163	570,556	532,536	643,944	1,440,937
Physical environment	394,513	439,555	404,429	376,998	409,253	371,205	399,338	387,821	414,695	415,266
Transportation	104,776	118,067	122,275	140,038	140,809	207,860	240,653	246,164	252,418	258,883
Economic environment	16,400	58,000	34,652	10	5,000	392,118	12,000	-	21,300	36,701
Culture and recreation	404,047	400,215	374,362	1,853,087	1,930,131	1,805,332	1,846,019	2,078,405	2,171,484	2,095,326
Operating grants and contributions	761,643	589,253	786,652	682,200	909,461	908,595	825,624	706,094	765,032	4,049,001
Capital grants and contributions	351,006	156,794	80,936	109,629	525,320	802,809	361,641	1,487,587	37,406	232,491
Total governmental activities program revenue	<u>5,018,672</u>	<u>2,566,457</u>	<u>2,853,560</u>	<u>4,133,897</u>	<u>4,832,340</u>	<u>5,432,585</u>	<u>4,704,742</u>	<u>5,873,427</u>	<u>4,814,773</u>	<u>9,061,080</u>
Business-type activities										
Charges for services										
Utilities	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	11,336,474
Sanitation	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	3,934,207
Golf	2,052,501	1,776,649	1,758,709	-	-	-	-	-	-	-
Stormwater	481,854	577,706	591,196	596,133	694,581	860,644	917,844	975,805	1,027,310	1,035,033
Operating grants and contributions	118,226	-	1,071	-	-	-	-	-	-	-
Capital grants and contributions	65,496	331,609	1,871,295	(157,294)	87,797	533,515	1,314,521	1,638,686	130,688	444,453
Total business-type activities program revenue	<u>13,638,176</u>	<u>13,974,124</u>	<u>16,344,912</u>	<u>12,595,921</u>	<u>13,598,203</u>	<u>15,135,721</u>	<u>16,866,633</u>	<u>17,126,506</u>	<u>16,419,491</u>	<u>16,750,167</u>
Total primary government program revenues	<u>\$ 18,656,848</u>	<u>\$ 16,540,581</u>	<u>\$ 19,198,472</u>	<u>\$ 16,729,818</u>	<u>\$ 18,430,543</u>	<u>\$ 20,568,306</u>	<u>\$ 21,571,375</u>	<u>\$ 22,999,933</u>	<u>\$ 21,234,264</u>	<u>\$ 25,811,247</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (16,971,031)
Business-type activities	(588,740)	1,706,322	2,901,886	(424,092)	612,870	1,049,609	3,077,757	1,326,526	1,936,971	2,632,567
Total primary government	<u>\$ (13,942,941)</u>	<u>\$ (15,665,693)</u>	<u>\$ (12,777,941)</u>	<u>\$ (17,158,693)</u>	<u>\$ (15,462,130)</u>	<u>\$ (16,138,780)</u>	<u>\$ (16,685,070)</u>	<u>\$ (16,932,932)</u>	<u>\$ (17,750,807)</u>	<u>\$ (14,338,464)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 6,573,751
Sales taxes	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	4,940,279
Utility service taxes	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	4,024,523
Tax Increments for Redevelopment distr	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	2,369,529
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	2,070,302
Intergovernmental, unrestricted	825,591	809,756	818,039	819,556	896,837	910,615	981,613	1,009,901	1,034,884	978,949
Gain on sale of assets	16,865	16,440	37,833	520,152	524,720	873,101	-	-	66,523	158,530
Miscellaneous	96,105	154,996	106,546	103,986	199,776	27,976	157,806	93,106	77,264	44,913
Investment earnings	133,419	159,465	62,285	345,734	272,076	444,972	414,160	263,824	1,225,235	1,071,190
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Special item: Impairment loss	-	-	(271,287)	-	-	-	-	-	-	-
Transfers	1,682,717	1,656,032	(2,145,441)	2,851,638	657,558	755,846	761,739	847,373	1,091,579	1,747,686
Total governmental activities	<u>14,778,889</u>	<u>16,292,434</u>	<u>11,861,624</u>	<u>19,783,776</u>	<u>18,332,653</u>	<u>19,100,459</u>	<u>18,562,413</u>	<u>19,321,059</u>	<u>22,270,872</u>	<u>23,979,652</u>
Business-type activities										
Taxes										
Utility service taxes	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	75,904	35,111	20,662	22,813	716	26,093	32,663	14,258	44,914	16,801
Miscellaneous	31,424	48,550	6,504	6,839	9,222	5,502	27,727	16,575	17,671	1,551
Investment earnings	65,961	69,622	11,107	55,669	159,761	165,583	85,567	9,388	713,509	624,999
Special item: Impairment loss	-	(588,652)	(786,713)	-	-	-	-	-	-	-
Transfers	(1,682,717)	(1,656,032)	2,145,441	(2,851,638)	(657,558)	(755,846)	(761,739)	(847,373)	(1,091,579)	(1,747,686)
Total business-type activities	<u>173,289</u>	<u>(435,369)</u>	<u>1,397,001</u>	<u>(2,766,317)</u>	<u>(487,859)</u>	<u>(558,668)</u>	<u>(615,782)</u>	<u>(807,152)</u>	<u>(315,485)</u>	<u>(1,104,335)</u>
Total primary government	<u>\$ 14,952,178</u>	<u>\$ 15,857,065</u>	<u>\$ 13,258,625</u>	<u>\$ 17,017,459</u>	<u>\$ 17,844,794</u>	<u>\$ 18,541,791</u>	<u>\$ 17,946,631</u>	<u>\$ 18,513,907</u>	<u>\$ 21,955,387</u>	<u>\$ 22,875,317</u>
Change in Net Position										
Governmental activities	\$ 1,424,688	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175	\$ 2,257,653	\$ 1,912,070	\$ (1,200,414)	\$ 1,061,601	\$ 2,583,094	\$ 7,008,621
Business-type activities	(2,098,168)	(385,079)	4,298,887	(3,190,409)	125,011	490,941	2,461,975	519,374	1,621,486	1,528,232
Total primary government	<u>\$ (673,480)</u>	<u>\$ (1,464,660)</u>	<u>\$ 480,684</u>	<u>\$ (141,234)</u>	<u>\$ 2,382,664</u>	<u>\$ 2,403,011</u>	<u>\$ 1,261,561</u>	<u>\$ 1,580,975</u>	<u>\$ 4,204,580</u>	<u>\$ 8,536,853</u>

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

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

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

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

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	3,032,726	2,857,963	254,229	262,964	249,732	240,865	245,181	250,315	269,837	286,427
Restricted	234,768	194,193	7,868,522	4,083,267	183,512	163,817	93,456	66,707	4,497,485	2,248,298
Committed	5,219,706	5,040,585	5,501,353	5,589,056	5,761,221	6,009,523	6,687,557	6,663,230	8,019,062	8,045,739
Assigned	1,537,572	354,999	1,301,385	1,584,887	1,396,207	1,198,378	1,891,555	1,913,861	2,341,510	2,184,202
Unassigned	1,189,562	1,611,120	788,076	1,300,881	2,225,633	4,356,681	3,561,586	2,282,375	3,291,695	8,218,150
Total general fund	\$ 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	\$ 20,982,816
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
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	3,960,753
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	3,451,682
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(306)	(302)	(2,745)	(6,231)	-	-	(5,861)	(19,270)	(31,326)	(17,483)
Total all other governmental funds	\$ 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	\$ 7,394,952

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 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	\$ 13,441,866
Licenses, permits, and fees	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	3,475,389
Intergovernmental	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	9,870,743
Charges for services	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	2,757,191
Fines and forfeits	151,616	142,936	241,923	133,645	131,020	121,513	127,406	101,378	94,578	93,827
Miscellaneous	817,975	537,975	431,625	827,526	1,142,936	935,821	1,042,958	819,264	1,770,325	1,561,538
Total Revenues	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	31,200,554
Expenditures										
General governmental services	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	3,620,756
Public safety	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	11,255,650
Physical environment	306,365	295,459	311,684	325,864	339,596	337,831	372,552	425,472	439,446	440,769
Transportation	994,272	966,050	1,012,387	867,730	862,712	852,602	890,762	762,058	824,349	723,669
Economic environment	493,526	652,086	1,032,659	745,586	1,730,631	1,432,788	1,468,393	1,045,687	1,282,063	1,182,887
Culture and recreation	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	4,929,243
Capital outlay	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	4,546,491
Debt service										
Principal	198,699	211,683	4,540,488	612,996	660,107	673,851	682,229	718,320	698,381	1,084,666
Interest and other costs	236,268	243,959	203,347	377,574	354,544	336,835	316,629	297,245	547,165	734,680
Total expenditures	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	28,518,811
Excess of revenue over (under) expenditures	(292,704)	(3,264,279)	(4,968,525)	(2,728,414)	(5,967,172)	340,828	17,995	(1,649,095)	(6,499,524)	2,681,743
Other Financing Sources (Uses)										
Capital lease proceeds	-	-	103,784	-	67,774	-	-	-	350,000	74,135
Transfers in	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	3,620,644
Transfers out	(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)	(1,872,958)
Sale of general capital assets	-	-	-	-	-	850,000	-	-	-	-
Debt issuance	739,805	-	12,942,539	-	-	-	-	-	12,520,000	-
Total other financing sources (uses)	2,422,522	1,656,032	10,900,882	394,711	725,332	1,605,846	761,739	847,373	13,961,579	1,821,821
Net change in fund balance	\$ 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	\$ 4,503,564
Debt service as a percentage of noncapital expenditures	2.58%	2.56%	22.65%	5.31%	5.08%	5.08%	4.75%	4.63%	5.66%	7.59%

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
2020	\$13,441,866	\$3,475,389	\$9,870,743	\$2,757,191	\$93,827	\$1,561,538	\$1,821,821	\$33,022,375
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	3,291,683	969,560	152,936	537,975	2,284,416	19,445,548
2011	10,438,481	2,428,621	3,358,615	911,405	151,616	817,975	2,296,944	20,403,657

⁽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
2020	\$ 1,423,217,107	\$ 121,764,835	\$ 2,054,497,373	\$ 509,515,431	\$ 1,544,981,942	5.3293
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

⁽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

Fiscal Year	City of Fort Walton Beach Direct Rate		Overlapping Rates*			
	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2020	5.3293	5.3293	3.8308	6.0350	0.0311	9.8969
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

⁽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

Source: Okaloosa County Tax Collector

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

Taxpayer	2020			2011			
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank	
Gulf Power Co.	\$ 28,293,119	1.83%	1	\$ 16,230,801	1.41%	1	Gulf Power Co.
Suso 2 Uptown, LP	18,131,699	1.17%	2	10,471,773	0.91%	2	Uptown Station Investors LLC
BAE Systems Technology	9,273,206	0.60%	3	9,929,764	0.86%	3	Embarq Corp
127 Miracle Strip LLC	9,142,885	0.59%	4	9,476,753	0.82%	4	DRS Training & Control
DJD Investments of FL II LLC	7,402,344	0.48%	5	8,279,690	0.72%	5	Coxcom Inc
99 Eglin LTD	7,383,896	0.48%	6	8,008,000	0.70%	6	Presidio Developers LLC
Pacifica Walton Beach LLC	7,289,985	0.47%	7	7,855,251	0.68%	7	Ft Walton Machining Inc
North Florida Hotel	7,117,158	0.46%	8	6,854,902	0.59%	8	BLC Westwood LLC
Cox Communications Gulf Coast, LLC	6,968,044	0.45%	9	5,831,767	0.51%	9	DRS Training & Control Systems
H&E Equipment Service	6,293,985	0.41%	10	5,300,774	0.46%	10	BNBT.COM Bank
Total Taxable Assessed Value of Principal Taxpayers	<u>107,296,321</u>	<u>6.94%</u>		<u>150,640,852</u>	<u>13.08%</u>		
Total Taxable Assessed Value of Other Taxpayers	<u>1,437,685,621</u>	<u>93.06%</u>		<u>1,152,105,998</u>	<u>86.92%</u>		
Total Taxable Assessed Value	<u><u>\$ 1,544,981,942</u></u>	<u><u>100.00%</u></u>		<u><u>\$ 1,152,106,054</u></u>	<u><u>100.00%</u></u>		

⁽¹⁾ The 2019 tax roll is the basis for Fiscal Year 2019-20 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
2020	The 2020 tax levy is the basis for Fiscal Year 2019-20 tax revenues.							
2019	\$ 8,186,794	\$ 7,900,798	96.5%	\$ 18,327	\$ 7,919,125	96.7%	\$ 7,490	0.1%
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%

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

Source: Okaloosa County Tax Collector

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

Fiscal Year	Governmental Activities				Business Activities					Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	State Revolving Loans	Revenue Bonds			
2020	\$ -	\$ 67,035	\$ 21,175,487	\$ -	\$ -	\$ -	\$ 7,093,000	\$ 11,907,259	\$ -	\$ 40,242,781	0.38%	1,742.64
2019	-	6,681	22,246,372	-	-	-	7,537,000	12,614,297	-	42,404,350	0.44%	1,984.48
2018	-	42,217	10,408,945	-	-	-	7,968,000	13,308,089	-	31,727,251	0.36%	1,454.24
2017	-	76,099	11,073,656	-	-	-	8,387,000	13,988,885	-	33,525,640	0.39%	1,606.48
2016	-	106,653	11,725,331	-	-	-	8,794,000	14,656,929	-	35,282,913	0.43%	1,702.93
2015	-	134,249	12,371,587	-	-	-	8,794,000	15,312,458	-	36,612,294	0.45%	1,807.48
2014	-	89,654	13,008,515	-	-	-	-	14,004,706	9,640,146	36,743,021	0.48%	1,819.50
2013	-	101,696	13,535,936	-	-	-	73,533	7,068,522	9,925,055	30,704,742	0.42%	1,571.86
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

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>		
2020	\$ -	0.00%	\$ -
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%	-

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	
2020	\$ 39,300,045	\$ 43,467,423	\$ 2,235,704	1,185,842	\$ 3,421,546	12.70
2019	47,634,800	39,571,847	1,823,173	1,029,403	2,852,576	13.87
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	12,922,550	468,935	695,713	1,164,648	11.10

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

⁽²⁾ Combined Debt Service requirements for Capital Improvement Revenue Note Series 2013 & 2013A, Utility System Revenue Note 2015, SRF Loan and 2011 Revenue Notes. See Financial Statement Notes for detail.

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

City of Fort Walton Beach, Florida
SCHEDULE 13
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Unaudited

<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	\$ 84,164,657	10.48%	(2) \$ 8,819,920
Okaloosa County School District			
Certificates of Participation	\$ 9,334,000	25.45%	(1) \$ 2,375,927
Subtotal: Overlapping Debt	<u>\$ 93,498,657</u>		<u>\$ 11,195,847</u>
Direct Debt			
City of Fort Walton Beach Revenue Notes	\$ 21,175,487	100.00%	\$ 21,175,487
City of Fort Walton Beach Lease Payable	\$ 67,035	100.00%	\$ 67,035
Subtotal: Direct Debt	<u>\$ 21,242,522</u>		<u>\$ 21,242,522</u>
Total Direct and Overlapping Debt	<u>\$ 114,741,179</u>		<u>\$ 32,438,369</u>

Source: Okaloosa County, Okaloosa County School Board

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

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

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

Employer	Product	2020			2011		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	20,000	21.41%	1	17,095	22.14%	1
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	13,258	14.19%	2	11,171	14.47%	2
Okaloosa County School District	Education Services	3,449	3.69%	3	3,388	4.39%	3
Fort Walton Beach Medical Center ⁽⁴⁾	Medical Services	1,429	1.53%	4	812	1.77%	7
Walmart (Okaloosa Combined)	Consumer Products	1,400	1.50%	5			
Publix (Okaloosa Combined)	Consumer Products	972	1.04%	6			
Okaloosa County BCC ⁽³⁾	Local Government Services	936	1.00%	7	1,363	1.21%	4
Lockhead Martin	Defense Contractor	875	0.94%	8	932	1.08%	5
Northwest Florida State College	Education Services	734	0.79%	9	680	1.05%	10
Reliance Test & Technology	Government Contractor	697	0.75%	10			
DRS Training and Control Systems	Defense Electronics				837	0.96%	6
InDyne Inc	Military Technical Support				738	0.91%	8
Jacobs Technology - TEAS Group	Military Technical Support				700	0.88%	9
		<u>43,750</u>	50.98%		<u>37,716</u>	42.74%	

⁽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
2020	23,093	214,542	10.76%	\$ 10,680,336	\$ 50,680	4.1%
2019	22,084	210,738	10.48%	10,194,990	48,875	2.3%
2018	21,368	206,934	10.33%	9,678,184	47,433	3.4%
2017	21,238	203,478	10.44%	9,151,339	46,836	3.0%
2016	21,817	200,071	10.90%	8,925,717	44,923	4.9%
2015	20,869	197,748	10.55%	8,534,823	44,695	4.4%
2014	20,719	194,615	10.65%	8,151,537	45,277	4.6%
2013	20,256	192,688	10.51%	8,094,613	44,960	4.7%
2012	20,194	189,762	10.64%	7,586,859	43,132	6.0%
2011	19,534	183,102	10.67%	7,376,383	42,007	7.3%

OKALOOSA COUNTY EDUCATION

		FY 2020	FY 2019	FY 2018
Schools:	Grades K-5	23	23	23
	Grades 6-8	12	12	12
	Grades 9-12	8	8	8
	PK-12 / Charter / Alternate	2 / 5 / 10	2 / 5 / 10	2 / 5 / 10
	Grades K-8	1	1	1
	Vocational / Technical	1	1	1
	Exceptional Children	2	2	2
Students:	Grades K-5	22,082	15,459	14,936
	Grades 6-8	9,967	8,014	7,551
	Grades 9-12	10,070	9,428	9,150
	Adult Students	638	473	132
	Exceptional Children	7,543	6,023	5,953
Personnel:	Instructional (Classroom)	1,791	1,920	1,879
	Non-Instructional	849	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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
City Manager	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Human Resources	4.00	4.70	4.70	4.70	3.60	3.00	3.00	3.00	3.00	3.00
Risk Management	-	-	-	-	-	-	-	-	-	-
Information Technology	4.00	4.00	4.00	3.80	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	2.00	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.50
Finance	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Purchasing	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.50	2.50	2.50
Public Safety										
Police	69.83	71.82	70.90	65.90	61.90	61.38	60.99	59.99	70.99	67.99
Fire	44.00	37.00	37.00	37.00	37.00	38.00	37.00	37.00	37.00	37.00
Recreation & Cultural Services										
Administration	12.70	12.70	11.50	11.50	12.90	12.64	12.32	13.45	13.67	13.81
Parks Maintenance	13.00	12.00	10.25	10.25	10.00	10.00	10.00	10.00	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
Senior Citizens Center	-	-	-	-	-	-	1.85	1.85	1.85	1.85
Golf Club	13.42	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	15.75	-	-	-
Library	9.22	8.72	8.72	8.72	8.02	8.02	8.02	8.02	8.02	8.10
Museum	4.10	3.60	4.00	4.00	4.60	4.10	3.60	3.60	3.60	2.60
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Growth Management										
Administration	2.00	2.00	3.00	3.00	3.00	4.00	4.00	5.00	5.00	5.00
Planning & Zoning	4.00	4.00	4.00	4.00	3.00	2.00	2.00	1.00	1.00	1.00
Building & Permitting	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.70	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	9.00	8.75	8.75
Facilities Maintenance	6.00	6.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00
Streets Maintenance	5.00	5.00	5.00	5.00	6.00	6.00	6.00	5.50	5.50	5.50
Community Development Block Grant	-	-	-	-	-	0.48	0.48	0.48	0.48	0.48
Community Redevelopment Agency	5.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00	3.00
Utility (Water/Sewer) Enterprise										
Administration	6.00	6.00	5.00	5.00	8.00	8.00	8.00	7.00	7.00	6.75
Customer Service	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
GIS	3.00	3.00	3.00	3.00	-	-	-	-	-	-
Water Operations	8.00	8.00	9.00	9.00	9.00	10.00	9.00	9.00	9.00	10.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sewer Collections	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	18.75
Recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-
Golf Enterprise										
Golf Club	-	-	-	-	-	-	-	14.26	14.26	14.26
Golf Grounds Maintenance	-	-	-	-	-	-	-	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	6.00
Total	310.52	306.15	304.53	300.33	292.03	292.05	291.02	289.40	300.07	296.09

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>
2020	262	573	196	231	22
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

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

<u>Year</u>	<u>Number Sold</u>
2020	1,120
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

MUNICIPAL RECREATIONAL FACILITIES

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

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	2,645	293	1,980	345	27
02	BLACKMON	693	93	511	88	1
03	MILLIGAN	1,420	186	978	237	19
04	HOLT	1,417	208	971	226	12
05	LAUREL HILL	1,157	196	773	178	10
06	GARDEN CITY	4,156	662	2,700	722	72
07	DORCAS	1,879	308	1,156	389	26
08	HONEY CREEK	4,651	928	2,716	930	77
09	YELLOW RIVER	4,533	866	2,595	990	82
10	WEST WRIGHT	6,753	1,632	3,197	1,778	146
11	EAST CRESTVIEW	11,976	2,774	5,804	3,097	301
12	WEST CRESTVIEW	991	513	266	200	12
13	NORTH CRESTVIEW	4,149	812	2,436	834	67
14	WEST NICEVILLE	3,137	581	1,805	682	69
15	VALPARAISO	3,010	535	1,738	674	63
16	SHALIMAR	3,084	687	1,649	693	55
17	CENTRAL WRIGHT	3,543	931	1,588	938	86
18	OCEAN CITY	2,851	664	1,405	704	78
19*	EAST FWB	1,920	552	781	545	42
20	WEST DESTIN	2,709	459	1,635	565	50
21	MARY ESTHER	2,779	586	1,549	591	53
22*	S CENTRAL FWB	2,206	582	1,060	528	36
23	EGLIN AFB	751	164	288	275	24
24*	WEST FWB	2,824	813	1,289	675	47
25	N CENTRAL NICEVILLE	2,040	382	1,199	418	41
26	SEMINOLE	2,864	386	1,916	512	50
27	CINCO BAYOU	306	56	155	86	9
28*	GARNIERS	353	63	218	64	8
29*	GOLF COURSE	2,083	368	1,297	395	23
30	OKALOOSA ISLAND	1,759	311	1,015	400	33
31	LONGWOOD	2,248	373	1,488	351	36
32*	FERRY PARK	2,640	488	1,578	528	46
33	ROCKY BAYOU	5,010	630	3,455	864	61
34	FLOROSA	3,951	928	1,889	1,048	86
35	NORTH DESTIN	3,415	500	2,170	680	65
36	SOUTH NICEVILLE	2,897	423	1,863	549	62
37	LAKE LORRAINE	2,894	414	1,882	562	36
38	NORTHGATE	2,349	525	1,256	536	32
39	EAST WRIGHT	2,423	612	1,176	600	35
40	SOUTH BLUEWATER	3,102	408	2,076	577	41
41*	N CENTRAL FWB	1,367	272	802	270	23
42*	NEW HEIGHTS	2,276	720	965	564	27
43	S CENTRAL NICEVILLE	2,383	438	1,386	516	43
44	CENTRAL DESTIN	1,887	340	1,007	501	39
45	SOUTH CRESTVIEW	4,741	1,117	2,380	1,132	112
46	NORTH BLUEWATER	4,728	692	2,995	945	96
47	WYNNEHAVEN BEACH	2,202	465	1,069	622	46
48*	WESTWOOD RETIREMENT	112	24	72	16	0
49	EAST DESTIN	3,531	435	2,412	635	49
50	SOUTH DESTIN	3,285	427	2,198	615	45
51	AIRPORT ROAD	2,120	345	1,320	425	30
52	LIVE OAK	4,236	798	2,350	998	90
	Countywide Total	148,436	28,965	84,459	32,293	2,719
*City Precinct	City Total	15,781	3,882	8,062	3,585	252

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>
2020	\$ 766	\$ 31,086	9.72%	\$ 288,887
2019	925	31,912	9.09%	319,207
2018	755	27,180	7.20%	350,194
2017	660	25,807	6.41%	376,619
2016	380,571	27,804	6.47%	401,766
2015	-	60,251	55.15%	48,999
2014	2,014	3,328	2.96%	109,250
2013	1,942	152,555	57.98%	110,564
2012	63,916	12,200	4.46%	261,177
2011	89,840	5,398	2.51%	209,461

⁽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
2020	\$ 6,573,751	13.8%	\$ 13,404,633	28.2%	\$ 6,999,110	14.7%	\$ 3,934,207	8.3%	\$ 4,067,771	8.6%	\$ 1,751,965	3.7%
2019	6,416,668	15.2%	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%

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⁾	\$11.49	\$14.01	\$11.49	\$14.01	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$11.49	\$14.36	\$11.49	\$14.36	9,088
1.0"	\$11.49	\$14.36	\$11.49	\$14.36	337
1.5"	\$15.61	\$19.51	\$15.61	\$19.51	109
2.0"	\$26.54	\$33.18	\$26.54	\$33.18	232
3.0"	\$40.44	\$50.55	\$40.44	\$50.55	14
4.0"	\$50.53	\$63.16	\$50.53	\$63.16	25
6.0"	\$80.39	\$100.49	\$80.39	\$100.49	0
8.0" or 10.0"	\$120.48	\$150.60	\$120.48	\$150.60	1
Multi-Residential, Add'l per Unit	\$8.51	\$10.64	\$8.51	\$10.64	
					9,806
				Residential Customers ⁽⁶⁾	8,527
				Commercial Customers ⁽⁶⁾	1,150
				Total Customers	9,677

	<u>Inside</u>	<u>Outside</u>
Gallage Rate (per 1,000 gallons per unit)		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 - 4,000)	\$3.42	\$4.28
Block 3 (4,001 - 8,000)	\$4.19	\$5.24
Block 4 (8,001 +)	\$6.28	\$7.85

Monthly Wastewater Rates⁽²⁾	Residential	Commercial
Lifeline Rate ⁽⁴⁾	\$25.18	\$30.23
Monthly Base Charge	\$25.18	\$30.23
Gallage Rate (per 1,000 gallons per unit) ⁽⁵⁾		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	\$7.91	\$9.50

- ⁽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	\$ 13.10	\$ 7.03	\$ 20.13
Two Containers	26.20	13.90	40.10
Residential Dumpsters, Individual Meters	13.10	7.03	20.13
Commercial			
One Container	30.03	7.86	37.89
Two Containers	60.06	15.77	75.83
Shared Dumpster (minimum charge)	30.03	7.86	37.89
<u>Garbage and Trash Collection</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
2 Cubic Yards			
2 times per week	\$ 63.74	\$ 56.73	\$ 120.47
3 times per week	95.60	85.00	180.60
4 times per week	127.52	113.21	240.73
5 times per week	159.34	141.52	300.86
6 times per week	191.21	169.79	361.00
4 Cubic Yards			
2 times per week	89.99	113.21	203.20
3 times per week	134.98	169.79	304.77
4 times per week	179.97	226.37	406.34
5 times per week	224.96	282.89	507.85
6 times per week	269.96	339.47	609.43
6 Cubic Yards			
2 times per week	118.13	169.79	287.92
3 times per week	177.19	254.68	431.87
4 times per week	236.20	339.47	575.67
5 times per week	295.26	424.31	719.57
6 times per week	354.32	509.26	863.58
8 Cubic Yards			
2 times per week	142.49	226.37	368.86
3 times per week	213.73	339.47	553.20
4 times per week	284.97	452.63	737.60
5 times per week	356.21	565.79	922.00
6 times per week	427.46	675.89	1,103.35
Compactor	Commercial Rate x 3 x Bulk Container(s)		
<u>Commercial Recycling</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
4 Cubic Yards			
2 times per week	\$ 112.70	\$ -	\$ 112.70
3 times per week	169.00	-	169.00
4 times per week	225.35	-	225.35
5 times per week	281.70	-	281.70
6 Cubic Yards			
2 times per week	169.00	-	169.00
3 times per week	253.50	-	253.50
4 times per week	338.00	-	338.00
5 times per week	422.50	-	422.50
8 Cubic Yards			
2 times per week	225.35	-	225.35
3 times per week	338.00	-	338.00
4 times per week	450.70	-	450.70
5 times per week	563.35	-	563.35
Contaminated Load Fee (per dump)			
4 CY	20.00	32.45	52.45
6 CY	20.00	58.35	78.35
8CY	20.00	90.70	110.70

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Police										
Arrests	627	611	660	757	921	1,041	873	867	1,042	1,265
Traffic citations	1,327	1,404	1,632	2,436	2,693	2,864	3,119	3,413	3,773	3,246
Fire										
Emergency medical responses	1,265	3,123	3,310	2,994	3,067	3,322	3,278	3,231	3,197	3,041
Fire responses	2,825	1,406	1,324	1,249	1,210	1,270	1,389	1,277	1,288	1,224
Inspections	643	1,008	966	932	2,409	1,000	700	800	758	1,431
Code Enforcement										
Code violations	965	1,251	1,446	1,825	1,807	1,702	1,766	2,118	2,158	2,456
Engineering Services										
Building permits issued	2,288	2,095	2,006	332	n/a	n/a	n/a	n/a	n/a	n/a
Residential building permits issued	1,692	1,942	1,855	483	23	1,214	1,220	1,095	697	588
Commercial building permits issued	596	153	151	178	5	402	310	457	164	284
Value of permits (in millions)	\$81.98	\$65.80	\$4.10	\$2.70	n/a	n/a	n/a	n/a	n/a	n/a
Value of residential permits (in millions) \$	29	\$ 41	\$ 26	\$ 12	\$ 4	\$ 16	\$ 16	\$ 15	\$ 9	\$ 10
Value of commercial permits (in millions) \$	53	\$ 24	\$ 15	\$ 15	\$ 1	\$ 832	\$ 27	\$ 23	\$ 9	\$ 7
Business Tax Receipts Sold	212	406	628	1,769	2,115	2,259	2,402	2,087	1,947	2,269
Street resurfacing (lane miles)	1.27	0.00	0.18	0.00	1.01	0.64	0.16	-	1.70	2.25
Pot holes (hours spent repairing)	494	557	166	213	163	770	528	813	989	1,014
Sanitation										
Refuse collected (tons)	27,854	26,498	26,317	26,151	25,203	24,467	26,102	24,059	25,374	25,332
Recyclables collected (tons)	2,030	2,048	2,032	1,811	1,507	1,191	754	615	375	251
Culture and Recreation										
Parks and Recreation										
Recreation program participants	191	206	199	102	154	n/a	n/a	n/a	92,267	106,486
Recreation program registrations	n/a	n/a	n/a	n/a	n/a	650	651	571	n/a	n/a
Adult athletic participants	1,042	820	770	530	n/a	n/a	n/a	n/a	6,728	9,003
Adult athletic registrations	n/a	n/a	n/a	n/a	621	424	426	467	n/a	n/a
Youth athletic participants	1,496	2,264	2,123	2,394	n/a	n/a	n/a	n/a	14,548	13,038
Youth athletic registrations	n/a	n/a	n/a	n/a	2,086	1,978	1,347	1,253	n/a	n/a
Skate/tennis park participants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13,114	18,291
Library										
Circulation volume	127,507	157,554	147,760	139,980	144,474	137,363	145,684	142,888	139,196	126,146
Museum										
Number of visitors/participants ⁽¹⁾	13,662	30,050	23,012	24,522	22,437	22,683	19,461	22,901	21,480	28,200
Water System										
New connections	22	25	37	45	81	34	27	26	39	18
Water customers	9,677	9,642	9,639	9,620	9,618	9,537	9,480	9,279	8,846	8,804
Water produced (million gallons)	940	912	895	866	883	891	884	855	868	899

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	45	45	47	45	39	43	43	43	51	48
Engineering Services										
Miles of roads	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.06	92.65
Miles of sidewalks	63.79	63.79	63.67	63.67	64.73	63.67	64.73	64.05	63.93	62.80
Signs fabricated and installed	531	461	286	614	854	1,133	918	785	935	976
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	116	129	129	129	129	129	116	117	122	122
Parks (acres)	448.54 ⁽¹⁾	206.00	206.00	206.00	206.00	196.56	180.26	180.26	180.26	180.26
Library										
Inventoried collection	51,398	56,973	62,513	67,881	70,353	72,313	72,729	74,649	74,448	72,873
Water and Sewer System										
Potable water lines (miles)	146.48	146.40	146.33	146.10	144.91	144.77	146.25	145.90	118.63	118.57
Sanitary sewer lines (miles)	129.44	129.49	129.49	129.62	129.51	110.45	130.32	118.76	118.76	118.76
Reuse water lines (miles)	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.14	3.82	3.82
Potable Water Elevated Storage Tank Capacity: 1 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)	44.14	43.33	43.18	42.10	42.03	42.05	42.01	41.64	41.64	45.70

⁽¹⁾ FY 2020 Increase due to golf courses not being included in prior years.

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>Location</u>
10/12/19 to 10/12/20	Wright National	1151291251	Fisher-Brown Agency	Flood	\$	450,000	B 14 Robinwood Drive SW
					\$	100,000	C Sanitation Building
12/6/19 to 12/6/20	Wright National	1151306332	Fisher-Brown Agency	Flood	\$	500,000	B #7 Hollywood Boulevard
					\$	500,000	C Police Department
10/12/19 to 10/12/20	Wright National	1151291263	Fisher-Brown Agency	Flood	\$	500,000	B #5 Hollywood Boulevard
					\$	300,000	C Fire Department
10/12/19 to 10/12/20	Wright National	1151292103	Fisher-Brown Agency	Flood	\$	402,700	B 107 Miracle Strip Parkway
					\$	128,200	C Auditorium
10/12/19 to 10/12/20	Wright National	1151291796	Fisher-Brown Agency	Flood	\$	402,700	B 107 Miracle Strip Parkway
					\$	382,900	C City Hall
10/12/19 to 10/12/20	Wright National	1151292114	Fisher-Brown Agency	Flood	\$	177,300	B 107 Miracle Strip Parkway
					\$	16,300	C Council Chamber
10/12/19 to 10/12/20	Wright National	1151292125	Fisher-Brown Agency	Flood	\$	402,700	B 107 Miracle Strip Parkway
					\$	382,900	C Annex Building
10/12/19 to 10/12/20	Wright National	1151292120	Fisher-Brown Agency	Flood	\$	389,700	B 107 Miracle Strip Parkway
					\$	16,300	C Bathrooms Building
10/12/19 to 10/12/20	Wright National	1151291389	Fisher-Brown Agency	Flood	\$	450,000	B 141 Miracle Strip Parkway
					\$	100,000	C City Museum
10/12/19 to 10/12/20	Wright National	1151291280	Fisher-Brown Agency	Flood	\$	350,000	B 22 McGriff Street
					\$	50,000	C Child Care Facility
12/2/19 to 12/2/20	Wright National	1150164378	Fisher-Brown Agency	Flood	\$	38,500	B 338 Miracle Strip Parkway Restroom, East of Pavillion Liza Jackson Park
12/2/19 to 12/2/20	Wright National	1150164379	Fisher-Brown Agency	Flood	\$	38,500	B 338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/19 to 05/17/20	Wright National	1150342974	Fisher-Brown Agency	Flood	\$	98,300	B 55 Ferry Road Boy Scout Hut
07/23/19 to 07/23/20	Wright National	1151270502	Fisher-Brown Agency	Flood	\$	300,000	B 18 Robinwood Drive
					\$	50,000	C Pump Station #1
06/23/19 to 06/23/20	Wright National	1150458831	Fisher-Brown Agency	Flood	\$	55,000	B 168 Coral Drive SW City Hall Ball Field Restrooms
10/01/19 to 10/10/20	AIG Environmental Tank Guard	12896318	Public Risk Insurance Agency	Petroleum Liability		1,000,000/inc	Golf Course, Police, City Yard, Fuel Station Pump Station - Fire, Recreation Center
10/01/19 to 10/10/20	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Inland Marine	\$	750,000	2M Blanket Unscheduled
					\$	32,326	6M Contractor's / Mobile Equipment - Agreed Value

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
					\$ 36,677	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 30,204	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 30,204	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 30,204	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 30,749	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 26,827	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 29,079	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 29,079	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 43,205	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 42,574	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 42,849	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 78,902	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 93,150	7M Electronic Data Processing Equipment - RC
					\$ 730,000	11M Fine Arts - Agreed Value
					\$ 250,000	14M Rented, Borrowed, Leased Equipment - ACV
					\$ 445,000	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 52,765	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 97,373	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 35,808	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 48,088	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 55,654	6M Contractor's / Mobile Equipment - Agreed Value
					\$ 55,654	Blanket Unscheduled Inland Marine
					\$ 55,654	Scheduled Inland Marine
					\$ 55,654	Total All Inland Marine
9/16/19 to 4/17/20 7/13/20 to 7/13/21	Hartford-cancel Brandy Julio Lacayo Travelers	107301424	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
07/29/19 to 07/29/20	Carrie Gagnon - Travelers	107128081	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
2/19/19 - 2/19/20	Travelers	107222946	Fisher-Brown Agency	Public Official Bond	\$ 50,000	City Clerk
10/01/19 to 10/10/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability
10/01/19 to 10/10/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	
10/01/19 to 10/10/20	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money & Securities (theft)	\$ 10,000	
10/01/19 to 10/10/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees (Employee dishonesty) Blanket Fidelity Bond
10/01/19 to 10/10/20	PGIT	PKFL1046200316-07	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurance
10/01/19 to 10/10/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 46,666,662	Blank Real & Personal Property

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type		Location
10/1/19 to 10/1/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	\$ 100,000 \$ 500,000	Business Income Additional Expense
10/1/19 to 10/1/20	PGIT	WC-FL1046200316-07	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/19 to 10/10/20	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Public Officials Empl. Practice	5000000/inc 5000000/agg	
10/01/19 to 10/10/20	Ace American	N16744931	Chubb ACHUBB Co.	AD&D	\$ 67,901 \$ 67,901 \$ 197,876	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/19 to 10/10/20	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	\$ 46,666,662	
5/01/19 to 5/01/20	Travelers	105927344	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees and Police
9/5/19 to 9/5/20	Ace American	PTP N1793868A	Chubb	Group Cancer	\$ 25,000	First Diagnosis Cancer Benefit First Diagnosis Benefit Continuation
Source: City of Fort Walton Beach Risk Management Department					\$ 75,000	Cancer Death Benefit

**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, 2020**

Source	<u>Amounts Received in the 2019-2020 Fiscal Year</u>	<u>Amounts Expended in the 2019-2020 Fiscal Year</u>
Florida Coastal Protection Trust Fund Early Restoration Deepwater Horizon oil spill	<u>\$ -</u>	<u>\$ 29,634</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, 2020, and have issued our report thereon dated March 12, 2021, 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, as listed in the table of contents, 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
March 12, 2021

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Agency Pass-Through Entity Federal Project	CFDA Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing & Urban Development				
Direct programs				
Community Development Block Grants 2018-19	14.218		\$ 174,691	\$ -
U.S. Department of Justice				
Direct programs				
Bulletproof Vest Partnership Program	16.607		4,360	-
Indirect programs				
Pass-through from Florida Department of Law Enforcement (FDLE)				
Byrne Memorial Justice Assistance Grant 2020	16.738	2020-JAGC-OKAL-3-Y5-038	10,500	-
Byrne Memorial Justice Assistance Grant 2020	16.738	2020-JAGD-OKAL-1-Y6-018	5,358	-
			<u>15,858</u>	<u>-</u>
U.S. Department of Treasury				
Indirect programs				
Pass-through from Florida Division of Emergency Management (FDEM) and Okaloosa County, Florida				
Coronavirus Aid, Relief, and Economic Security (CARES) Act Grant	21.019	SLT0050	3,089,741	-
U.S. Department of Homeland Security				
Indirect programs				
Pass-through from Federal Emergency Management Agency (FEMA)				
Assistance to Firefighters Grant	97.044	EMW-2018-FO-04343	202,857	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2018-FH-00488	195,536	-
			<u>398,393</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,683,043</u>	<u>\$ -</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fort Walton Beach, Florida (the City), under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 2020-001 and 2020-002 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 accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-005.

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

The City's response to the findings identified in our audit is presented 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
March 12, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Walton Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
March 12, 2021

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes No
- Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X No

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

- Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes X No

Identification of major programs:

Federal CFDA Number	Name of Federal Program
21.019	Coronavirus Aid, Relief, and Economic Security (CARES) Act

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

II. FINANCIAL STATEMENT FINDINGS

FINDING 2020-001 – BANK RECONCILIATIONS

Criteria

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 at the end of each month from October 2019 through February 2020. Bank reconciliations were timely prepared and reviewed starting in April 2020 and throughout the rest of the fiscal year.

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, however it has instituted a standard operating procedure requiring the reconciliations to be reviewed and approved within 15 days of year end.

Cause

Due to staff turnover in the City's Financial Services Department, and lack of oversight by the Former Finance Director, delays in completing the monthly bank reconciliations were allowed to go unchecked during the period from October 2019 to February 2020.

Effect

The internal controls over cash during the period from October 2019 to February 2020, as designed and placed in operation, did 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. Changes to the system of internal control were instituted in March of 2020. As bank reconciliations are a key control, and the delay in preparing bank reconciliations was present for a portion of the period under audit, the finding is required to be reported.

Recommendation

The finding has been remediated with the exception of the adoption of a written policy that requires bank reconciliations to be prepared within a designated time after the end of the month. City management should adopt a written policy and adjust their policies and procedures manuals.

Management's Response

Concur. Finance Department staff have completed bank reconciliations in a timely manner in accordance with month-end closing procedures. Finance Director will present a policy update to the City Manager to ensure this practice continues.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINDING 2020-002 – 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

Several audit adjustments were then necessary to properly reflect account balances as follows:

- Adjustments to adjust opening fund balance to the prior year audited amounts;
- Adjustments to capital outlay transactions involving accounting for trade-ins;
- Adjustments to capital outlay transactions involving equipment acquired via a capital lease;
- Accruing payables that related to FY20 that were recorded as expenditures in FY21;
- Accruing revenue on cost reimbursement grants to match qualifying expenditures in FY 20;
- Adjustments to debt payments in the Enterprise funds that were recorded on the modified accrual basis of accounting rather than the full accrual basis of accounting required by generally accepted accounting principles;
- Adjustments to record accrued interest on debt.

Cause

Recurring monthly and year end accounting activity, processes and certain account reconciliations (excluding bank reconciliations) are not taking place on a timely basis. In particular, capital asset activity, which is a material transaction cycle, was not reconciled regularly during the year. Due to the volume of year end entries necessary to adjust the September 30, 2020 figures, it appears there was not adequate self-review by the City finance function of the final trial balance provided to the auditors for inspection. These factors contributed to the number of proposed adjustments.

Effect

The auditors proposed material correcting entries, either individually or in the aggregate, which were reviewed and accepted by management to correct certain account balances at September 30, 2020. 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, including various reconciliations, be performed and reviewed on a timely basis by appropriately experienced and trained personnel. Capital asset reconciliations should take place at a minimum on a quarterly basis due to the volume of activity.

Management's Response

Concur. Comptroller has reconciled the Fixed Assets and will continue to perform these duties on a quarterly basis in order to stay current and complete such tasks in a timely manner. Finance Director is restructuring the Finance Department, evaluating current staff assignments, and providing adequate training to make sure staff can perform assigned duties.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINDING 2020-003 – FRAUDULENT TRANSACTIONS

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 City's former Finance Director opened an American Express card in the name of the City in May 2019. Purchases on the card, which were for personal use, were made between August 2019 to February 2020. Outbound ACH transactions totaling approximately \$45,000 from the City's bank account were used to pay the credit card charges. The Finance Director was terminated after being arrested and charged for with criminal misconduct in February 2020.

Journal entries in the amount of \$6,581 were posted in the City's general ledger to account for the ACH payments during FY2020. The support documentation provided with the journal entry was falsified and not reflective of actual charges made on the credit cards. The journal entries and the accompanying support documentation were prepared by the City's Former Finance Director and reviewed and approved by the City's Comptroller. The outbound ACH transactions initiated in December 2019, January 2020 and February 2020 totaling \$37,910 had not been accounted for in the City's general ledger at the time of the former Finance Director's arrest.

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 at the time of the theft did not require ACH payment method to follow the same input and approval process as check disbursements. The former Finance Director used her position of trust and authority to 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 the general ledger.

Effect

The City expended funds of approximately \$44,491 on unauthorized transactions during the year ended September 30, 2020.

Recommendation

The City has adopted substantive recommendations from the previous year audit finding and the disbursement process for ACH transactions followed the same approval process as physical checks beginning in March of 2020. Written policies have not been updated to reflect this standard operating procedure in the City's cash disbursement policy. Written policies regarding journal entry posting by the Finance Director and requiring two individuals to approve the opening of new accounts also have not been updated. City management should update written policies and adjust the accounting policy and procedures manual.

Management's Response

Concur. Finance Department has adopted the recommendations from the previous year's audit finding and added additional controls such as positive pay for ACH Transactions. Finance Director will present a policy update to the City Manager.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINDING 2020-004 – 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

Formal action to take the IT risk assessment agenda item to City Council is scheduled for March 23, 2021; however, a vendor to perform the assessment was not procured during the year ended September 30, 2020.

Cause

Due to the time span between communication of the finding in FY 19 and the end of the City's fiscal year, action to remediate the finding was not complete.

Recommendation

The City should procure an 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. 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. City Staff went through the procurement process and is presenting to City Council a recommendation for a vendor to perform the IT Risk Assessment.

**CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINDING 2020-005 – BUDGET AMENDMENT

Criteria

Pursuant to Florida Statute 166.241(4) all budget amendments must be executed within 60 days of year end.

Condition

The City's final budget amendment for the fiscal year ended September 30, 2020 was not adopted by Council until January 2021, which is outside the 60-day period.

Cause

The budget amendment was not timely adopted due to turnover and related impacts from COVID-19.

Effect

The City is not in compliance with Florida Statute 166.241(4) for the year ended September 30, 2020.

Recommendation

We recommend City management ensure future budget amendments are made in compliance with Florida Statute 166.241(4).

Management's Response

Concur. Finance Department staff will present to City Council budget amendments on a quarterly basis.



City of Fort Walton Beach

"The Treasure of the Emerald Coast"

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED SEPTEMBER 30, 2020

I. FINANCIAL STATEMENT FINDINGS

FINDING 2019-001 – BANK RECONCILIATIONS

Condition

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.

Current Status

Corrective action has been taken, however, because the conditions existed during the current fiscal year, the finding repeats. See finding 2020-001 in the accompanying schedule of findings and questioned costs.

FINDING 2019-002 – CUSTODY OF CASH

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 the arrest of the City Finance Director. City personnel also advised that the keys to the 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.

Current Status

Corrective action was taken.

CITY OF FORT WALTON BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

FINDING 2019-003 – AUDITOR PROPOSED JOURNAL ENTRIES

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.

Current Status

Similar matters were noted in the current year's audit. See finding 2020-002 in the accompanying schedule of findings and questioned costs.

FINDING 2019-004 – ALLEGED FRAUD

Condition

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.

**CITY OF FORT WALTON BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

FINDING 2019-004 – ALLEGED FRAUD – CONTINUED

Current Status

Corrective action has been taken, however, because the conditions existed during the current fiscal year, the finding repeats. See finding 2020-003 in the accompanying schedule of findings and questioned costs.

FINDING 2019-005 – IT RISK ASSESSMENT

Condition

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

Current Status

Corrective action was not taken during the current year's audit. See finding 2020-004 in the accompanying schedule of findings and questioned costs.

**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, 2020:

- 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, 2020.

Warren Averett, LLC

Fort Walton Beach, Florida
March 12, 2021

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, 2020, and have issued our report thereon dated March 12, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by *Uniform Guidance*, 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 and schedule, which are dated March 12, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address some of the findings and recommendations made in the preceding financial audit report. The table below summarizes the uncorrected audit findings over the preceding three-year period:

FY 2018-19 Finding #	FY 2019-20 Status	FY 2019-20 Finding #
2019-001	(1)	2020-001
2019-002	Corrected	n/a
2019-003	Uncorrected	2020-002
2019-004	(1)	2020-003
2019-005	(1)	2020-004

- (1) The finding was present for a portion of the period under audit and as such was required to be reported. However substantive corrective actions were taken as of September 30, 2020.

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.

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, we identified the following recommendation in addition to those matters discussed in our schedule of findings and questioned costs.

We recommend the City adopt a fund balance policy for the Florida Building Code special revenue fund. Florida Statute Section 553.80(7)(a) establishes limitations on the accumulation of fund balance from fees, fines and investment earnings used to carry out the local government's responsibilities in enforcing the Florida Building Code that should be considered in the policy adoption.

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 questioned costs.

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.



Fort Walton Beach, Florida
March 12, 2021



City of Fort Walton Beach
The Treasure of the Emerald Coast



TO: ANGELA BALENT, CPA, MEMBER – WARREN AVERETT

FROM: JULIO LACAYO, JR. – FINANCE DIRECTOR

SUBJECT: RESPONSE TO COMPREHENSIVE ANNUAL FINANCIAL REPORT FY2019-20 –
T: MANAGEMENT LETTER COMMENT ON PAGE 150

CC: JOEL BRADLEY, CPA, MANAGER – WARREN AVERETT

October 28, 2021

Ms. Balent, CPA:

In response to the Comprehensive Annual Financial Report FY2019-20 Management Letter comment on page 150 dated March 12, 2021:

- City management intends to present a fund balance policy for the Florida Building Code special revenue fund to the City Council for approval.

Thank you for your feedback and please let me know if you have any questions.

Regards,

Julio Lacayo, Jr.

Finance Director

City of Fort Walton Beach