

Fort Walton Beach, Florida

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**Annual Comprehensive
Financial Report
FY 2024-25**

CITY OF FORT WALTON BEACH, FLORIDA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

PREPARED BY:

**THE FINANCE DEPARTMENT
City of Fort Walton Beach
107 Miracle Strip Parkway
Fort Walton Beach, FL 32548
www.fwb.org**

City Council



L-R (standing):

Logan Browning, Bryce Jeter, David Schmidt, Payne Walker

L-R (seated):

Gloria DeBerry, Mayor Nic Allegretto, Ben Merrell, Debi Riley

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

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City of Fort Walton Beach

“The Treasure of the Emerald Coast”

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

(850) 833-9504 * Fax (850) 833-9640

www.fwb.org



March 27, 2026

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, 2025, 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 (9) 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, 2025, 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, 2025, 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: \$2,197,593,063	WATER & SEWER LINES: 282.82 miles
CITY MILLAGE RATE: 4.3282	STORM DRAIN: 43.18 miles
POPULATION: 21,120	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 362 positions, 317.51 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 54	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 over 20,000 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. In Spring 2023, the Landing Park renovations commenced with Phase 1 of this project, with Phase 3 initiated in late 2024, and is slated to be finished in 2026. Building upon that with the complete reconstruction of Brooks Street, including Brooks Bridge Park in 2013, the City's downtown waterfront was opened to an extent never 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. Additionally, a 4,500 square foot Museum addition and a new Beal Cemetery Administration Building were completed in 2025, which have been tremendous additions to the City. In 2026, a 12-acre Preston Hood Athletic Complex expansion broke ground and the Liza Jackson Park waterfront renovations will begin. A "once in a lifetime" project on the horizon, "Around the Mound", will connect the then newly built Brooks Bridge to Highway 98, around the Heritage Park and Cultural Center. This will allow the City of Fort Walton Beach to have a true "downtown" atmosphere.



Fort Walton Beach Landing Rendering

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 March, which includes Finance staff preparing the new fiscal year's documentation. The City Charter charges the City Manager with the duty of presenting a balanced budget to the City Council. The budget is considered balanced if the total of all available financial resources (either on hand at the beginning of the year or generated during the year) equals or exceeds the total of all financial requirements. In August, the City Manager's proposed budget is presented to City Council for review and discussion. During September, two public hearings to formally adopt the millage (property tax) rate and budget are held per State Statute. The adopted budget is published no later than October 1.

In April, the City Council, acting as the Legislative Body of the City, holds at least one (1) strategic planning session, if needed. The goals set during this meeting are used by staff to formulate the budget that is presented to City Council. In June, the tentative millage rate is set, and staff determines Council's priorities and position on 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. 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. To accomplish this goal, a Budget Committee is formed comprised of the City Manager, Finance Director, and Budget 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 Director for computer issues; the Administrative Services Director for employee benefits, personnel, and risk management issues; and the Fleet Supervisor for vehicle and equipment replacement schedules. 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, the Community Redevelopment Agency Fund, and the Beal Memorial Cemetery Perpetual Care Fund, this comparison is presented on pages 78-81 as required supplementary information. For governmental funds with appropriated annual budgets, other than those previously mentioned, this comparison is presented with the combining and individual fund statements and schedules (Section D of this report) which starts on page 96.

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 2025-2026 budget of \$65,247,932 is \$4.7M, or 7.74%, more than the adopted FY 2024-2025 budget. The increase is primarily due to rising costs of items like materials, utilities, and fuel; as well as the addition of multiple capital improvement projects. The budget is predicated on a millage rate of 4.3282 mills; as a result, ad valorem revenues will increase by 5.44% city-wide as compared to the final 2023 Certification of Taxable Value DR-420.

Eglin Air Force Base is the world's largest Department of Defense installation, spanning over 640 square miles. Defense contractor companies are established throughout the Northwest Florida region. It is estimated that local military bases currently represent a \$9B annual economic impact on the area, with 72% or the local economy in jobs alone 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 drivable 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 Capital Improvement Program (CIP) Plan is developed and approved by City Council each year during the annual budget process.
- Five-year replacement plans for capital equipment, including vehicles, equipment, 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 considered when adopting the City's budget for FY 2025-2026. The City's budget for FY 2025-2026 allocates \$32.2M to the General Fund, \$22.4M to the Enterprise Funds, and \$10.6M to Other Funds.

For the FY 2025-2026 budget, the ad valorem rate remained at the millage rate of 4.3282 mills. The FY 2025-2026 budget includes a new five-year utility rate study, which was adopted by City Council in September 2025. The utility rate study included recommendations on rate structures for water and wastewater, stormwater, and solid waste. No other significant changes to the City's various rates and fees are included in the FY 2024-2025 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2024, which the City has received for over 20 consecutive years. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR, satisfying both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one (1) year only. Staff believes the current report continues to meet the Certificate of Achievement Program requirements and will be submitted to the GFOA to determine its eligibility for recertification.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2025. The City has received this prestigious award for 30 consecutive years. 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.

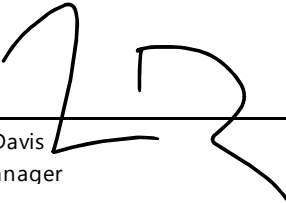
Acknowledgments

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

I 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,

X 

Jason Davis
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

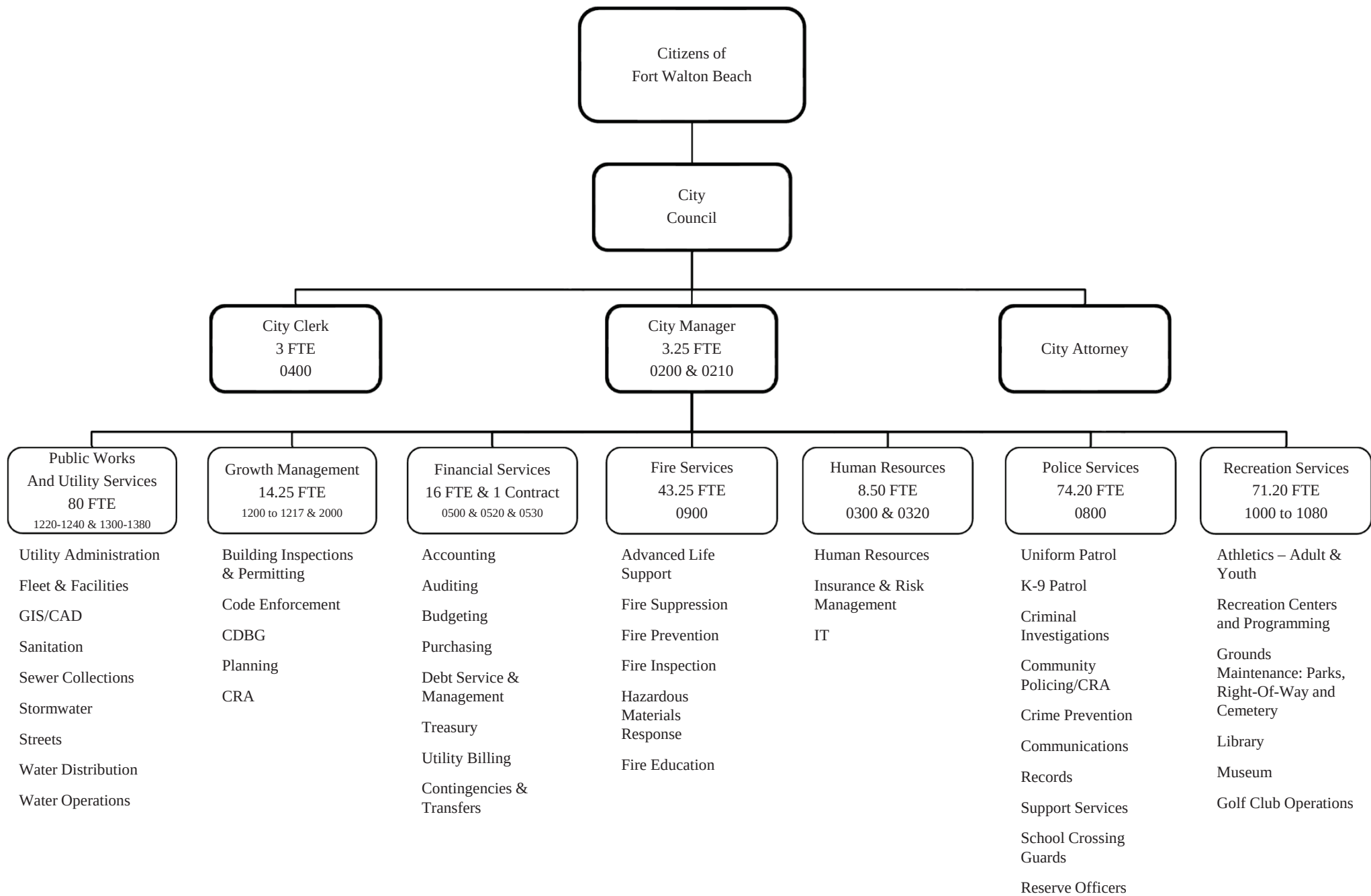
Presented to

**City of Fort Walton Beach
Florida**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the General Fund and major special revenue funds, 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 is the responsibility of management and, 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.

Supplementary 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, 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.



Fort Walton Beach, Florida
March 27, 2026

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, 2025. 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 resources of the City exceeded its liabilities and deferred inflows of resources by \$99.0 million (total net position). Of this amount, \$19.2 million represents unrestricted net position that is available to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$5.3 million during the fiscal year. Net position for governmental activities rose by \$3.4 million, primarily driven by robust market performance that yielded \$2.4 million in investment earnings. Business-type activities contributed an additional \$1.9 million increase, as revenues exceeded total expenses and transfers. This growth was largely supported by capital grants and contributions; specifically, \$786,644 from the Florida Department of Transportation (FDOT) for the Brooks Bridge utility relocation and \$227,108 from the Florida Department of Environmental Protection (FDEP) for Martisa Road NW stormwater improvements. Outside of these capital-related grant projects, operating expenses and charges for services remained stable compared to the prior year.
- As of the close of the fiscal year, the City's governmental funds have combined ending fund balances of \$39.7 million, a decrease of \$4.0 million from the prior year. This decrease is mainly attributable to an increase in the number and scope of planned capital projects completed during the year and in progress at year end.
- As of September 30, 2025, committed, assigned, and unassigned fund balance of the General Fund totaled \$25.0 million, or 51.6% of the total General Fund expenditures.
- The City's total debt decreased by \$1.9 million or 5.2%, during the fiscal year. This decrease is proportional to scheduled principal payments and issuance of leases and subscription liabilities.

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 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), and culture and recreation (parks, golf, library, and museum). 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 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 seven individual governmental funds (General Fund, Community Redevelopment Agency Fund, Florida Building Code Fund, Law Enforcement Trust Fund, Law Enforcement Training 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, the Community Redevelopment Agency Fund and the Beal Memorial Cemetery Perpetual Care Fund. Data from the other four governmental funds is 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 and the Beal Memorial Cemetery Perpetual Care Fund are considered major funds 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. Budgetary comparison schedules are provided for the General Fund and the major special revenue funds on pages 78-81 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 21-25 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 26-27 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 28 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 82-95 of this report.

The combining and individual non-major funds statements and schedules referred to earlier in connection with non-major governmental funds immediately follows the required supplementary information on pension and OPEB plans and can be found beginning on page 96 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 \$99.0 million, as reported in Table 1. The City's net position increased by \$5.3 million for the fiscal year ended September 30, 2025. The governmental activities reported an increase of \$3.4 million and the business-type activities reported an increase of \$1.9 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets						
Current & Other	\$ 47,242	\$ 50,310	\$ 16,757	\$ 16,751	\$ 63,999	\$ 67,061
Capital Assets	60,047	54,574	36,502	34,975	96,549	89,549
Total Assets	107,289	104,884	53,259	51,726	160,548	156,610
Deferred Outflows of Resources	6,206	11,493	301	1,994	6,507	13,487
Liabilities						
Long-Term Liabilities *	36,245	44,413	13,042	15,751	49,287	60,164
Other Liabilities *	4,313	5,857	2,984	3,261	7,297	9,118
Total Liabilities	40,558	50,270	16,026	19,012	56,584	69,282
Deferred Inflows of Resources	10,018	6,557	1,494	545	11,512	7,102
Net Position						
Net Investment in Capital Assets	40,721	35,708	23,384	20,555	64,105	56,263
Restricted	14,805	14,946	813	590	15,618	15,536
Unrestricted *	7,393	8,896	11,843	13,018	19,236	21,914
Total Net Position	\$ 62,919	\$ 59,550	\$ 36,040	\$ 34,163	\$ 98,959	\$ 93,713

* As restated due to implementation of GASB Statement (GASBS) No. 101, Compensated Absences.

By far, the largest portion of the City's net position, \$64.1 million or 64.8%, 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 \$15.6 million, or 15.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$19.2 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Reported in Table 2 on the next page are the key elements of the increase in net position for the current and prior fiscal year.

Table 2
Statement of Activities
For Year Ended September 30

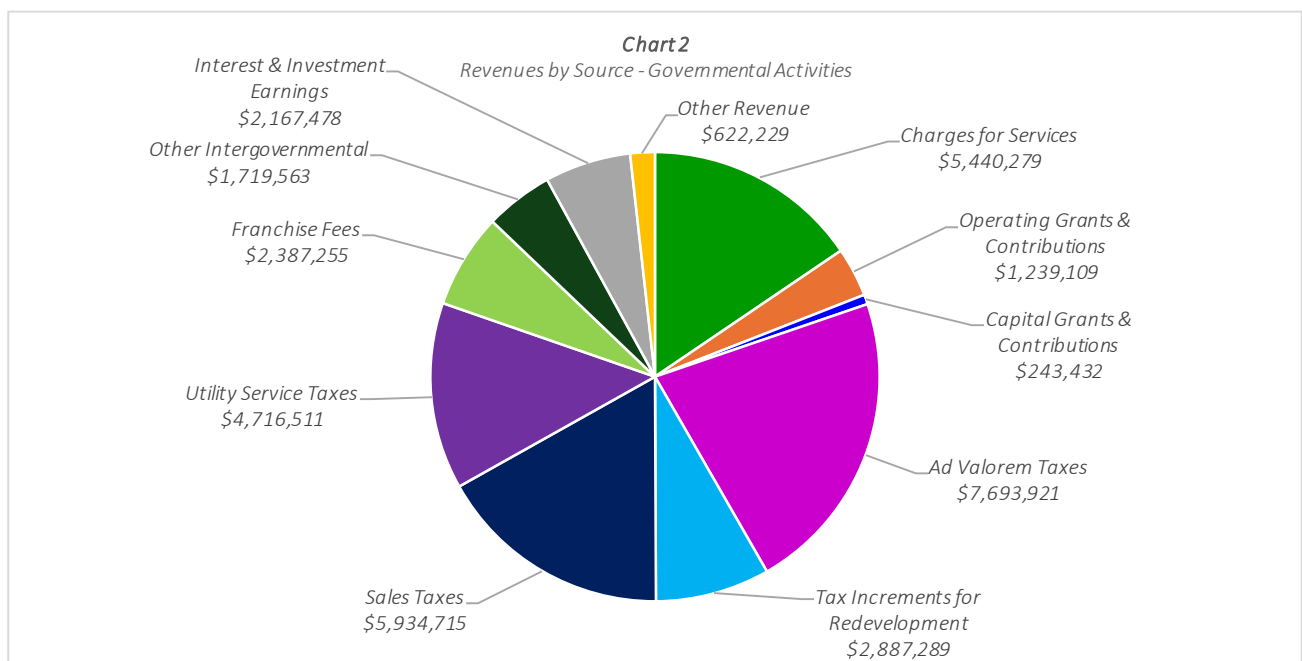
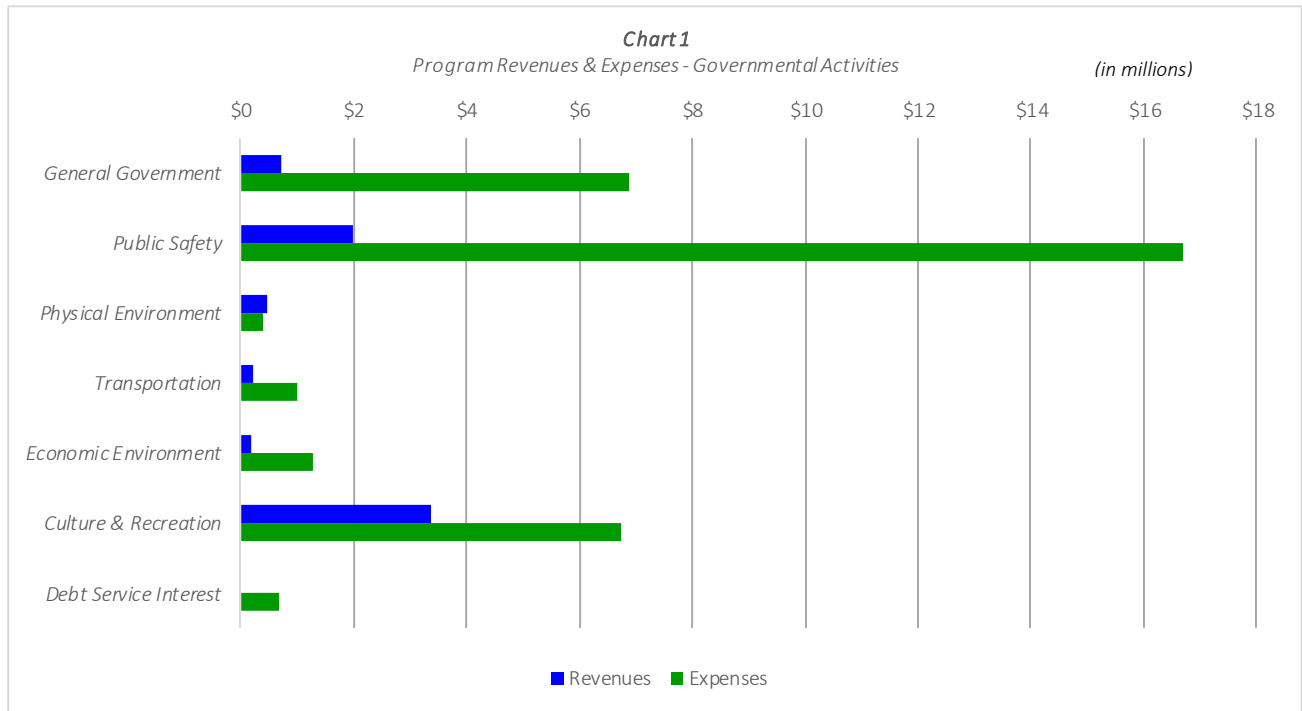
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenue:						
Charges for Services	\$ 5,440,279	\$ 5,099,923	\$ 18,971,073	\$ 17,804,055	\$ 24,411,352	\$ 22,903,978
Operating Grants & Contributions	1,239,109	1,089,161	-	-	1,239,109	1,089,161
Capital Grants & Contributions	243,432	789,571	1,082,695	3,721,220	1,326,127	4,510,791
General Revenue:					-	-
Property Taxes	7,693,921	7,750,534	-	-	7,693,921	7,750,534
Other Taxes	13,038,481	13,793,955	-	-	13,038,481	13,793,955
Tax Increments for Redevelopment	2,887,289	2,842,113	-	-	2,887,289	2,842,113
Other Revenue	4,509,270	5,230,022	683,572	1,149,888	5,192,842	6,379,910
Total Revenues	35,051,781	36,595,279	20,737,340	22,675,163	55,789,121	59,270,442
Expenses						
Function/Program Activities						
General Government	6,893,053	5,612,265	-	-	6,893,053	5,612,265
Public Safety	16,698,910	15,594,706	-	-	16,698,910	15,594,706
Physical Environment	401,575	425,314	-	-	401,575	425,314
Transportation	1,004,089	1,318,838	-	-	1,004,089	1,318,838
Economic Environment	1,275,342	1,463,389	-	-	1,275,342	1,463,389
Culture & Recreation	6,726,220	6,912,043	-	-	6,726,220	6,912,043
Debt Service Interest	668,906	705,158	-	-	668,906	705,158
Utilities	-	-	11,080,697	11,238,837	11,080,697	11,238,837
Sanitation	-	-	4,745,877	4,580,016	4,745,877	4,580,016
Other	-	-	1,048,423	1,196,475	1,048,423	1,196,475
Total Expenses	33,668,095	32,031,713	16,874,997	17,015,328	50,543,092	49,047,041
Change in Net Position Before Transfers	1,383,686	4,563,566	3,862,343	5,659,835	5,246,029	10,223,401
Transfers	1,985,575	1,848,670	(1,985,575)	(1,848,670)	-	-
Change in Net Position	3,369,261	6,412,236	1,876,768	3,811,165	5,246,029	10,223,401
Net Position – Beginning *	59,550,339	53,138,103	34,163,194	30,352,029	93,713,533	83,490,132
Net Position – Ending	\$ 62,919,600	\$ 59,550,339	\$ 36,039,962	\$ 34,163,194	\$ 98,959,562	\$ 93,713,533

* As restated due to implementation of GASBS No. 101, Compensated Absences.

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net position by \$3.4 million for the fiscal year ended September 30, 2025. Key elements of this change are as follows:

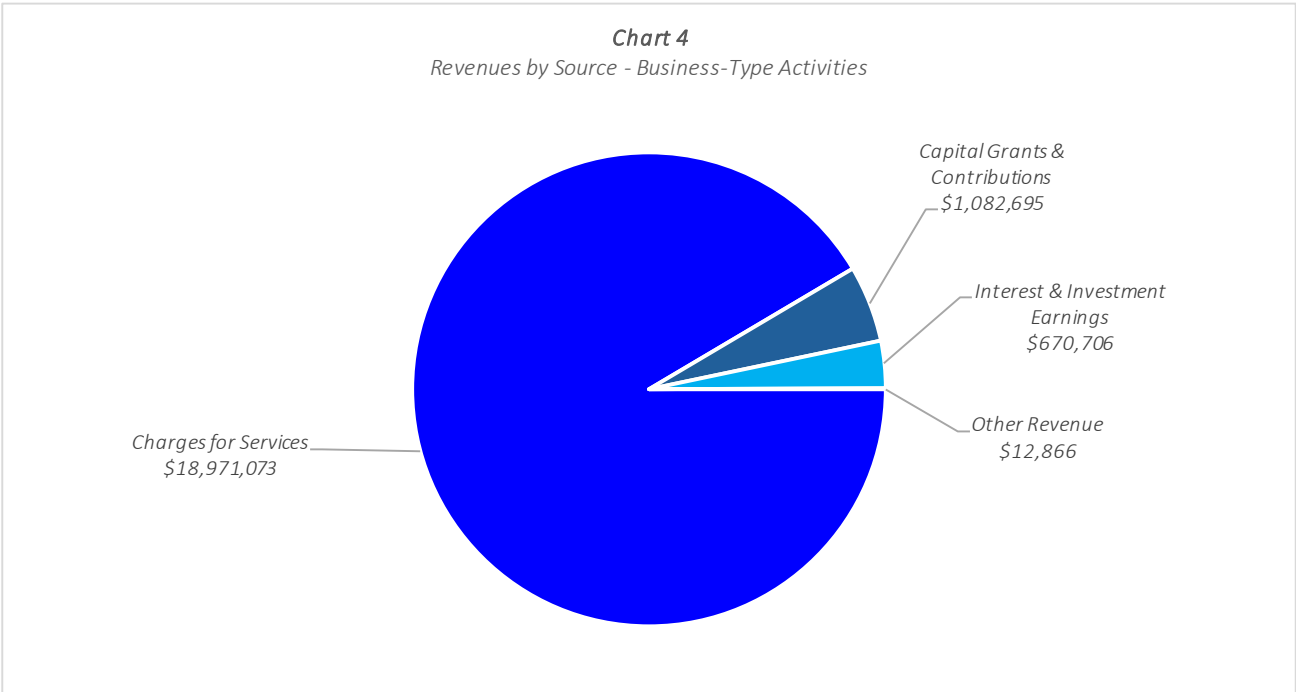
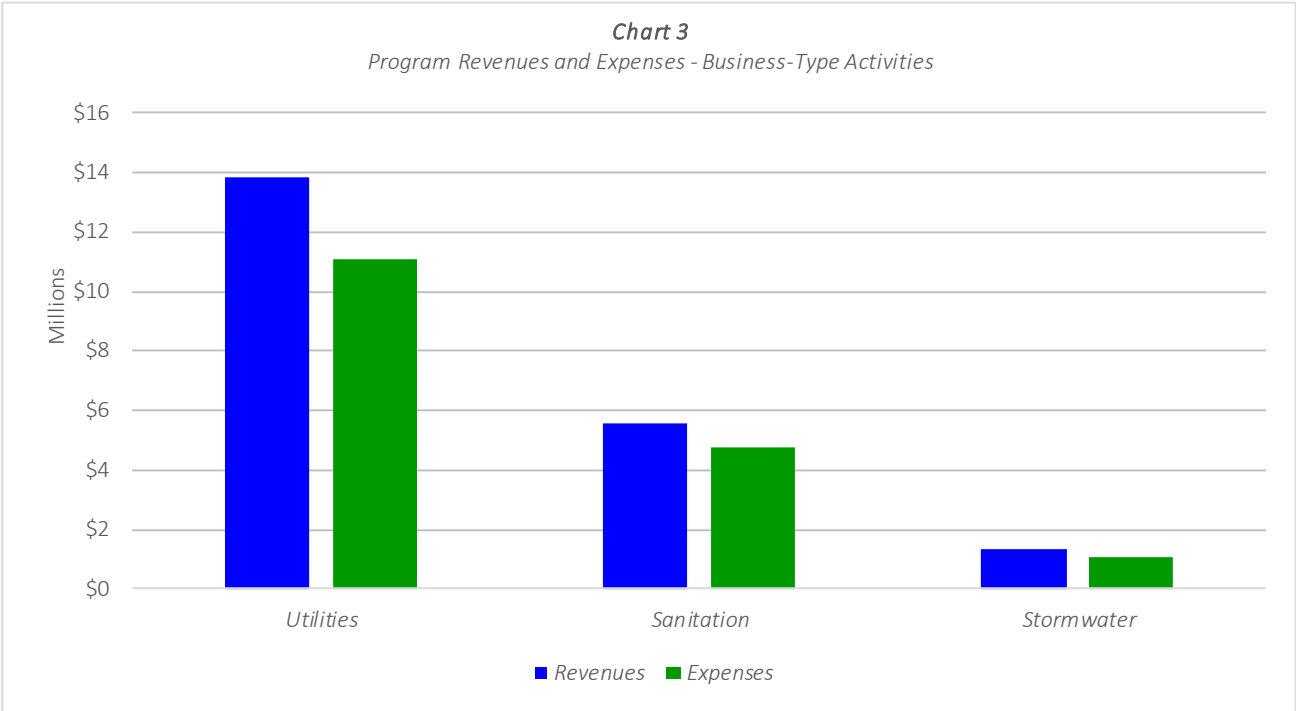
- Total revenues decreased by \$1.5 million, or 4.2%, which is primarily attributable to a decrease in investment earnings as a result of a decrease in market interest rates.
- Public safety expenses increased \$1.1 million, or 7.1%. This is primarily attributable to an increase in payroll and related taxes and employee benefit costs.
- Total expenses increased by \$1.6 million, or 5.1%, which was largely due to inflationary pressures on payroll and maintenance costs.



Current Year Impacts – Business-Type Activities

Business-type activities increased the City's net position by \$1.9 million for the fiscal year ended September 30, 2025. Key elements of this change are as follows:

- Capital grants and contributions decreased by \$2.6 million, or 70.9%, which is primary attributable to expending American Rescue Plan Act (ARPA) grant funding of \$3.7 million on a water meter replacement project during the prior fiscal year.
- Sanitation expenses increased \$165,861, or 3.6%, which is primarily attributable to an increase in payroll and related taxes and employee benefit costs.



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, 2025, the City's governmental funds have combined ending fund balances of \$39.7 million, a decrease of \$4.0 million from the prior year. Approximately 21.6% of this amount, or \$8.6 million, is available for spending at the discretion of City Council. The remainder of fund balance is non-spendable, restricted, or committed. Details of the fund balance classifications can be found Note 16 to the financial statements.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, assigned and unassigned fund balance of the General Fund was \$8.6 million, while total fund balance was \$27.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total expenditures. Total assigned and unassigned fund balances represent 22.4% of the General Fund's total expenditures, while total fund balance represents 72.7% of the General Fund's total expenditures. During the current fiscal year, the fund balance of the City's General Fund decreased by \$4.2 million. This decrease is primarily attributable to several ongoing major capital projects.

The fund balance in the CRA Fund decreased by \$442,902. This decrease is primarily attributable to two ongoing capital projects for the Fort Walton Beach Landing improvements and a museum addition at the Heritage Park and Cultural Center.

The fund balance in the Beal Memorial Cemetery Perpetual Care Fund increased by \$530,920. This increase is primarily attributable to earnings from the investment portfolio exceeding cemetery maintenance expenditures.

Proprietary Funds

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

Unrestricted net position of the proprietary funds totaled \$11.8 million on September 30, 2025, of which the Utilities Fund reported \$8.0 million, the Sanitation Fund reported \$2.7 million, and the Stormwater Fund reported \$1.1 million. The factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

A schedule 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 78 of the financial statements. The difference between the original budget and the final budget for expenditures was an increase of \$1.5 million. Significant information related to this difference is summarized below.

- Decrease of \$1.1 million for capital outlay related to not being awarded anticipated grant funding.
- Increase of \$924,709 for capital outlay to purchase 15 vehicles for the City's Police Department and two vehicles for the Parks and Recreation Department.

- Increase of \$500,000 for capital outlay to building a performance stage at the Fort Walton Beach Landing Park.
- Increase of \$386,200 for capital outlay to reconfigure fields and install synthetic turf at the Preston Hood Athletic Complex.
- Increase of \$300,000 for public safety expenditures to engage a contractor to perform a comprehensive traffic safety action plan that is partially funded by a federal grant award.

Actual results, when compared to the final budget, show a variance of \$3.4 million for expenditures. This variance is primarily due to amending the budget for expenditures planned but not yet commenced or 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, 2025, was \$96.5 million (net of accumulated depreciation). This represents a net increase of \$7.0 million, or 7.8%. Highlights are summarized as follows:

- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- The City expended \$2.3 million for replacement vehicles for the City's fleet.
- Fort Walton Beach Landing boardwalk improvements expenditures were \$1.8 million.
- The City purchased artificial turf and soccer goals at Oakland Park for a total cost of \$1.1 million.
- The Heritage Park and Cultural Center museum addition expenditures were \$594,934.
- The City spent \$613,710 to re-grass The Pines Course at Fort Walton Beach Golf Club.

Table 3
Total Capital Assets, Net of Accumulated Depreciation
As of September 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 8,826,730	\$ 8,826,730	\$ 709,678	\$ 709,678	\$ 9,536,408	\$ 9,536,408
Buildings	19,375,732	20,342,371	35,530	65,247	19,411,262	20,407,618
Improvements Other Than Buildings	13,522,680	12,293,660	32,430,183	26,466,498	45,952,863	38,760,158
Machinery & Equipment	6,355,377	4,955,772	2,854,666	2,750,377	9,210,043	7,706,149
Easements	-	-	39,742	39,742	39,742	39,742
Right-of-Use Assets	558,895	407,943	33,304	97,676	592,199	505,619
Subscription Assets	1,803,404	1,385,212	200,930	-	2,004,334	1,385,212
Construction in Progress	9,604,571	6,362,741	197,505	4,845,796	9,802,076	11,208,537
	\$ 60,047,389	\$ 54,574,429	\$ 36,501,538	\$ 34,975,014	\$ 96,548,927	\$ 89,549,443

Additional information on the capital assets of the City can be found in Note 6 of this report on pages 44-47.

Long-Term Debt

As shown in the table on the next page, as of September 30, 2025, the City had total outstanding long-term debt of \$31.7 million, which represents a decrease of \$1.9 million, or 5.6% from the prior fiscal year. The City's debt consists of notes and bonds secured solely by specified revenue sources (i.e., revenue notes and bonds); a loan from a State Revolving Fund; and various financing contracts, leases, and subscription liabilities. 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
As of September 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenue Notes & Bonds	\$ 15,905,768	\$ 17,457,771	\$ 4,673,000	\$ 5,185,000	\$ 20,578,768	\$ 22,642,771
State Revolving Fund Loan	-	-	8,164,380	8,941,531	8,164,380	8,941,531
Financing Contracts	380,874	222,785	-	-	380,874	222,785
Lease Obligations	594,073	421,986	35,817	102,468	629,890	524,454
Subscription Liabilities	1,804,986	1,298,973	179,838	-	1,984,824	1,298,973
	\$ 18,685,701	\$ 19,401,515	\$ 13,053,035	\$ 14,228,999	\$ 31,738,736	\$ 33,630,514

Additional information on the City's long-term debt can be found in Notes 13 and 14 of this report on pages 68-74.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic indicators and factors that are useful for evaluating the framework within which the City operates are discussed below.

- The Consumer Price Index (CPI) is 2.7% 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 local unemployment rate was 4.1%, which represents an approximate 1.0% increase from September 2024. The State of Florida's unemployment rate was 3.9%, which represents an approximate 0.6% increase from September 2024. 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 Florida Department of Revenue's Office of Tax Research has updated its estimates of tax distributions the City is expected to receive for the upcoming fiscal year. The table below summarizes the fiscal year 2026 revenue estimates compared to the actual revenues reported for the current fiscal year.

Revenue Source	FY2026 Estimate	FY2025 Actual	Variance (\$)	Variance (%)
Communications Service Taxes	\$ 1,256,258	\$ 1,227,012	\$ 29,246	2.4%
Half-Cent Sales Taxes	2,385,072	2,440,791	(55,719)	-2.3%
Local Option Fuel Taxes	949,160	933,849	15,311	1.6%
Municipal Revenue Sharing Program	1,163,642	1,182,145	(18,503)	-1.6%

- 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 2026. The City's budget for fiscal year 2026 totals \$75.9 million, which is \$2.7 million more than the fiscal year 2025 adopted budget. The 2026 budget allocates \$41.4 million to the General Fund, a 2.8% increase as compared to the fiscal year 2025 budget; \$27.5 million to the enterprise funds; and \$7.0 million to other funds. For the fiscal year 2026 budget, the City Council adopted the millage rate of 4.3282 mills, which is the same rate as the previous fiscal year.

Personnel expenses account for approximately 46.3% of the City's budget. The City's fiscal year 2026 budget remains relatively stable in this category, at 320.19 full-time equivalent (FTE's) positions, an increase of only 3.3 FTE's from 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, 2025

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 4,646,205	\$ 719,992	\$ 5,366,197
Investments	26,956,232	11,440,724	38,396,956
Receivables, net	460,496	1,278,177	1,738,673
Due from other governments	1,937,232	1,056,144	2,993,376
Inventory, at cost	556,226	19,858	576,084
Prepaid items	-	4,534	4,534
Restricted assets			
Cash and cash equivalents	7,509,746	1,070,596	8,580,342
Net pension asset	1,706,567	1,163,735	2,870,302
Other assets			
Other receivables	3,468,728	3,732	3,472,460
Capital assets			
Non-depreciable/amortizable	18,431,301	946,925	19,378,226
Depreciable/amortizable, net	41,616,088	35,554,613	77,170,701
TOTAL ASSETS	107,288,821	53,259,030	160,547,851
DEFERRED OUTFLOWS OF RESOURCES	6,206,037	301,068	6,507,105
LIABILITIES			
Accounts payable	1,221,771	694,102	1,915,873
Accrued liabilities	1,203,433	214,081	1,417,514
Due to other governments	20,995	13,440	34,435
Unearned revenues	37,891	52,974	90,865
Accrued interest	174,483	53,503	227,986
Payable from restricted assets			
Customer deposits	-	440,357	440,357
Non-current liabilities			
Due within one year			
Compensated absences	569,429	123,158	692,587
Lease obligations payable	156,282	35,010	191,292
Subscription liabilities	808,970	38,211	847,181
Financing contracts payable	119,854	-	119,854
Revenue bonds and notes payable	1,597,604	527,000	2,124,604
State revolving fund loans payable	-	791,988	791,988
Due in more than one year			
Compensated absences	1,708,288	369,472	2,077,760
Lease obligations payable	437,791	807	438,598
Subscription liabilities	996,016	141,627	1,137,643
Financing contracts payable	261,020	-	261,020
Revenue bonds and notes payable	14,308,164	4,146,000	18,454,164
State revolving fund loans payable	-	7,372,392	7,372,392
Total OPEB liability	3,774,911	1,012,016	4,786,927
Net pension liability	13,160,824	-	13,160,824
TOTAL LIABILITIES	40,557,726	16,026,138	56,583,864
DEFERRED INFLOWS OF RESOURCES	10,017,532	1,493,998	11,511,530
NET POSITION			
Net investment in capital assets	40,721,488	23,383,823	64,105,311
Restricted			
Debt service	-	157,228	157,228
System improvements	-	473,011	473,011
Pension benefits	268,637	183,187	451,824
Redevelopment projects	5,171,206	-	5,171,206
Public safety	1,855,189	-	1,855,189
Other purposes	7,509,746	-	7,509,746
Unrestricted	7,393,334	11,842,713	19,236,047
TOTAL NET POSITION	\$ 62,919,600	\$ 36,039,962	\$ 98,959,562

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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	\$ 6,893,053	\$ 699,179	\$ 12,390	\$ -	\$ (6,181,484)	\$ -	\$ (6,181,484)
Public safety	16,698,910	900,575	860,931	243,432	(14,693,972)	-	(14,693,972)
Physical environment	401,575	453,875	-	-	52,300	-	52,300
Transportation	1,004,089	202,017	21,200	-	(780,872)	-	(780,872)
Economic environment	1,275,342	51,201	121,027	-	(1,103,114)	-	(1,103,114)
Culture and recreation	6,726,220	3,133,432	223,561	-	(3,369,227)	-	(3,369,227)
Debt service interest	668,906	-	-	-	(668,906)	-	(668,906)
Total governmental activities	33,668,095	5,440,279	1,239,109	243,432	(26,745,275)	-	(26,745,275)
Business-type activities							
Utilities	11,080,697	12,484,176	-	855,587	-	2,259,066	2,259,066
Sanitation	4,745,877	5,433,078	-	-	-	687,201	687,201
Stormwater	1,048,423	1,053,819	-	227,108	-	232,504	232,504
Total business-type activities	16,874,997	18,971,073	-	1,082,695	-	3,178,771	3,178,771
Total primary government	\$ 50,543,092	\$ 24,411,352	\$ 1,239,109	\$ 1,326,127	(26,745,275)	3,178,771	(23,566,504)
General revenues							
Taxes							
Property taxes					7,693,921	-	7,693,921
Sales taxes					5,934,715	-	5,934,715
Utility service taxes					4,716,511	-	4,716,511
Tax increments for redevelopment districts					2,887,289	-	2,887,289
Franchise fees					2,387,255	-	2,387,255
Intergovernmental, unrestricted					1,719,563	-	1,719,563
Gain on sale of assets					586,414	10,479	596,893
Miscellaneous					35,815	2,387	38,202
Interest and investment earnings					2,167,478	670,706	2,838,184
Transfers					1,985,575	(1,985,575)	-
Total general revenues and transfers					30,114,536	(1,302,003)	28,812,533
CHANGE IN NET POSITION					3,369,261	1,876,768	5,246,029
NET POSITION AT BEGINNING OF YEAR - AS PREVIOUSLY REPORTED					60,770,051	34,399,434	95,169,485
RESTATEMENT - CHANGE IN ACCOUNTING PRINCIPLE					(1,219,712)	(236,240)	(1,455,952)
NET POSITION AT END OF YEAR					\$ 62,919,600	\$ 36,039,962	\$ 98,959,562

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2025**

	General	Community Redevelopment Agency	Beal Memorial Cemetery Perpetual Care	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,994,811	\$ 452,118	\$ 201,380	\$ 1,997,896	\$ 4,646,205
Investments	18,981,138	2,976,659	4,998,435	-	26,956,232
Receivables	3,928,583	641	-	-	3,929,224
Due from other funds	14,899	-	-	-	14,899
Due from other governments	104,957	1,824,380	-	7,895	1,937,232
Inventory, at cost	556,226	-	-	-	556,226
Restricted assets					
Investments	7,509,746	-	-	-	7,509,746
TOTAL ASSETS	\$ 33,090,360	\$ 5,253,798	\$ 5,199,815	\$ 2,005,791	\$ 45,549,764
LIABILITIES					
Accounts payable	\$ 781,172	\$ 432,051	\$ 1,892	\$ 6,656	\$ 1,221,771
Accrued liabilities	1,033,221	32,383	-	137,829	1,203,433
Due to other funds	-	-	-	14,899	14,899
Due to other governments	20,995	-	-	-	20,995
Unearned revenues	37,891	-	-	-	37,891
Total liabilities	1,873,279	464,434	1,892	159,384	2,498,989
DEFERRED INFLOWS OF RESOURCES	3,357,083	-	-	-	3,357,083
FUND BALANCE					
Nonspendable	556,226	-	-	-	556,226
Restricted	7,509,746	4,789,364	-	1,855,189	14,154,299
Committed	11,214,071	-	5,197,923	-	16,411,994
Assigned	6,030,470	-	-	-	6,030,470
Unassigned	2,549,485	-	-	(8,782)	2,540,703
Total fund balance	27,859,998	4,789,364	5,197,923	1,846,407	39,693,692
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 33,090,360	\$ 5,253,798	\$ 5,199,815	\$ 2,005,791	\$ 45,549,764

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, 2025**

Fund balance, total governmental funds (page 17)	\$	39,693,692
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental non-depreciable/amortizable assets	\$ 18,431,301	
Governmental depreciable/amortizable assets	103,031,795	
Less accumulated depreciation/amortization	<u>(61,415,707)</u>	
		60,047,389

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

Net pension asset		1,706,567
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Unavailable revenues in governmental funds is susceptible to full accrual on the entity-wide statements.

Special assessments	35,714	
Receivable related to sale of capital assets	<u>313,515</u>	
		349,229

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

Deferred outflows of resources related to pension plans	5,591,045	
Deferred outflows of resources related to OPEB plan	614,992	
Deferred inflows of resources related to pension plans	(5,094,324)	
Deferred inflows of resources related to OPEB plan	<u>(1,915,354)</u>	
		(803,641)

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

Notes payable	(15,905,768)	
Accrued interest	(174,483)	
Lease obligations payable	(594,073)	
Subscription liabilities	(1,804,986)	
Financing contracts payable	(380,874)	
Compensated absences	(2,277,717)	
Total OPEB liability	(3,774,911)	
Net pension liability	<u>(13,160,824)</u>	
		<u>(38,073,636)</u>

Net position of governmental activities (page 15)	\$	<u><u>62,919,600</u></u>
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See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General	Community Redevelopment Agency	Beal Memorial Cemetery Perpetual Care	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,178,604	\$ 1,530,199	\$ -	\$ -	\$ 15,708,803
Permits and fees	2,440,501	-	-	631,908	3,072,409
Intergovernmental	7,287,552	1,357,090	-	122,805	8,767,447
Charges for services	3,784,813	-	-	-	3,784,813
Fines	215,982	-	-	21,184	237,166
Investment income	955,643	47,478	506,709	-	1,509,830
Miscellaneous	1,339,941	152,116	5,767	57,617	1,555,441
Total revenues	30,203,036	3,086,883	512,476	833,514	34,635,909
EXPENDITURES					
Current					
General government	6,114,022	-	-	-	6,114,022
Public safety	15,243,357	424,586	-	587,481	16,255,424
Physical environment	309,707	-	11,804	-	321,511
Transportation	517,572	-	-	-	517,572
Economic environment	20,000	933,083	-	121,027	1,074,110
Culture and recreation	5,282,268	-	-	-	5,282,268
Capital outlay	7,714,822	2,411,307	-	-	10,126,129
Debt service					
Principal	2,457,508	3,684	-	-	2,461,192
Interest	666,292	10,376	-	-	676,668
Total expenditures	38,325,548	3,783,036	11,804	708,508	42,828,896
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,122,512)	(696,153)	500,672	125,006	(8,192,987)
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	491,244	-	-	-	491,244
Issuance of leases and financing contracts	308,843	253,251	-	-	562,094
Issuance of subscription liabilities	1,183,284	-	-	-	1,183,284
Transfers in	1,985,575	-	30,248	-	2,015,823
Transfers out	(30,248)	-	-	-	(30,248)
Total other financing sources (uses)	3,938,698	253,251	30,248	-	4,222,197
NET CHANGE IN FUND BALANCE	(4,183,814)	(442,902)	530,920	125,006	(3,970,790)
FUND BALANCE - AS PREVIOUSLY REPORTED	32,043,812	5,232,266	-	6,388,404	43,664,482
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND	-	-	4,667,003	(4,667,003)	-
FUND BALANCE - BEGINNING OF YEAR	32,043,812	5,232,266	4,667,003	1,721,401	43,664,482
FUND BALANCE AT END OF YEAR	\$ 27,859,998	\$ 4,789,364	\$ 5,197,923	\$ 1,846,407	\$ 39,693,692

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, 2025**

Net change in fund balance – governmental funds (page 19)	\$	(3,970,790)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	\$	10,126,129	
Less current year depreciation/amortization		(4,662,117)	
			5,464,012

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

Disposals and transfers of capital assets		(1,975,892)	
Accumulated depreciation/amortization – disposals and transfers		1,880,460	
Other capital asset adjustments		104,380	
			8,948

Special assessment revenue in the governmental funds is recognized when due; however, the revenue was recognized in the statement of activities when it was earned (when levied).

Payments received from special assessments		(468)	
Special assessment for interest and penalties		2,320	
Principal forgiven on notes receivable related to sale of capital assets		(4,048)	
Payments received on receivable related to sale of capital assets		(82,104)	
			(84,300)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, long-term debt reassignments are reported as transfers on the statement of activities.

Proceeds from issuance of leases and subscription liabilities		(1,745,378)	
Principal payments on long-term liabilities		2,461,192	
Change in accrued interest on long-term debt		7,762	
			723,576

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in net pension asset / liability and related deferred outflows and deferred inflows of resources		1,153,772	
Change in other post-employment benefits liability and related deferred outflows and deferred inflows of resources		57,225	
Change in long-term compensated absences		16,818	
			1,227,815

Change in net position of governmental activities (page 16)	\$	3,369,261
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See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 241,662	\$ 393,023	\$ 85,307	\$ 719,992
Restricted assets – cash and cash equivalents	1,065,116	5,480	-	1,070,596
Investments	7,661,817	2,870,513	908,394	11,440,724
Receivables, net	901,750	312,366	64,061	1,278,177
Due from other governments	768,644	-	287,500	1,056,144
Inventory – at cost	19,858	-	-	19,858
Prepaid items	-	-	4,534	4,534
Total current assets	<u>10,658,847</u>	<u>3,581,382</u>	<u>1,349,796</u>	<u>15,590,025</u>
Other assets				
Other receivables	3,732	-	-	3,732
Net pension asset - restricted	<u>620,990</u>	<u>474,604</u>	<u>68,141</u>	<u>1,163,735</u>
Total other assets	<u>624,722</u>	<u>474,604</u>	<u>68,141</u>	<u>1,167,467</u>
Capital assets, net				
Non-depreciable/amortizable	918,393	-	28,532	946,925
Depreciable/amortizable, net	<u>30,789,783</u>	<u>1,655,954</u>	<u>3,108,876</u>	<u>35,554,613</u>
Total capital assets	<u>31,708,176</u>	<u>1,655,954</u>	<u>3,137,408</u>	<u>36,501,538</u>
Total non-current assets	<u>32,332,898</u>	<u>2,130,558</u>	<u>3,205,549</u>	<u>37,669,005</u>
TOTAL ASSETS	<u>42,991,745</u>	<u>5,711,940</u>	<u>4,555,345</u>	<u>53,259,030</u>
DEFERRED OUTFLOWS OF RESOURCES	178,451	94,740	27,877	301,068

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2025**

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 429,018	\$ 179,070	\$ 86,014	\$ 694,102
Accrued liabilities				
Compensated absences	69,813	42,411	10,934	123,158
Wages	128,543	64,730	20,808	214,081
Interest	53,503	-	-	53,503
Due to other governments	-	13,440	-	13,440
Lease obligations payable	16,806	-	18,204	35,010
Subscription liabilities	38,211	-	-	38,211
Revenue note payable	527,000	-	-	527,000
State revolving loan payable	791,988	-	-	791,988
Unearned revenues	52,974	-	-	52,974
Payable from restricted assets				
Customer deposits	434,877	5,480	-	440,357
Total current liabilities	<u>2,542,733</u>	<u>305,131</u>	<u>135,960</u>	<u>2,983,824</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	209,439	127,231	32,802	369,472
Lease obligations payable	807	-	-	807
Subscription liabilities	141,627	-	-	141,627
Revenue note payable	4,146,000	-	-	4,146,000
State revolving loan payable	7,372,392	-	-	7,372,392
Other post-employment benefits	524,830	349,541	137,645	1,012,016
Total non-current liabilities	<u>12,395,095</u>	<u>476,772</u>	<u>170,447</u>	<u>13,042,314</u>
TOTAL LIABILITIES	<u>14,937,828</u>	<u>781,903</u>	<u>306,407</u>	<u>16,026,138</u>
DEFERRED INFLOWS OF RESOURCES	789,431	577,196	127,371	1,493,998
NET POSITION				
Net investment in capital assets	18,675,486	1,655,954	3,052,383	23,383,823
Restricted				
Debt service	157,228	-	-	157,228
System improvements	473,011	-	-	473,011
Pensions	97,752	74,709	10,726	183,187
Unrestricted	8,039,460	2,716,918	1,086,335	11,842,713
TOTAL NET POSITION	<u>\$ 27,442,937</u>	<u>\$ 4,447,581</u>	<u>\$ 4,149,444</u>	<u>\$ 36,039,962</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, 2025**

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
OPERATING REVENUES				
Charges for services	\$ 12,461,490	\$ 5,433,078	\$ 1,053,819	\$ 18,948,387
OPERATING EXPENSES				
Personal services	2,511,744	1,375,261	384,257	4,271,262
Operating	6,261,452	3,100,620	433,407	9,795,479
Depreciation/amortization expense	1,969,232	269,996	229,066	2,468,294
Total operating expenses	10,742,428	4,745,877	1,046,730	16,535,035
OPERATING INCOME	1,719,062	687,201	7,089	2,413,352
NON-OPERATING REVENUES (EXPENSES)				
Rental income	22,686	-	-	22,686
Interest expense	(313,352)	-	(1,693)	(315,045)
Amortization	(5,613)	-	-	(5,613)
Gain (loss) on disposal of capital assets	(18,906)	10,479	-	(8,427)
Investment earnings	100,873	25,559	5,825	132,257
Interest income	370,486	126,714	41,249	538,449
Grants in aid	(398)	-	-	(398)
Miscellaneous	(68)	2,455	-	2,387
Total non-operating revenues (expenses)	155,708	165,207	45,381	366,296
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,874,770	852,408	52,470	2,779,648
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital grants and contributions	770,493	-	227,108	997,601
Impact fees	85,094	-	-	85,094
Transfers out	(1,338,201)	(427,937)	(219,437)	(1,985,575)
Total capital contributions and transfers	(482,614)	(427,937)	7,671	(902,880)
CHANGE IN NET POSITION	1,392,156	424,471	60,141	1,876,768
NET POSITION AS PREVIOUSLY REPORTED	26,154,609	4,139,061	4,105,764	34,399,434
Restatement - Change in Accounting Principle	(103,828)	(115,951)	(16,461)	(236,240)
Net Position at Beginning of Year	26,050,781	4,023,110	4,089,303	34,163,194
NET POSITION AT END OF YEAR	\$ 27,442,937	\$ 4,447,581	\$ 4,149,444	\$ 36,039,962

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<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	\$ 12,587,990	\$ 5,454,822	\$ 1,060,176	\$ 19,102,988
Payments to vendors and suppliers	(6,739,205)	(3,088,097)	(357,134)	(10,184,436)
Payments to employees	(2,476,507)	(1,422,247)	(376,584)	(4,275,338)
Miscellaneous income	22,618	2,455	-	25,073
Net cash provided by operating activities	<u>3,394,896</u>	<u>946,933</u>	<u>326,458</u>	<u>4,668,287</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interfund activity	2,388,193	-	-	2,388,193
Grants in aid	(398)	-	-	(398)
Transfers out	<u>(1,338,201)</u>	<u>(427,937)</u>	<u>(219,437)</u>	<u>(1,985,575)</u>
Net cash provided by (used in) non-capital financing activities	<u>1,049,594</u>	<u>(427,937)</u>	<u>(219,437)</u>	<u>402,220</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fee receipts	85,094	-	-	85,094
Acquisitions of capital assets	(2,488,577)	(614,332)	(673,222)	(3,776,131)
Proceeds from sale of capital assets	6,835	10,479	-	17,314
Proceeds from capital contributions	1,849	-	-	1,849
Principal paid on long-term debt	(1,377,070)	-	(43,322)	(1,420,392)
Interest paid on long-term debt	<u>(318,936)</u>	<u>-</u>	<u>(1,693)</u>	<u>(320,629)</u>
Net cash used in capital and related financing activities	<u>(4,090,805)</u>	<u>(603,853)</u>	<u>(718,237)</u>	<u>(5,412,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(369,344)	(113,123)	(24,375)	(506,842)
Interest and dividends	<u>370,486</u>	<u>126,714</u>	<u>41,249</u>	<u>538,449</u>
Net cash provided by investing activities	<u>1,142</u>	<u>13,591</u>	<u>16,874</u>	<u>31,607</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>354,827</u>	<u>(71,266)</u>	<u>(594,342)</u>	<u>(310,781)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>951,951</u>	<u>469,769</u>	<u>679,649</u>	<u>2,101,369</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,306,778</u>	<u>\$ 398,503</u>	<u>\$ 85,307</u>	<u>\$ 1,790,588</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, 2025**

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Cash and cash equivalents	\$ 241,662	\$ 393,023	\$ 85,307	\$ 719,992
Retricted cash and cash equivalents	1,065,116	5,480	-	1,070,596
Total cash and cash equivalents	<u>\$ 1,306,778</u>	<u>\$ 398,503</u>	<u>\$ 85,307</u>	<u>\$ 1,790,588</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 1,719,062	\$ 687,201	\$ 7,089	\$ 2,413,352
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	1,969,232	269,996	229,066	2,468,294
Bad debt	70,824	27,338	5,122	103,284
Other income	22,618	2,455	-	25,073
Decrease (increase) in assets:				
Accounts receivable	(6,903)	(5,594)	1,235	(11,262)
Inventory	572	-	-	572
Other receivables	48	-	-	48
Net pension asset	(1,412,735)	(1,079,711)	(155,019)	(2,647,465)
Increase (decrease) in liabilities:				
Accounts payable	(478,325)	11,082	76,273	(390,970)
Compensated absences payable	34,652	(22,784)	8,872	20,740
Accrued wages	21,019	(9,367)	2,257	13,909
Due to other governments	-	1,441	-	1,441
Customer deposits	73,693	-	-	73,693
Unearned revenue	(11,162)	-	-	(11,162)
Total OPEB liability	(14,541)	(9,684)	(3,814)	(28,039)
Net change in deferred outflows/inflows - pension	1,400,257	1,070,175	153,650	2,624,082
Net change in deferred outflows/inflows - OPEB	6,585	4,385	1,727	12,697
Net cash flows from operating activities	<u>\$ 3,394,896</u>	<u>\$ 946,933</u>	<u>\$ 326,458</u>	<u>\$ 4,668,287</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITES				
Assets acquired through SBITA's	\$ 244,428	\$ -	\$ -	\$ 244,428
Gain (loss) on disposal of capital assets	\$ (18,906)	\$ 10,479	\$ -	\$ (8,427)
Change in fair value of investments	\$ 100,873	\$ 25,559	\$ 5,825	\$ 132,257
Capital grants receivable	\$ 768,644	\$ -	\$ 287,500	\$ 1,056,144
Accrued capital-related payables	\$ 41,360	\$ -	\$ 66,821	\$ 108,181
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Amortization of deferred loss on refunding	\$ 5,613	\$ -	\$ -	\$ 5,613

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025**

	Pension Trust Funds
ASSETS	
Investments, at fair value	
U.S. Government and Agency obligations	\$ 10,486,442
Corporate obligations	647,438
Corporate equity	2,431,367
Mutual funds and exchange-traded funds	95,902,276
Infrastructure investment funds	7,518,553
Real estate investment funds	<u>8,871,543</u>
Total investments	125,857,619
Accounts receivable	<u>94,958</u>
TOTAL ASSETS	125,960,365
LIABILITIES	
Accounts payable	<u>360,594</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 125,599,771</u></u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 3,377,909
Plan members	501,464
State of Florida	663,427
Total contributions	<u>4,542,800</u>
Investment income	13,649,550
Less investment expense	<u>(210,679)</u>
Net investment income	<u>13,438,871</u>
TOTAL ADDITIONS	<u>17,984,833</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	7,276,294
Disability payments	196,351
Refunds	164,400
Total benefits and refunds paid	<u>7,637,045</u>
Administrative expenses	
Legal	34,631
Contractual services	275,478
Other	106,199
Total administrative expenses	<u>416,308</u>
TOTAL DEDUCTIONS	<u>8,053,353</u>
CHANGE IN FIDUCIARY NET POSITION	9,931,480
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>115,668,291</u>
End of year	<u><u>\$ 125,599,771</u></u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025, 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 CRA) was formed in 1977 under the provisions of Chapter 163, Florida Statutes, to prepare a community redevelopment plan for a designated geographic area within the City of Fort Walton Beach, Florida. All the City's council members serve as the CRA's Board of Directors. Therefore, the CRA's governing body is the same as the governing body of the City. The CRA functions as a department of the City. City management has operational and fiscal responsibility for the CRA's activities. The CRA has a separate standalone audit report that can be obtained by contacting the Growth Management Department, City Hall Annex, 105 Miracle Strip Parkway S.W., Fort Walton Beach, Florida 32548 or online at www.fwb.org.

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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 have 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.

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.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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 1st, 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 2025 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.

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. Generally, 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 2025, 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 is included in operating revenue. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 CRA). It is used to account for the activities of the CRA. Revenue sources for this fund include tax increment financing proceeds from ad valorem taxes as well as investment income.

Beal Memorial Cemetery (BMC) Perpetual Care Fund – Accounts for a portion of lot sales at Beal Memorial Cemetery (the Cemetery), as well as the investment earnings on accumulated unspent proceeds from lot sales, that are committed by ordinance to fund perpetual care of the Cemetery.

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, 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 held by banks that are *Qualified Public Depositories* under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 fund and/or account is 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.

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, 2025**

Restricted Assets

Certain resources in the following funds are restricted for specific purposes: in the General Fund for discretionary sales taxes, local option fuel taxes, and various contributions from donors for specified purposes; in the Utilities Fund for customer deposits, impact fees and debt service; in the Sanitation Fund for customer deposits.

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.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50 Years
Improvements other than buildings / system infrastructure	7-40 Years
System infrastructure	20-40 Years
Machinery and equipment	3-10 Years
Right-of-use lease assets	3-20 Years
Subscription assets	3-10 Years

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Leases

The City recognizes a lease receivable and a deferred inflow of resources for noncancellable leases in which the City is the lessor. At the commencement of the lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. The deferred inflow of resources is measured at the initial amount of the lease receivable adjusted for lease payments received at or before the lease commencement date. In subsequent periods, the lease receivable is reduced by the principal portion of lease payments received and the deferred inflow of resources is recognized as revenue over the life of the lease term. The City monitors changes in circumstances that would require remeasurement of lease receivables and deferred inflows of resources.

The City recognizes a right-of-use (ROU) asset and a lease liability for noncancellable leases in which the City is the lessee. At the commencement of the lease, the City measures the lease liability at the present value of expected lease payments to be made during the lease term. The lease asset is measured as the initial amount of the lease liability adjusted for payments made prior to the lease commencement date and any ancillary costs to place the asset into service. The ROU asset is amortized over the shorter of the useful life of the asset or the lease term. In subsequent periods, the lease liability is reduced by the principal portion of lease payments made. The City monitors changes in circumstances that would require remeasurement of ROU assets and lease liabilities.

Subscription Based Information Technology Arrangements (SBITA's)

The City records a subscription asset and a related subscription liability for subscription-based information technology arrangements (SBITA's) at the commencement of the agreement. The subscription liability is measured at the present value of payments expected to be made during the subscription term. The subscription asset is measured at the initial amount of the subscription liability adjusted for any payments made at or before the beginning of the subscription term. The City monitors changes in circumstances that would require remeasurement of subscription assets and liabilities.

Deferred Outflows/Inflows 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 assets 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 net assets 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

The City records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is more likely than not to be used, paid, or otherwise settled with the City. The compensated absences liability is measured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The City uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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.

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.

Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the total OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the Fort Walton Beach's Retiree Health Care Plan and additions to/deductions from the plan's total 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. Typically, OPEB liabilities for governmental activities have been liquidated by the General Fund. 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 for governmental activities have been liquidated by the General Fund.

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, 2023
Measurement Date (MD)	September 30, 2024
Measurement Period (MP)	October 1, 2023 to September 30, 2024

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.

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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 nor 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.

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.

Change in Accounting Principle

Effective October 1, 2024, the City adopted the provisions of GASB Statement No. 101, *Compensated Absences* (GASBS 101). This pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

As part of the implementation process, the City has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, such as the City's employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASBS 101 was retroactively implemented, which resulted in a restatement of the City's beginning net position. The effects of the restatement on beginning net position for each reporting unit can be found in Note 20.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025, and March 27, 2026, 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. GAAP. 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.

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 that are not expected to be satisfied by restricted or committed resources 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 major governmental and enterprise fund 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.

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Under this method, all City deposits, including certificates of deposit, are considered fully insured. As of September 30, 2025, the value of the City's deposits was \$6,968,397, all of which was held by *Qualified Public Depositories* under Florida Statutes.

Investments

As of September 30, 2025, 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.

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.

As of September 30, 2025, the City held the following investments and related maturities:

		INVESTMENT MATURITIES (YEARS)							
	Fair Value	<1	1-5	5-10	10-15	15-20	20-25	25-30	>30
Investments subject to interest rate risk:									
Corporate debt	\$ 12,996,438	\$ 453,029	\$ 12,083,499	\$ 459,910	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal debt	124,759	124,759	-	-	-	-	-	-	-
U.S. Treasury	23,921,401	-	18,672,603	3,570,557	-	1,105,166	573,075	-	-
U.S. Government agencies CMO's	5,237,644	-	-	-	159,029	164,054	53,286	4,861,275	-
	42,280,242	\$ 577,788	\$ 30,756,102	\$ 4,030,467	\$ 159,029	\$ 1,269,220	\$ 626,361	\$ 4,861,275	\$ -
Investments not subject to interest rate risk:									
Money market funds	2,719,068								
Mutual and exchange-traded funds	100,888,865								
Real estate investment funds	8,871,543								
Infrastructure investment funds	7,518,553								
External investment pools	9,486,050								
Total	\$ 171,764,321								

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

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

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

All pension trust funds were in compliance with respective investment policies regarding credit rate risk as of September 30, 2025.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2025, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Corporate debt	N/A	Aa2-A3	Aa2-A3
U.S. Treasury	N/A	Aa1	Aaa
U.S. government agency pools	N/A	NR	NR

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

Concentration 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.

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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 single issuing company, nor shall the aggregate investment in any single 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 fair value.
- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 75% of the Plan's assets at fair value, and foreign securities shall not exceed 25% of the Plan's fair 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 single issuing company, nor shall the aggregate investment in any single 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 fair value.
- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 70% of the Plan's assets at fair value, and foreign securities shall not exceed 25% of the Plan's fair value.

All pension trust fund plans were in compliance with respective investment policies regarding concentration of credit risk as of September 30, 2025.

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

- *Domestic Equities* – No more than 5% of the fair value of the total equity portfolio 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 at fair value may be held in any one sector.
- *International Equities* – No more than 5% of the fair value of the total equity portfolio 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 at fair value 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 and external investment pools held by the pension trust funds are based on the investments' NAV per share, as provided by the investee.

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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.

The infrastructure funds consist of three open-ended funds that invest in long-duration core infrastructure assets throughout North America, Europe, and Australia. Although the funds are private investments, they can be redeemed on a quarterly basis, subject to available liquidity.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate funds	\$ 8,871,543	None	Quarterly	0 - 90 days
Infrastructure funds	7,518,553	None	Quarterly	0 - 90 days

Local Government Investment Pool

The City has an investment account with an external intergovernmental investment pool known as Florida Public Assets for Liquidity Management (FL PALM). FL PALM is a stable \$1 NAV government investment pool established pursuant to Section 163.01, Florida Statutes. The investment pool meets the requirements for reporting at amortized cost, which is not materially different from fair value. FL PALM is designed to maintain a dollar-weighted average maturity of no more than 60 days and was rated AAAM by Standard & Poor's. As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's daily access to 100 percent of its account value.

4. FAIR VALUE OF INVESTMENTS

The City measures and records its investments using fair value measurement 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.

The table on the next page presents the investments carried at fair value on September 30, 2025.

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	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 2,719,068	\$ 2,431,367	\$ 287,701	\$ -
Debt securities				
U.S. Treasury bonds	23,921,401	19,664,708	4,256,693	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	5,237,644	-	5,237,644	-
Corporate bonds	12,996,438	-	12,996,438	-
Municipal bonds	124,759	-	124,759	-
Total debt securities	42,280,242	19,664,708	22,615,534	-
Equity securities				
Mutual funds and exchange-traded funds	100,888,865	95,902,276	4,986,589	-
* Infrastructure investment funds	7,518,553	-	-	-
* Real estate investment funds	8,871,543	-	-	-
Total investments measured at fair value	162,278,271	\$ 117,998,351	\$ 27,889,824	\$ -
Total investments measured at amortized cost	9,486,050			
Total investments at September 30, 2025	<u>\$ 171,764,321</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.

5. RECEIVABLES

Receivables on September 30, 2025, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>General</u>	<u>CRA Fund</u>	<u>Utilities</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Taxes	\$ 28,173	\$ -	\$ -	\$ -	\$ -	\$ 28,173
Accounts	192,297	641	1,032,013	368,043	75,811	1,668,805
Less allowance for doubtful accounts	-	-	(133,446)	(55,677)	(11,750)	(200,873)
Assessments	35,714	-	3,183	-	-	38,897
Notes	313,515	-	-	-	-	313,515
Leases receivable	3,358,884	-	-	-	-	3,358,884
Total receivables, net	<u>\$ 3,928,583</u>	<u>\$ 641</u>	<u>\$ 901,750</u>	<u>\$ 312,366</u>	<u>\$ 64,061</u>	<u>\$ 5,207,401</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 5.00% per year and includes a balloon payment of \$250,065 due to the City in October 2026. The balance of this note receivable was \$272,762 as of September 30, 2025.

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During fiscal year 2014, the City sold a recreation 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 was \$29,000 as of September 30, 2025.

During fiscal year 2023, the City sold a building for \$165,400 and received \$125,000 from the buyer at closing. The remaining balance of \$40,400 is due in January 2030. The promissory note gives the buyer the option to make specified in-kind building improvements to satisfy the note in lieu of repayment. The balance of the note receivable was \$11,753, as of September 30, 2025.

Since these notes receivable will be collected outside the periods of availability, they are reflected in the General Fund's balance sheet as deferred inflows of resources as of September 30, 2025.

Leases Receivable

The City leases real property to various unrelated parties. The real property is used by the lessees for the following purposes: retail business space, office space, parking lots, cellular and radio communications towers, a restaurant, a fitness center, an art gallery, and an elementary school. Under the provisions of GASB Statement No. 87, the City is a lessor under 10 real property leases.

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The remaining lease terms range from 4 to 46 years, and the discount rate used to calculate the present value of the lease payments range from 2.50% to 6.50%. In circumstances in which the rate implicit in the lease cannot be determined, the City uses a discount rate of 5.13%, which is the City's estimated incremental borrowing rate for real property. The total amount of inflows of resources recognized and reflected in the financial statements were as follows:

	General Fund
Lease revenue	\$ 475,091
Interest	155,168
Total inflows of resources - leases	<u>\$ 630,259</u>

Due from Other Governments

As of September 30, 2025, the City's receivables from other governments for governmental activities were \$1,937,232. Amounts due from other governments for governmental activities consists primarily of amounts due from federal and state grant funding agencies for eligible grant expenditures incurred prior to September 30, 2025.

As of September 30, 2025, the City's receivables from other governments for business-type activities were \$1,056,144, which is consists entirely of amounts due from the Florida Department of Environmental Protection for eligible grant expenses incurred prior to September 30, 2025.

CITY OF FORT WALTON BEACH, FLORIDA
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6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
<i>Governmental activities</i>					
Capital assets not being depreciated/amortized					
Land	\$ 8,826,730	\$ -	\$ -	\$ -	\$ 8,826,730
Construction in progress	6,362,741	4,961,264	-	(1,719,434)	9,604,571
Total capital assets not being depreciated/amortized	15,189,471	4,961,264	-	(1,719,434)	18,431,301
Capital assets being depreciated/amortized					
Buildings	36,382,890	157,702	(59,861)	-	36,480,731
Improvements other than buildings	39,001,195	1,249,108	(700)	1,134,908	41,384,511
Software	574,366	16,950	-	-	591,316
Machinery and equipment	17,153,390	1,995,477	(1,071,030)	516,204	18,594,041
Financed equipment	1,464,154	242,000	-	-	1,706,154
Right-of-use assets	1,226,225	320,344	(766,005)	-	780,564
Subscription assets	2,389,490	1,183,284	(78,296)	-	3,494,478
Total capital assets being depreciated/amortized	98,191,710	5,164,865	(1,975,892)	1,651,112	103,031,795
Less accumulated depreciation/amortization					
Buildings	(16,040,519)	(1,124,341)	59,861	-	(17,104,999)
Improvements other than buildings	(26,707,535)	(1,246,388)	700	91,392	(27,861,831)
Software	(572,034)	(4,918)	-	-	(576,952)
Machinery and equipment	(13,664,104)	(1,369,185)	992,797	81,310	(13,959,182)
Right-of-use assets	(818,282)	(169,392)	766,005	-	(221,669)
Subscription assets	(1,004,278)	(747,893)	61,097	-	(1,691,074)
Total accumulated depreciation/amortization	(58,806,752)	(4,662,117)	1,880,460	172,702	(61,415,707)
Total capital assets being depreciated/amortized, net	39,384,958	502,748	(95,432)	1,823,814	41,616,088
Governmental activities, net	\$ 54,574,429	\$ 5,464,012	\$ (95,432)	\$ 104,380	\$ 60,047,389

CITY OF FORT WALTON BEACH, FLORIDA
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balance</u>
<i>Business-type activities</i>					
Capital assets not being depreciated/amortized					
Land	\$ 709,678	\$ -	\$ -	\$ -	\$ 709,678
Construction in progress	4,845,796	621,329	-	(5,269,620)	197,505
Easements	39,742	-	-	-	39,742
Total capital assets not being depreciated/amortized	<u>5,595,216</u>	<u>621,329</u>	<u>-</u>	<u>(5,269,620)</u>	<u>946,925</u>
Capital assets being depreciated/amortized					
Buildings	183,323	-	(51,483)	-	131,840
Improvements other than buildings	55,165,357	2,479,345	(3,329)	5,288,635	62,930,008
Software	120,031	-	(16,099)	-	103,932
Machinery and equipment	12,163,759	673,608	(832,540)	(11,859)	11,992,968
Right-of-use assets	258,128	-	-	-	258,128
Subscription Assets	-	244,428	-	-	244,428
Total capital assets being depreciated/amortized	<u>67,890,598</u>	<u>3,397,381</u>	<u>(903,451)</u>	<u>5,276,776</u>	<u>75,661,304</u>
Less accumulated depreciation/amortization					
Buildings	(118,075)	(3,977)	25,742	-	(96,310)
Improvements other than buildings	(28,698,860)	(1,787,128)	3,329	(17,166)	(30,499,825)
Software	(119,297)	(735)	16,100	-	(103,932)
Machinery and equipment	(9,414,116)	(568,584)	832,539	11,859	(9,138,302)
Right-of-use assets	(160,452)	(64,372)	-	-	(224,824)
Subscription Assets	-	(43,498)	-	-	(43,498)
Total accumulated depreciation/amortization	<u>(38,510,800)</u>	<u>(2,468,294)</u>	<u>877,710</u>	<u>(5,307)</u>	<u>(40,106,691)</u>
Total capital assets being depreciated/amortized, net	<u>29,379,798</u>	<u>929,087</u>	<u>(25,741)</u>	<u>5,271,469</u>	<u>35,554,613</u>
Business-type activities, net	<u>\$ 34,975,014</u>	<u>\$ 1,550,416</u>	<u>\$ (25,741)</u>	<u>\$ 1,849</u>	<u>\$ 36,501,538</u>

**CITY OF FORT WALTON BEACH, FLORIDA
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Amortization of equipment under financing contracts and right-of-use assets 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	\$ 880,432
Public safety	1,490,380
Physical environment	80,234
Transportation	517,323
Economic environment	221,407
Culture and recreation	1,472,341
Total depreciation/amortization expense – governmental activities	<u>\$ 4,662,117</u>

Business-type activities

Utilities Fund	\$ 1,969,232
Sanitation Fund	269,996
Stormwater Fund	229,066
Total depreciation/amortization expense – business-type activities	<u>\$ 2,468,294</u>

Construction in Progress – Governmental Activities

The Landing Improvements

In February 2023, the City engaged a construction contractor to perform the Fort Walton Beach Landing Phase I improvements for a total price of \$2,479,665. The City has approved various change orders for the project since commencement and the total contract price was \$2,702,165 as of September 30, 2025.

In April 2024, the City engaged a construction contractor to perform the Fort Walton Beach Landing Phase II improvements. The total contract price was \$2,671,377 as of September 30, 2025, which includes change orders totaling \$219,786.

In December 2024, the City engaged a construction contractor to perform the Fort Walton Beach Landing Phase III improvements. The total contract price was \$983,831 as of September 30, 2025, which includes change orders totaling \$345,158.

The project costs are being funded from several sources including a grant from the Florida Department of Environmental Protection (FDEP), tourist development tax proceeds, discretionary sales surtax proceeds, and tax increment revenues of the CRA. As of September 30, 2025, the City has incurred total contract costs of \$4,865,894 for all phases of the project, which includes unbilled retainage of \$91,554. The project is expected to be completed in April 2026.

Heritage Park and Cultural Center Museum Addition

In August 2023, the City engaged a construction contractor to perform the Heritage Park and Cultural Center museum addition. The addition includes a new entrance for the museum, a larger gift shop, administrative offices, storage, and an area for specialty programs. As of September 30, 2025, the total contract price was \$1,896,422, which includes change orders. The project costs are being funded from multiple sources including tourist development tax proceeds, discretionary sales surtax proceeds, and tax increment revenues of the CRA. The City reported total contract costs of \$1,872,711, as of September 30, 2025, which includes unbilled retainage of \$153,638. The project was completed in November 2025.

CITY OF FORT WALTON BEACH, FLORIDA
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7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2025, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

Governmental activities:

	General Fund	Governmental Activities
Deferred outflows of resources		
City pension contributions made subsequent to the measurement date	\$ -	\$ 3,948,635
Differences between expected and actual experience on pension plan actuarial assumptions	-	1,448,861
Changes in assumptions related to pension plan	-	193,549
City OPEB contributions made subsequent to the measurement date	-	173,546
Changes in assumptions related to OPEB plan	-	441,446
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 6,206,037</u>
Deferred inflows of resources		
Differences between expected and actual experience on pension plan actuarial assumptions	\$ -	\$ 724,921
Net difference between projected and actual earnings on pension plan investments	-	4,369,403
Differences between expected and actual experience on OPEB plan actuarial assumptions	-	1,041,904
Changes in assumptions related to OPEB plan	-	873,450
Leases	3,007,854	3,007,854
Unavailable revenue - special assessments	35,714	-
Unavailable revenue - long-term receivables from sale of buildings	313,515	-
Total deferred inflows of resources	<u>\$ 3,357,083</u>	<u>\$ 10,017,532</u>

Business-type activities:

	Utilities Fund	Sanitation Fund	Stormwater Fund	Business-Type Activities
Deferred outflows of resources				
City pension contributions made subsequent to the measurement date	\$ 49,467	\$ 37,806	\$ 5,428	\$ 92,701
Deferred loss on refunding	43,501	-	-	43,501
City OPEB contributions made subsequent to the measurement date	24,119	16,064	6,338	46,521
Changes in assumptions related to OPEB plan	61,364	40,870	16,111	118,345
Total deferred outflows of resources	<u>\$ 178,451</u>	<u>\$ 94,740</u>	<u>\$ 27,877</u>	<u>\$ 301,068</u>
Deferred inflows of resources				
Net difference between projected and actual earnings on pension plan investments	\$ 523,238	\$ 399,895	\$ 57,415	\$ 980,548
Changes in assumptions related to OPEB plan	121,382	80,849	31,912	234,143
Differences between expected and actual experience on OPEB plan actuarial assumptions	144,811	96,452	38,044	279,307
Total deferred inflows of resources	<u>\$ 789,431</u>	<u>\$ 577,196</u>	<u>\$ 127,371</u>	<u>\$ 1,493,998</u>

**CITY OF FORT WALTON BEACH, FLORIDA
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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's internal combined financial statements and can be found under subheading "Fund Financial Statements" of this note. There is no separate report available for the individual pension plans.

Plan Description – General Employees' Retirement Fund (GERF)

Plan Administration

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

The Plan is a single employer defined benefit pension plan administered by the City's Finance Director. The Finance Director shall administer this Plan for the trustees and participants, subject at all times to the limitations and conditions specified in or imposed by provisions of this Plan and the rules and regulations adopted by the City Council. The trustees and the plan administrator shall serve without additional compensation beyond that already provided by the City for their respective duties.

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, 2023:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	173
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	39
Active Plan Members	<u>35</u>
	<u><u>247</u></u>

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 52 with 10 years of credited service (early retirement) 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 on April 5, 1999. Benefits are reduced by 3% for each year by which the early retirement date precedes the age of 62. Varied benefits exist for service and non-service-connected disabilities as well as death in the line of duty or other pre-retirement death.

In accordance with the annual increase in CPI-U as measured in December, all retirees are entitled to an adjustment payable each April 1, subject to a minimum of 0% and a maximum of 3%. The adjustment does not apply to members who retire following a vested terminated status or disability retirees.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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, 2025, 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, 2025, the City was required to contribute \$228,642.

Net Pension Liability – GERP

The measurement date is September 30, 2024. The measurement period for the pension expense was October 1, 2023 to September 30, 2024. The reporting period is October 1, 2024 through September 30, 2025. The City's net pension liability was measured as of September 30, 2024. 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, 2023 updated to September 30, 2024 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Age-Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality rates for healthy lives were obtained from the PubG.H-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – (Below Median) for Employees and Healthy Retirees set back one-year

Females – Employees and Healthy Retirees

Mortality rates for disabled lives were obtained from the PubG.H-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – Disabled Retirees with three-year set forward

Females – Disabled Retirees with three-year set forward

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for non-special risk employees, with appropriate adjustments made based on plan demographics.

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 2024, 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 the September 30, 2024, measurement date are summarized in the table on the next page:

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	52.50%	7.50%
International equity	10.00%	8.50%
Broad market fixed income	17.50%	2.50%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Infrastructure	5.00%	4.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability- GERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2024 (Valuation Date of 10/01/2023)	\$ 53,101,382	\$ 49,441,828	\$ 3,659,554
Changes:			
Service cost	245,027	-	245,027
Interest	3,606,688	-	3,606,688
Differences between expected and actual experience	380,100	-	380,100
Contributions – employer	-	284,704	(284,704)
Contributions – employee	-	100,094	(100,094)
Net investment income	-	10,432,744	(10,432,744)
Benefit payments, including refunds of employee contributions	(3,644,603)	(3,644,603)	-
Administrative expenses	-	(55,871)	55,871
Net changes	587,212	7,117,068	(6,529,856)
Balances at September 30, 2025 (Measurement Date of 9/30/2024)	\$ 53,688,594	\$ 56,558,896	\$ (2,870,302)

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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As of the measurement date, the Plan's fiduciary net position as a percentage of the total pension liability was 105.35%.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset)	\$ 2,508,451	\$ (2,870,302)	\$ (7,447,493)

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/Inflows of Resources Related to Pensions – GERS

For the year ended September 30, 2025, the City recognized actuarial pension expense of \$170,948. On September 30, 2025, 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	\$ 288,642	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,418,478
Total	<u>\$ 288,642</u>	<u>\$ 2,418,478</u>

Deferred outflows of resources related to pensions of \$288,642 resulting from the City's contributions subsequent to the measurement date will be recognized as a change in the net pension liability for the year ending September 30, 2026. 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:

2026	\$ (420,153)
2027	999,111
2028	(1,579,863)
2029	<u>(1,417,573)</u>
	<u>\$ (2,418,478)</u>

Plan Description – Police Officers' Retirement Fund (PORF)

Plan Administration

The Police Officers' Retirement Board of Trustees (Police Board) is designated as the plan administrator. The Police Board shall consist of five Trustees, two of whom, unless otherwise prohibited by law, shall be legal residents of the City, who shall be appointed by the City Council, and two of whom shall be Members of the System, who shall be elected by a majority of the Police Officers who are Members of the System.

**CITY OF FORT WALTON BEACH, FLORIDA
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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.

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, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	50
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	25
Active Plan Members	51
	126
	126

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, 2025, 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 was required to contribute 7.2% of payroll and the City was 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, 2025, the City was required to contribute 36.5% of payroll.

Net Pension Liability – PORF

The measurement date is September 30, 2024. The measurement period for the pension expense was October 1, 2023 to September 30, 2024. The reporting period is October 1, 2024 through September 30, 2025. The City's net pension liability was measured as of September 30, 2024. 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, 2023 updated to September 30, 2024, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.00%
Investment rate of return	7.00%

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Mortality rates for healthy lives were obtained from the PubS.H-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – (Below Median) for Employees and Healthy Retirees set forward one-year
Females – (Below Median) for Employees and Healthy Retirees set forward one-year

Mortality rates for disabled lives were obtained from the PubH-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees
Females – 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

The other significant actuarial assumptions used in the October 1, 2023, 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 2024, 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 the September 30, 2024, measurement date are summarized in the table below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	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%
Infrastructure	5.00%	4.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Changes in Net Pension Liability – PORF

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at September 30, 2024 (Valuation Date of 10/01/2023)	\$ 32,744,351	\$ 25,984,001	\$ 6,760,350
Changes:			
Service cost	902,915	-	902,915
Interest	2,280,478	-	2,280,478
Differences between expected and actual experience	1,333,735	-	1,333,735
Contributions – employer	-	1,760,809	(1,760,809)
Contributions – state	-	288,411	(288,411)
Contributions – employee	-	187,008	(187,008)
Net investment income	-	5,236,088	(5,236,088)
Benefit payments, including refunds of employee contributions	(2,138,041)	(2,138,041)	-
Administrative expenses	-	(74,185)	74,185
Net changes	2,379,087	5,260,090	(2,881,003)
Balances at September 30, 2025 (Measurement Date of 9/30/2024)	<u>\$ 35,123,438</u>	<u>\$ 31,244,091</u>	<u>\$ 3,879,347</u>

As of the measurement date, the Plan's fiduciary net position as a percentage of the total pension liability was 88.96%.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
City's net pension liability	\$ 8,382,887	\$ 3,879,347	\$ 179,205

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

For the year ended September 30, 2025, the City recognized actuarial pension expense of \$1,098,157. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City and State contributions subsequent to measurement date	\$ 1,809,215	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,586,162
Differences between expected and actual experience	<u>1,000,302</u>	<u>657,886</u>
Total	<u>\$ 2,809,517</u>	<u>\$ 2,244,048</u>

Deferred outflows of resources related to pensions of \$1,809,215 resulting from the City 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, 2026. 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:

2025	\$ (331,112)
2026	298,287
2027	(527,647)
2028	<u>(683,274)</u>
	<u>\$ (1,243,746)</u>

Plan Description – Firefighters' Retirement Fund (FRF)

Plan Administration

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

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

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Plan Membership as of October 1, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	29
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	14
Active Plan Members	42
	85
	85

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, 2025, the participants' contribution rate was 8.0% of payroll. The State of Florida was required to contribute 8.8% of payroll and the City was 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, 2025, the City was required to contribute 46.5% of payroll.

Net Pension Liability – FRF

The measurement date is September 30, 2024. The measurement period for the pension expense was October 1, 2023 to September 30, 2024. The reporting period is October 1, 2024 through September 30, 2025. The City's net pension liability was measured as of September 30, 2024. 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, 2023, updated to September 30, 2024, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.00%
Investment rate of return	7.00%

Mortality rates for healthy lives were obtained from the PubS.H-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – (Below Median) for Employees and Healthy Retirees set forward one-year

Females – (Below Median) for Employees and Healthy Retirees set forward one-year

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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Mortality rates for disabled lives were obtained from the PubH-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

Males – 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Females – 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated June 8, 2022.

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 2024, 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 the September 30, 2024, measurement date are summarized in the table below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	42.50%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	17.50%	2.50%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Infrastructure	10.00%	4.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Changes in Net Pension Liability – FRF

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at September 30, 2024 (Valuation Date of 10/01/2023)	\$ 35,603,888	\$ 22,824,393	\$ 12,779,495
Changes:			
Service cost	763,298	-	763,298
Interest	2,484,595	-	2,484,595
Share plan allocation	58,611	-	58,611
Differences between expected and actual experience	70,616	-	70,616
Contributions – employer	-	1,630,438	(1,630,438)
Contributions – state	-	333,611	(333,611)
Contributions – employee	-	243,145	(243,145)
Net investment income	-	4,748,767	(4,748,767)
Benefit payments, including refunds of employee contributions	(1,745,932)	(1,745,932)	-
Administrative expenses	-	(80,823)	80,823
Net changes	1,631,188	5,129,206	(3,498,018)
Balances at September 30, 2025 (Measurement Date of 9/30/2024)	<u>\$ 37,235,076</u>	<u>\$ 27,953,599</u>	<u>\$ 9,281,477</u>

As of the measurement date, the Plan's fiduciary net position as a percentage of the total pension liability was 75.07%.

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

	1% Decrease	Current Discount	1% Increase
	6.00%	Rate	8.00%
		7.00%	
City's net pension liability	\$ 14,245,665	\$ 9,281,477	\$ 5,234,060

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, 2025

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

For the year ended September 30, 2025, the City recognized actuarial pension expense of \$1,595,076. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City and State contributions subsequent to measurement date	\$ 2,003,479	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,345,311
Changes of assumptions	193,549	-
Differences between expected and actual experience	448,559	67,035
Total	<u>\$ 2,645,587</u>	<u>\$ 1,412,346</u>

Deferred outflows of resources related to pensions of \$2,003,479 resulting from the City 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, 2026. 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:

2026	\$ 185,461
2027	444,405
2028	(772,555)
2029	<u>(627,549)</u>
	<u>\$ (770,238)</u>

Pension Expense

For the fiscal year ended September 30, 2025, the City recognized an aggregate pension expense of \$2,864,181 on all defined benefit pension plans.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERF, PORF and FRF) as of and for the year ended September 30, 2025:

COMBINING STATEMENT OF PLAN NET POSITION

	Pension Trust Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	Total Pension Trust Funds
ASSETS				
Accounts receivable	\$ 23,497	\$ 31,101	\$ 40,360	\$ 94,958
Investments, at market				
Money-market funds	1,005,147	851,902	574,318	2,431,367
U.S. Government and Agency obligations	-	5,530,054	4,956,388	10,486,442
Corporate obligations	-	331,884	315,554	647,438
Mutual and exchange-traded funds	52,158,865	23,338,001	20,405,410	95,902,276
Infrastructure investment funds	2,909,020	1,610,956	2,998,577	7,518,553
Real estate investment funds	4,127,222	2,507,292	2,237,029	8,871,543
Total investments, at market	60,200,254	34,170,089	31,487,276	125,857,619
TOTAL ASSETS	60,223,751	34,201,190	31,535,424	125,960,365
LIABILITIES				
Accounts payable	63,251	171,843	125,500	360,594
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 60,160,500</u>	<u>\$ 34,029,347</u>	<u>\$ 31,409,924</u>	<u>\$125,599,771</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Pension Trust Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 228,642	\$ 1,502,419	\$ 1,646,848	\$ 3,377,909
Plan members	71,535	195,826	234,103	501,464
State of Florida	-	306,796	356,631	663,427
Total contributions	300,177	2,005,041	2,237,582	4,542,800
Investment income	7,176,538	3,284,140	3,188,872	13,649,550
Less investment expense	(72,089)	(63,285)	(75,305)	(210,679)
Net investment income	7,104,449	3,220,855	3,113,567	13,438,871
Miscellaneous revenue	888	2,274	-	3,162
TOTAL ADDITIONS	7,405,514	5,228,170	5,351,149	17,984,833
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	3,663,813	2,004,775	1,607,706	7,276,294
Disability payments	33,583	156,874	5,894	196,351
Other	-	98,548	65,852	164,400
Total benefits and refunds paid	3,697,396	2,260,197	1,679,452	7,637,045
Administrative expenses				
Legal	13,399	9,925	11,307	34,631
Contractual	89,355	88,683	97,440	275,478
Other	42,432	29,758	34,009	106,199
Total administrative expenses	145,186	128,366	142,756	416,308
TOTAL DEDUCTIONS	3,842,582	2,388,563	1,822,208	8,053,353
INCREASE IN PLAN NET POSITION	3,562,932	2,839,607	3,528,941	9,931,480
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	56,597,568	31,189,740	27,880,983	115,668,291
End of year	<u>\$ 60,160,500</u>	<u>\$ 34,029,347</u>	<u>\$ 31,409,924</u>	<u>\$ 125,599,771</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 (the Plan). The Plan is a money purchase defined contribution retirement plan administered by ICMA Retirement Corporation and Mission Square Retirement, with the City serving as trustee. All funds are held in the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust in the name of each participant. The City finance director serves as the coordinator for the Plan. The Plan requires a 5% payroll contribution by the employee with a 5% employer (City) match. Employees can increase their contribution; however, only an additional 2½% is eligible for City match. Members of the General Employees' Defined Benefit Pension Plan, who were not fully or partially vested at the time the Plan was opened, were permitted to transfer their contributions to the Plan as a one-time, irrevocable election. The Plan participants individually select and make changes in funding options, which are made available by the independent plan administrator. Since participants select the investment fund or funds in which their deferred compensation accounts are invested, the city has no liability for investment losses.

The authority for establishing and amending the Plan's provisions lies with the City Council. The City Council also has the authority for amending contribution requirements. Contributions made to the Plan by the employees and by the City were \$449,161 and \$450,996, respectively, for the fiscal year ending September 30, 2025. 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 (the 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.

Contributions made to the Plan by the employees and by the City were \$119,353 and \$44,269, respectively, for the fiscal year ending September 30, 2025. Assets of the Plan have a fair value of \$3,295,088, as of September 30, 2025.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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, 2024:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	113
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>254</u>
	<u><u>367</u></u>

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, 2024. The total OPEB liability was determined by an actuarial valuation. The measurement period for OPEB expense was October 1, 2023 to September 30, 2024. The reporting period is October 1, 2024 to September 30, 2025.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2024, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	4.06%
Initial Trend Rate	6.75%
Ultimate Trend Rate	4.00%
Years to Ultimate	50

For general employees, mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2021. For female lives, the headcount-weighted PubG-2010 female employee table was used. For male lives, the headcount-weighted PubG-2010 male below median income employee table, set back one year, was used. For disabled female lives, 100% of the Disabled Female table was used, set forward three years. For disabled male lives, 100% of the Disabled Male table was used, set forward three years.

CITY OF FORT WALTON BEACH, FLORIDA
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For police and fire employees, mortality rates were also based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2021. For both males and females, the PubS.H-2010 below median income employee table, set forward one year, was used. For both disabled males and females, the 80% PubG.H-2010 and 20%PubS.H-2010 for Disabled Retirees was used.

Discount Rate

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.06%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's "Aa2" rating and S&P's "AA" rating.

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) – (b)
Balances at September 30, 2024	\$ 4,919,554	\$ -	\$ 4,919,554
Changes for the year:			
Service cost	270,609	-	270,609
Interest	247,233	-	247,233
Differences between expected and actual experience	(656,654)	-	(656,654)
Changes of assumptions	235,921	-	235,921
Contributions – employer	-	232,826	(232,826)
Benefit payments	(229,736)	(229,736)	-
Administrative expense	-	(3,090)	3,090
Net changes	(132,627)	-	(132,627)
Reporting period ending September 30, 2025	<u>\$ 4,786,927</u>	<u>\$ -</u>	<u>\$ 4,786,927</u>

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

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	\$ 5,543,570	\$ 4,786,927	\$ 4,178,433

**CITY OF FORT WALTON BEACH, FLORIDA
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SEPTEMBER 30, 2025**

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

	1% Decrease 3.00%-5.75%	Healthcare Cost Trend Rates 4.00%-6.75%	1% Increase 5.00%-7.75%
Total OPEB liability	\$ 4,230,615	\$ 4,786,927	\$ 5,485,663

OPEB Plan Fiduciary Net Position

The plan is unfunded, so the OPEB plan's fiduciary net position is \$0. There are no OPEB assets accumulated in a GASB compliant trust to pay for related plan benefits.

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$147,500. On September 30, 2025, 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	\$ -	\$ 1,321,211
Changes of assumptions	559,791	1,107,593
Employer contributions subsequent to the measurement date	220,067	-
Total	<u>\$ 779,858</u>	<u>\$ 2,428,804</u>

Deferred outflows of resources related to OPEB of \$220,067 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026.

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:

2026	\$ (343,990)
2027	(502,308)
2028	(446,570)
2029	(446,570)
2030	(69,471)
Thereafter	(60,104)
	<u>\$ (1,869,013)</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

12. UNEARNED REVENUES

The composition of unearned revenues as of September 30, 2025, was as follows:

	General Fund	Utilities Fund	Totals
Unredeemed gift cards	\$ 37,891	\$ -	\$ 37,891
Charges for services paid in advance	-	52,974	52,974
	<u>\$ 37,891</u>	<u>\$ 52,974</u>	<u>\$ 90,865</u>

13. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

The table that follows summarizes changes in long-term liabilities of the City for the year ended September 30, 2025.

	Beginning Balance	Additions	Reductions / Adjustments	Ending Balance	Due Within One Year
Governmental activities					
<i>Direct placements:</i>					
Capital Improvement Revenue Note, Series 2013	\$ 1,966,584	\$ -	\$ (259,906)	\$ 1,706,678	\$ 267,883
Capital Improvement Revenue Note, Series 2013A	4,356,831	-	(440,326)	3,916,505	452,171
Capital Improvement Revenue Bonds, Series 2018	10,520,145	-	(547,078)	9,973,067	568,032
<i>Direct borrowings:</i>					
Golf Course Irrigation System Revenue Note, 2021	614,211	-	(304,693)	309,518	309,518
Financing contract - fitness equipment	8,424	-	(8,424)	-	-
Financing contract - police equipment	214,361	-	(71,454)	142,907	71,454
Financing contract - driving range equipment	-	242,000	(4,033)	237,967	48,400
Lease obligations	421,986	320,094	(148,007)	594,073	156,282
Subscription liabilities	1,298,973	1,183,284	(677,271)	1,804,986	808,970
Compensated absences ⁽¹⁾	2,294,535	-	(16,818)	2,277,717	569,429
Total governmental activities	<u>\$ 21,696,050</u>	<u>\$ 1,745,378</u>	<u>\$ (2,478,010)</u>	<u>\$ 20,963,418</u>	<u>\$ 3,252,139</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

	<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	\$ 5,185,000	\$ -	\$ (512,000)	\$ 4,673,000	\$ 527,000
<i>Direct borrowings:</i>					
State Revolving Fund Loan, 2015	8,941,531	-	(777,151)	8,164,380	791,988
Lease obligations	102,468	-	(66,651)	35,817	35,010
Subscription liabilities	-	244,428	(64,590)	179,838	38,211
Compensated absences ⁽¹⁾	471,890	20,740	-	492,630	123,158
Total business-type activities	<u>\$ 14,700,889</u>	<u>\$ 265,168</u>	<u>\$ (1,420,392)</u>	<u>\$ 13,545,665</u>	<u>\$ 1,515,367</u>

(1) Additions and reductions are reported on a net basis for compensated absences. Beginning balances have been restated to reflect the change in accounting principle described in Note 20.

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Placements

\$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 were 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 were 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 Bonds, Series 2018, bearing interest at 3.83%, due in semiannual payments 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 were 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 the direct placement issuances discussed above. Furthermore, these direct placement issuances do not contain any subjective acceleration clauses.

Governmental Activities – Direct Borrowings

\$1,500,000 golf course revenue note payable, 2021, due in monthly installments of \$26,013 through October 2026, which includes principal and interest at 1.55%. The note is payable from pledged revenues of the golf course with any shortfalls funded by legally available non-ad valorem revenues. Proceeds were used for golf course repairs and renovations. 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, 2025

\$75,135 fitness equipment contract, 2020, due in monthly installments of \$1,430 through March 2025, which included principal and interest at 6.34%. The financing contract was fully repaid as of September 30, 2025.

\$304,825 police equipment financing contract, 2023, due in annual installments of \$71,454 through March 2027. The City has calculated imputed interest on the contract, but it has not been recorded as the imputed amount was determined to be immaterial to the City's financial statements. In the event of default (non-payment), the lender may repossess the financed equipment. The agreement does not contain any subjective acceleration clauses.

\$242,000 golf driving range equipment financing contract, 2025, due in monthly installments of \$4,033 through August 2030. The City has calculated imputed interest on the contract, but it has not been recorded as the imputed amount was determined to be immaterial to the City's financial statements. In the event of default (non-payment), the lender may repossess the financed equipment. The agreement does not contain any subjective acceleration clauses.

The City has acquired the right to use two parking lots, golf carts, utility carts, commercial mowers, and related ancillary equipment through leases with various unrelated parties. Under the provisions of GASB Statement No. 87, the City is a lessee under two real property leases and nine equipment leases for its governmental activities. The City's lease liability is measured at the present value of lease payments expected to be remitted during the lease term, including options reasonably certain to be exercised. The leases require annual base payments ranging from \$2,448 to \$132,750. The remaining lease terms range from 1 to 20 years, and the discount rate used to calculate the present value of the lease payments range from 4.63% to 18.80%. In circumstances in which the rate implicit in the lease cannot be determined, the City uses a discount rate of 4.63%, which is the City's estimated incremental borrowing rate. The carrying value of the right-of-use assets and the related accumulated amortization can be found in Note 6.

In the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable or repossess the leased equipment. These agreements do not contain any subjective acceleration clauses.

The City has entered into seven subscription-based information technology arrangements with various software vendors for its governmental activities. The City's subscription liability is measured using the present value of subscription payments expected to be remitted to the vendors during the subscription terms, including options reasonably certain to be exercised. The agreements require annual base subscription payments ranging from \$35,000 to \$250,961. The remaining subscription terms range from 1 to 5 years, and the discount rate used to calculate the present value of the subscription payments range from 2.36% to 4.63%. In circumstances in which the rate implicit in the agreement cannot be determined, the City uses a discount rate of 4.63%, which is the City's estimated incremental borrowing rate for similar assets. The carrying value of the related subscription assets can be found in Note 6. In the event of default, the lenders may revoke the City's licenses to use the underlying software. These agreements do not contain any subjective acceleration clauses.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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.

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.

The City has acquired the right to use two loaders and two excavators through leases with various unrelated parties. The City is a lessee under four equipment leases for its business-type activities. The City's lease liability is measured at the present value of lease payments expected to be remitted during the lease term, including options reasonably certain to be exercised. The leases require annual base payments ranging from \$7,466 to \$10,244. The remaining lease terms range from 0 to 2 years, and the discount rate used to calculate the present value of the lease payments is 4.63%, which is the City's estimated incremental borrowing rate for similar assets. The carrying value of the right-of-use assets and the related accumulated amortization can be found in Note 6. In the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable or repossess the leased equipment. These agreements do not contain any subjective acceleration clauses.

The City has entered into two subscription-based information technology arrangements with software vendors for its business-type activities. The City's subscription liability is measured using the present value of subscription payments expected to be remitted to the vendors during the subscription terms, including options reasonably certain to be exercised. The agreements require annual base subscription payments ranging from \$26,285 to \$43,141. The remaining subscription terms range from 2 to 5 years, and the discount rate used to calculate the present value of the subscription payments range from 3.41% to 4.63%.

In circumstances in which the rate implicit in the agreement cannot be determined, the City uses a discount rate of 4.63%, which is the City's estimated incremental borrowing rate for similar assets. The carrying value of the related subscription assets can be found in Note 6. In the event of default, the lenders may revoke the City's licenses to use the underlying software. These agreements do not contain any subjective acceleration clauses.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except compensated absences as of September 30, 2025, was as follows:

Governmental Activities:

Year Ending September 30	Revenue Bonds and Notes		Financing Contracts	
	Principal	Interest	Principal	Interest
2026	\$ 1,597,604	\$ 529,215	\$ 119,854	\$ -
2027	1,329,416	486,495	119,853	-
2028	3,894,503	439,084	48,400	-
2029	924,195	334,442	48,400	-
2030	1,054,180	303,456	44,367	-
2031-2035	4,559,598	996,289	-	-
2036-2038	2,546,272	181,729	-	-
Total	<u>\$ 15,905,768</u>	<u>\$ 3,270,710</u>	<u>\$ 380,874</u>	<u>\$ -</u>

Year Ending September 30	Lease Obligations		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 156,282	\$ 56,122	\$ 808,970	\$ 56,216
2027	172,700	32,158	443,962	28,267
2028	46,854	14,627	257,078	13,086
2029	10,920	13,244	263,328	6,836
2030	8,401	12,719	31,648	435
2031-2035	50,838	54,762	-	-
2036-2040	69,430	36,170	-	-
2041-2045	78,648	11,112	-	-
Total	<u>\$ 594,073</u>	<u>\$ 230,914</u>	<u>\$ 1,804,986</u>	<u>\$ 104,840</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities:

Year Ending September 30	Revenue Note		State Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2026	\$ 527,000	\$ 136,452	\$ 791,988	\$ 151,379
2027	542,000	121,063	807,107	136,260
2028	558,000	105,237	822,515	120,852
2029	575,000	88,943	838,217	105,150
2030	591,000	72,153	854,219	89,148
2031-2035	1,880,000	110,843	4,050,334	194,816
Total	<u>\$ 4,673,000</u>	<u>\$ 634,691</u>	<u>\$ 8,164,380</u>	<u>\$ 797,605</u>

Year Ending September 30	Lease Obligations		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 35,010	\$ 590	\$ 38,211	\$ 3,674
2027	807	3	63,525	5,901
2028	-	-	24,382	2,663
2029	-	-	26,005	1,832
2030	-	-	27,715	945
2031-2035	-	-	-	-
Total	<u>\$ 35,817</u>	<u>\$ 593</u>	<u>\$ 179,838</u>	<u>\$ 15,015</u>

14. COMMENTS REQUIRED BY THE BOND AND ORDINANCES

Capital Improvement Refunding Revenue Note, Series 2013

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2025.
3. The City is not aware of any instances of noncompliance with the debt covenants.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025.
3. The City is not aware of any instances of noncompliance with the debt covenants.

Capital Improvement Revenue Bonds, 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, 2025.
3. The City is not aware of any instances of noncompliance with the debt covenants.

Golf Course Revenue Note, Series 2021

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, 2025.
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 2025 were approximately \$3,688,294.
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 2025 were \$829,253. The covenant is based upon 125% of the annual debt service requirement.
6. The pledged revenues exceeded the debt service requirements by \$2,859,041 in fiscal year 2025.
7. 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, 2025**

15. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2025, was as follows:

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ 14,899

General Fund receivables from the Community Development Block Grant Fund are the result of eliminating a temporary deficit cash balance.

The composition of interfund transfers for the year ended September 30, 2025, was as follows:

Transfers In			
Transfers Out	Beal Memorial Cemetery Perpetual Care Fund		Total
	General Fund	Care Fund	
General Fund	\$ -	\$ 30,248	\$ 30,248
Utilities Fund	1,338,201	-	1,338,201
Sanitation Fund	427,937	-	427,937
Stormwater Fund	219,437	-	219,437
	<u>\$ 1,985,575</u>	<u>\$ 30,248</u>	<u>\$ 2,015,823</u>

The transfers out of the General Fund of \$30,248 to the Beal Memorial Cemetery Perpetual Care Fund were for permanent maintenance.

Transfers into the General Fund of \$1,985,575 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, 2025**

16. GOVERNMENTAL FUND BALANCES

At September 30, 2025, the City's governmental fund balances were classified as follows:

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Beal Memorial Cemetery Perpetual Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Inventory	\$ 556,226	\$ -	\$ -	\$ -	\$ 556,226
Restricted for					
Public safety	-	-	-	1,855,189	1,855,189
Transportation	77,143	-	-	-	77,143
Redevelopment projects	-	4,789,364	-	-	4,789,364
Library capital projects	145,302	-	-	-	145,302
Capital facilities and equipment	7,275,884	-	-	-	7,275,884
Other purposes	11,417	-	-	-	11,417
Total restricted	7,509,746	4,789,364	-	1,855,189	14,154,299
Committed					
Affordable housing projects	1,376,292	-	-	-	1,376,292
Cemetery maintenance	23,838	-	5,197,923	-	5,221,761
Tree mitigation program	146,700	-	-	-	146,700
Natural disaster recovery	9,667,241	-	-	-	9,667,241
Total committed	11,214,071	-	5,197,923	-	16,411,994
Assigned for					
Capital expenditures	702,232	-	-	-	702,232
FY26 appropriations	4,212,565	-	-	-	4,212,565
Long-term debt	850,000	-	-	-	850,000
Other purposes	265,673	-	-	-	265,673
Total assigned	6,030,470	-	-	-	6,030,470
Unassigned	2,549,485	-	-	(8,782)	2,540,703
	<u>\$ 27,859,998</u>	<u>\$ 4,789,364</u>	<u>\$ 5,197,923</u>	<u>\$ 1,846,407</u>	<u>\$ 39,693,692</u>

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.

17. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2025, were as follows:

Governmental Funds –	
General Fund	\$ 2,395,402
Community Redevelopment Agency Fund	2,216,516
Other Governmental Funds	2,936
	<u>\$ 4,614,854</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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. Encumbrances are reported as assigned fund balance in the General Fund, unless included in a more restrictive classification (i.e., restricted or committed). Encumbrances are not reported as assignments of fund balance in the special revenue funds as those resources are restricted or committed for specific purposes.

18. 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, 2025. 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.

19. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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.

Workforce Housing Incentive Fund

In May 2022, the City Council adopted a resolution establishing the Workforce Housing Incentive Fund, which shall be managed by the City's Growth Management Department. The funds will be used in accordance with guidelines established in section 4.10 of the City's Land Development Code and any requests for funding will be made in the form of development agreements and require City Council approval. Requests for funding may either be approved as up-front payments or as reimbursements once projects are completed. The City Council shall determine the manner of payments to recipients. The resolution sets forth an initial commitment of \$1,500,000 from the City's General Fund resources to the Workforce Housing Incentive Fund. As of September 30, 2025, the remaining funding in the Workforce Housing Incentive Fund was \$1,376,292.

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 \$5,507 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, 2025, were \$3,370,200.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Fiscal Year Ending September 30

2026	\$ 71,334
2027	73,474
2028	75,678
2029	77,948
2030	80,286
2031 through 2035	439,039
2036 through 2039	401,067
Total	<u>\$ 1,218,826</u>

Water Tank Management Contract

In February 2025, the Council authorized the City Manager to enter into a contract with U.S. Tank, Inc. to perform maintenance for nine of the City's water towers and tanks. The contract term is ten years and requires total payments of \$2,174,275, which will be made in annual installments ranging from \$18,000 to \$619,500. The contract includes an option to renew for an additional 10-year term at the expiration of the original term.

20. RESTATEMENT – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the City adopted the provisions of GASBS 101 on October 1, 2024. As a result, the City restated its September 30, 2024 net position to implement the change in accounting principle. The financial statement line items affected by the change in accounting principle in the City's financial statements as of and for the year ended September 30, 2024, were as follows:

	<u>Governmental Activities</u>	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Business-Type Activities</u>
<u>Statement of Net Position</u>					
Compensated absences - due within one year as previously reported	\$ 268,706	\$ 35,193	\$ 19,119	\$ 4,601	\$ 58,913
Implementation of GASB Statement No. 101	304,928	25,957	28,988	4,115	59,060
Compensated absences - due within one year as restated	<u>\$ 573,634</u>	<u>\$ 61,150</u>	<u>\$ 48,107</u>	<u>\$ 8,716</u>	<u>\$ 117,973</u>
Compensated absences - due in more than one year as previously reported	\$ 806,117	\$ 105,579	\$ 57,356	\$ 13,802	\$ 176,737
Implementation of GASB Statement No. 101	914,784	77,871	86,963	12,346	177,180
Compensated absences - due in more than one year as restated	<u>\$ 1,720,901</u>	<u>\$ 183,450</u>	<u>\$ 144,319</u>	<u>\$ 26,148</u>	<u>\$ 353,917</u>
Net position - unrestricted - as previously reported	\$ 10,115,793	\$ 8,951,288	\$ 2,827,443	\$ 1,475,568	\$ 13,254,299
Implementation of GASB Statement No. 101	(1,219,712)	(103,828)	(115,951)	(16,461)	(236,240)
Net position - unrestricted - as restated	<u>\$ 8,896,081</u>	<u>\$ 8,847,460</u>	<u>\$ 2,711,492</u>	<u>\$ 1,459,107</u>	<u>\$ 13,018,059</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

21. SUBSEQUENT EVENTS

Preston Hood Athletic Complex Expansion Project

In October 2025, the City Council awarded a bid to a commercial contractor to perform construction services for the Preston Hood Recreation Complex Expansion Project for a contract price of \$7,059,313. The scope of the project includes constructing a new 2,000 square foot recreation operations building, a restroom facility, various multi-purpose fields, pickleball courts, approximately 200 additional parking spaces, and all other components necessary to achieve a fully functional recreation complex. The project is expected to commence after project is fully financed and is expected to be completed in Fall 2026. The project will primarily be funded by tax-exempt debt financing. The remaining funding will come from the City's allocation of tourist development tax proceeds and discretionary sales tax proceeds.

In January 2026, the Council authorized the issuance of a Capital Improvement Revenue Note, Series 2026 in the amount of \$7,500,000 to provide funds to finance the expansion to the City's recreation center and pay for the costs associated with the issuance of such a note. The revenue note is structured as a tax-exempt negotiated private placement with a financial institution and bears interest at a rate of 4.08% per annum. The City closed on the note in January 2026.

Liza Jackson Park Improvements Project

In March 2026, the City Council awarded a bid to a commercial contractor to perform construction services for the Liza Jackson Park Improvements Project for a contract price of \$3,139,270. The scope of the project includes constructing a new 850 square foot restroom building, stormwater improvements, as well as the addition of a concrete sidewalk and boat trailer and vehicle parking. The estimated construction period for the project is six months and is expected to commence in August 2026. The project will primarily be funded by tax increment revenues of the CRA.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 13,837,646	\$ 13,837,646	\$ 14,178,604	\$ 340,958
Permits and fees	2,366,230	2,366,230	2,440,501	74,271
Intergovernmental	7,762,375	8,127,375	7,287,552	(839,823)
Charges for services	3,912,727	3,920,109	3,784,813	(135,296)
Fines	103,000	103,000	215,982	112,982
Investment income	250,000	250,000	955,643	705,643
Miscellaneous	786,727	855,797	1,339,941	484,144
Total revenues	29,018,705	29,460,157	30,203,036	742,879
EXPENDITURES				
Current				
General government	8,459,187	8,459,187	6,114,022	2,345,165
Public safety	15,865,620	16,091,490	15,243,357	848,133
Physical environment	297,298	297,298	309,707	(12,409)
Transportation	626,668	991,668	517,572	474,096
Economic environment	35,861	35,861	20,000	15,861
Culture and recreation	5,470,961	5,954,773	5,282,268	672,505
Capital outlay	8,202,528	8,622,037	7,714,822	907,215
Debt service	1,287,899	1,287,899	3,123,800	(1,835,901)
Total expenditures	40,246,022	41,740,213	38,325,548	3,414,665
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,227,317)	(12,280,056)	(8,122,512)	4,157,544
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	491,244	491,244
Issuance of leases and financing contracts	-	-	308,843	308,843
Issuance of subscription liabilities	-	-	1,183,284	1,183,284
Transfers in	1,140,074	1,140,074	1,985,575	845,501
Transfers out	(37,000)	(37,000)	(30,248)	6,752
Total other financing sources (uses)	1,103,074	1,103,074	3,938,698	2,835,624
NET CHANGE IN FUND BALANCE	(10,124,243)	(11,176,982)	(4,183,814)	6,993,168
FUND BALANCE AT BEGINNING OF YEAR	10,124,243	11,176,982	32,043,812	20,866,830
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 27,859,998	\$ 27,859,998

See notes to the required supplementary information.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,530,199	\$ 1,530,199	\$ 1,530,199	\$ -
Intergovernmental	1,354,347	1,354,347	1,357,090	2,743
Investment income	-	-	47,478	47,478
Miscellaneous	-	-	152,116	152,116
Total revenues	2,884,546	2,884,546	3,086,883	202,337
EXPENDITURES				
Current				
Public safety	427,826	427,826	424,586	3,240
Economic environment	1,326,978	1,326,978	933,083	393,895
Capital outlay	3,528,605	8,246,393	2,411,307	5,835,086
Debt service	-	-	14,060	(14,060)
Total expenditures	5,283,409	10,001,197	3,783,036	6,218,161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,398,863)	(7,116,651)	(696,153)	6,420,498
OTHER FINANCING SOURCES				
Issuance of leases	-	-	253,251	(253,251)
NET CHANGE IN FUND BALANCE	(2,398,863)	(7,116,651)	(442,902)	6,673,749
FUND BALANCE AT BEGINNING OF YEAR	2,398,863	7,116,651	5,232,266	(1,884,385)
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 4,789,364	\$ 4,789,364

See notes to the required supplementary information.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BEAL MEMORIAL CEMETERY PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment income	\$ -	\$ -	\$ 506,709	\$ 506,709
Miscellaneous	300	300	5,767	5,467
Total revenues	300	300	512,476	512,176
EXPENDITURES				
Current				
Physical environment	25,574	25,574	11,804	13,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,274)	(25,274)	500,672	525,946
OTHER FINANCING SOURCES				
Transfers in	32,200	32,200	30,248	(1,952)
NET CHANGE IN FUND BALANCE	6,926	6,926	530,920	523,994
FUND BALANCE AT BEGINNING OF YEAR	-	-	4,667,003	4,667,003
FUND BALANCE AT END OF YEAR	\$ 6,926	\$ 6,926	\$ 5,197,923	\$ 5,190,997

See notes to the required supplementary information.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
SEPTEMBER 30, 2025**

Budgetary data reflected in the accompanying schedules of revenues, expenditures, and changes in fund balance – budget and actual are established by the following procedures:

Prior to September 1st of each year, proposed budgets are received by the City Council from the City Manager. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed mileages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1st, 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.

**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 *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 245,027	\$ 288,828	\$ 311,634	\$ 330,178	\$ 366,197	\$ 372,064	\$ 446,214	\$ 504,055	\$ 557,163	\$ 569,712
Interest	3,606,688	3,689,920	3,695,597	3,677,931	3,723,744	3,888,510	3,827,379	3,771,606	3,317,396	3,314,990
Differences between expected and actual experience	380,100	(1,541,794)	(614,717)	275,286	60,721	(466,270)	(265,877)	(404,763)	400,221	(1,074,244)
Changes of assumptions ¹	-	-	-	1,521,135	618,633	(768,706)	-	-	4,485,495	-
Benefit payments, including refunds of employee contributions	(3,644,603)	(3,519,769)	(3,381,848)	(3,366,874)	(3,327,697)	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)
Net change in total pension liability	587,212	(1,082,815)	10,666	2,437,656	1,441,598	(136,214)	850,020	814,454	5,901,386	134,420
Total pension liability – beginning	53,101,382	54,184,197	54,173,531	51,735,875	50,294,277	50,430,491	49,580,471	48,766,017	42,864,631	42,730,211
Total pension liability – ending (a)	53,688,594	53,101,382	54,184,197	54,173,531	51,735,875	50,294,277	50,430,491	49,580,471	48,766,017	42,864,631
Plan Fiduciary Net Position										
Contributions – employer	\$ 284,704	\$ 314,371	\$ 580,847	\$ 1,024,247	\$ 1,419,339	\$ 1,751,654	\$ 2,006,925	\$ 1,254,097	\$ 1,280,082	\$ 1,355,041
Contributions – member	100,094	107,036	128,595	136,164	147,885	150,018	158,138	171,869	202,268	209,567
Net investment income	10,432,744	4,095,879	(8,789,933)	10,772,183	4,869,412	1,788,274	4,975,937	4,967,834	4,031,981	(4,390)
Benefit payments, including refunds of employee contributions	(3,644,603)	(3,519,769)	(3,381,848)	(3,366,874)	(3,327,697)	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)
Administrative expenses	(55,871)	(50,580)	(41,837)	(48,305)	(50,568)	(40,421)	(49,518)	(42,201)	(35,704)	(39,535)
Net change in plan fiduciary net position	7,117,068	946,937	(11,504,176)	8,517,415	3,058,371	487,713	3,933,786	3,295,155	2,619,738	(1,155,355)
Plan fiduciary net position – beginning	49,441,828	48,494,891	59,999,067	51,481,652	48,423,281	47,935,568	44,001,782	40,706,627	38,086,889	39,242,244
Plan fiduciary net position – ending (b)	56,558,896	49,441,828	48,494,891	59,999,067	51,481,652	48,423,281	47,935,568	44,001,782	40,706,627	38,086,889
Net pension liability (asset) – ending (a) – (b)	\$ (2,870,302)	\$ 3,659,554	\$ 5,689,306	\$ (5,825,536)	\$ 254,223	\$ 1,870,996	\$ 2,494,923	\$ 5,578,689	\$ 8,059,390	\$ 4,777,742
Plan fiduciary net position as a percentage of the total pension liability	105.35%	93.11%	89.50%	110.75%	99.51%	96.28%	95.05%	88.75%	83.47%	88.85%
Covered payroll	\$ 2,001,875	\$ 2,140,710	\$ 2,571,886	\$ 2,723,263	\$ 2,957,684	\$ 3,000,359	\$ 3,162,762	\$ 3,437,375	\$ 4,045,350	\$ 4,191,304
Net pension liability as a percentage of covered payroll	-143.38%	170.95%	221.21%	-213.92%	8.60%	62.36%	78.88%	162.30%	199.23%	113.99%

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 in its July 1, 2021, actuarial valuation for non-special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

The investment rate of return assumption was lowered from 7.60% to 7.30% for the 2021 reporting date.

The investment rate of return assumption was lowered from 7.30% to 7.00% for the 2022 reporting date.

**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 *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 902,915	\$ 784,364	\$ 748,564	\$ 699,264	\$ 546,326	\$ 384,431	\$ 395,440	\$ 334,061	\$ 344,958	\$ 336,234
Interest	2,280,478	2,284,699	2,230,909	2,142,668	2,143,525	1,976,534	2,112,261	2,084,744	1,948,181	1,953,123
Change in excess state money	-	-	-	-	(172,843)	40,065	20,893	8,823	-	-
Changes of benefit terms ³	-	-	-	-	1,428,025	-	-	-	-	-
Differences between expected and actual experiences	1,333,735	(1,184,359)	(262,825)	476,947	(211,485)	283,813	(833,418)	(343,066)	(425,107)	(659,966)
Changes of assumptions ²	-	-	-	682,631	46,143	584,615	(251,695)	-	1,633,122	-
Benefit payments, including refunds of employee contributions	(2,138,041)	(1,989,100)	(1,978,930)	(1,900,983)	(1,868,482)	(1,851,074)	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)
Net change in total pension liability	2,379,087	(104,396)	737,718	2,100,527	1,911,209	1,418,384	(321,094)	262,835	1,756,444	(25,678)
Total pension liability – beginning	32,744,351	32,848,747	32,111,029	30,010,502	28,099,293	26,680,909	27,002,003	26,739,168	24,982,724	25,008,402
Total pension liability – ending (a)	35,123,438	32,744,351	32,848,747	32,111,029	30,010,502	28,099,293	26,680,909	27,002,003	26,739,168	24,982,724
Plan Fiduciary Net Position										
Contributions – employer ¹	\$ 1,760,809	\$ 1,426,703	\$ 1,314,250	\$ 1,232,753	\$ 806,946	\$ 732,187	\$ 830,613	\$ 569,215	\$ 577,564	\$ 628,975
Contributions – state	288,411	267,370	236,730	223,280	217,473	221,641	202,468	190,399	181,303	175,025
Contributions – member	187,008	176,319	151,799	147,074	132,013	113,192	112,112	104,557	102,214	101,886
Net investment income	5,236,088	2,537,574	(3,684,483)	4,499,980	2,166,715	1,085,486	1,609,609	2,036,244	1,698,093	(538,198)
Benefit payments, including refunds of employee contributions	(2,138,041)	(1,989,100)	(1,978,930)	(1,900,983)	(1,868,482)	(1,851,074)	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)
Administrative expenses	(74,185)	(89,557)	(63,679)	(52,862)	(57,304)	(64,930)	(54,400)	(39,184)	(44,882)	(25,084)
Net change in plan fiduciary net position	5,260,090	2,329,309	(4,024,313)	4,149,242	1,397,361	236,502	935,827	1,039,504	769,582	(1,312,465)
Plan fiduciary net position – beginning	25,984,001	23,654,692	27,679,005	23,529,763	22,132,402	21,895,900	20,960,073	19,920,569	19,150,987	20,463,452
Plan fiduciary net position – ending (b)	31,244,091	25,984,001	23,654,692	27,679,005	23,529,763	22,132,402	21,895,900	20,960,073	19,920,569	19,150,987
Net pension liability – ending (a) – (b)	\$ 3,879,347	\$ 6,760,350	\$ 9,194,055	\$ 4,432,024	\$ 6,480,739	\$ 5,966,891	\$ 4,785,009	\$ 6,041,930	\$ 6,818,599	\$ 5,831,737
Plan fiduciary net position as a percentage of the total pension liability	88.96%	79.35%	72.01%	86.20%	78.41%	78.76%	82.07%	77.62%	74.50%	76.66%
Covered payroll	\$ 3,740,162	\$ 3,526,388	\$ 3,035,976	\$ 2,941,480	\$ 2,640,254	\$ 2,263,844	\$ 2,242,245	\$ 2,091,146	\$ 2,073,208	\$ 2,037,716
Net pension liability as a percentage of covered payroll	103.72%	191.71%	302.84%	150.67%	245.46%	263.57%	213.40%	288.93%	328.89%	286.19%

See notes to schedule on the next page.

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

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 in its July 1, 2021, actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

For the 2021 reporting date, changes of assumptions resulted from the changes in benefit terms discussed below; the retirement assumptions were updated to assume 25% probability of retirement between ages 52-54 with less than 25 year of service, as well as 50% probability of retirement upon completion of 25 years of service, and a 100% probability of retirement upon completion of 26 or more years of service.

The investment rate of return assumption was lowered from 7.40% to 7.20% for the 2021 reporting date.

The investment rate of return assumption was lowered from 7.20% to 7.00% for the 2022 reporting date.

³ For the 2021 reporting date, the plan was amended by Ordinance 2025 to provide the following benefit changes: 1) requirements for normal retirement eligibility to be the earlier of age 52 and 10 years of service or 25 years of service (regardless of age); 2) reduces the early retirement reduction from 6.00% to 3.00% per year for each year prior to normal retirement; and 3) increases the maximum benefit accrual rate from 2.75% to 3.00% of average final compensation per year for each year of service, up to a maximum of 75% of average final compensation.

**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 *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 763,298	\$ 784,668	\$ 768,244	\$ 645,171	\$ 546,149	\$ 513,466	\$ 477,930	\$ 494,032	\$ 453,506	\$ 478,365
Interest	2,484,595	2,387,337	2,229,203	2,115,954	2,063,083	1,978,589	1,864,720	1,830,663	1,645,954	1,554,072
Share plan allocation and excess funds	58,611	64,159	-	-	-	-	-	-	-	-
Changes of benefit terms ²	-	-	-	-	-	(2,402)	-	-	-	804,097
Differences between expected and actual experiences	70,616	(111,725)	790,469	397,047	231,328	98,199	513,043	(199,349)	261,007	(224,382)
Contributions – buy back	-	13,921	22,695	-	-	-	-	32,155	-	72,413
Changes of assumptions ¹	-	-	103,378	760,987	66,865	655,972	601,424	258,300	1,243,794	-
Benefit payments, including refunds of employee contributions	(1,745,932)	(1,709,241)	(1,633,458)	(1,536,000)	(1,459,394)	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)
Net change in total pension liability	1,631,188	1,429,119	2,280,531	2,383,159	1,448,031	1,836,270	2,138,961	981,327	2,366,872	1,544,133
Total pension liability – beginning	35,603,888	34,174,769	31,894,238	29,511,079	28,063,048	26,226,778	24,087,817	23,106,490	20,739,618	19,195,485
Total pension liability – ending (a)	37,235,076	35,603,888	34,174,769	31,894,238	29,511,079	28,063,048	26,226,778	24,087,817	23,106,490	20,739,618
Plan Fiduciary Net Position										
Contributions – employer	\$ 1,630,438	\$ 1,431,211	\$ 1,390,710	\$ 1,390,526	\$ 1,231,466	\$ 1,016,560	\$ 1,089,746	\$ 794,144	\$ 744,019	\$ 672,369
Contributions – state	333,611	339,159	256,006	235,435	209,723	219,901	195,017	204,568	201,904	205,007
Contributions – member	243,145	249,844	233,380	226,099	204,865	189,154	182,127	173,480	164,876	150,357
Contributions – buy back	-	13,921	22,695	-	-	-	-	32,155	-	72,413
Net investment income	4,748,767	2,141,044	(3,520,580)	3,874,693	1,922,011	564,309	1,430,717	1,401,324	969,107	15,563
Benefit payments, including refunds of employee contributions	(1,745,932)	(1,709,241)	(1,633,458)	(1,536,000)	(1,459,394)	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)
Administrative expenses	(80,823)	(85,891)	(64,300)	(44,086)	(55,253)	(66,388)	(67,773)	(28,449)	(43,625)	(47,088)
Net change in plan fiduciary net position	5,129,206	2,380,047	(3,315,547)	4,146,667	2,053,418	515,982	1,511,678	1,142,748	798,892	(71,811)
Plan fiduciary net position – beginning	22,824,393	20,444,346	23,759,893	19,613,226	17,559,808	17,043,826	15,532,148	14,389,400	13,590,508	13,662,319
Plan fiduciary net position – ending (b)	27,953,599	22,824,393	20,444,346	23,759,893	19,613,226	17,559,808	17,043,826	15,532,148	14,389,400	13,590,508
Net pension liability – ending (a) – (b)	\$ 9,281,477	\$ 12,779,495	\$ 13,730,423	\$ 8,134,345	\$ 9,897,853	\$ 10,503,240	\$ 9,182,952	\$ 8,555,669	\$ 8,717,090	\$ 7,149,110
Plan fiduciary net position as a percentage of the total pension liability	75.07%	64.11%	59.82%	74.50%	66.46%	62.57%	64.99%	64.48%	62.27%	65.53%
Covered payroll	\$ 3,039,311	\$ 3,123,046	\$ 2,917,251	\$ 2,826,544	\$ 2,560,508	\$ 2,364,429	\$ 2,276,592	\$ 2,168,503	\$ 2,060,954	\$ 2,072,260
Net pension liability as a percentage of covered payroll	305.38%	409.20%	470.66%	287.78%	386.56%	444.22%	403.36%	394.54%	422.96%	344.99%

See notes to schedule on the next page.

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

Notes:

¹ The investment rate of return assumption was lowered from 7.20% to 7.00% for the 2022 reporting date.

The investment rate of return assumption was lowered from 7.40% to 7.20% for the 2021 reporting date.

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 in its July 1, 2021, actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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.

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

Reporting Date *	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 270,609	\$ 263,908	\$ 399,330	\$ 410,684	\$ 230,648	\$ 190,791	\$ 91,714	\$ 105,139	\$ 85,100
Interest	247,233	231,897	176,997	155,984	228,430	235,597	205,213	187,954	195,814
Differences between expected and actual experience	(656,654)	-	(978,450)	-	(1,195,507)	-	(494,909)	-	-
Changes of assumptions ¹	235,921	(65,573)	(1,661,244)	(334,427)	1,699,860	519,859	288,811	(639,051)	702,672
Benefit payments	(229,736)	(214,206)	(233,797)	(218,502)	(250,893)	(232,308)	(151,409)	(139,227)	(139,227)
Net change in total OPEB liability	(132,627)	216,026	(2,297,164)	13,739	712,538	713,939	(60,580)	(485,185)	844,359
Total OPEB liability - beginning	4,919,554	4,703,528	7,000,692	6,986,953	6,274,415	5,560,476	5,621,056	6,106,241	5,261,882
Total OPEB liability - ending (a)	4,786,927	4,919,554	4,703,528	7,000,692	6,986,953	6,274,415	5,560,476	5,621,056	6,106,241
Plan Fiduciary Net Position									
Contributions - employer	232,826	224,306	236,797	228,302	253,893	242,108	154,409	148,727	141,727
Benefit payments ³	(229,736)	(214,206)	(233,797)	(218,502)	(250,893)	(232,308)	(151,409)	(139,227)	(139,227)
Administrative expenses	(3,090)	(10,100)	(3,000)	(9,800)	(3,000)	(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)	-	-	-	-	-	-	-	-	-
City's total OPEB liability - ending (a) - (b)	\$ 4,786,927	\$ 4,919,554	\$ 4,703,528	\$ 7,000,692	\$ 6,986,953	\$ 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%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll (projected)	\$ 15,504,186	\$ 14,407,454	\$ 13,747,571	\$ 12,653,509	\$ 12,085,491	\$ 11,392,366	\$ 10,891,364	\$ 7,927,323	\$ 7,520,263
City's total OPEB liability as a percentage of covered-employee payroll	30.88%	34.15%	34.21%	55.33%	57.81%	55.08%	51.05%	70.91%	81.20%

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

** There are no OPEB plan assets accumulated in a GASB compliant trust to pay for related plan benefits.

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:

2025: 4.06%	2022: 2.43%	2019: 4.18%
2024: 4.87%	2021: 2.14%	2018: 3.64%
2023: 4.77%	2020: 3.58%	2017: 3.06%

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

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

Reporting Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>General Employees' Retirement Fund</u>										
Actuarially determined contribution	\$ 228,642	\$ 242,563	\$ 289,455	\$ 580,847	\$ 1,024,247	\$ 1,419,339	\$ 1,602,192	\$ 1,771,147	\$ 1,120,584	\$ 1,197,424
Contributions in relation to the actuarially determined contributions	<u>228,642</u>	<u>284,704</u>	<u>314,371</u>	<u>580,847</u>	<u>1,024,247</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (42,141)</u>	<u>\$ (24,916)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (149,462)</u>	<u>\$ (235,778)</u>	<u>\$ (133,513)</u>	<u>\$ (82,658)</u>
Covered payroll	\$ 1,449,235	\$ 2,001,875	\$ 2,140,710	\$ 2,571,886	\$ 2,723,263	\$ 2,957,684	\$ 3,000,359	\$ 3,162,762	\$ 3,437,375	\$ 4,045,350
Contributions as a percentage of covered payroll	15.78%	14.22%	14.69%	22.58%	37.61%	47.99%	58.38%	63.45%	36.48%	32.33%
<u>Police Officers' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,711,524	\$ 1,578,349	\$ 1,643,297	\$ 1,429,945	\$ 1,456,033	\$ 1,024,419	\$ 837,623	\$ 928,289	\$ 650,347	\$ 709,037
Contributions in relation to the actuarially determined contributions	<u>1,809,215</u>	<u>2,049,220</u>	<u>1,694,073</u>	<u>1,550,980</u>	<u>1,456,033</u>	<u>1,024,419</u>	<u>913,763</u>	<u>1,033,081</u>	<u>750,791</u>	<u>790,573</u>
Contribution deficiency (excess)	<u>\$ (97,691)</u>	<u>\$ (470,871)</u>	<u>\$ (50,776)</u>	<u>\$ (121,035)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,140)</u>	<u>\$ (104,792)</u>	<u>\$ (100,444)</u>	<u>\$ (81,536)</u>
Covered payroll	\$ 3,916,530	\$ 3,740,162	\$ 3,526,388	\$ 3,035,976	\$ 2,941,480	\$ 2,640,254	\$ 2,263,844	\$ 2,242,245	\$ 2,091,146	\$ 2,073,208
Contributions as a percentage of covered payroll	46.19%	54.79%	48.04%	51.09%	49.50%	38.80%	40.36%	46.07%	35.90%	38.13%
<u>Firefighters' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,618,256	\$ 1,604,756	\$ 1,627,107	\$ 1,546,144	\$ 1,534,814	\$ 1,293,057	\$ 1,127,832	\$ 1,138,295	\$ 899,929	\$ 816,138
Contributions in relation to the actuarially determined contributions	<u>1,921,848</u>	<u>1,905,438</u>	<u>1,706,211</u>	<u>1,646,716</u>	<u>1,625,961</u>	<u>1,441,189</u>	<u>1,236,461</u>	<u>1,284,763</u>	<u>998,712</u>	<u>945,923</u>
Contribution deficiency (excess)	<u>\$ (303,592)</u>	<u>\$ (300,682)</u>	<u>\$ (79,104)</u>	<u>\$ (100,572)</u>	<u>\$ (91,147)</u>	<u>\$ (148,132)</u>	<u>\$ (108,629)</u>	<u>\$ (146,468)</u>	<u>\$ (98,783)</u>	<u>\$ (129,785)</u>
Covered payroll	\$ 2,926,322	\$ 3,039,311	\$ 3,123,046	\$ 2,917,251	\$ 2,826,544	\$ 2,560,508	\$ 2,364,429	\$ 2,276,592	\$ 2,168,503	\$ 2,060,954
Contributions as a percentage of covered payroll	65.67%	62.69%	54.63%	56.45%	57.52%	56.29%	52.29%	56.43%	46.06%	45.90%

See notes to the schedule of contributions.

**CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2025**

Measurement Period Ended:	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<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>
General Employees' Retirement Fund										
Annual Money-Weighted Rate of Return										
Net of Investment Expense	21.76%	8.68%	-14.99%	21.35%	10.25%	3.78%	11.43%	12.45%	10.78%	-0.01%
Police Officers' Retirement Fund										
Annual Money-Weighted Rate of Return										
Net of Investment Expense	20.26%	10.85%	-13.47%	19.34%	10.01%	5.08%	7.82%	10.52%	9.12%	-2.69%
Firefighters' Retirement Fund										
Annual Money-Weighted Rate of Return										
Net of Investment Expense	20.82%	10.50%	-14.84%	19.75%	11.01%	3.33%	9.24%	9.88%	7.25%	0.12%

**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, 2023

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: Projected generationally with Scale MP-2018

Healthy lives:

Female: PubG.H-2010 for Employees

Male: PubG.H-2010 (Below Median) for Employees, set back one year

Disabled lives:

Female: PubG.H-2010 for Disabled Retirees, set forward three years

Male: PubG.H-2010 for Disabled Retirees, set forward three years

Interest rate: 7.00% per year, compounded annually, net of investment related expenses

Inflation: 2.50%

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 3.00% 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%

Cost of living increase: 2.50% per year beginning at retirement

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

Actuarial asset method: All assets are valued at fair value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual fair value investment return against expected fair 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, 2023

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: Projected generationally with Scale MP-2018

Healthy lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year

Male: PubS.H-2010 (Below Median) for Employees, set forward one year

Disabled lives:

Female: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Male: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Interest rate: 7.00% per year, compounded annually, net of investment related expenses

Retirement age:	Member Age	Retirement Probability
	50-51	5.0%
	52-54	25.0%
	55-56	10.0%
	57	33.3%
	58-59	50.0%
	60+	100.0%

In addition to the above table, 100% are assumed to retire upon completion of 25 years of service at the age of 60.

Early retirement:	Service Years	Retirement Probability
	25	50.0%
	26+	100.0%

Cost-of-living increase: 2.50% per year beginning at retirement

Payroll growth: None

Actuarial asset method: All assets are valued at fair value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual fair value investment return against expected fair 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) – CONTINUED
POLICE OFFICERS' RETIREMENT FUND**

Marital assumption: 100% of active members are assumed to be married, with husbands 3 years older than wives.

Salary increases:	Service Years	Assumption
	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 table on the previous page, projected salary at retirement is increased 20.0% to account for non-regular compensation.

Disability rate:

Age	% Becoming Disabled During the Year
20	0.28%
25	0.30%
30	0.36%
35	0.46%
40	0.60%
45	1.02%
50	2.00%
55	3.10%
60	4.18%

It is assumed that 75% of disablements are service-related.

Termination rate:	Service Years	Termination Probability
	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, 2023

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: Projected generationally with Scale MP-2018

Healthy lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year

Disabled lives:

Female: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Male: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Interest rate: 7.00% per year compounded annually, net of investment related expenses

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 2022.

Salary increases: See table below; assumed rates were approved in conjunction with an actuarial experience study dated June 2022.

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

Salary increases:

Service Years	Increase
0	14.00%
1-9	6.00%
10-14	5.50%
15+	4.75%

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

Disability rate:	<u>Age</u>	<u>Disability Rate</u>
	20	0.14%
	25	0.15%
	30	0.18%
	35	0.23%
	40	0.30%
	45	0.51%
	50	1.00%
	55	1.55%
	60+	2.09%
Termination rate:	<u>Service Years</u>	<u>Termination Rate</u>
	0-2	12.00%
	3-9	9.00%
	10+	3.00%
Retirement age:	<u>Member Age</u>	<u>Retirement Probability</u>
	45 - 54	3.00%
	55+	100.00%

In addition to the above table, 100% are assumed to retire upon completion of 25 years of service. The assumed rates in this table were approved in conjunction with an actuarial experience study dated June 2022.

**CITY OF FORT WALTON BEACH, FLORIDA
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Law Enforcement Trust Fund

This fund is used to account for the revenues received from grants or forfeitures that are legally restricted for specific purposes, such as crime prevention, community policing, and drug education. Funds cannot be used for normal operating expenditures.

Law Enforcement Trust Training Fund

This fund is used to account for the revenues received from traffic fines that are legally restricted for specific purposes, such as school crossing guards and police officer training.

Florida Building Code Fund

This fund is used to account for the revenues from building permits and inspections, which are legally restricted for enforcing the Florida Building Code, as defined by State statutes.

Community Development Block Grant Fund

This fund is used to account for grant funds from the U.S. Department of Housing and Urban Development that are legally restricted for specific purposes, primarily assistance to benefit low- and moderate-income families.

**CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2025**

	Special Revenue Funds				
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 282,286	\$ 40,867	\$ 1,674,743	\$ -	\$ 1,997,896
Due from other governments	1,778	-	-	6,117	7,895
TOTAL ASSETS	\$ 284,064	\$ 40,867	\$ 1,674,743	\$ 6,117	\$ 2,005,791
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 6,656	\$ -	\$ 6,656
Accrued liabilities	111,143	-	26,686	-	137,829
Due to other funds	-	-	-	14,899	14,899
Total liabilities	111,143	-	33,342	14,899	159,384
FUND BALANCE					
Restricted	172,921	40,867	1,641,401	-	1,855,189
Unassigned	-	-	-	(8,782)	(8,782)
Total fund balance	172,921	40,867	1,641,401	(8,782)	1,846,407
TOTAL LIABILITIES AND FUND BALANCE	\$ 284,064	\$ 40,867	\$ 1,674,743	\$ 6,117	\$ 2,005,791

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, 2025

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	(Formerly Non-Major) Beal Memorial Cemetery Perpetual Care	
REVENUES						
Permits and fees	\$ -	\$ -	\$ 631,908	\$ -	\$ -	\$ 631,908
Intergovernmental	1,778	-	-	121,027	-	122,805
Fines	17,533	3,651	-	-	-	21,184
Miscellaneous	7,573	1,179	48,865	-	-	57,617
Total revenues	26,884	4,830	680,773	121,027	-	833,514
EXPENDITURES						
Current						
Public safety	10,026	-	577,455	-	-	587,481
Economic environment	-	-	-	121,027	-	121,027
Total expenditures	10,026	-	577,455	121,027	-	708,508
NET CHANGE IN FUND BALANCE	16,858	4,830	103,318	-	-	125,006
FUND BALANCE (DEFICIT) - AS PREVIOUSLY REPORTED	156,063	36,037	1,538,083	(8,782)	4,667,003	6,388,404
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND	-	-	-	-	(4,667,003)	(4,667,003)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	156,063	36,037	1,538,083	(8,782)	-	1,721,401
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 172,921</u>	<u>\$ 40,867</u>	<u>\$ 1,641,401</u>	<u>\$ (8,782)</u>	<u>\$ -</u>	<u>\$ 1,846,407</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, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 4,766	\$ 1,778	\$ (2,988)
Fines	-	-	17,533	17,533
Miscellaneous	300	300	7,573	7,273
Total revenues	300	5,066	26,884	21,818
EXPENDITURES				
Current				
Public safety	8,202	25,468	10,026	15,442
NET CHANGE IN FUND BALANCE	(7,902)	(20,402)	16,858	37,260
FUND BALANCE AT BEGINNING OF YEAR	7,902	20,402	156,063	135,661
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 172,921	\$ 172,921

**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, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines	\$ 4,000	\$ 4,000	\$ 3,651	\$ (349)
Miscellaneous	-	-	1,179	1,179
Total revenues	4,000	4,000	4,830	830
EXPENDITURES				
Current				
Public safety	4,000	4,000	-	4,000
NET CHANGE IN FUND BALANCE	-	-	4,830	4,830
FUND BALANCE AT BEGINNING OF YEAR	-	-	36,037	36,037
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,867</u>	<u>\$ 40,867</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, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Permits and fees	\$ 711,000	\$ 711,000	\$ 631,908	\$ (79,092)
Miscellaneous	500	500	48,865	48,365
Total revenues	711,500	711,500	680,773	(30,727)
EXPENDITURES				
Current				
Public safety	630,742	630,742	577,455	53,287
Capital outlay	2,180	2,180	-	2,180
Total expenditures	632,922	632,922	577,455	55,467
NET CHANGE IN FUND BALANCE	78,578	78,578	103,318	24,740
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,538,083	1,538,083
FUND BALANCE AT END OF YEAR	<u>\$ 78,578</u>	<u>\$ 78,578</u>	<u>\$ 1,641,401</u>	<u>\$ 1,562,823</u>

**CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 134,174	\$ 134,174	\$ 121,027	\$ (13,147)
EXPENDITURES				
Current				
Economic environment	239,044	239,044	121,027	118,017
NET CHANGE IN FUND BALANCE	(104,870)	(104,870)	-	104,870
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	104,870	104,870	(8,782)	(113,652)
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ -	\$ (8,782)	\$ (8,782)

III. STATISTICAL SECTION (UNAUDITED)

This section of the City's annual comprehensive 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 annual comprehensive 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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net investment in capital assets	\$ 27,791,054	\$ 27,347,098	\$ 29,375,380	\$ 28,280,342	\$ 28,266,271	\$ 28,034,343	\$ 28,661,006	\$ 29,022,371	\$ 35,708,426	\$ 40,721,488
Restricted										
Debt service	21,156	21,156	26	-	21,156	21,156	21,156	21,156	-	-
Redevelopment projects	1,437,363	1,552,484	1,812,525	1,691,456	3,060,014	4,133,412	5,234,216	6,225,881	5,232,266	5,171,206
Pension benefits	-	-	-	-	-	-	-	-	-	268,637
Public safety	536,448	426,892	468,331	673,892	879,583	1,060,646	1,343,836	1,566,532	1,730,183	1,855,189
Other purposes	165,895	93,456	66,707	1,370,446	2,248,298	3,784,023	5,776,594	7,243,110	7,983,383	7,509,746
Unrestricted	2,158,813	(1,447,438)	(2,667,720)	(377,793)	4,171,642	8,279,303	8,070,651	10,278,765	10,115,793	7,393,334
Total governmental activities net position	<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>	<u>\$ 45,312,883</u>	<u>\$ 49,107,459</u>	<u>\$ 54,357,815</u>	<u>\$ 60,770,051</u>	<u>\$ 62,919,600</u>
Business-Type Activities										
Net investment in capital assets	\$ 12,893,855	\$ 13,818,340	\$ 13,829,575	\$ 13,678,160	\$ 14,566,978	\$ 14,023,752	\$ 13,422,691	\$ 15,556,733	\$ 20,555,468	\$ 23,383,823
Restricted										
Debt service	157,228	157,228	157,228	157,228	157,228	157,228	157,228	157,228	157,228	157,228
Pension benefits	-	-	-	-	-	-	-	-	-	183,187
System improvements	404,761	452,472	440,212	454,564	465,123	476,154	463,361	434,824	432,439	473,011
Unrestricted	11,118,844	11,731,659	12,252,058	14,010,607	14,639,462	15,561,538	15,699,234	14,439,484	13,254,299	11,842,713
Total business-type activities net position	<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>	<u>\$ 30,218,672</u>	<u>\$ 29,742,514</u>	<u>\$ 30,588,269</u>	<u>\$ 34,399,434</u>	<u>\$ 36,039,962</u>
Primary Government										
Net investment in capital assets	\$ 40,684,909	\$ 41,165,438	\$ 43,204,955	\$ 41,958,502	\$ 42,833,249	\$ 42,058,095	\$ 42,083,697	\$ 44,579,104	\$ 56,263,894	\$ 64,105,311
Restricted	2,722,851	2,703,688	2,945,029	4,347,586	6,831,402	9,632,619	12,996,391	15,648,731	15,535,499	15,618,204
Unrestricted	13,277,657	10,284,221	9,584,338	13,632,814	18,811,104	23,840,841	23,769,885	24,718,249	23,370,092	19,236,047
Total primary government net position	<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>	<u>\$ 75,531,555</u>	<u>\$ 78,849,973</u>	<u>\$ 84,946,084</u>	<u>\$ 95,169,485</u>	<u>\$ 98,959,562</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 amounts reported for the 2023 governmental activities net investment in capital assets has been reduced to reflect a restatement to correct an error.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities										
General government	\$ 3,285,039	\$ 3,581,072	\$ 3,799,439	\$ 3,559,619	\$ 4,182,204	\$ 4,222,810	\$ 4,318,011	\$ 5,321,980	\$ 5,612,265	\$ 6,893,053
Public safety	10,172,215	11,507,059	11,420,904	11,159,777	12,040,368	13,746,451	14,020,586	19,077,377	15,594,706	16,698,910
Physical environment	430,490	543,287	505,458	519,126	497,072	547,701	531,268	531,784	425,314	401,575
Transportation	1,494,178	1,536,979	1,401,819	1,406,227	1,268,589	1,253,402	1,401,797	1,385,178	1,318,838	1,004,089
Economic environment	1,540,230	1,591,643	1,174,794	1,412,332	1,317,571	1,131,722	1,194,625	1,217,467	1,463,389	1,275,342
Culture and recreation	5,375,183	5,403,198	5,538,881	5,781,339	5,999,273	5,990,714	6,103,857	6,545,449	6,912,043	6,726,220
Debt service interest	323,639	304,331	291,590	664,131	727,034	700,924	716,930	728,062	705,158	668,906
Total government activities	22,620,974	24,467,569	24,132,885	24,502,551	26,032,111	27,593,724	28,287,074	34,807,297	32,031,713	33,668,095
Business-type activities										
Utilities	10,066,769	9,420,248	9,810,437	9,961,949	9,315,619	10,574,909	10,480,961	10,003,984	11,238,837	11,080,697
Sanitation	3,407,992	3,687,087	3,774,624	3,720,984	3,824,136	3,996,753	4,142,106	4,774,632	4,580,016	4,745,877
Stormwater	611,351	681,541	727,282	762,181	764,925	1,040,698	1,035,826	967,922	1,196,475	1,048,423
Total business-type activities	14,086,112	13,788,876	14,312,343	14,445,114	13,904,680	15,612,360	15,658,893	15,746,538	17,015,328	16,874,997
Total primary government expenses	\$ 36,707,086	\$ 38,256,445	\$ 38,445,228	\$ 38,947,665	\$ 39,936,791	\$ 43,206,084	\$ 43,945,967	\$ 50,553,835	\$ 49,047,041	\$ 50,543,092
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 421,503	\$ 448,911	\$ 434,820	\$ 508,494	\$ 532,475	\$ 550,688	\$ 354,235	\$ 291,558	\$ 394,970	\$ 699,179
Public safety	523,163	570,556	532,536	643,944	1,440,937	1,883,415	2,204,959	2,296,942	934,683	900,575
Physical environment	371,205	399,338	387,821	414,695	415,266	724,582	535,838	486,857	422,578	453,875
Transportation	207,860	240,653	246,164	252,418	258,883	270,779	288,888	198,547	214,127	202,017
Economic environment	392,118	12,000	-	21,300	36,701	51,039	46,413	47,806	48,266	51,201
Culture and recreation	1,805,332	1,846,019	2,078,405	2,171,484	2,095,326	2,572,448	2,787,760	3,076,149	3,085,299	3,133,432
Operating grants and contributions	908,595	825,624	706,094	765,032	4,049,001	2,348,391	1,460,346	1,866,820	1,089,161	1,239,109
Capital grants and contributions	802,809	361,641	1,487,587	37,406	232,491	186,874	125,832	1,251,331	789,571	243,432
Total governmental activities program revenues	5,432,585	4,704,742	5,873,427	4,814,773	9,061,080	8,588,216	7,804,271	9,516,010	6,978,655	6,922,820
Business-type activities										
Charges for services										
Utilities	10,141,724	10,970,823	10,737,496	11,390,289	11,356,045	11,856,685	11,944,833	11,790,008	11,580,108	12,484,176
Sanitation	3,599,838	3,663,445	3,774,519	3,871,204	3,934,207	4,381,765	4,824,130	5,018,548	5,177,268	5,433,078
Stormwater	860,644	917,844	975,805	1,027,310	1,035,033	1,035,527	1,037,228	1,036,590	1,046,679	1,053,819
Capital grants and contributions	533,515	1,314,521	151,049	93,282	211,962	89,963	46,063	122,670	3,721,220	1,082,695
Total business-type activities program revenues	15,135,721	16,866,633	15,638,869	16,382,085	16,537,247	17,363,940	17,852,254	17,967,816	21,525,275	20,053,768
Total primary government program revenues	\$ 20,568,306	\$ 21,571,375	\$ 21,512,296	\$ 21,196,858	\$ 25,598,327	\$ 25,952,156	\$ 25,656,525	\$ 27,483,826	\$ 28,503,930	\$ 26,976,588

Continued...

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenue										
Governmental activities	\$ (17,188,389)	\$ (19,762,827)	\$ (18,259,458)	\$ (19,687,778)	\$ (16,971,031)	\$ (19,005,508)	\$ (20,482,803)	\$ (25,291,287)	\$ (25,053,058)	\$ (26,745,275)
Business-type activities	1,049,609	3,077,757	1,326,526	1,936,971	2,632,567	1,751,580	2,193,361	2,221,278	4,509,947	3,178,771
Total primary government	<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>	<u>\$ (17,253,928)</u>	<u>\$ (18,289,442)</u>	<u>\$ (23,070,009)</u>	<u>\$ (20,543,111)</u>	<u>\$ (23,566,504)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 5,617,998	\$ 5,807,598	\$ 6,041,303	\$ 6,416,668	\$ 6,573,751	\$ 6,608,861	\$ 7,025,573	\$ 7,618,352	\$ 7,750,534	\$ 7,693,921
Sales taxes	2,707,153	2,792,840	2,941,301	4,335,114	4,940,279	6,021,460	6,401,055	6,142,151	6,726,844	5,934,715
Utility service taxes	3,931,939	3,962,859	4,182,026	4,045,085	4,024,523	4,136,505	4,294,415	4,515,669	4,681,431	4,716,511
Tax increments for redevelopment district	1,628,439	1,649,589	1,811,121	1,893,803	2,369,529	2,320,213	2,404,122	2,668,386	2,842,113	2,887,289
Franchise fees	2,202,420	2,034,209	2,131,104	2,084,717	2,070,302	2,146,088	2,355,837	2,415,585	2,385,680	2,387,255
Intergovernmental, unrestricted	910,615	981,613	1,009,901	1,034,884	978,949	1,101,020	1,374,067	1,407,882	1,316,824	1,719,563
Gain on sale of assets	873,101	-	-	66,523	158,530	740,344	39,877	2,264,170	139,509	586,414
Miscellaneous	27,976	157,806	93,106	77,264	44,913	93,227	83,470	72,967	29,966	35,815
Investment earnings (losses)	444,972	414,160	263,824	1,225,235	1,071,190	743,927	(1,498,120)	1,638,716	3,743,723	2,167,478
Transfers	755,846	761,739	847,373	1,091,579	1,747,686	1,759,782	1,797,083	1,797,765	1,848,670	1,985,575
Total governmental activities	<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>	<u>25,671,427</u>	<u>24,277,379</u>	<u>30,541,643</u>	<u>31,465,294</u>	<u>30,114,536</u>
Business-type activities										
Gain on sale of assets	26,093	32,663	14,258	44,914	16,801	260,579	-	50,435	9,371	10,479
Miscellaneous	5,502	27,727	16,575	17,671	1,551	105,520	4,088	1,580	2,366	2,387
Investment earnings (losses)	165,583	85,567	9,388	713,509	624,999	31,984	(876,524)	370,227	1,138,151	670,706
Transfers	(755,846)	(761,739)	(847,373)	(1,091,579)	(1,747,686)	(1,759,782)	(1,797,083)	(1,797,765)	(1,848,670)	(1,985,575)
Total business-type activities	<u>(558,668)</u>	<u>(615,782)</u>	<u>(807,152)</u>	<u>(315,485)</u>	<u>(1,104,335)</u>	<u>(1,361,699)</u>	<u>(2,669,519)</u>	<u>(1,375,523)</u>	<u>(698,782)</u>	<u>(1,302,003)</u>
Total primary government	<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>	<u>\$ 24,309,728</u>	<u>\$ 21,607,860</u>	<u>\$ 29,166,120</u>	<u>\$ 30,766,512</u>	<u>\$ 28,812,533</u>
Change in Net Position										
Governmental activities	\$ 1,912,070	\$ (1,200,414)	\$ 1,061,601	\$ 2,583,094	\$ 7,008,621	\$ 6,665,919	\$ 3,794,576	\$ 5,250,356	\$ 6,412,236	\$ 3,369,261
Business-type activities	490,941	2,461,975	519,374	1,621,486	1,528,232	389,881	(476,158)	845,755	3,811,165	1,876,768
Total primary government	<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>	<u>\$ 7,055,800</u>	<u>\$ 3,318,418</u>	<u>\$ 6,096,111</u>	<u>\$ 10,223,401</u>	<u>\$ 5,246,029</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 gain on sale of assets reported for 2023 governmental activities has been reduced to reflect a restatement to correct an error.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 240,865	\$ 245,181	\$ 250,315	\$ 269,837	\$ 286,427	\$ 259,960	\$ 284,342	\$ 311,357	\$ 391,596	\$ 556,226
Restricted	163,817	93,456	66,707	4,497,485	2,248,298	5,712,331	6,164,287	7,243,110	7,983,383	7,509,746
Committed	6,009,523	6,687,557	6,663,230	8,019,062	8,045,739	8,649,189	10,409,244	11,556,463	11,158,869	11,214,071
Assigned	1,198,378	1,891,555	1,913,861	2,341,510	2,184,202	3,908,571	3,096,152	9,590,863	6,849,007	6,030,470
Unassigned	4,356,681	3,561,586	2,282,375	3,291,695	8,218,150	8,845,558	7,300,353	4,983,996	5,660,957	2,549,485
Total general fund	<u>\$ 11,969,264</u>	<u>\$ 12,479,335</u>	<u>\$ 11,176,488</u>	<u>\$ 18,419,589</u>	<u>\$ 20,982,816</u>	<u>\$ 27,375,609</u>	<u>\$ 27,254,378</u>	<u>\$ 33,685,789</u>	<u>\$ 32,043,812</u>	<u>\$ 27,859,998</u>
All Other Governmental Funds										
Nonspendable	\$ 1,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,995,283	2,000,532	2,280,882	2,365,348	3,960,753	5,215,214	6,599,208	7,813,569	6,962,449	6,644,553
Committed	2,467,828	2,739,865	2,974,049	3,120,593	3,451,682	4,154,232	3,435,513	3,814,516	4,667,003	5,197,923
Unassigned	-	(5,861)	(19,270)	(31,326)	(17,483)	(19,782)	(19,782)	(19,782)	(8,782)	(8,782)
Total all other governmental funds	<u>\$ 4,464,873</u>	<u>\$ 4,734,536</u>	<u>\$ 5,235,661</u>	<u>\$ 5,454,615</u>	<u>\$ 7,394,952</u>	<u>\$ 9,349,664</u>	<u>\$ 10,014,939</u>	<u>\$ 11,608,303</u>	<u>\$ 11,620,670</u>	<u>\$ 11,833,694</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 4
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 11,941,311	\$ 12,220,392	\$ 12,741,642	\$ 13,101,370	\$ 13,441,866	\$ 13,705,445	\$ 14,378,360	\$ 15,344,155	\$ 15,754,818	\$ 15,708,803
Licenses, permits, and fees	2,623,810	2,514,178	2,586,035	2,659,200	3,475,389	4,102,640	4,471,993	4,722,748	3,232,859	3,072,409
Intergovernmental	4,322,696	4,266,425	4,880,937	5,516,224	9,870,743	9,094,488	8,760,009	10,169,568	9,532,937	8,767,447
Charges for services	2,402,801	2,488,384	2,739,021	2,868,887	2,757,191	3,461,193	3,628,960	3,743,367	3,717,283	3,784,813
Fines and forfeits	121,513	127,406	101,378	94,578	93,827	77,476	117,291	237,061	106,837	237,166
Investment income (losses)	-	-	-	-	-	-	(1,939,598)	1,102,761	2,482,001	1,509,830
Miscellaneous	935,821	1,042,958	819,264	1,770,325	1,561,538	1,358,329	910,757	1,008,493	1,830,590	1,555,441
Total Revenues	22,347,952	22,659,743	23,868,277	26,010,584	31,200,554	31,799,571	30,327,772	36,328,153	36,657,325	34,635,909
Expenditures										
General governmental services	3,017,374	3,228,767	3,631,410	3,377,241	3,620,756	3,632,924	3,737,220	4,407,665	4,953,525	6,114,022
Public safety	9,053,178	9,913,344	10,584,430	10,157,745	11,255,650	12,988,274	14,189,424	14,867,714	15,860,992	16,255,424
Physical environment	337,831	372,552	425,472	439,446	440,769	491,526	484,405	445,217	351,655	321,511
Transportation	852,602	890,762	762,058	824,349	723,669	741,097	890,333	938,417	755,644	517,572
Economic environment	1,432,788	1,468,393	1,045,687	1,282,063	1,182,887	945,657	1,006,864	1,026,839	1,294,069	1,074,110
Culture and recreation	4,196,979	4,170,787	4,477,927	4,685,690	4,929,243	4,924,696	4,880,270	5,170,888	5,582,110	5,282,268
Capital outlay	2,105,686	1,598,285	3,574,823	10,498,028	4,546,491	2,823,402	3,827,661	6,018,951	8,694,881	10,126,129
Debt service										
Principal	673,851	682,229	718,320	698,381	1,084,666	1,203,619	1,871,562	2,488,022	2,471,280	2,461,192
Interest and other costs	336,835	316,629	297,245	547,165	734,680	708,959	725,016	682,916	726,419	676,668
Total expenditures	22,007,124	22,641,748	25,517,372	32,510,108	28,518,811	28,460,154	31,612,755	36,046,629	40,690,575	42,828,896
Excess (deficiency) of revenues over (under) expenditures	340,828	17,995	(1,649,095)	(6,499,524)	2,681,743	3,339,417	(1,284,983)	281,524	(4,033,250)	(8,192,987)
Other Financing Sources (Uses)										
Proceeds from financing contracts	-	-	-	350,000	74,135	-	-	304,825	-	242,000
Proceeds from issuance of leases	-	-	-	-	-	-	31,944	-	428,276	320,094
Proceeds from issuance of subscription liabilities	-	-	-	-	-	-	-	971,904	126,694	1,183,284
Transfers in	1,798,184	1,794,419	1,868,634	2,353,906	3,620,644	3,723,288	4,217,403	4,239,244	1,892,427	2,015,823
Transfers out	(1,042,338)	(1,032,680)	(1,021,261)	(1,262,327)	(1,872,958)	(1,963,506)	(2,420,320)	(2,441,479)	(43,757)	(30,248)
Sale of general capital assets	850,000	-	-	-	-	748,986	-	4,668,757	-	491,244
Debt issuance	-	-	-	12,520,000	-	2,499,320	-	-	-	-
Total other financing sources (uses)	1,605,846	761,739	847,373	13,961,579	1,821,821	5,008,088	1,829,027	7,743,251	2,403,640	4,222,197
Net change in fund balance	\$ 1,946,674	\$ 779,734	\$ (801,722)	\$ 7,462,055	\$ 4,503,564	\$ 8,347,505	\$ 544,044	\$ 8,024,775	\$ (1,629,610)	\$ (3,970,790)
Debt service as a percentage of noncapital expenditures	5.08%	4.75%	4.63%	5.66%	7.59%	7.46%	9.35%	10.56%	9.99%	9.60%

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 FY22, the City implemented GASB Statement No. 87, *Leases*

Note: Beginning in FY22, the City began separately reporting investment income (losses) from other miscellaneous revenues

Note: Beginning in FY23, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

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	Investment Income (Losses) and Other Revenues	Other Financing Sources	TOTAL
2025	\$ 15,708,803	\$ 3,072,409	\$ 8,767,447	\$ 3,784,813	\$ 237,166	\$ 3,065,271	\$ 4,252,445	\$ 38,888,354
2024	15,754,818	3,232,859	9,532,937	3,717,283	106,837	4,312,591	2,447,397	39,104,722
2023	15,344,155	4,722,748	10,169,568	3,743,367	237,061	2,111,254	7,743,251	44,071,404
2022	14,378,360	4,471,993	8,760,009	3,628,960	117,291	(1,028,841)	1,829,027	32,156,799
2021	13,705,445	4,102,640	9,094,488	3,461,193	77,476	1,358,329	5,008,088	36,807,659
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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 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
2025	\$ 2,851,733,248	\$ 200,915,720	\$ 3,052,648,968	\$ 630,796,562	\$ 2,421,852,406	4.3282
2024	2,631,355,774	166,865,535	2,798,221,309	596,827,402	2,201,393,907	4.3282
2023	2,491,514,381	165,274,982	2,656,789,363	572,446,316	2,084,343,047	4.6116
2022	2,284,074,540	134,039,029	2,418,113,569	531,246,048	1,886,867,521	4.9999
2021	2,029,638,016	127,094,869	2,156,732,885	519,837,310	1,636,895,575	5.3293
2020	1,932,732,538	121,764,835	2,054,497,373	509,515,431	1,544,981,942	5.3293
2019	1,824,002,582	118,539,677	1,942,542,259	493,474,028	1,449,068,231	5.6395
2018	1,717,941,745	113,382,574	1,831,324,319	477,406,649	1,353,917,670	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

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The 2024 tax roll is the basis for fiscal year 2025 revenues

Source: Okaloosa County Property Appraiser

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

City of Fort Walton Beach Direct Rate			Overlapping Rates*			
Year ⁽¹⁾	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2025	4.3282	4.3282	3.8308	5.3770	0.0207	9.2285
2024	4.3282	4.3282	3.8308	5.3790	0.0218	9.2316
2023	4.6116	4.6116	3.8308	5.4770	0.0234	9.3312
2022	4.9999	4.9999	3.8308	5.5790	0.0261	9.4359
2021	5.3293	5.3293	3.8308	5.9430	0.0294	9.8032
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	10.4541
2016	5.7697	5.7697	3.4308	6.9070	0.0366	10.3744

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

The 2024 millage rate is the basis for fiscal year 2025 tax revenues

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

Source: Okaloosa County Tax Collector

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

Taxpayer	2025			2016			
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank	
Florida Power & Light Co.	\$ 50,501,089	2.09%	1	\$ 20,358,644	1.66%	1	Florida Power & Light Co. (Gulf Power Co.)
U S GOVT/HOME2SUITES	44,207,505	1.83%	2	14,339,454	1.17%	2	Suso 2 Uptown, LP
Suso 2 Uptown, LP	24,286,599	1.00%	3	7,005,455	0.57%	3	Cox Communications Gulf Coast, LLC
KAGR Fort Walton 1005 LLC	12,125,074	0.50%	4	6,077,028	0.50%	4	99 Eglin, LTD
Extra Space Properties Two LLC	11,702,804	0.48%	5	5,651,258	0.46%	5	DRS Training and Control
WIM-FWB RI LLC	11,480,152	0.47%	6	5,553,541	0.45%	6	Pacifica Walton Beach, LLC
Cox Communications Gulf Coast, LLC	11,428,682	0.47%	7	5,183,838	0.42%	7	Embarq Corp.
FWB Greens LLC	10,596,466	0.44%	8	5,154,076	0.42%	8	PSH of Okaloosa, LLC
Pacifica Walton Beach LLC	10,593,534	0.44%	9	4,897,391	0.40%	9	FNBT.com Bank
Retreat at Fort Walton Beach Propco LLC	8,811,970	0.36%	10	4,330,150	0.35%	10	Fort Walton Machining, Inc.
Total Taxable Assessed Value of Principal Taxpayers	195,733,875	8.08%		78,550,835	6.42%		
Total Taxable Assessed Value of Other Taxpayers	2,226,118,531	91.92%		1,145,869,258	93.58%		
Total Taxable Assessed Value	<u>\$ 2,421,852,406</u>	<u>100.00%</u>		<u>\$ 1,224,420,093</u>	<u>100.00%</u>		

⁽¹⁾ The 2025 tax roll is the basis for fiscal year 2026 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
2025	The 2025 tax levy is the basis for fiscal year 2025-26 tax revenues.							
2024	\$ 9,545,443	\$ 9,197,456	96.4%	\$ 13,876	\$ 9,211,332	96.5%	\$ 5,488	0.06%
2023	9,636,641	9,283,765	96.3%	7,456	9,291,221	96.4%	6,039	0.06%
2022	9,451,861	9,105,332	96.3%	19,389	9,124,721	96.5%	4,244	0.04%
2021	8,739,154	8,419,880	96.3%	21,315	8,441,195	96.6%	9,958	0.11%
2020	8,245,481	7,939,074	96.3%	13,594	7,952,668	96.4%	6,029	0.07%
2019	8,186,794	7,900,798	96.5%	18,327	7,919,125	96.7%	7,490	0.09%
2018	7,822,441	7,526,583	96.2%	20,747	7,547,330	96.5%	3,469	0.04%
2017	7,387,081	7,119,876	96.4%	8,632	7,128,508	96.5%	8,122	0.11%
2016	7,080,530	6,826,718	96.4%	18,798	6,845,516	96.7%	9,696	0.14%

⁽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 Liabilities	Subscription Liabilities	Financing Contracts	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Liabilities	Subscription Liabilities	Revenue Notes	State Revolving Loans				
2025	\$ -	\$ 594,073	\$ 1,804,986	\$ 380,874	\$ 5,932,701	\$ 9,973,067	\$ -	\$ 35,817	\$ 179,838	\$ 4,673,000	\$ 8,164,380	\$ 31,738,736	0.22%	1,472.59	
2024	-	421,986	1,298,973	222,785	6,937,626	10,520,145	-	102,468	-	5,185,000	8,941,531	33,630,514	0.25%	1,594.62	
2023	-	193,047	1,714,631	536,581	7,922,834	10,950,732	-	166,017	-	5,683,000	9,704,126	36,870,968	0.28%	1,745.78	
2022	-	393,186	-	600,745	8,888,359	11,365,436	-	190,610	-	6,167,000	10,452,433	38,057,769	0.30%	1,811.33	
2021	-	-	-	944,447	9,828,934	11,764,842	-	-	-	6,637,000	11,186,723	40,361,946	0.35%	1,926.77	
2020	-	-	-	67,035	9,025,971	12,149,516	-	-	-	7,093,000	11,907,259	40,242,781	0.38%	1,910.50	
2019	-	-	-	6,681	9,726,372	12,520,000	-	-	-	7,537,000	12,614,297	42,404,350	0.42%	2,025.04	
2018	-	-	-	42,217	10,408,945	-	-	-	-	7,968,000	13,308,089	31,727,251	0.33%	1,523.15	
2017	-	-	-	76,099	11,073,656	-	-	-	-	8,387,000	13,988,885	33,525,640	0.37%	1,605.17	
2016	-	-	-	106,653	11,725,331	-	-	-	-	8,794,000	14,656,929	35,282,913	0.40%	1,689.88	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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: Beginning in FY22, the City implemented GASB Statement No. 87, *Leases*

Note: Beginning in FY23, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

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

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

Fiscal Year	Governmental Activities		Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds			
2025	\$ -		0.00%	\$ -
2024	-		0.00%	-
2023	-		0.00%	-
2022	-		0.00%	-
2021	-		0.00%	-
2020	-		0.00%	-
2019	-		0.00%	-
2018	-		0.00%	-
2017	-		0.00%	-
2016	-		0.00%	-

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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⁾			
			Principal	Interest	Total	Coverage
2025	\$ 43,698,865	\$ 44,354,058	\$ 3,881,584	\$ 997,297	\$ 4,878,881	9.09
2024	45,009,250	44,633,809	3,795,424	1,079,247	4,874,671	9.16
2023	44,258,368	41,571,494	3,780,566	1,045,404	4,825,970	8.61
2022	38,884,619	39,790,234	3,107,726	1,102,464	4,210,190	9.45
2021	40,695,849	39,997,947	2,380,155	1,133,336	3,513,491	11.38
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

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

⁽²⁾ Combined Debt Service requirements for Capital Improvement Revenue Note Series 2013 & 2013A, Capital Improvement Revenue Bonds, Series 2018, Utility System Revenue Note 2015, SRF Loan, 2011 Revenue Note, Financing Contracts, Leases, and Subscription Liabilities. See Financial Statement Notes for detail.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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	\$ 113,108,435	9.59% (2)	\$ 10,845,484
Revenue Notes	13,617,857	9.59% (2)	1,305,758
Financing Contracts	11,597	9.59% (2)	1,112
Okaloosa County School District			
Certificates of Participation	2,161,000	25.45% (1)	550,073
Financing Contracts	249,758,726	25.45% (1)	63,574,948
Lease and Subscription Liabilities	59,802,829	25.45% (1)	15,222,538
Subtotal: Overlapping Debt	<u>438,460,444</u>		<u>91,499,913</u>
Direct Debt			
City of Fort Walton Beach Revenue Bonds & Notes	15,905,768	100.00%	15,905,768
City of Fort Walton Beach Financing Contracts	380,874	100.00%	380,874
City of Fort Walton Beach Lease Liabilities	594,073	100.00%	594,073
City of Fort Walton Beach Subscription Liabilities	1,804,986	100.00%	1,804,986
Subtotal: Direct Debt	<u>18,685,701</u>		<u>18,685,701</u>
Total Direct and Overlapping Debt	<u>\$ 457,146,145</u>		<u>\$ 110,185,614</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	2025			2016		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin AFB ⁽¹⁾	Air Force Development Test Center	19,040	17.29%	1	21,500	18.81%	1
USAF - Hurlburt AFB ⁽²⁾	Air Force Special Ops Command	13,255	12.04%	2	10,651	9.32%	2
Okaloosa County School District	Education Services	4,428	4.02%	3	3,521	3.08%	3
Walmart	Consumer Products	1,386	1.26%	4			
HCA FL Fort Walton-Destin Hospital	Medical Services	1,252	1.14%	5	1,000	0.87%	5
Okaloosa County BCC ⁽³⁾	Local Government Services	1,127	1.02%	6	1,501	1.31%	4
Publix (Okaloosa Combined)	Consumer Products	910	0.83%	7			
Reliance Test & Technology	Government Contractor	770	0.70%	8			
Lockheed Martin	Defense Contractor	730	0.66%	9	800	0.70%	7
North Okaloosa Medical Center	Medical Services	725	0.66%	10			
Jacobs Technology - TEAS Group	Military Technical Support				1,000	0.87%	5
InDyne Inc.	Military Technical Support				800	0.70%	7
Northwest Florida State College	Education Services				752	0.66%	9
L-3 Crestview Aerospace	Military Technical Support				600	0.52%	10
		<u>43,623</u>	39.61%		<u>42,125</u>	36.86%	

⁽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.

Source: One Okaloosa Economic Development Council (oneokaloosa.org/employers)

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
2025	21,553	224,778	9.59%	\$ 14,601,665	\$ 64,960	4.1%
2024	21,090	220,603	9.56%	13,596,268	61,632	2.8%
2023	21,120	217,882	9.69%	12,981,628	59,581	2.7%
2022	21,011	215,751	9.74%	12,663,927	58,697	2.2%
2021	20,948	213,204	9.83%	11,626,309	54,531	3.2%
2020	21,064	203,951	10.33%	10,680,336	52,367	5.2%
2019	20,940	201,514	10.39%	10,194,990	50,592	2.6%
2018	20,830	198,152	10.51%	9,678,184	48,842	2.8%
2017	20,886	195,488	10.68%	9,151,339	46,813	3.0%
2016	20,879	192,925	10.82%	8,925,717	46,265	4.2%

OKALOOSA COUNTY EDUCATION

		FY 2025	FY 2024	FY 2023
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	13,991	15,185	15,737
	Grades 6-8	7,185	7,834	7,997
	Grades 9-12	9,051	11,002	9,596
	Adult Students	770	761	779
	Exceptional Children	6,699	7,287	7,207
Personnel:		1,712	1,807	1,867

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
City Manager	3.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.70	4.70	4.70	3.60
Information Technology	4.00	4.00	5.00	5.00	4.00	4.00	4.00	4.00	3.80	2.00
City Clerk	3.00	3.00	2.00	2.00	2.00	2.00	2.40	2.40	2.40	2.50
Finance	7.00	8.00	8.00	8.00	7.00	6.00	6.00	6.00	6.00	6.00
Purchasing	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administration	1.60	2.50	-	-	-	-	-	-	-	-
Public Safety										
Police	75.32	73.67	71.17	71.34	75.95	74.82	74.82	74.90	70.90	64.90
Fire	43.25	43.25	44.25	44.25	44.00	43.00	37.00	37.00	37.00	37.00
Recreation & Cultural Services										
Administration	12.68	13.00	12.70	12.70	12.70	12.70	12.70	11.50	11.50	12.90
Parks Maintenance	13.10	13.00	13.00	13.00	13.00	13.00	12.00	10.25	10.25	10.00
Right-of-Way Maintenance	-	-	-	-	-	-	1.00	1.00	2.00	1.00
Golf Club	27.41	13.35	13.43	13.43	13.42	13.42	13.96	13.81	13.81	14.26
Golf Grounds Maintenance	-	14.00	14.00	14.00	15.75	15.75	15.75	15.75	15.75	15.75
Library	9.22	9.40	9.40	9.40	9.22	9.22	8.72	8.72	8.72	8.02
Museum	4.10	4.10	4.10	4.10	4.10	4.10	3.60	4.00	4.00	4.60
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Growth Management										
Administration	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Planning & Zoning	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	3.00
Building & Permitting	6.50	6.50	6.50	6.50	5.00	5.00	5.00	5.00	4.00	4.00
Code Enforcement	2.75	2.75	2.75	2.75	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	9.00	9.00
Facilities Maintenance	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
Streets Maintenance	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00
Utility (Water/Sewer) Enterprise										
Administration	5.00	5.00	6.00	6.00	6.00	5.00	6.00	5.00	5.00	8.00
Customer Service	5.00	5.00	4.50	4.50	4.50	5.50	5.50	5.50	5.50	5.50
GIS	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	-
Water Operations	10.00	10.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00
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	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stormwater Enterprise										
Stormwater	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Total	316.93	317.52	311.80	310.97	312.64	310.51	306.15	304.53	300.33	292.03

Source: City of Fort Walton Beach adopted budget for the subsequent year.

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>
2025	333	667	428	426	21
2024	271	677	326	409	13
2023	410	627	203	376	12
2022	287	533	195	247	17
2021	228	543	205	244	26
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

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

<u>Year</u>	<u>Number Sold</u>
2025	758
2024	136
2023	196
2022	152
2021	166
2020	212
2019	406
2018	628
2017	1,769
2016	2,115

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	4 Museums
1 Auditorium	23 Playgrounds
8 Baseball-Softball Fields	2 Racquetball Court Facilities
1 BMX/Skateboard Facility	1 Recreation Center
4 Boat Ramps	4 Soccer Field Facilities
8 Exercise/Walking Tracks	16 Tennis Courts
4 Beach Volleyball Courts	7 Undeveloped Parks
21 Pickleball Courts	7 Waterfront Parks

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

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

<u>Pct</u>	<u>Place Name</u>	<u>Registered Voters</u>				
		<u>Total</u>	<u>Dems</u>	<u>Reps</u>	<u>NPA</u>	<u>Other</u>
01	BAKER	2,951	255	2,216	425	55
02	BLACKMON	754	65	587	93	9
03	MILLIGAN	1,500	158	1,026	272	44
04	HOLT	1,546	164	1,097	241	44
05	LAUREL HILL	1,279	168	887	197	27
06	GARDEN CITY	5,144	708	3,238	1,021	177
07	DORCAS	2,244	298	1,403	476	67
08	HONEY CREEK	4,841	821	2,842	1,037	141
09	YELLOW RIVER	4,441	727	2,548	1,017	149
10	WEST WRIGHT	6,176	1,378	2,948	1,613	237
11	EAST CRESTVIEW	13,416	2,706	6,394	3,810	506
12	WEST CRESTVIEW	1,023	469	291	228	35
13	NORTH CRESTVIEW	4,504	783	2,656	913	152
14	WEST NICEVILLE	3,085	478	1,785	690	132
15	VALPARAISO	3,353	497	1,961	771	124
16	SHALIMAR	2,998	569	1,662	666	101
17	CENTRAL WRIGHT	2,924	745	1,342	715	122
18	OCEAN CITY	2,652	521	1,379	661	91
19*	EAST FWB	1,831	484	786	489	72
20	WEST DESTIN	2,893	412	1,809	587	85
21	MARY ESTHER	2,776	532	1,501	639	104
22*	S CENTRAL FWB	2,194	515	1,087	517	75
23	EGLIN AFB	849	163	346	295	45
24*	WEST FWB	2,905	738	1,332	726	109
25	N CENTRAL NICEVILLE	2,096	338	1,208	474	76
26	SEMINOLE	2,760	337	1,815	552	56
27	CINCO BAYOU	296	57	143	83	13
28*	GARNIERS	347	62	208	66	11
29*	GOLF COURSE	2,031	288	1,227	463	53
30	OKALOOSA ISLAND	1,584	227	954	352	51
31	LONGWOOD	2,151	312	1,434	364	41
32*	FERRY PARK	2,462	413	1,508	483	58
33	ROCKY BAYOU	5,146	607	3,391	1,035	113
34	FLOROSA	3,760	734	1,877	996	153
35	NORTH DESTIN	3,364	432	2,176	638	118
36	SOUTH NICEVILLE	2,833	347	1,833	573	80
37	LAKE LORRAINE	2,731	369	1,737	559	66
38	NORTHGATE	2,155	449	1,141	493	72
39	EAST WRIGHT	2,224	507	1,130	514	73
40	SOUTH BLUEWATER	3,038	331	2,022	601	84
41*	N CENTRAL FWB	1,394	268	834	262	30
42*	NEW HEIGHTS	2,302	668	991	569	74
43	S CENTRAL NICEVILLE	2,364	397	1,379	510	78
44	CENTRAL DESTIN	1,926	314	1,067	469	76
45	SOUTH CRESTVIEW	4,540	938	2,232	1,199	171
46	NORTH BLUEWATER	4,625	634	2,860	1,004	127
47	WYNNEHAVEN BEACH	2,028	345	991	608	84
48*	WESTWOOD RETIREMENT	113	21	74	17	1
49	EAST DESTIN	3,287	335	2,247	622	83
50	SOUTH DESTIN	2,757	276	1,941	459	81
51	AIRPORT ROAD	2,349	329	1,412	534	74
52	LIVE OAK	4,502	754	2,464	1,144	140
Countywide Total		149,444	25,443	85,419	33,742	4,840
*City Precinct	City Total	15,579	3,457	8,047	3,592	483

Source: Okaloosa County Supervisor of Elections

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

Fiscal Year	Assessments ⁽¹⁾	Assessments Collected or Released	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessment
2025	\$ 2,751	\$ 468	1.19%	\$ 38,897
2024	2,507	468	1.26%	36,614
2023	2,262	211,291	85.94%	34,575
2022	2,157	25,702	9.54%	243,604
2021	1,490	25,052	8.57%	267,149
2020	766	31,086	9.66%	290,711
2019	925	31,912	9.04%	321,031
2018	755	27,180	7.17%	352,018
2017	660	25,807	6.38%	378,443
2016	380,571	27,804	6.45%	403,590

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

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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
2025	\$ 7,693,921	14.2%	\$ 15,925,770	29.3%	\$ 7,958,934	14.7%	\$ 5,433,078	10.0%	\$ 4,414,012	8.1%	\$ 2,561,477	4.7%
2024	7,750,534	13.9%	16,636,068	29.9%	7,501,498	13.5%	5,177,268	9.3%	3,978,315	7.2%	2,486,342	4.5%
2023	7,618,352	14.0%	15,741,791	28.9%	7,469,849	13.7%	5,018,548	9.2%	4,210,867	7.7%	2,553,563	4.7%
2022	7,025,573	14.5%	15,455,429	32.0%	7,382,498	15.3%	4,748,512	9.8%	4,482,309	9.3%	2,286,970	4.7%
2021	6,608,861	13.3%	14,624,266	29.5%	7,272,112	14.7%	4,381,765	8.8%	4,432,189	8.9%	1,960,608	4.0%
2020	6,573,751	13.6%	13,404,633	27.8%	6,999,110	14.5%	3,934,207	8.2%	4,067,771	8.4%	1,751,965	3.6%
2019	6,416,668	11.5%	12,358,719	22.1%	7,005,068	12.5%	3,871,165	6.9%	4,041,311	7.2%	1,696,822	3.0%
2018	6,041,303	15.3%	7,343,744	18.7%	6,728,172	17.1%	3,774,520	9.6%	3,902,809	9.9%	1,676,940	4.3%
2017	7,457,189	20.9%	7,015,584	19.6%	6,668,790	18.7%	3,663,445	10.3%	3,906,282	10.9%	1,317,803	3.7%
2016	7,271,903	20.5%	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%

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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 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⁾	\$12.37	\$15.46	\$12.37	\$15.46	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$12.37	\$15.46	\$12.37	\$15.46	9,119
1.0"	\$12.37	\$15.46	\$12.37	\$15.46	344
1.5"	\$16.81	\$21.01	\$16.81	\$21.01	116
2.0"	\$28.58	\$35.73	\$27.20	\$35.73	242
3.0"	\$43.55	\$54.44	\$43.55	\$54.44	13
4.0"	\$54.41	\$68.01	\$54.41	\$68.01	32
6.0"	\$86.57	\$108.21	\$86.57	\$108.21	0
8.0" or 10.0"	\$129.74	\$162.18	\$129.74	\$162.18	1
Multi-Residential, Add'l per Unit	\$9.16	\$11.45	\$9.16	\$11.45	
					9,867
					Residential Customers ⁽⁶⁾ 8,593
					Commercial Customers ⁽⁶⁾ 1,274
					Total Customers 9,867
Gallage Rate (per 1,000 gallons per unit)	<u>Inside</u>		<u>Outside</u>		
Block 1 (0 - 2,000)	Included in monthly base charge				
Block 2 (2,001 - 4,000)	\$3.69		\$4.61		
Block 3 (4,001 - 8,000)	\$4.51		\$5.64		
Block 4 (8,001 +)	\$6.77		\$8.46		
Monthly Wastewater Rates⁽²⁾	Residential		Commercial		
Lifeline Rate ⁽⁴⁾	\$28.18		\$33.84		
Monthly Base Charge	\$28.18		\$33.84		
Gallage Rate (per 1,000 gallons per unit) ⁽⁵⁾					
Block 1 (0 - 2,000)	Included in monthly base charge				
Block 2 (2,001 +)	\$8.86		\$10.64		

⁽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	\$ 20.13	\$ 7.00	\$ 27.13
Two Containers	10.06	7.00	17.06
Residential Dumpsters, Individual Meters	20.13	7.00	27.13
Commercial			
One Container	38.88	7.83	46.71
Two Containers	77.75	15.71	93.46
Shared Dumpster (minimum charge)	38.88	7.83	46.71
<u>Garbage and Trash Collection</u>	<u>Garbage</u>	<u>Tipping</u>	<u>Total</u>
2 Cubic Yards			
2 times per week	\$ 82.53	\$ 56.49	\$ 139.02
3 times per week	123.77	84.64	208.41
4 times per week	165.11	112.73	277.84
5 times per week	206.29	140.92	347.21
6 times per week	247.55	169.07	416.62
4 Cubic Yards			
2 times per week	116.50	112.73	229.23
3 times per week	174.76	169.07	343.83
4 times per week	233.00	225.41	458.41
5 times per week	291.24	281.69	572.93
6 times per week	349.49	338.03	687.52
6 Cubic Yards			
2 times per week	152.94	169.07	322.01
3 times per week	229.39	253.60	482.99
4 times per week	305.79	338.03	643.82
5 times per week	382.25	422.50	804.75
6 times per week	458.71	507.09	965.80
8 Cubic Yards			
2 times per week	184.47	225.41	409.88
3 times per week	276.71	338.03	614.74
4 times per week	368.93	450.70	819.63
5 times per week	461.15	563.39	1,024.54
6 times per week	553.39	671.01	1,224.40
One-time fee to change dumpster size	\$25.00		
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	\$ 125.43	\$ -	\$ 125.43
3 times per week	188.10	-	188.10
4 times per week	250.82	-	250.82
5 times per week	313.54	-	313.54
6 Cubic Yards			
2 times per week	188.10	-	188.10
3 times per week	282.15	-	282.15
4 times per week	376.20	-	376.20
5 times per week	470.25	-	470.25
8 Cubic Yards			
2 times per week	250.82	-	250.82
3 times per week	376.20	-	376.20
4 times per week	501.63	-	501.63
5 times per week	627.02	-	627.02
Contaminated Load Fee (per dump)			
4 CY	22.26	36.11	58.37
6 CY	22.26	64.94	87.20
8CY	22.26	100.94	123.20

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

Function	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety										
Police										
Arrests	699	447	730	608	643	627	611	660	757	921
Traffic citations	1,827	1,822	3,693	2,097	1,973	1,327	1,404	1,632	2,436	2,693
Fire										
Emergency medical responses	5,296	3,800	3,823	3,698	3,159	1,265	3,123	3,310	2,994	3,067
Fire responses	71	72	1,571	1,568	1,407	2,825	1,406	1,324	1,249	1,210
Inspections	412	886	854	885	944	643	1,008	966	932	2,409
Code Enforcement										
Code violations	1,051	793	780	1,392	1,129	965	1,251	1,446	1,825	1,807
Engineering Services										
Building permits issued	2,910	2,845	2,846	2,728	2,741	2,288	2,095	2,006	332	n/a
Residential building permits issued	2,273	2,302	2,299	1,870	2,266	1,692	1,942	1,855	483	23
Commercial building permits issued	637	543	547	858	475	596	153	151	178	5
Value of permits (in millions)	\$128.00	\$33.04	\$80.21	\$115.13	\$70.86	\$81.98	\$65.80	\$41.00	\$27.00	\$5.00
Value of residential permits (in millions)	\$26.00	\$18.30	\$26.85	\$42.05	\$30.59	\$28.76	\$41.50	\$26.00	\$12.00	\$4.00
Value of commercial permits (in millions)	\$102.00	\$14.00	\$53.35	\$73.08	\$40.27	\$53.21	\$24.30	\$15.00	\$15.00	\$1.00
Business Tax Receipts Sold	758	136	196	152	166	212	406	628	1,769	2,115
Street resurfacing (lane miles)	2.50	2.04	0.72	1.49	1.06	1.27	0.00	0.18	0.00	1.01
Pot holes (hours spent repairing)	358	359	272	538	422	494	557	166	213	163
Sanitation										
Refuse collected (tons)	25,430	26,450	25,883	26,457	27,749	27,854	26,498	26,317	26,151	25,203
Recyclables collected (tons)	1,891	2,014	2,051	2,161	2,204	2,030	2,048	2,032	1,811	1,507
Culture and Recreation										
Parks and Recreation										
Recreation program participants	533	462	397	311	212	191	206	199	102	154
Recreation program registrations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Adult athletic participants	783	671	221	1,051	857	1,042	820	770	530	n/a
Adult athletic registrations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	621
Youth athletic participants	2,489	1,877	1,775	2,005	1,791	1,496	2,264	2,123	2,394	n/a
Youth athletic registrations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,086
Library										
Circulation volume	155,250	133,575	128,806	113,022	121,287	127,507	157,554	147,760	139,980	144,474
Museum										
Number of visitors/participants ⁽¹⁾	9,111	13,644	14,667	14,515	9,636	13,662	30,050	23,012	24,522	22,437
Water System										
New connections	21	13	12	12	26	22	25	37	45	81
Water customers	9,867	9,895	10,246	9,698	9,777	9,677	9,642	9,639	9,620	9,618
Water produced (million gallons)	977	964	957	958	947	940	912	895	866	883

Source: City of Fort Walton Beach Performance Measures.

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

Function/Program	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	56	55	54	52	52	45	45	47	45	39
Engineering Services										
Miles of roads	93.34	93.34	93.34	93.12	93.12	93.12	93.12	93.12	93.12	93.12
Miles of sidewalks	65.76	65.71	65.19	63.79	63.79	63.79	63.79	63.67	63.67	64.73
Signs fabricated and installed	189	435	423	448	391	531	461	286	614	854
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	116	116	116	116	116	116	129	129	129	129
Parks (acres)	448.54	448.54	448.54	448.54	448.54	448.54 ⁽¹⁾	206.00	206.00	206.00	206.00
Library										
Inventoried collection	55,867	54,101	51,461	48,335	47,216	51,398	56,973	62,513	67,881	70,353
Water and Sewer System										
Potable water lines (miles)	148.95	149.62	148.48	146.89	146.77	146.48	146.40	146.33	146.10	144.91
Sanitary sewer lines (miles)	131.46	131.37	131.34	129.97	129.82	129.44	129.49	129.49	129.62	129.51
Reuse water lines (miles)	7.74	7.74	7.74	7.10	7.10	7.10	7.10	7.10	7.10	7.10
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)	44.15	44.14	44.14	44.14	44.14	44.14	43.33	43.18	42.10	42.03

⁽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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type				Location
12/6/25 to 12/6/26	Wright National	1151306332	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	500,000	B	#7 Hollywood Boulevard
					\$	500,000	C	Police Department
10/12/25 to 10/12/26	Wright National	1152207555	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	500,000	B	#5 Hollywood Boulevard
					\$	300,000	C	Fire Department
10/12/25 to 10/12/26	Wright National	1151292103	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	403,000	B	107 Miracle Strip Parkway
					\$	129,000	C	Auditorium
10/12/25 to 10/12/26	Wright National	1151291796	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	403,000	B	107 Miracle Strip Parkway
					\$	383,000	C	City Hall
10/12/25 to 10/12/26	Wright National	1151292114	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	178,000	B	107 Miracle Strip Parkway
					\$	25,000	C	Council Chamber
10/12/25 to 10/12/26	Wright National	1151292125	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	377,000	B	107 Miracle Strip Parkway
					\$	359,000	C	Annex Building
10/12/25 to 10/12/26	Wright National	1151292120	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	390,000	B	107 Miracle Strip Parkway
					\$	17,000	C	Bathrooms Building
10/12/25 to 10/12/26	Wright National	1151291389	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	500,000	B	141 Miracle Strip Parkway
					\$	100,000	C	City Museum
10/12/25 to 10/12/26	Wright National	1152207556	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	350,000	B	22 McGriff Street
					\$	50,000	C	Child Care Facility
12/2/25 to 12/2/26	Wright National	1150164378	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	39,000	B	338 Miracle Strip Parkway Restroom, East of Pavilion Liza Jackson Park
12/2/25 to 12/2/26	Wright National	1150164379	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	39,000	B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/25 to 05/17/26	Wright National	1150342974	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	98,000	B	55 Ferry Road Boy Scout Hut
07/23/25 to 07/23/26	Wright National	1152199654	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	363,000	B	118 Hollywood Blvd
					\$	53,000	C	Pump Station #1
06/23/25 to 06/23/26	Wright National	1150458831	Fisher-Brown Agency / Marsh & McLennan Agency	Flood	\$	55,000	B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/25 to 10/01/26	Commerce & Industry Ins. Co.	FPL012896318	Risk Management Associates	Petroleum Liability	\$	1,000,000/inc 1,000,000/agg		Golf Course, Police, City Yard, Fuel Station Pump Station - Fire, Recreation Center

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type		Location
10/01/25 to 10/01/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Inland	\$ 750,000	2M Blanket Unscheduled
				Marine	\$ 32,672	6M Contractor's / Mobile Equipment
					\$ 35,953	6M Contractor's / Mobile Equipment
					\$ 44,669	6M Contractor's / Mobile Equipment
					\$ 30,204	6M Contractor's / Mobile Equipment
					\$ 52,765	6M Contractor's / Mobile Equipment
					\$ 97,373	6M Contractor's / Mobile Equipment
					\$ 35,808	6M Contractor's / Mobile Equipment
					\$ 55,654	6M Contractor's / Mobile Equipment
					\$ 32,943	6M Contractor's / Mobile Equipment
					\$ 30,843	6M Contractor's / Mobile Equipment
					\$ 30,753	6M Contractor's / Mobile Equipment
					\$ 54,116	6M Contractor's / Mobile Equipment
					\$ 25,343	6M Contractor's / Mobile Equipment
					\$ 40,343	6M Contractor's / Mobile Equipment
					\$ 37,236	6M Contractor's / Mobile Equipment
					\$ 26,165	6M Contractor's / Mobile Equipment
					\$ 29,660	6M Contractor's / Mobile Equipment
					\$ 81,611	6M Contractor's / Mobile Equipment
					\$ 81,611	6M Contractor's / Mobile Equipment
					\$ 35,403	6M Contractor's / Mobile Equipment
					\$ 25,190	6M Contractor's / Mobile Equipment
					\$ 28,428	6M Contractor's / Mobile Equipment
					\$ 63,048	6M Contractor's / Mobile Equipment
					\$ 26,358	6M Contractor's / Mobile Equipment
					\$ 24,657	6M Contractor's / Mobile Equipment
					\$ 24,657	6M Contractor's / Mobile Equipment
					\$ 30,567	6M Contractor's / Mobile Equipment
					\$ 35,543	6M Contractor's / Mobile Equipment
					\$ 56,432	6M Contractor's / Mobile Equipment
					\$ 37,735	6M Contractor's / Mobile Equipment
					\$ 690,193	127 - 2024 Yamaha Golf Carts
					\$ 93,150	Electronic Data Processing Equipment - RC
					\$ 730,000	Museum Ceramic Stone Comparative
					\$ 6,500	Other Inland Marine (Street Signs)
					\$ 250,000	Unscheduled Items
					\$ 135,417	Rented, Borrowed, Leased Equipment - ACV
					\$ 111,683	Rented, Borrowed, Leased Equipment - ACV
					\$ 4,010,683	Total All Inland Marine
1/17/26 to 1/17/27	Nicole Nabors - Travelers	107774436	Fisher-Brown Agency / Marsh & McLennan Agency	Public Official Bond	\$ 50,000	Finance Director
5/3/23 to TBD	Markus Schumacher - Travelers	107832461	Fisher-Brown Agency / Marsh & McLennan Agency	Public Official Bond	\$ 50,000	Comptroller, Finance Department

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type		Location
5/3/23 to TBD	Cassandra Hodys - Travelers	107832448	Fisher-Brown Agency / Marsh & McLennan Agency	Public Official Bond	\$ 50,000	Utility Billing Supervisor, Finance Department
2/18/21 to TBD	Kim Barnes - Travelers	107222946	Fisher-Brown Agency / Marsh & McLennan Agency	Public Official Bond	\$ 50,000	City Clerk
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Auto	\$ 1,000,000	CSL Liability
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Forgery Alteration	\$ 250,000	
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Money & Securities (theft)	\$ 10,000	
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Crime	\$ 250,000	Public Employees (Employee dishonesty) Blanket Fidelity Bond
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	General Liability	\$ 1,000,000	Occurrence
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Property	\$ 63,121,310	Blank Real & Personal Property
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Property	\$ 2,000,000 \$ 2,000,000	Business Income (Interruption) Additional Expense
10/1/25 to 10/1/26	PGIT	WC-FL10462003 25-16	Risk Management Associates	Worker's Comp	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	Each Accident Disease (Policy Limit) Disease (Each Employee)
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Public Officials Empl. Practice	\$ 5,000,000/inc \$ 5,000,000/agg	Claims Made Claims Made
10/1/25 to 10/1/26	Ace American	ADD N16744931	Chubb	AD&D	\$ 75,000 \$ 75,000 \$ 225,000	Line of Duty Coverage Fresh Pursuit Coverage Unlawful/Unintentional
10/1/25 to 10/1/26	PGIT	PKFL10462003 25-21	Risk Management Associates	Boiler & Machinery	\$ 70,556,018	Equipment Breakdown
5/1/24 to 5/1/27	Travelers	105927344	Fisher-Brown Agency / Marsh & McLennan Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees and Police
10/1/25 to 10/1/26	Ace American	PTP N1793868A	Chubb	Group Cancer	\$ 25,000 \$ 25,000 \$ 75,000	First Diagnosis Cancer Benefit First Diagnosis Benefit Continuation Cancer Death Benefit

Source: City of Fort Walton Beach Risk Management Department

IV. COMPLIANCE SECTION

- COMPLIANCE MATTERS
- MANAGEMENT LETTER

**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 City Council
City of Fort Walton Beach, Florida

We have audited, in accordance with the 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fort Walton Beach, Florida (the City), as of and for the year ended September 30, 2025, 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 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Warren Averett, LLC".

Fort Walton Beach, Florida
March 27, 2026

**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 Section 218.415, Florida Statutes, in regard to the investments for the year ended September 30, 2025:

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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 specified requirements for the year ended September 30, 2025.

This report is intended solely for the information and use of the City, the Florida Auditor General, and the State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, Florida
March 27, 2026

MANAGEMENT LETTER

To the Honorable Mayor and City Council
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 fiscal year ended September 30, 2025, and have issued our report thereon dated March 27, 2026.

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 27, 2026, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City has been disclosed in Note 1 to the financial statements. The City included the following component units: Fort Walton Beach Community Redevelopment Agency (the "CRA"). The legal authority that established the CRA is 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 no recommendations to improve financial management other than those discussed in the schedule of findings and responses.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City did not operate within its geographical boundaries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b., *Rules of the Auditor General*, there were no program administrators or third-party administrators for a PACE program operating within the City's geographical boundaries. Therefore, no contact information has been provided for each such program administrator or third-party administrator, as there were no applicable PACE programs.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Fort Walton Beach Community Redevelopment Agency (the CRA) reported:

- a) The total number of CRA employees compensated in the last pay period of the CRA's fiscal year as 4.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year as 3.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$520,280.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$2,714,784.
- e) Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to being on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
 - Crime Prevention Through Environmental Design (CPTED) improvements – \$75,000
 - Wayfinding Signage System - \$75,000
 - Brooks Street Lighting Upgrades - \$175,000
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amends a final adopted budget under Section 189.016(6), as \$4,717,788.

The specific information reported in the previous paragraph has 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 it.

Additional Matters

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

Purpose of this Letter

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 27, 2026