

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2016



CITY OF FORT WALTON BEACH, FLORIDA
WITH COMPLIANCE MATTERS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2016

CITY OF FORT WALTON BEACH, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

PREPARED BY:

THE FINANCE DEPARTMENT
Brandy L. Ferris, Finance Director
CITY OF FORT WALTON BEACH
107 MIRACLE STRIP PARKWAY
FORT WALTON BEACH, FLORIDA 32548
WWW.FWB.ORG

CITY OF FORT WALTON BEACH, FL

City Council



Left to right (standing):

Scott Smith (Seat 1), Diane Keller (Seat 2), Amy Jamieson (Seat 5),
MG Moran (Seat 6), and Dick Rynearson (Seat 7).

Left to right (seated):

John Mead (Seat 3), Mayor Mike Anderson, and Mike Holmes (Seat 4).

Council members are elected in odd years for four year staggered terms. City Council meets on the second and fourth Tuesday of each month at 6:00 p.m. in the City Council Chambers located at 107 Miracle Strip Parkway, Fort Walton Beach, Florida.

Appointed Officers

City Manager – Michael D. Beedie

City Clerk – Kim Barnes

City Attorney – Hayward Dykes, Jr.

Department Directors

Finance Director – Brandy L. Ferris

Engineering & Utility Services – Tim Bolduc

Fire Services – Ken Perkins, Chief

Human Resources – Tarey Franxman

Police Services – Ed Ryan, Chief

Recreation & Cultural Services – Jeff Peters

Core Values

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

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

Integrity

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

Accountability

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

Teamwork

We will work together to provide quality services.

Customer Service

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

Continual Improvement

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

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

Vision

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

Mission

To enhance and protect the Community by providing quality services.

CITY OF FORT WALTON BEACH, FLORIDA
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City of Fort Walton Beach



Treasure of the Emerald Coast

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

(850) 833-9512 * Fax (850) 833-9640 *

www.fwb.org



February 24, 2017

Honorable Mayor, City Council Members,
and Citizens of the City of Fort Walton Beach
City of Fort Walton Beach
107 Miracle Strip Parkway SW
Fort Walton Beach, FL 32548

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Fort Walton Beach, Florida for the fiscal year ended September 30, 2016, is hereby submitted herewith pursuant to Florida Statutes Chapter 218.39(1)(d) requiring each local government entity to complete an audit report within nine months after the end of the fiscal year.

This report consists of management's representations concerning the finances of the City of Fort Walton Beach, Florida. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fort Walton Beach has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP (Generally Accepted Accounting Principles). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the City of Fort Walton Beach have been audited by Warren Averett, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II - Financial Section as the first component of this section of the report.

The independent audit of the financial statements of the City of Fort Walton Beach was part of a broader, federal mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the Compliance section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Fort Walton Beach's MD&A can be found immediately following the report of the independent auditor.

GOVERNMENT PROFILE

DATE OF INCORPORATION: June 16, 1941	
FORM OF GOVERNMENT: Council & Manager	PAVED STREETS: 93.12 miles
GEOGRAPHIC AREA: 7.41 square miles	SIDEWALKS: 64.73 miles
TAXABLE ASSESSED VALUE: \$1,224,824,933	WATER & SEWER LINES: 283.67 miles
CITY MILLAGE RATE: 5.7697	STORM DRAIN: 42.05 miles
POPULATION: 20,869	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 349 positions, 295.58 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 43	18-HOLE GOLF COURSES: 2
FIREFIGHTING PERSONNEL: 36	ACRES OF PARKS: 206

The City of Fort Walton Beach, Florida prides itself on being a small, family-oriented seaside community boasting a downtown area that was home to a significant prehistoric Native American community on the Gulf Coast of Northwest Florida. Situated at the junction of two major highways - US 98 (Miracle Strip Parkway) and SR 85 (Eglin Parkway) - Fort Walton Beach enjoys the benefits of its crossroads location along the coastal portion of the Northwest Florida regional transportation network. The City offers a full-service government providing police and fire protection; cultural and recreational activities including parks, a library, a museum, and two championship golf courses; planning and zoning; public works such as street, sidewalk, right-of-way, and cemetery maintenance; utilities service including water, sewer, and storm water; and garbage and recycling collection to a coastal community of 20,869 full-time residents.

The City has an exciting and romantic history. As early as 600 B.C., Indian tribes were attracted to Fort Walton Beach from the Mississippi and Tennessee River Valleys and the Southeast Georgia coast. The beginning for the City occurred following the War Between the States when Alabama war veteran John Brooks selected a site of 111 acres where he built a three-room cabin in 1867. Other settlers soon followed. By 1884, the population of the area required establishment of a small schoolhouse. In 1902, the first hotel, Brooks House, was built along the sound and shortly thereafter the first post office was built in 1906. The Montgomery, Alabama, Maxwell Field military base developed an airfield in Fort Walton in 1933 on 137 acres of land and used it as a bombing and gunnery range. The most significant factor in the City's growth was the creation and later expansion, of that airfield, which is now Eglin Air Force Base (the largest military installation in the world) in 1937, the year the City Charter was adopted. Originally chartered as a municipality under the laws of the State of Florida, actual formation of the City was in 1941 when the Florida legislature officially named it the Town of Fort Walton. In 1953, the Florida Legislature granted the City a new charter at which time the name was changed to Fort Walton Beach. The name Walton originates from Colonel George Walton, who was Secretary of the East-West Florida Territory in 1822-26 and son of George Walton, signer of the Declaration of Independence and Governor of Georgia.



First Schoolhouse

The presence of the military base provided the key economic stimulus for the City's early growth, supplemented by the attractiveness of the location. The City enjoyed a substantial population and economic boom from the 1950's through the end of the 1970's. Subsequently, things started to slow down. The military base became less important to the City's economy than the growing tourism industry. In the late 1960's and early 1970's Fort Walton Beach began to experience a decline in economic prosperity, some of which can be attributed to the utility and transportation infrastructure getting older and commercial and residential structures becoming deteriorated. New development began to take place in the surrounding communities. The City, having nearly run out of developable land, started to focus attention on finding ways to induce private enterprise investment in the City and thus capturing a greater share of the local and regional market.

The City's premier gathering place along the Santa Rosa Sound has been the Fort Walton Landing Park since its purchase in 1986. Building upon that with the complete reconstruction of Brooks Street, including the Brooks Bridge Park in 2013, the City's downtown waterfront was opened up to an extent never before realized and spurred economic growth downtown. Outside of downtown, the City completed construction of a new recreational complex, which has added to the attraction of the City.



Recreation Complex – opened summer 2015



Downtown Redevelopment: Brooks Bridge Park

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

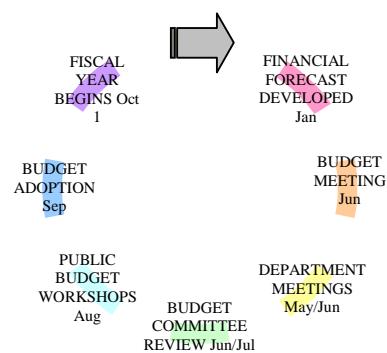
The budget process begins in January with the Finance Director and Budget & Grants Analyst developing five-year financial forecasts for the General and Enterprise Funds, including best, likely, and worst-case scenarios. Revenue assumptions are developed using financial forecasting software to analyze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

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

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

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

The City Council is required by Florida State Statute and City Charter to hold public hearings on the proposed budget and adopt a final budget no later than September 30th,



the close of the City's fiscal year. The appropriated budget is prepared by fund, department (e.g. financial services), and division (e.g. purchasing). Department Directors may request transfers of appropriations within a department and between divisions to transfer appropriations between line items, not to increase the total budget or to transfer resources between funds. Transfers of appropriations between funds require the approval of the City Council. The budget may be amended at any time by Resolution of City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Community Redevelopment Agency Fund, this comparison is presented on page 21 & 22 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than those previously mentioned, this comparison is presented in the combining and individual fund statements and schedules, Section D of this report, which starts on page 93.

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 2016-17 budget of \$38,628,510 is \$762,881, or 2.0%, more than the adopted FY 2015-16 budget due to increased operating expenses throughout the City. Additionally, ad valorem revenues are anticipated to increase 3.6% in the General Fund, generating approximately \$190K in additional revenue, and 1.64% in the CRA fund, generating an additional \$17K. The budget is predicated on maintaining a millage rate of 5.7697 mills.

Eglin Air Force Base is the world's largest Department of Defense installation, spanning 724 square miles. Defense contractor companies are established throughout the Northwest Florida region. It is estimated that local military bases currently represent a \$6.0 billion annual economic impact on the area, with approximately 70% of the local economy supported by the military.

Being located on the Gulf of Mexico in Northwest Florida, tourism is a large part of the regional economy. Regional accolades continue to enhance the area's image, promote visibility, and generate additional tourism and sales tax dollars. Local tourism has benefited from the national shift to vacation sites accessible by driving instead of flying. The Fort Walton Beach-Destin area is a popular drive destination in Florida, according to a survey of auto visitors by Visit Florida.

Long-Term Financial Planning

The City undertakes several processes to assist in future planning, such as:

- A 5-year CIP (Capital Improvement Program) Plan is developed and approved by City Council each year during the annual budget process.
- 5-year replacement plans for capital equipment, including vehicles, machinery, and computer hardware and software, are also developed and approved by Management each year during the annual budget process
- Annual Strategic Plan, which focuses on a 1 – 3 year time period.

Relevant Financial Policies

The City has several financial policies that are utilized during daily operations, as well as during the budget and financial planning processes. The City utilizes fund balance reserves only for one-time non-recurring expenditures. In addition, the City maintains its fund balance level in the General Fund at 30% of fund expenditures – this policy helps to ensure that the City has sufficient funding in place for emergency and disaster relief.

Major Initiatives

These financial policies, as well as other indicators, were taken into account when adopting the City's budget for fiscal year 2017. The City's budget for fiscal year 2017 totals \$38.6 million, which is \$762,881 higher than the fiscal year 2016 approved budget, due to increased operating expenses throughout the City. The 2017 budget allocates \$20.0 million, a 4.3% increase as compared to the fiscal year 2016 budget, to the General fund, \$15.2 million to the Enterprise funds, and \$3.2 million to other funds.

For the fiscal year 2017 budget, the ad valorem rate was maintained at 5.7697 mills. A 4.5% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.25. No other significant changes to the City's various rate and fees are included in the fiscal year 2017 budget.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Walton Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This was the thirtieth consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, satisfying both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2016. This was the twenty-first consecutive year that the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

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

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

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

Respectfully submitted,



Michael D. Beedie, PE
City Manager



Brandy L. Ferris, CPA, CGFM
Finance Director



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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

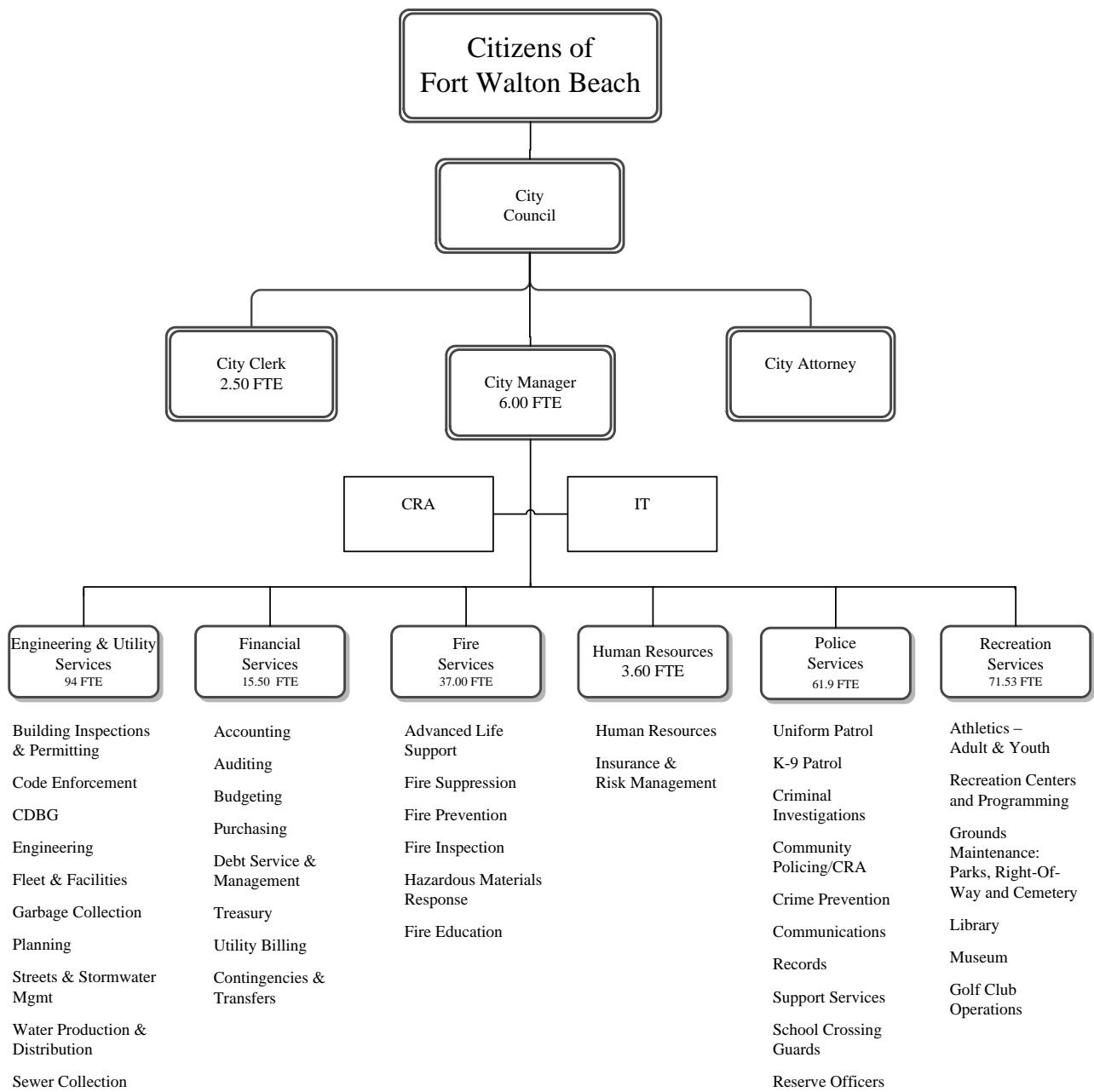
**City of Fort Walton Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

A handwritten signature in black ink that reads "Jeffrey R. Eman". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Eman" on the bottom line.

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Community Redevelopment Agency (Special Revenue Fund) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-14, the schedules related to the pension liabilities and future benefits on pages 82-86, and the schedule of funding progress for other post-employment benefits on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida

February 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Walton Beach, Florida, we offer readers of the City of Fort Walton Beach's financial statements this narrative overview and analysis of the financial activities of the City of Fort Walton Beach for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-x of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Fort Walton Beach exceeded its liabilities and deferred inflows by \$56.7 million (total net position). Of this amount, \$13.3 million represents unrestricted assets that are available to meet the City's ongoing obligations to citizens and creditors.
- The government's net position increased by \$2.4 million, primarily attributable to the sale of land, an increase in capital grant revenue, and a decline in economic development expenses in the Community Redevelopment Agency.
- As of the close of the fiscal year, the City of Fort Walton Beach's governmental funds reported combined ending fund balances of \$16.4 million, an increase of \$1.9 million in comparison with the prior year. This increase is related to the sale of excess land for commercial development in the amount of \$850,000 and the increase in grant funding for the City's fire services. Approximately 85.4% of this amount, or \$14.0 million, is available for spending at the discretion of City Council.
- At the end of the fiscal year, committed, assigned, and unassigned fund balance for the General Fund was \$11.6 million, or 63.0% of total General Fund expenditures.
- The City of Fort Walton Beach's total debt decreased by \$1.3 million, or 3.6%, during the fiscal year. This decrease is proportional to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the City of Fort Walton Beach's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The focus of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 is on both the City as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Government-Wide Financial Statements

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which sum to a total for Primary Government. This provides readers with a broad overview of the City of Fort Walton Beach's finances in a manner similar to a private-sector business. Two statements, the statement of net position and the statement of activities, are utilized to provide information on a government-wide basis.

The statement of net position presents information on all of the City of Fort Walton Beach's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term available resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City of Fort Walton Beach.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Fort Walton Beach that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fort Walton Beach include general government (city clerk, city council, city manager, human resources, finance, purchasing, fleet maintenance, service maintenance, and non-departmental expenses), public safety (police, fire, building, and code enforcement services), physical environment (cemetery), transportation (engineering, streets, public works, and right-of-way), economic development (Community Development Block Grant Program, and community redevelopment agency), culture and recreation (parks, golf, library, and museum), and debt service interest. The business-type activities of the City of Fort Walton Beach include utilities (water, sewer, and storm water), and sanitation.

The government-wide financial statements include not only the City of Fort Walton Beach itself (known as the primary government), but a component unit, the Community Redevelopment Agency (CRA), which is a legally separate entity for which the City of Fort Walton Beach is financially accountable. The CRA is considered a blended component unit of the City of Fort Walton Beach, Florida and is presented as a special revenue fund as part of the primary government. The government-wide financial statements are found on pages 15-16 of this report.

Fund Financial Statements

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

FUNDS

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Fort Walton Beach maintains eight individual governmental funds (General Fund, Community Redevelopment Agency Fund, Florida Building Code Fund, Law Enforcement Trust Fund, Law Enforcement Training Fund, Debt Service Fund, Community Development Block Grant Fund, and Beal Memorial Cemetery Perpetual Care Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Community Redevelopment Agency Fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The Community Redevelopment Agency Fund is considered a non-major fund for reporting purposes, however, the City chooses to present this Fund as a major fund in its financial statements.

The City of Fort Walton Beach adopts an annual appropriated budget for its General Fund, as well as each of the other governmental funds. A budgetary comparison statement is provided for the General Fund on page 21 of this report.

Proprietary Funds

All proprietary funds of the City of Fort Walton Beach are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the statement of net position and the statement of activities. The City of Fort Walton Beach uses enterprise funds to account for its utilities operations (water operations and distribution, sewer collections and treatment, and stormwater management), and sanitation operations (garbage).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on utilities operations, sanitation operations, and stormwater operations, all of which are considered major funds of the City of Fort Walton Beach except for stormwater, which is considered non-major. The basic proprietary fund financial statements are found on pages 23-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary funds include the Pension Trust Funds (general employees, police officers, and firefighters). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fort Walton Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are found on pages 28-29 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fort Walton Beach's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information is found on pages 82-92 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds immediately follow the required supplementary information on Pension funds and can be found beginning on page 93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources of the City of Fort Walton Beach exceeded its liabilities and deferred inflows of resources by \$56.7 million, as reported in Table 1. The government's net position increased by \$2.4 million for the fiscal year ended September 30, 2016.

By far, the largest portion of the City's assets, \$40.7 million or 71.8%, 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 of Fort Walton Beach reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, 4.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13.3 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<i>Current & Other Capital Assets</i>						
<i>Total Assets</i>	\$18,400	\$17,462	\$14,155	\$14,319	\$32,555	\$31,781
<i>Capital Assets</i>	39,623	39,950	36,251	35,973	75,874	75,923
<i>Deferred Outflow of Resources</i>						
<i>Total Liabilities</i>	58,023	57,412	50,406	50,292	108,429	107,704
<i>Long-Term Liabilities</i>	6,005	2,242	1,171	514	7,716	2,756
<i>Outstanding</i>	29,053	25,814	24,305	24,934	53,358	50,748
<i>Other Liabilities</i>	1,692	3,004	2,478	1,705	4,170	4,709
<i>Net Position</i>	30,745	28,818	26,783	26,639	57,528	55,456
<i>Deferred Inflow of Resources</i>						
<i>Total Net Position</i>	1,172	638	219	83	1,391	721
<i>Net Investment in Capital Assets</i>						
<i>Restricted</i>	27,791	27,444	12,894	12,887	40,685	40,330
<i>Unrestricted</i>	2,161	2,595	562	540	2,723	3,135
<i>Total Net Position</i>	2,159	160	11,119	10,657	13,278	10,817

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

Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenue:</i>						
Charges for Services	\$3,721,181	\$3,397,559	\$14,602,206	\$13,510,406	18,323,387	\$16,907,965
Operating Grants & Contributions	908,595	909,461	-	-	908,595	909,461
Capital Grants & Contributions	802,809	525,320	533,515	87,797	1,336,324	613,117
<i>General Revenue:</i>						
Property Taxes	5,617,998	5,473,438	-	-	5,617,998	5,473,438
Other Taxes ⁽¹⁾	8,841,512	8,755,688	-	-	8,841,512	8,755,688
Tax Increments for Redevelopment	1,628,439	1,552,560	-	-	1,628,439	1,552,560
Other Revenue	2,256,664	1,893,409	197,178	169,699	2,453,842	2,063,108
Total Revenues	23,777,198	22,507,435	15,332,899	13,767,902	39,110,097	36,275,337
Expenses						
<i>Primary Government</i>						
General Government	3,285,039	2,735,875	-	-	3,285,039	2,735,875
Public Safety	10,172,215	9,562,140	-	-	10,172,215	9,562,140
Physical Environment	430,490	379,334	-	-	430,490	379,334
Transportation	1,494,178	1,474,209	-	-	1,494,178	1,474,209
Economic Development	1,540,230	1,813,782	-	-	1,540,230	1,813,782
Culture & Recreation	5,375,183	4,601,503	-	-	5,375,183	4,601,503
Debt Service Interest	323,639	340,497	-	-	323,639	340,497
<i>Business-Type Expenses</i>						
Utilities	-	-	10,066,769	9,205,259	10,066,769	9,205,259
Sanitation	-	-	3,407,992	3,319,760	3,407,992	3,319,760
Other	-	-	611,351	460,314	611,351	460,314
Total Expenses	22,620,974	20,907,340	14,086,112	12,985,333	36,707,086	33,892,673
<i>Increase/(Decrease) in Net Position before Transfers</i>	1,156,224	1,600,095	1,246,787	782,569	2,403,011	2,382,664
<i>Transfers</i>	755,846	657,558	(755,846)	(657,558)	-	-
<i>Increase/(Decrease) in Net Position</i>	1,912,070	2,257,653	490,941	125,011	2,403,011	2,382,664
<i>Net Position – Beginning</i>	30,198,659	\$27,941,006	24,083,747	\$23,958,736	54,282,406	51,899,742
<i>Net Position – Ending</i>	\$32,110,729	\$30,198,659	\$24,574,688	\$24,083,747	\$56,685,417	\$54,282,406

(1) Included in other taxes are franchise fees as they are assessed based on gross receipts.

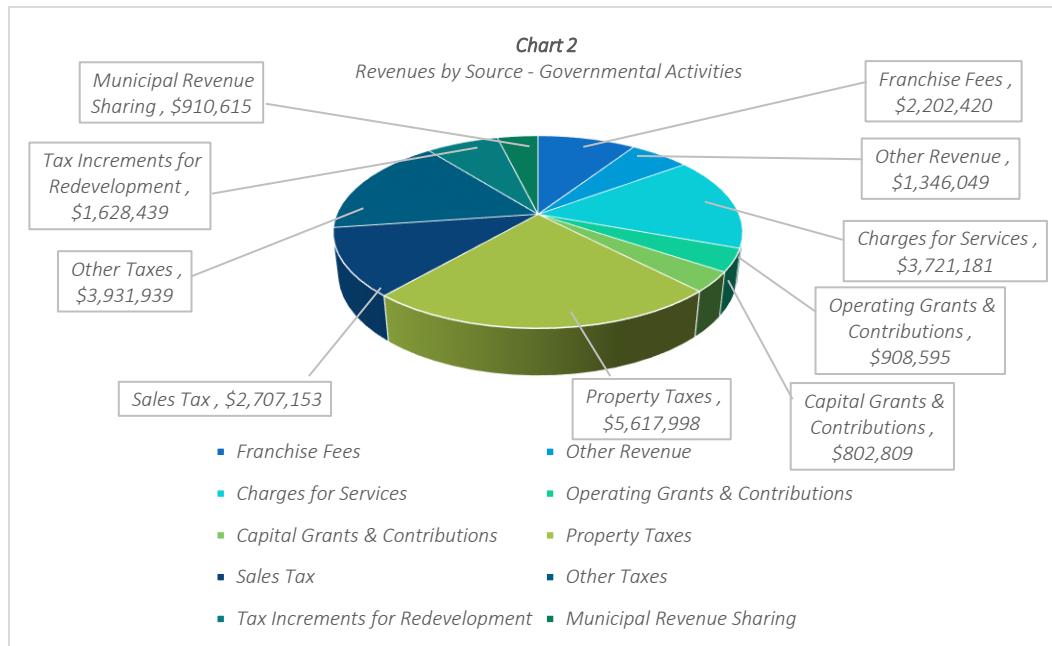
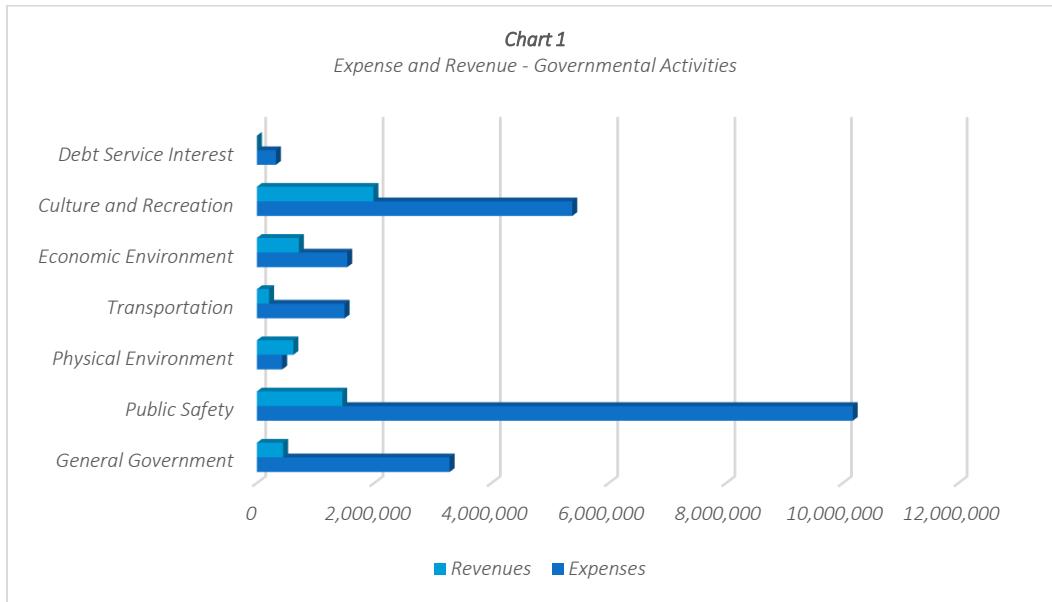
The government's net position increased by \$2.4 million during the fiscal year. Both governmental and business activities experienced an increase, primarily attributable to sale of land, an increase in capital grant revenue, and a decline in economic development expenses in the Community Redevelopment Agency.

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net position by \$1.9 million for the fiscal year ended September 30, 2016. Key elements of this change are as follows:

- Capital grants and contributions increased net position by \$277,489 due to an Assistance to Firefighters grant for a new station alert system, as well a concerted effort to utilize prior year(s) Community Redevelopment Block Grant funds, a portion of which enabled the City to partner in opening the area's first homeless shelter.
- Other revenue increased due to the sale of excess land for commercial development; this development is planned on one of the main corridors for the City of Fort Walton Beach.
- Economic development expenses decreased \$273,552, or 15.1%, as a direct result of prior year use of reserves for projects and economic development incentive grants being provided through the Community Redevelopment Agency (CRA).

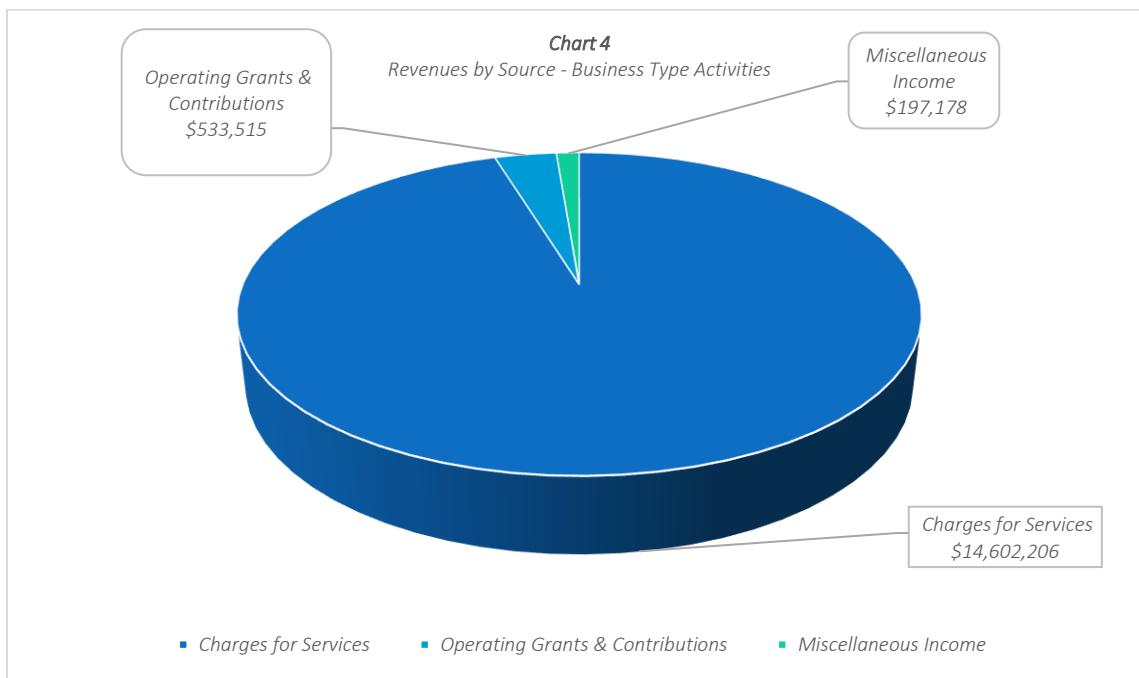
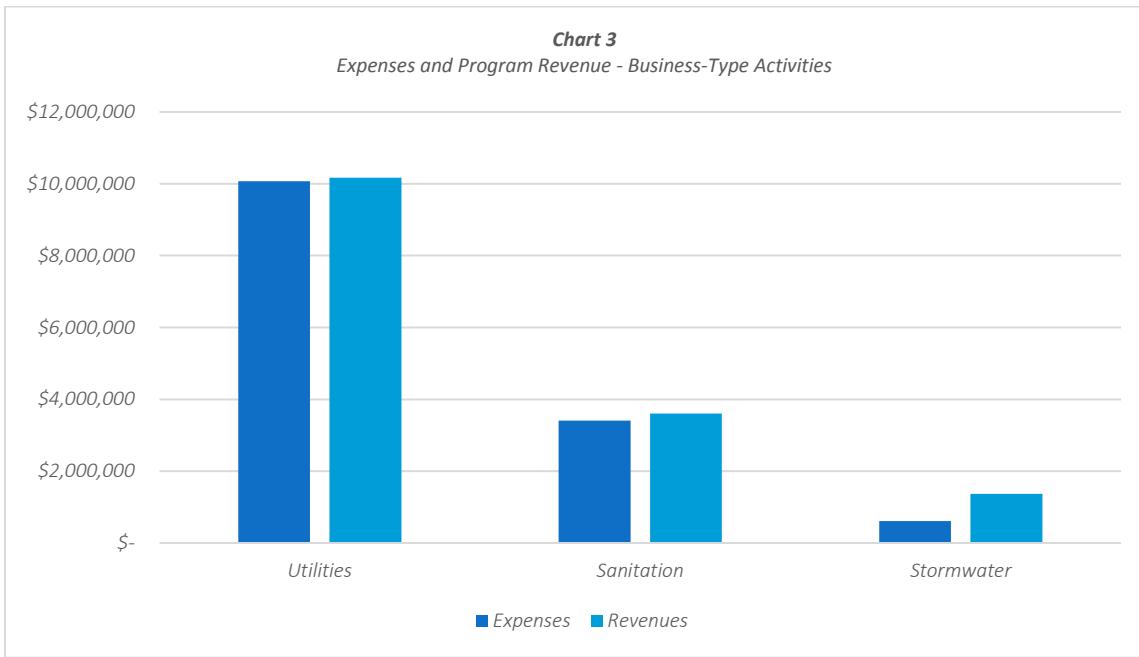
- Recreation and cultural service expenses increased by 16.8%, as the City continued to improve the quality of life for its residents, working toward the completion of Phase 2 of the new City of Fort Walton Beach Recreation Complex, which will include volleyball courts and a Skatepark. The resulting depreciation for Phase 1 increased expenses by \$357,000 over the prior year.
- Overall, expenses for governmental activities increased by \$1.7 million, or 8.2%, while related revenue increased \$1.3 million, or 5.6%, as a result of the City's focus on future sustainability of programs and services.



Current Year Impacts – Business-Type Activities

Business-type activities increased the City's net position by \$490,941 for the fiscal year ended September 30, 2016. Key elements of this change are as follows:

- An increase in capital grants and contributions in the amount of \$445,718, or 507.7%, as the City took advantage of State authorized funding for stormwater improvements.
- Charges for services increased by 8.1%, as a result of the implementation of Year 3 of the Utility and Stormwater Rate Study. Overall, expenses for the business-type activities of the City increased by \$1.1 million, or 8.5%, primarily due to increased waste water treatment flows and debt service interest.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Fort Walton Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2016, the City of Fort Walton Beach's governmental funds have combined ending fund balances of \$16.4 million, an increase of \$1.9 million in comparison with the prior year. Approximately 85.4% of this amount, or \$14.0 million, is available for spending at the discretion of City Council. The remainder of fund balance is non-spendable or restricted. Details of the fund balance classifications can be found on page 17 of this report, as well as in Note 19.

The General Fund is the chief operating fund of the City. At the end of this fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$11.6 million, while total fund balance reached \$12.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed, assigned, and unassigned fund balance and total fund balance to total expenditures. This amount represents 63.0% of the total General Fund expenditures, while total fund balance represents 65.2% of that same amount.

During the 2016 fiscal year, the fund balance of the City's General Fund increased by \$2.2 million. This increase was primarily related to the sale of land and an increase in capital grant revenue.

The Community Redevelopment Agency Fund's fund balance decreased by \$436,902. This decrease is a direct result of City Council's ongoing mission to improve and stimulate economic development through public-private partnerships and development grants.

Proprietary Funds

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

Unrestricted net position of the proprietary funds totaled \$11.1 million at September 30, 2016, of which the Utilities Fund amounted to \$7.9 million, the Sanitation Fund totaled \$2.3 million, and the Stormwater Utility Fund was \$0.9 million. The factors concerning the finances of these four funds have already been addressed in the discussion of the City of Fort Walton Beach's business-type activities.

Fiduciary Funds

The General Employees' Retirement Fund's net position as a percentage of the total pension liability, an indicator of the sustainability of the Plan, was 88.9%, a decrease of 3.0% over the prior year. Employees contribute 5% of pay to the Plan and the City contributed \$1.4 million, which was an increase of \$58,591 when compared to the previous fiscal year.

The Firefighters' Pension Trust Fund's net position as a percentage of the total pension liability was 65.6%, which was decrease of 5.6% over the previous fiscal year. Employees contribute 8.0% of pay to the Plan and the City contributed \$672,369, a decrease of \$43,070.

The Police Officers' Retirement Fund's net position as a percentage of the total pension liability was 76.7%, a decrease of 5.1% over the previous fiscal year. Employees contribute 5% of pay to the Plan and the City contributed \$628,975, a decrease of \$207,078. The decrease in the Plan contributions was a direct result of payroll savings due to vacancies within the department.

Additional information on the pension plans can be found on pages 50-64 of this report.

The General Employees' Retirement Fund was closed to new entrants in January 2010, and all new hires are required to participate in a defined contribution plan, which is administered by the International City Managers Association Retirement Corporation. Additional information on the defined contribution plan can be found on page 65 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

A schedule comparing the original to the final budget and the variance from the final budget to the actual results is included on page 22 of the financial statements.

Differences between the original budget and the final amended budget were \$1.3 million. Significant information related to this difference is summarized as follows:

- The City received donations and added related expenditures in the amount of \$87,731.
- In April 2014, the City experienced a natural disaster in the form of intense flooding. The City received Federal Emergency Management funds to offset a portion of the cost of the repairs related to this disaster in the amount of \$315,499.
- The City received State pension contributions in excess of what was originally budgeted in the amount of \$77,518, for the firefighters' defined benefit pension plan.
- The City incurred expenses that were funded by excess unassigned/assigned fund balance in the amount of \$510,746 for HVAC repairs, police department vehicles and equipment, firefighter bunker gear, and closing costs and commission fees related to the sale of City property.
- The City was the recipient of several grants during the fiscal year totaling \$605,582 in the governmental funds.

Actual results, when compared to the final budget, show a variance of \$2.2 million for expenditures. This variance is primarily due to amending the budget for grant revenue received and capital expenditures planned, but not yet expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of September 30, 2016, was \$40.7 million (net of accumulated depreciation and related debt). This represents a net increase of \$354,239, or 0.9%. Highlights are summarized as follows:

- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- The City received capital grants for a station alerting system for the fire department and received funding for stormwater improvements.

Table 3 below highlights the overall changes in this category.

Table 3
Total Capital Assets
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	\$11,048,842	\$11,048,842	\$709,678	\$709,678	\$11,758,520	\$11,758,520
Buildings	13,459,321	13,563,822	115,202	129,335	13,574,523	13,693,157
Improvements other than Buildings	7,069,522	6,702,488	31,082,318	30,585,879	38,151,840	37,288,367
Infrastructure	3,744,853	3,953,649	-	-	3,744,853	3,953,649
Intangible Assets	12,427	68,821	54,486	63,824	66,913	132,645
Machinery & Equipment	4,123,994	3,688,776	3,755,041	4,049,933	7,879,035	7,738,709
Equipment under Capital Lease	77,440	118,755	-	-	77,440	118,755
Easements	-	-	34,642	34,642	34,642	34,642
Construction in Progress	86,639	804,559	499,398	399,860	586,037	1,204,419
	\$39,623,038	\$39,949,712	\$36,250,765	\$35,973,151	\$75,873,803	\$75,922,863

Additional information on the capital assets of the City of Fort Walton Beach can be found in Note 6 of this report on pages 47-49.

Long-Term Debt

As shown in the following table, as of September 30, 2016, the City had total revenue notes and capital leases outstanding of \$35.3 million. All of the City's debt represents notes secured solely by specified revenue sources (i.e. revenue notes) and capital leases. The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum.

The debt capacity of the City is contingent upon available resources and existing debt. The current outstanding debt requires a coverage ratio of 1.25 times earnings. The General Fund is at 11.95 and the Utilities Fund is at 2.59. The Sanitation and Stormwater Funds are debt-free.

Table 4
Outstanding Debt

	Governmental Assets		Business-Type Activities		Total Activities	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenue Notes	11,725,331	12,371,587	8,794,000	8,794,000	20,519,331	21,165,587
State Revolving Fund	-	-	14,656,929	15,312,458	14,656,929	15,312,458
Capital Leases	106,653	134,249	-	-	106,653	134,249
	\$11,831,984	\$12,505,836	\$23,450,929	\$24,106,458	\$35,282,913	\$36,612,294

Additional information on the City of Fort Walton Beach's long-term debt can be found in Notes 14 and 15 of this report on pages 72-76.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- The Consumer Price Index (CPI) is 1.2% higher than a year ago for the southern region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.

- The Municipal Cost Index is 1.0% higher than a year ago. This index is prepared by American City & County to show the effects of inflation on the cost of providing municipal services.
- The Consumer Confidence Index, prepared by the Conference Board, is 7.0% higher than last year. This indicator measures economic conditions by gauging the future spending of consumers and is a solid indicator of economic recovery.
- The Leading Economic Index, also prepared by the Conference Board, is designed to signal turning point patterns in economic data. This index has remained flat over the past year.
- The military has a significant presence in our community. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$6.0 billion annual impact on Okaloosa County's economy, with approximately 70% of our local economy supported by the military.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2017. The City's budget for fiscal year 2017 totals \$38.6 million, which is \$762,881 higher than the fiscal year 2016 approved budget, due to increased operating expenses throughout the City. The 2017 budget allocates \$20.0 million, a 4.3% increase as compared to the fiscal year 2016 budget, to the General fund, \$15.2 million to the Enterprise funds, and \$3.4 million to other funds.

For the fiscal year 2017 budget, the ad valorem rate was maintained at 5.7697 mills. A 4.5% increase in water and sewer rates is included in the budget, and stormwater fees are scheduled to increase \$0.25. No other significant changes to the City's various rate and fees are included in the fiscal year 2017 budget.

Personnel expenses account for approximately 48.5% of the City's budget. The City's fiscal year 2017 budget remains relatively stable in this category, at 295.58 full time equivalent positions, an increase of only 3.55 over last year.

REQUESTS FOR INFORMATION

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

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,973,627	\$ 1,629,000	\$ 3,602,627
Investments	14,876,629	9,916,925	24,793,554
Receivables, net	575,597	878,927	1,454,524
Internal balances	(407,761)	407,761	-
Due from other governments	381,168	504,288	885,456
Inventory, at cost	242,627	12,421	255,048
Prepaid assets	-	10,000	10,000
Restricted assets			
Cash and cash equivalents	21,156	789,320	810,476
Other assets			
Other receivables, net	736,571	6,224	742,795
Capital assets			
Non-depreciable/amortizable	11,135,481	1,243,718	12,379,199
Depreciable/amortizable, net	28,487,557	35,007,047	63,494,604
TOTAL ASSETS	58,022,652	50,405,631	108,428,283
DEFERRED OUTFLOWS OF RESOURCES	6,004,993	1,170,835	7,175,828
LIABILITIES			
Accounts payable	418,475	930,501	1,348,976
Accrued liabilities	317,554	160,824	478,378
Due to other governments	18,093	7,987	26,080
Unearned revenues	22,489	33,295	55,784
Payable from restricted assets			
Accrued interest	74,955	-	74,955
Customer deposits	-	227,331	227,331
Non-current liabilities			
Due within one year			
Compensated absences	158,536	43,162	201,698
Leases payable	30,555	-	30,555
Revenue notes payable	651,675	407,000	1,058,675
State revolving loans payable	-	668,043	668,043
Due in more than one year			
Compensated absences	475,609	129,480	605,089
Leases payable	76,098	-	76,098
Revenue notes payable	11,073,656	8,387,000	19,460,656
State revolving loans payable	-	13,988,886	13,988,886
Other post-employment benefits	1,128,845	339,413	1,468,258
Net pension liability	16,298,581	1,460,008	17,758,589
TOTAL LIABILITIES	30,745,121	26,782,930	57,528,051
DEFERRED INFLOWS OF RESOURCES	1,171,795	218,848	1,390,643
NET POSITION			
Net investment in capital assets	27,791,054	12,893,855	40,684,909
Restricted			
Debt service	21,156	157,228	178,384
System improvements	-	404,761	404,761
Improvement districts	1,437,363	-	1,437,363
Public safety	536,448	-	536,448
Other purposes	165,895	-	165,895
Unrestricted	2,158,813	11,118,844	13,277,657
TOTAL NET POSITION	\$ 32,110,729	\$ 24,574,688	\$ 56,685,417

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 3,285,039	\$ 421,503	\$ 25,297	\$ -	\$ (2,838,239)	\$ -	\$ (2,838,239)
Public safety	10,172,215	523,163	407,327	523,918	(8,717,807)	-	(8,717,807)
Physical environment	430,490	371,205	-	250,000	190,715	-	190,715
Transportation	1,494,178	207,860	-	-	(1,286,318)	-	(1,286,318)
Economic environment	1,540,230	392,118	323,696	-	(824,416)	-	(824,416)
Culture and recreation	5,375,183	1,805,332	152,275	28,891	(3,388,685)	-	(3,388,685)
Debt service interest	323,639	-	-	-	(323,639)	-	(323,639)
Total governmental activities	22,620,974	3,721,181	908,595	802,809	(17,188,389)	-	(17,188,389)
Business-type activities							
Utilities	10,066,769	10,141,724	-	22,972	-	97,927	97,927
Sanitation	3,407,992	3,599,838	-	-	-	191,846	191,846
Stormwater	611,351	860,644	-	510,543	-	759,836	759,836
Total business-type activities	14,086,112	14,602,206	-	533,515		1,049,609	1,049,609
Total primary government	\$ 36,707,086	\$ 18,323,387	\$ 908,595	\$ 1,336,324	\$ (17,188,389)	\$ 1,049,609	\$ (16,138,780)
General revenues							
Taxes							
Property taxes					\$ 5,617,998	\$ -	\$ 5,617,998
Sales taxes					2,707,153	-	2,707,153
Utility service taxes					3,931,939	-	3,931,939
Tax increments for redevelopment districts					1,628,439	-	1,628,439
Franchise fees					2,202,420	-	2,202,420
Intergovernmental, unrestricted					910,615	-	910,615
Gain on sale of assets					873,101	26,093	899,194
Miscellaneous					27,976	5,502	33,478
Investment earnings					444,972	165,583	610,555
Transfers					755,846	(755,846)	-
Total general revenues and transfers					19,100,459	(558,668)	18,541,791
CHANGE IN NET POSITION					1,912,070	490,941	2,403,011
NET POSITION AT BEGINNING OF YEAR					30,198,659	24,083,747	54,282,406
NET POSITION AT END OF YEAR					\$ 32,110,729	\$ 24,574,688	\$ 56,685,417

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,259,254	\$ 146,562	\$ 567,811	\$ 1,973,627
Investments	11,123,176	1,308,133	2,445,320	14,876,629
Receivables	955,014	357,154	-	1,312,168
Due from other funds	9,318	-	-	9,318
Due from other governments	362,231	-	18,937	381,168
Inventory, at cost	240,865	1,762	-	242,627
Restricted assets				
Cash and cash equivalents	-	-	21,156	21,156
TOTAL ASSETS	<u>\$ 13,949,858</u>	<u>\$ 1,813,611</u>	<u>\$ 3,053,224</u>	<u>\$ 18,816,693</u>
LIABILITIES				
Accounts payable	\$ 398,363	\$ 13,951	\$ 6,161	\$ 418,475
Accrued liabilities	299,980	7,339	10,235	317,554
Due to other funds	-	-	9,318	9,318
Due to other governments	18,093	-	-	18,093
Advance from other funds	407,761	-	-	407,761
Unearned revenue	22,489	-	-	22,489
Total liabilities	1,146,686	21,290	25,714	1,193,690
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	833,908	354,958	-	1,188,866
FUND BALANCE				
Nonspendable	240,865	1,762	-	242,627
Restricted	163,817	1,435,601	559,682	2,159,100
Committed	6,009,523	-	2,467,828	8,477,351
Assigned	1,198,378	-	-	1,198,378
Unassigned	4,356,681	-	-	4,356,681
Total fund balance	11,969,264	1,437,363	3,027,510	16,434,137
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 13,949,858</u>	<u>\$ 1,813,611</u>	<u>\$ 3,053,224</u>	<u>\$ 18,816,693</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund balance, total governmental funds (page 17)	\$ 16,434,137
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Governmental non-depreciable/amortizable assets	11,135,481
Governmental depreciable/amortizable assets	67,324,435
Less accumulated depreciation/amortization	<u>(38,836,878)</u>
	39,623,038
Unavailable revenues in governmental funds is susceptible to full accrual on the entity-wide statements.	
Special assessments	401,766
Receivable related to sale of capital asset	<u>787,100</u>
	1,188,866
Deferred inflows of resources and deferred outflows of resources are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.	
Deferred outflows of resources – City pension contributions made subsequent to the measurement date	2,210,491
Deferred outflows of resources – net difference between projected and actual earnings on pension plan investments	3,794,502
Deferred inflows of resources – net difference between expected and actual experience with regard to economic or demographic assumptions on pension plan investments	<u>(1,171,795)</u>
	4,833,198
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Notes payable	(11,725,331)
Accrued interest	(74,955)
Capital leases	(106,653)
Compensated absences	(634,145)
Other post-employment benefits	(1,128,845)
Net pension liability	<u>(16,298,581)</u>
	<u>(29,968,510)</u>
Net position of governmental activities (page 15)	<u><u>\$ 32,110,729</u></u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
	General	Agency	
REVENUES			
Taxes	\$ 10,923,769	\$ 1,017,542	\$ 11,941,311
Permits and fees	2,226,500	25,160	372,150
Intergovernmental	3,577,318	610,897	134,481
Charges for services	2,402,801	-	2,402,801
Fines	114,719	-	6,794
Miscellaneous	659,427	48,578	227,816
Total revenues	19,904,534	1,702,177	741,241
			22,347,952
EXPENDITURES			
Current			
General governmental services	3,017,374	-	3,017,374
Public safety	8,253,632	455,979	343,567
Physical environment	325,227	-	12,604
Transportation	852,602	-	852,602
Economic environment	-	1,313,716	119,072
Culture and recreation	4,196,979	-	4,196,979
Capital outlay	1,700,910	369,384	35,392
Debt service			
Principal	-	-	673,851
Interest	9,087	-	327,748
Total expenditures	18,355,811	2,139,079	1,512,234
			22,007,124
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
OVER (UNDER) EXPENDITURES	1,548,723	(436,902)	(770,993)
			340,828
OTHER FINANCING SOURCES (USES)			
Sale of general capital assets	850,000	-	850,000
Transfers in	776,210	-	1,021,974
Transfers out	(1,021,974)	-	(20,364)
Total other financing sources (uses)	604,236	-	1,001,610
NET CHANGE IN FUND BALANCE	2,152,959	(436,902)	230,617
			1,946,674
FUND BALANCE AT BEGINNING OF YEAR			
	9,816,305	1,874,265	2,796,893
			14,487,463
FUND BALANCE AT END OF YEAR	\$ 11,969,264	\$ 1,437,363	\$ 3,027,510
			\$ 16,434,137

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, 2016

Net change in fund balance – governmental funds (page 19)	\$ 1,946,674
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	2,105,686
Less current year depreciation/amortization	<u>(2,707,680)</u>
	(601,994)
Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities. In addition, capital asset reassignments are reported as transfers on the statement of activities.	
Disposals of capital assets	(543,313)
Accumulated depreciation/amortization associated with disposals	543,313
Net book value of donated capital assets	276,300
Transfers and adjustments of capital assets	(63,158)
adjustments	<u>62,178</u>
	275,320
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 on special assessment for street resurfacing	(2,644)
Special assessment for interest and penalties	453
Special assessment for capital improvements	354,958
Payments received on receivable related to the sale of capital assets	<u>(49,822)</u>
	302,945
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, long-term debt reassignments are reported as transfers on the statement of activities.	
Debt principal and capital lease payments	673,851
Change in accrued interest on long-term debt	<u>4,109</u>
	677,960
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Change in net pension liability and related deferred inflows and deferred outflows of resources	(569,508)
Change in long-term compensated absences	14,168
Change in other post-employment benefits	<u>(133,495)</u>
	(688,835)
Change in net position of governmental activities (page 16)	<u>\$ 1,912,070</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,518,092	\$ 10,595,610	\$ 10,923,769	\$ 328,159
Permits and fees	2,080,579	2,080,578	2,226,500	145,922
Intergovernmental	2,696,770	2,905,920	3,577,318	671,398
Charges for services	2,456,296	2,475,100	2,402,801	(72,299)
Fines	104,400	104,400	114,719	10,319
Miscellaneous	<u>479,826</u>	<u>556,868</u>	<u>659,427</u>	<u>102,559</u>
Total revenues	<u>18,335,963</u>	<u>18,718,476</u>	<u>19,904,534</u>	<u>1,186,058</u>
EXPENDITURES				
Current				
General governmental services	3,318,729	3,620,844	3,017,374	603,470
Public safety	8,442,131	8,693,269	8,253,632	439,637
Physical environment	321,258	334,901	325,227	9,674
Transportation	1,048,635	1,039,913	852,602	187,311
Culture and recreation	4,253,895	4,294,863	4,196,979	97,884
Capital outlay	1,911,959	2,567,609	1,700,910	866,699
Debt service	-	-	9,087	(9,087)
Total expenditures	<u>19,296,607</u>	<u>20,551,399</u>	<u>18,355,811</u>	<u>2,195,588</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(960,644)</u>	<u>(1,832,923)</u>	<u>1,548,723</u>	<u>3,381,646</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	850,000	850,000
Transfers in	818,107	818,107	776,210	(41,897)
Transfers out	<u>(1,093,912)</u>	<u>(1,093,912)</u>	<u>(1,021,974)</u>	<u>71,938</u>
Total other financing sources (uses)	<u>(275,805)</u>	<u>(275,805)</u>	<u>604,236</u>	<u>880,041</u>
NET CHANGE IN FUND BALANCE				
	<u>(1,236,449)</u>	<u>(2,108,728)</u>	<u>2,152,959</u>	<u>4,261,687</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>1,236,449</u>	<u>2,108,728</u>	<u>9,816,305</u>	<u>7,707,577</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,969,264</u>	<u>\$ 11,969,264</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,017,542	\$ 1,017,542	\$ 1,017,542	\$ -
Permits and fees	-	-	25,160	25,160
Intergovernmental	605,054	662,747	610,897	(51,850)
Miscellaneous	48,000	48,000	48,578	578
Total revenues	<u>1,670,596</u>	<u>1,728,289</u>	<u>1,702,177</u>	<u>(26,112)</u>
EXPENDITURES				
Current				
Public safety	453,207	453,081	455,979	(2,898)
Economic environment	1,384,395	1,764,529	1,313,716	450,813
Capital outlay	30,700	383,164	369,384	13,780
Total expenditures	<u>1,868,302</u>	<u>2,600,774</u>	<u>2,139,079</u>	<u>461,695</u>
CHANGE IN FUND BALANCE	(197,706)	(872,485)	(436,902)	435,583
FUND BALANCE AT BEGINNING OF YEAR	197,706	872,485	1,874,265	1,001,780
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,437,363	\$ 1,437,363

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Utilities Fund	Sanitation Fund	Other Enterprise Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 892,206	\$ 220,176	\$ 516,618	\$ 1,629,000
Restricted assets – cash and cash equivalents	785,185	4,135	-	789,320
Investments	7,951,750	1,965,175	-	9,916,925
Receivables, net	629,660	200,698	48,569	878,927
Advance to other funds	-	47,508	-	47,508
Due from other governments	-	-	504,288	504,288
Inventory – at cost	12,421	-	-	12,421
Prepaid assets	-	-	10,000	10,000
Total current assets	<u>10,271,222</u>	<u>2,437,692</u>	<u>1,079,475</u>	<u>13,788,389</u>
Other assets				
Advance to other funds	-	360,253	-	360,253
Other receivables, net	<u>6,224</u>	<u>-</u>	<u>-</u>	<u>6,224</u>
Total other assets	<u>6,224</u>	<u>360,253</u>	<u>-</u>	<u>366,477</u>
Capital assets, net				
Non-depreciable/amortizable	1,103,029	-	140,689	1,243,718
Depreciable/amortization, net	<u>32,150,132</u>	<u>1,263,912</u>	<u>1,593,003</u>	<u>35,007,047</u>
Total capital assets	<u>33,253,161</u>	<u>1,263,912</u>	<u>1,733,692</u>	<u>36,250,765</u>
Total non-current assets	<u>33,259,385</u>	<u>1,624,165</u>	<u>1,733,692</u>	<u>36,617,242</u>
TOTAL ASSETS	<u>43,530,607</u>	<u>4,061,857</u>	<u>2,813,167</u>	<u>50,405,631</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>812,560</u>	<u>289,807</u>	<u>68,468</u>	<u>1,170,835</u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2016

	Utilities Fund	Sanitation Fund	Other Enterprise Fund	Total
LIABILITIES				
Current liabilities				
Accounts payable	696,343	110,189	123,969	930,501
Accrued liabilities				
Compensated absences	26,383	13,574	3,205	43,162
Wages	38,016	19,362	3,962	61,340
Interest	99,006	-	-	99,006
Other	204	249	25	478
Due to other governments	-	7,987	-	7,987
Revenue note payable	407,000	-	-	407,000
State revolving loan payable	668,043	-	-	668,043
Payable from restricted assets				
Customer deposits	223,196	4,135	-	227,331
Unearned revenue	33,295	-	-	33,295
Total current liabilities	<u>2,191,486</u>	<u>155,496</u>	<u>131,161</u>	<u>2,478,143</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	79,147	40,720	9,613	129,480
Revenue note payable	8,387,000	-	-	8,387,000
State revolving loan payable	13,988,886	-	-	13,988,886
Other post-employment benefits	209,304	107,481	22,628	339,413
Net pension liability	974,239	392,936	92,833	1,460,008
Total non-current liabilities	<u>23,638,576</u>	<u>541,137</u>	<u>125,074</u>	<u>24,304,787</u>
TOTAL LIABILITIES	<u>25,830,062</u>	<u>696,633</u>	<u>256,235</u>	<u>26,782,930</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>146,034</u>	<u>58,899</u>	<u>13,915</u>	<u>218,848</u>
NET POSITION				
Net investment in capital assets	9,896,251	1,263,912	1,733,692	12,893,855
Restricted				
Debt service	157,228	-	-	157,228
System improvements	404,761	-	-	404,761
Unrestricted	<u>7,908,831</u>	<u>2,332,220</u>	<u>877,793</u>	<u>11,118,844</u>
TOTAL NET POSITION	<u>\$ 18,367,071</u>	<u>\$ 3,596,132</u>	<u>\$ 2,611,485</u>	<u>\$ 24,574,688</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, 2016

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 10,123,818	\$ 3,599,838	\$ 860,644	\$ 14,584,300
OPERATING EXPENSES				
Personal services	1,867,541	982,098	232,246	3,081,885
Operating	5,615,671	2,117,437	304,793	8,037,901
Depreciation/amortization expense	1,941,248	308,457	74,312	2,324,017
Total operating expenses	9,424,460	3,407,992	611,351	13,443,803
OPERATING INCOME	<u>699,358</u>	<u>191,846</u>	<u>249,293</u>	<u>1,140,497</u>
NON-OPERATING REVENUES (EXPENSES)				
Rental income	17,906	-	-	17,906
Interest expense	(636,198)	-	-	(636,198)
Amortization	(5,613)	-	-	(5,613)
Gain on disposal of capital assets	8,312	5,737	12,044	26,093
Gain on investment	24,093	5,827	1,404	31,324
Interest	94,707	31,570	7,982	134,259
Grants in aid	(498)	-	-	(498)
Miscellaneous	3,480	2,017	5	5,502
Total non-operating revenues (expenses)	(493,811)	45,151	21,435	(427,225)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>205,547</u>	<u>236,997</u>	<u>270,728</u>	<u>713,272</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	945	-	510,543	511,488
Impact fees	22,027	-	-	22,027
Transfers out	(619,771)	(136,075)	-	(755,846)
Total capital contributions and transfers	(596,799)	(136,075)	510,543	(222,331)
CHANGE IN NET POSITION	<u>(391,252)</u>	<u>100,922</u>	<u>781,271</u>	<u>490,941</u>
NET POSITION AT BEGINNING OF YEAR	<u>18,758,323</u>	<u>3,495,210</u>	<u>1,830,214</u>	<u>24,083,747</u>
NET POSITION AT END OF YEAR	<u><u>\$ 18,367,071</u></u>	<u><u>\$ 3,596,132</u></u>	<u><u>\$ 2,611,485</u></u>	<u><u>\$ 24,574,688</u></u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utilities Fund	Sanitation Fund	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users				
	\$ 10,038,901	\$ 3,598,288	\$ 854,029	\$ 14,491,218
Payments to suppliers	(5,356,675)	(2,108,481)	(184,297)	(7,649,453)
Payments to employees	(1,977,456)	(1,033,346)	(251,299)	(3,262,101)
Miscellaneous income	21,386	2,017	5	23,408
Net cash provided by operating activities	<u>2,726,156</u>	<u>458,478</u>	<u>418,438</u>	<u>3,603,072</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Change in intergovernmental balances	-	(271)	-	(271)
Advance to other funds	-	46,576	-	46,576
Grants and aids	(498)	-	-	(498)
Transfers out	<u>(619,771)</u>	<u>(136,075)</u>	-	<u>(755,846)</u>
Net cash used in non-capital financing activities	<u>(620,269)</u>	<u>(89,770)</u>	-	<u>(710,039)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees received	22,027	-	-	22,027
Acquisitions of capital assets	(1,711,783)	(207,247)	(681,655)	(2,600,685)
Proceeds from disposal of capital assets	8,311	5,737	2,044	16,092
Proceeds from capital grants and contributions	-	-	41,797	41,797
Principal paid on state revolving loan	(655,529)	-	-	(655,529)
Interest paid on bonds, loan, and note payables	<u>(537,192)</u>	-	-	<u>(537,192)</u>
Net cash used in capital and related financing activities	<u>(2,874,166)</u>	<u>(201,510)</u>	<u>(637,814)</u>	<u>(3,713,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(232,111)	-	(232,111)
Proceeds from sales and maturities of investments	333,626	-	-	333,626
Interest income	<u>118,800</u>	<u>37,397</u>	<u>9,386</u>	<u>165,583</u>
Net cash provided by (used in) capital and related financing activities	<u>452,426</u>	<u>(194,714)</u>	<u>9,386</u>	<u>267,098</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	(315,853)	(27,516)	(209,990)	(553,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	<u>1,993,244</u>	<u>251,827</u>	<u>726,608</u>	<u>2,971,679</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	<u>\$ 1,677,391</u>	<u>\$ 224,311</u>	<u>\$ 516,618</u>	<u>\$ 2,418,320</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, 2016

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 892,206	\$ 220,176	\$ 516,618	\$ 1,629,000
Restricted assets	<u>785,185</u>	<u>4,135</u>	<u>-</u>	<u>789,320</u>
Total cash and cash equivalents	<u><u>\$ 1,677,391</u></u>	<u><u>\$ 224,311</u></u>	<u><u>\$ 516,618</u></u>	<u><u>\$ 2,418,320</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 699,358	\$ 191,846	\$ 249,293	\$ 1,140,497
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,941,248	308,457	74,312	2,324,017
Miscellaneous revenue	21,386	2,017	5	23,408
Decrease (increase) in assets:				
Accounts receivable	(50,958)	(3,715)	(6,615)	(61,288)
Inventory	2,353	-	-	2,353
Increase in deferred outflows of resources	(442,232)	(178,364)	(42,138)	(662,734)
Increase (decrease) in liabilities:				
Accounts payable	256,643	8,956	120,496	386,095
Compensated absences payable	(4,808)	2,415	(341)	(2,734)
Wages	(61,503)	(28,874)	(8,726)	(99,103)
Other liabilities	204	249	25	478
Customer deposits	(34,275)	2,165	-	(32,110)
Other post-employment benefits	44,732	10,674	(1,574)	53,832
Unearned revenue	316	-	-	316
Net pension liability	263,000	106,074	25,060	394,134
Increase in deferred inflows of resources	90,692	36,578	8,641	135,911
Net cash provided by operating activities	<u><u>\$ 2,726,156</u></u>	<u><u>\$ 458,478</u></u>	<u><u>\$ 418,438</u></u>	<u><u>\$ 3,603,072</u></u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Capital grants receivable	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 504,288</u></u>	<u><u>\$ 504,288</u></u>
Gain on sale of capital asset	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 10,000</u></u>
Contributions of assets from other funds	<u><u>\$ 945</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 945</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Amortization of bond discount	<u><u>\$ 5,613</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,613</u></u>

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	\$ 2,926,292
Investments, at fair value	
U.S. Government and Agency obligations	15,490,443
Corporate obligations	4,366,235
Corporate equity	22,962,442
Mutual funds and exchange-traded funds	22,931,946
Commingled real estate investment funds	<u>6,139,090</u>
Total investments	<u>71,890,156</u>
Accounts receivable	16,894
Due from State of Florida	<u>184,154</u>
TOTAL ASSETS	<u>75,017,496</u>
LIABILITIES	
Accounts payable	<u>106,596</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 74,910,900</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, 2016

	Employee Retirement Funds
ADDITIONS	
Contributions	
Employer	\$ 2,601,665
Plan members	469,357
State of Florida	<u>383,207</u>
Total contributions	<u>3,454,229</u>
Investment income (loss)	7,085,809
Less investment expense	<u>(308,956)</u>
Net investment income (loss)	<u>6,776,853</u>
Miscellaneous revenue	<u>34,947</u>
TOTAL ADDITIONS	<u>10,266,029</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	5,604,667
Disability payments	170,568
Refunds	<u>78,504</u>
Total benefits and refunds paid	<u>5,853,739</u>
Administrative expenses	
Legal	29,890
Contractual services	128,947
Other	<u>68,168</u>
Total administrative expenses	<u>227,005</u>
TOTAL DEDUCTIONS	<u>6,080,744</u>
CHANGE IN FIDUCIARY NET POSITION	<u>4,185,285</u>
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>70,725,615</u>
End of year	<u>\$ 74,910,900</u>

See notes to the financial statements.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Description of the City

The City of Fort Walton Beach, Florida, (the City) was originally chartered as a municipality under laws of the State of Florida Special Act of the Florida Legislature in 1937. The City Manager – Council form of government was established in 1953. As authorized by its charter, the City provides the following services: public safety (police, fire, and inspection), highways and streets, water and sewer, sanitation, stormwater, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

The Reporting Entity

A seven member City Council and a Mayor govern the City, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in it by State Statute and the City Charter, and their governmental powers cannot be delegated.

As required by U.S. GAAP, these financial statements present the City of Fort Walton Beach (the primary government) and its blended component unit. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement No. 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2016, the City had one component unit, as defined by GASB No. 61, which has been presented in the financial statements of the primary government using the blended presentation method, and is presented as a governmental fund type with a fiscal year end of September 30. The Fort Walton Beach Community Redevelopment Agency (the Agency) was formed to prepare a community redevelopment plan for a designated geographic area within the City of Fort Walton Beach, Florida. All of the City's council members serve as board members of the Agency. The Agency's governing body is the same as the governing body of the City. The Agency functions as a department of the City. City management have operational and fiscal responsibility for the Agency's activities.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

The Reporting Entity – Continued

The Fort Walton Beach Housing Authority (the Authority) is considered a related organization to the City rather than a component unit. The City Council appoints the board members of the Authority. However, the Authority's board operates independently of the City Council and does not create a financial burden or benefit to the City.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effects of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the governmental and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. Separate fund financial statements for the fiduciary funds are disclosed within Note 8 of these financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due as there is a statutory requirement to make the contribution. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Measurement Focus and Basis of Accounting – Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 6 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments and other receivables within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Okaloosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2016
Levy Date	November 1, 2016
Due Date	November 1, 2016
Delinquent Date	April 1, 2017

Discounts of 1% for each month taxes are paid prior to March 2017 are granted.

Revenue recognition criteria for property taxes under GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2016 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Any portion of franchise fees that is not based on gross receipts are reported as a charge for service in the function or activity that generates the fee. During fiscal year 2016, franchise fees were all based on gross receipts and thus recorded as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City considers all impact fee revenue as capital contributions for the water and sewer system; therefore, no amount from the impact fees are included in operating revenue. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The City has the following major governmental funds:

General Fund – This is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Community Redevelopment Agency Fund – The Community Redevelopment Agency Fund is the operating fund of the Fort Walton Beach Community Redevelopment Agency (the "Agency"). It is used to account for the activities of the Agency. Revenue sources for this fund include tax increment financing proceeds from ad valorem taxes as well as investment income.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Basis of Presentation – Continued

Proprietary

Proprietary funds focus on the determination of net income, changes in net position, financial position, and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City:

Utilities Fund – Used to account for the operations of the City, which provides distribution of potable water, sales and service and sanitary wastewater collection, treatment and disposal.

Sanitation Fund – Accounts for the operation of the City that provides for solid waste collection and disposal.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The City has the following type of fiduciary fund:

Pension Trust Funds – Used to report the resources that are required to be held in trust for the members and beneficiaries of the three defined benefit pension plans administered by the City: General Employees' Retirement Fund, Police Officers' Retirement Fund, and Firefighters' Retirement Fund.

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

Cash and Cash Equivalents

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

Investments

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

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

Investments

In addition the Beal Memorial Cemetery Perpetual Care special revenue fund and the pension trust funds maintain separate investments 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, 2016**

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

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

Restricted Assets

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

Capital Assets

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

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

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

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

Capital Assets – Continued

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 7 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for additional information on the City's deferred inflows of resources.

Compensated Absences

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

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective and straight-line interest methods. Bond issuance costs are expensed as they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

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

Long-Term Obligations – Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability

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

GASB 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, 2014
Measurement Date (MD)	September 30, 2015
Measurement Period (MP)	October 1, 2014 to September 30, 2015

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB Statement No. 54, are comprised of the following:

Nonspendable – Includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances from other funds.

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – Includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government's highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

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

Classification of Fund Balance – Continued

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Council has delegated authority to the City Manager and Finance Director in accordance with the City's fund balance policy.

Unassigned – Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City's formal fund balance policy establishes a targeted minimum reserve balance in the General Fund for committed fund balance equal to 30% of annual budgeted expenditures, which constitutes the City's minimum fund balance policy.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Estimates

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

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 fund balance and net position previously reported.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Budgetary data reflected in the financial statements are established by the following procedures:

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

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

Prior to October 1, the budget for all governmental and proprietary funds of the City is legally enacted through passage of a resolution. Budget amendments are periodically passed via resolutions throughout the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives.

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

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as designations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (with the exception of the Community Development Block Grant Special Revenue Fund and the pension trust funds) participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, and pooled investments managed by a financial institution. Interest income (which includes unrealized gains and losses) is distributed monthly based on the average balances.

Deposits

Custodial Credit Risk – It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow qualified public depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2016, the value of the City's deposits was \$7,439,781, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida State.

Investments

As of September 30, 2016, 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.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

As of September 30, 2016, the City held the following investments and related maturities:

Fair Value	INVESTMENT MATURITIES (YEARS)							
	<1	1-5	5-10	10-15	15-20	20-25	25-30	>30
Investments subject to interest rate risk								
Corporate debt	\$ 15,667,248	\$ 4,456,741	\$ 9,260,949	\$ 1,787,355	\$ 162,203	\$ -	\$ -	\$ -
Municipal debt	487,103	-	487,103	-	-	-	-	-
U.S. Treasury	8,234,065	-	4,545,464	-	-	-	-	3,688,601
U.S. Government Agencies	11,953,918	2,261,456	9,692,462	-	-	-	-	-
U.S. Government Agency Pools	5,782,405	-	756,431	3,434,270	586,193	871,818	133,693	-
	<u>42,124,739</u>	<u>\$ 6,718,197</u>	<u>\$24,742,409</u>	<u>\$ 5,221,625</u>	<u>\$ 748,396</u>	<u>\$ 871,818</u>	<u>\$ 133,693</u>	<u>\$ 3,688,601</u>
Total	<u><u>\$ 96,683,710</u></u>							
Investments not subject to interest rate risk								
Money market funds	86,391	-	-	-	-	-	-	-
Corporate equities	29,101,531	-	-	-	-	-	-	-
Mutual and exchange-traded funds	25,371,049	-	-	-	-	-	-	-
Total	<u><u>\$ 96,683,710</u></u>							

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

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

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

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Credit Rate Risk – Continued – All pension trust funds were in compliance with respective investment policies regarding credit rate risk as of September 30, 2016.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2016, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Money market funds	N/A	N/A	N/A
Corporate debt	A1-Baa3	Aa1-Baa3	A1-Baa3
U.S. Treasury	Aaa	Aaa	Aaa
U.S. government agencies	Aaa	Aaa	Aaa
U.S. government pools	N/A	N/A	N/A

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

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

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

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration of Credit Risk – Continued

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

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

All pension trust fund plans were in compliance with respective investment policies regarding concentration of credit risk as of September 30, 2016.

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

- *Domestic Equities* – No more than 5% of the total equity portfolio valued at market may be invested in the equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity valued at market may be held in any one sector.
- *International Equities* – No more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity valued at market may be held in any one sector.
- *Fixed Income Investments* – Securities of any one issuer shall not exceed 5% of a total bond portfolio at time of purchase.

4. FAIR VALUE OF INVESTMENTS

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

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 86,391	\$ 86,391	\$ -	\$ -
Debt securities				
U.S. Treasury bonds	8,234,065	8,234,065	-	-
U.S. Government Agency obligations	11,953,918	6,019,438	5,934,480	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	5,782,405	5,782,405	-	-
Corporate bonds	15,667,248	4,366,235	11,301,013	
Municipal bonds	487,103	-	487,103	-
Total debt securities	42,124,739	24,402,143	17,722,596	-
Equity securities and commingled funds				
Domestic common stock	22,893,076	22,893,076		
Foreign common stock	69,365	69,365		
Exchange-traded funds	27,344	27,344		
Mutual funds	25,343,705	22,881,204	2,462,501	
* Commingled real estate investment funds	6,139,090	-	-	
Total equity securities and commingled funds	54,472,580	45,870,989	2,462,501	-
Total investments measured at fair value	<u>\$ 96,683,710</u>	<u>\$ 70,359,523</u>	<u>\$ 20,185,097</u>	<u>\$ -</u>

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

5. RECEIVABLES

Receivables at September 30, 2016, were as follows:

	Governmental Activities			Business-Type Activities			Total
	Community		Other	Utilities		Sanitation	
	General	Redevelop- ment Fund	Gov't Funds	Utilities	Sanitation	Proprietary Funds	
Taxes	\$ 18,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,617
Accounts	102,489	2,196	-	670,245	210,012	51,575	1,036,517
Less allowance for doubtful accounts	-	-	-	(41,539)	(9,314)	(3,006)	(53,859)
Assessments	46,808	354,958	-	7,178	-	-	408,944
Other	<u>787,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,100</u>
Total receivables, net	<u><u>\$ 955,014</u></u>	<u><u>\$ 357,154</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 635,884</u></u>	<u><u>\$ 200,698</u></u>	<u><u>\$ 48,569</u></u>	<u><u>\$ 2,197,319</u></u>

During fiscal year 2015, the City sold a building for \$462,000 and will receive \$442,000 of the proceeds over twelve years (\$2,917 monthly payments started November 2014). This note receivable bears interest at 5% per year and includes a balloon payment of \$232,362 due to the City in October 2026. The balance of this note receivable is \$416,100 as of September 30, 2016.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

5. RECEIVABLES – CONTINUED

During fiscal year 2014, the City sold a recreational center for \$425,000 and will receive the proceeds over twelve years (\$3,000 monthly principal only payments started October 2015). The City has calculated imputed interest on the receivable, but it has not been recorded as the imputed amount was deemed to be immaterial to the financial statements. The balance of this note receivable is \$371,000 as of September 30, 2016.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2016, are \$381,168. Due from other governments in the governmental activities consists primarily of federal proceeds related to the Federal Emergency Management Agency (FEMA) grant as well as state proceeds related to Department of Transportation road maintenance contracts.

The City's receivables from other governments for business-type as of September 30, 2016, are \$504,288 which consists of primarily of state proceeds related to stormwater system improvement grants.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized					
Land	\$ 11,048,842	\$ -	\$ -	\$ -	\$ 11,048,842
Construction in progress	804,559	66,888	-	(784,808)	86,639
Total capital assets not being depreciated/amortized	<u>11,853,401</u>	<u>66,888</u>	<u>-</u>	<u>(784,808)</u>	<u>11,135,481</u>
Capital assets being depreciated/amortized					
Buildings	23,101,138	57,035	-	540,235	23,698,408
Improvements other than buildings	16,948,453	644,514	(187,228)	492,707	17,898,446
Infrastructure	12,864,676	130,837	-	(59,648)	12,935,865
Software	516,184	5,007	-	-	521,191
Machinery and equipment	11,118,386	1,201,405	(356,085)	179,655	12,143,361
Equipment under capital lease	127,164	-	-	-	127,164
Total capital assets being depreciated/amortized	<u>64,676,001</u>	<u>2,038,798</u>	<u>(543,313)</u>	<u>1,152,949</u>	<u>67,324,435</u>
Less accumulated depreciation/amortization					
Buildings	(9,537,317)	(701,770)	-	-	(10,239,087)
Improvements other than buildings	(10,245,965)	(770,187)	187,228	-	(10,828,924)
Infrastructure	(8,911,027)	(339,633)	-	59,648	(9,191,012)
Software	(447,362)	(79,264)	-	17,862	(508,764)
Machinery and equipment	(7,429,610)	(793,373)	356,085	(152,469)	(8,019,367)
Equipment under capital lease	(8,409)	(23,453)	-	(17,862)	(49,724)
Total accumulated depreciation/amortization	<u>(36,579,690)</u>	<u>(2,707,680)</u>	<u>543,313</u>	<u>(92,821)</u>	<u>(38,836,878)</u>
Total capital assets being depreciated/amortized, net	<u>28,096,311</u>	<u>(668,882)</u>	<u>-</u>	<u>1,060,128</u>	<u>28,487,557</u>
Governmental activities, net	<u><u>\$ 39,949,712</u></u>	<u><u>\$ (601,994)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 275,320</u></u>	<u><u>\$ 39,623,038</u></u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

6. CHANGES IN CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated/amortized					
Land	\$ 709,678	\$ -	\$ -	\$ -	\$ 709,678
Construction in progress	399,860	533,245	-	(433,707)	499,398
Easements	34,642	-	-	-	34,642
Total capital assets not being depreciated/amortized	1,144,180	533,245	-	(433,707)	1,243,718
Capital assets being depreciated/amortized					
Buildings	493,876	-	(81,977)		411,899
Improvements other than buildings	44,605,969	1,668,979	(1,642)	337,210	46,610,516
Software	111,216	-	-		111,216
Machinery and equipment	9,999,302	543,698	(436,250)	117,625	10,224,375
Total capital assets being depreciated/amortized	55,210,363	2,212,677	(519,869)	454,835	57,358,006
Less accumulated depreciation/amortization					
Buildings	(364,541)	(14,133)	81,977	-	(296,697)
Improvements other than buildings	(14,020,093)	(1,509,747)	1,642	-	(15,528,198)
Software	(47,392)	(9,338)	-	-	(56,730)
Machinery and equipment	(5,949,366)	(790,799)	255,639	15,192	(6,469,334)
Total accumulated depreciation/amortization	(20,381,392)	(2,324,017)	339,258	15,192	(22,350,959)
Total capital assets being depreciated/amortized, net	34,828,971	(111,340)	(180,611)	470,027	35,007,047
Business-type activities, net	<u>\$ 35,973,151</u>	<u>\$ 421,905</u>	<u>\$ (180,611)</u>	<u>\$ 36,320</u>	<u>\$ 36,250,765</u>

Amortization of equipment under capital lease is included with depreciation expense in the financial statements. Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 160,848
Public safety	650,532
Physical environment	83,859
Transportation	631,926
Economic environment	106,646
Culture and recreation	<u>1,073,869</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 2,707,680</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. CHANGES IN CAPITAL ASSETS – CONTINUED

Business-type activities

Utilities fund	\$1,941,248
Sanitation fund	308,457
Other proprietary funds	<u>74,312</u>
Total depreciation/amortization expense – business-type activities	<u><u>\$2,324,017</u></u>

Construction Commitments

During fiscal year 2016 multiple projects to improve the City's recreational facilities were begun. These projects included construction of sand volleyball courts and installation of field netting at the recreation complex, and upgrading the lighting at Jet Stadium. The table below summarizes the City's cost incurred for each project as of September 30, 2016, and the total estimated cost to complete each project:

	Costs Incurred as of 9/30/16	Estimated Total Project Cost
Sand volleyball courts at recreation complex	\$ 17,109	\$ 110,000
Field netting at recreation complex	26,239	40,000
Jet Stadium lighting	<u>33,280</u>	<u>44,000</u>
	<u><u>\$ 76,628</u></u>	<u><u>\$ 194,000</u></u>

These projects were funded with contingency funds and General Fund reserves. The barrier net installation and Jet Stadium lighting upgrades are scheduled to be completed in early 2017. Additional work on the volleyball courts will begin in late 2017 with completion expected in fiscal year 2018.

The City utilizes reclaimed water to irrigate the municipal golf course. During fiscal year 2016, the reuse pump station was deemed to be outdated, unsafe, and inefficient. Replacement of the pump station began in August 2016. To date \$276,536 has been spent on the replacement with an estimated total cost of \$330,000. Funding for this project was provided by Utility Fund revenues. Completion is expected in the first quarter of fiscal year 2017.

During fiscal year 2016, the City began a project to improve the stormwater system along U.S. Highway 98. To date, \$43,290 has been spent with an estimated total cost of \$964,000. This project is funded by a Florida Department of Environmental Protection grant and is projected to be completed in the spring of 2017.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2016, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

Governmental activities:

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Governmental Activities</u>
Deferred outflows			
City pension contributions made subsequent to the measurement date	\$ -	\$ -	\$ 2,210,491
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>-</u>	3,794,502
Total deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,004,993</u>
Deferred inflows			
Net difference between expected and actual experience with regard to economic or demographic assumptions	\$ -	\$ -	\$ 1,171,795
Unavailable revenue – special assessments	46,808	354,958	-
Unavailable revenue – long-term receivable from sale of buildings	<u>787,100</u>	<u>-</u>	<u>-</u>
Total deferred inflows	<u>\$ 833,908</u>	<u>\$ 354,958</u>	<u>\$ 1,171,795</u>

Business-type activities:

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund – Non-Major</u>	<u>Business-Type Activities</u>
Deferred outflows				
City pension contributions made subsequent to the measurement date	\$ 261,024	\$ 105,278	\$ 24,872	\$ 391,174
Deferred loss on refunding	94,019	-	-	94,019
Net difference between projected and actual earnings on pension plan investments	<u>457,517</u>	<u>184,529</u>	<u>43,596</u>	<u>685,642</u>
Total deferred outflows	<u>\$ 812,560</u>	<u>\$ 289,807</u>	<u>\$ 68,468</u>	<u>\$ 1,170,835</u>
Deferred inflows				
Net difference between expected and actual experience with regard to economic or demographic assumptions	\$ 146,034	\$ 58,899	\$ 13,915	\$ 218,848

8. DEFINED BENEFIT PENSION PLANS

The City of Fort Walton Beach, Florida sponsors three single-employer defined benefit pension plans: the General Employees' Retirement Fund (GERF), Police Officers' Retirement Fund (PORF) and the Firefighters' Retirement Fund (FRF). These plans provide benefits for all qualifying employees of the City. The financial activity of each plan is reported as a Pension Trust Fund in the City of Fort Walton Beach, Florida's internal combined financial statements and can be found under subheading "Fund Financial Statements" of this note. There is no separate report available for the individual pension plans.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – General Employees’ Retirement Fund (GERF)

Plan Administration

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

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

All full-time City employees including the City Manager, Finance Director, and the Chief of Police, if they elect to participate, but not including City Council Members, police officers other than the Chief of Police, and firefighters. Effective January 1, 2010, the plan is closed to new entrants.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	144
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	43
Active Plan Members	<hr/> 102
	<hr/> <hr/> 289

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 52 with 10 years of credited service (early retirement) or at age 62 and 10 years of credited service (normal retirement). Benefits become 100% vested upon completion of 10 years of credited service. For the City Manager, Finance Director, or Department Heads, including the Chief of Police, the Member becomes vested at 20% per year, except that credited service other than that as a Charter Officer or Department Head will accrue at a rate of 10% per year. Retirement benefits are a percentage (2.75% or 2.50%) of final average earnings times the years of credited service with maximum of 75% or 100% of current compensation depending on vested status at April 5, 1999. Benefits are reduced by 3% for each year by which the early retirement date precedes the age of 62. Varied benefits exist for service and non-service connected disabilities as well as death in the line of duty or other pre-retirement death. In accordance with the annual increase in CPI-U as measured in December, all retirees are entitled to an adjustment payable each April 1, subject to a minimum of 0% and a maximum of 3%. The adjustment does not apply to members who retire following a vested terminated status or disability retirees.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – GERF – Continued

Funding Policy and Contributions

Both the City and the employees (at a rate of 5.0% of payroll) make contributions to the Plan. For fiscal year 2016, employees contributed \$202,268 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2016 was 29.6% of payroll. The annual required contributions for the current fiscal year was determined as part of the October 1, 2014 actuarial valuation updated to September 30, 2015 using the entry age normal actuarial cost method.

Net Pension Liability – GERF

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For 2016, the inflation rate assumption of the investment advisor was 2.50%

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	55.00%	7.5%
International Equity	10.00%	8.5%
Broad Market Fixed Income	25.00%	2.5%
Real Estate	10.00%	4.5%
Total	<u>100%</u>	

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2015 (Valuation Date of 10/01/2014)	\$ 42,730,211	\$ 39,242,244	\$ 3,487,967
Changes:			
Service cost	569,712	-	569,712
Interest	3,314,990	-	3,314,990
Differences between Expected and Actual experience	(1,074,244)		(1,074,244)
Contributions – employer	-	1,355,041	(1,355,041)
Contributions – employee	-	209,567	(209,567)
Net investment income	-	(4,390)	4,390
Benefit payments, including refunds of employee contributions	(2,676,038)	(2,676,038)	-
Administrative expenses	-	(39,535)	39,535
Net changes during 2014-15	<u>134,420</u>	<u>(1,155,355)</u>	<u>1,289,775</u>
Balances at September 30, 2016 (Measurement Date of 9/30/2015)	<u>\$ 42,864,631</u>	<u>\$ 38,086,889</u>	<u>\$ 4,777,742</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.90%	7.90%	8.90%
Sponsor's Net Pension Liability	\$ 9,143,181	\$ 4,777,742	\$ 1,050,144

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, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2016, the City recognized pension income of \$434,206. On September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 1,280,082	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	2,243,702	-
Net difference between Expected and Actual experience with regard to economic or demographic assumptions	- <hr/>	716,163 <hr/>
Total	<hr/> <u>\$ 3,523,784</u>	<hr/> <u>\$ 716,163</u>

Deferred outflows of resources related to pensions of \$1,280,082 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ 185,882
2018	185,882
2019	543,963
2020	611,812
	<hr/> <u>\$ 1,527,539</u>

Plan Description – Police Officers' Retirement Fund (PORF)

Plan Administration

The Police Officers' Retirement Board of Trustees (Police Board) is designated as the plan administrator. The Police Board shall consist of five Trustees, two of whom, unless otherwise prohibited by law, shall be legal residents of the City, who shall be appointed by the City Council, and two of whom shall be Members of the System, who shall be elected by a majority of the Police Officers who are Members of the System. The fifth Trustee shall be chosen by a majority of the previous four Trustees as provided for herein, and such person's name shall be submitted to the City Council who shall, as a ministerial duty, appoint such person to the Police Board as its fifth Trustee.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – PORF – Continued

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

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	45
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	13
Active Plan Members	<u>42</u>
	<u><u>100</u></u>

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with 10 years of credited service or completion of 25 years of credited service (early retirement) or at age 55 or the completion of 30 years of credited service (normal retirement). Members hired between ages 45 and 50 must work 10 years. Benefits become 100% vested upon completion of 10 years of credited service. The plan provides retirement benefits in the amount of 2.75% of average final compensation times credited service. Benefits are reduced 6% for each year prior to the age of 55. Varied benefits exist for disability and pre-retirement death. Each April 1 the benefit paid to service retirees is adjusted in accordance with the CPI increase during the previous year not to exceed 3%.

Contributions

The City, the State of Florida, and employees (at 5.0% of payroll until a 75% maximum accrual is attained and then 0.5% thereafter) make contributions to the Plan. For fiscal year 2016, employees contributed \$102,214 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 0.85%. For fiscal year 2016, the State contributed \$181,303 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2016 was 26.2% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2014 actuarial valuation updated to September 30, 2015 using the entry age normal actuarial cost method.

Net Pension Liability – PORF

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – PORF – Continued

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

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period 1991-2012. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Broad market fixed income	<u>40%</u>	2.5%
Total	<u><u>100%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability – PORF

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2015 (Valuation Date of 10/01/2014)	\$ 25,008,402	\$ 20,463,452	\$ 4,544,950
Changes:			
Service cost	336,234	-	336,234
Interest	1,953,123	-	1,953,123
(1) Contributions – employer	-	628,975	(628,975)
Contributions – state	-	175,025	(175,025)
Contributions – employee	-	101,886	(101,886)
Net investment income	-	(538,198)	538,198
Differences between Expected and Actual experience	(659,966)		(659,966)
Benefit payments, including			
Refunds of employee contributions	(1,655,069)	(1,655,069)	-
Administrative expenses	-	(25,084)	25,084
Net changes during 2014-15	<u>(25,678)</u>	<u>(1,312,465)</u>	<u>1,286,787</u>
Balances at September 30, 2016 (Measurement Date of 9/30/2015)	<u>\$ 24,982,724</u>	<u>\$ 19,150,987</u>	<u>\$ 5,831,737</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 8,584,722	\$ 5,831,737	\$ 3,566,528

Pension Plan Fiduciary Net Position

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

(1) Adjusted for actual contributions made.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2016, the City recognized pension expense of \$46,900. On September 30, 2016, 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	\$ 577,564	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	1,498,890	-
Net difference between Expected and Actual experience with regard to economic or demographic assumptions	<hr/>	<hr/>
		494,975
Total	<hr/> <u>\$ 2,076,454</u>	<hr/> <u>\$ 494,975</u>

Deferred outflows of resources related to pensions of \$577,564 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ 191,770
2018	191,769
2019	191,769
2020	428,607
	<hr/> <u>\$ 1,003,915</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, 2016**

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – FRF – Continued

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	<u>35</u>
	<u>63</u>

Benefits Provided

The plan provides retirement, disability and death benefits. A member may retire at age 45 with 10 years of credited service (early retirement) or at age 55 and 10 years of credited service or 25 years of credited service regardless of age (normal retirement). Benefits become 100% vested upon completion of 10 years of credit service. The plan provides a retirement benefit which is 3.25% of average final compensation times credited service with maximum of 100% of current compensation. Benefits are reduced 0.25% for each month prior to the normal retirement date. Varied benefits exist for disability and pre-retirement death. Benefits for service retirees are adjusted for a 3% cost of living increase on the January 1 following the later of age 58 or the date of retirement.

Contributions

The City, the State of Florida, and employees (at 8.0% of salary) make contributions to the Plan. For fiscal year 2016, employees contributed \$164,876 to the Plan. The State of Florida makes contributions based on tax premiums assessed on property insurance of 1.85%. For fiscal year 2016, the State contributed \$201,904 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2016 was 29.6% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2014 actuarial valuation updated to September 30, 2015 using the entry age normal actuarial cost method.

Net Pension Liability – FRF

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary increases	6.50%
Discount rate	8.00%
Investment rate of return	8.00%

Mortality rates are obtained from the RP-2000 Combined Healthy Mortality Table. For disabled lives, these mortality rates are set forward 5 years. Based upon other studies of municipal firefighters, management feels this assumption sufficiently accommodates future mortality improvements.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45%	7.50%
International equity	15%	8.50%
Broad market fixed income	30%	2.50%
Real estate	10%	4.50%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability – FRF

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2015 (Valuation Date of 10/01/2014)	\$ 19,195,485	\$ 13,662,320	\$ 5,533,165
Changes:			
Service cost	478,365	-	478,365
Interest	1,554,072	-	1,554,072
Contributions – employer	-	672,369	(672,369)
Contributions – state	-	205,007	(205,007)
Contributions – employee	-	150,357	(150,357)
Contributions – buy back	72,413	72,413	-
Net investment income	-	15,562	(15,562)
Changes of benefit terms	804,097	-	804,097
Differences between Expected and Actual experience	(224,382)	-	(224,382)
Benefit payments, including refunds of employee contributions	(1,140,432)	(1,140,432)	-
Administrative expenses	-	(47,088)	47,088
Net changes during 2014-15	<u>1,544,133</u>	<u>(71,812)</u>	<u>1,615,945</u>
Balances at September 30, 2016 (Measurement Date of 9/30/2015)	<u><u>\$ 20,739,618</u></u>	<u><u>\$ 13,590,508</u></u>	<u><u>\$ 7,149,110</u></u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 10,147,024	\$ 7,149,110	\$ 5,599,143

Pension Plan Fiduciary Net Position

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

For the year ended September 30, 2016, the City recognized a pension expense of \$824,128. On September 30, 2016, 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	\$ 744,019	\$ -
Net difference between Projected and Actual earnings on pension Plan investments	737,553	-
Net difference between Expected and Actual experience with regard to economic or demographic assumptions	- <hr/>	179,505 <hr/>
Total	<u>\$ 1,481,572</u>	<u>\$ 179,505</u>

Deferred outflows of resources related to pensions of \$744,019 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ 129,378
2018	129,380
2019	129,380
2020	<hr/> 169,910
	<hr/> <u>\$ 558,048</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERF, PORF and FRF) for the year ended September 30, 2016:

	COMBINING STATEMENT OF PLAN NET POSITION				Total Employee Retirement Funds	
	Employee Retirement Funds			General Employees' Retirement	Police Officers' Retirement	
	Firefighters' Retirement		Employee Retirement Funds			
ASSETS						
Cash and cash equivalents	\$ 1,831,141	\$ 655,636	\$ 439,515	\$ 2,926,292		
Accounts receivable	6,977	3,287	6,630		16,894	
Due from State of Florida	-	181,303	2,851		184,154	
Investments, at market						
U.S. Government and Agency obligations	6,274,949	5,757,744	3,457,750		15,490,443	
Corporate obligations	1,904,238	1,553,773	908,224		4,366,235	
Corporate equity	19,967,895	-	2,994,547		22,962,442	
Mutual and exchange-traded funds	6,069,190	11,768,826	5,093,930		22,931,946	
Commingled real estate investment funds	4,652,237	-	1,486,853		6,139,090	
Total investments, at market	<u>38,868,509</u>	<u>19,080,343</u>	<u>13,941,304</u>		<u>71,890,156</u>	
TOTAL ASSETS	<u>\$ 40,706,627</u>	<u>\$ 19,920,569</u>	<u>\$ 14,390,300</u>		<u>\$ 75,017,496</u>	
LIABILITIES						
Accounts payable	\$ 42,360	\$ 33,924	\$ 30,312		\$ 106,596	
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 40,664,267</u>	<u>\$ 19,886,645</u>	<u>\$ 14,359,988</u>		<u>\$ 74,910,900</u>	

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Employee Retirement Funds			Total Employee Retirement Funds
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	
ADDITIONS				
Contributions				
Employer	\$ 1,280,082	\$ 577,564	\$ 744,019	\$ 2,601,665
Plan members	202,267	102,214	164,876	469,357
State of Florida	-	181,303	201,904	383,207
Total contributions	<u>1,482,349</u>	<u>861,081</u>	<u>1,110,799</u>	<u>3,454,229</u>
Investment income (loss)	4,294,552	1,751,991	1,039,266	7,085,809
Less investment expense	(234,843)	(24,946)	(49,167)	(308,956)
Net investment income (loss)	<u>4,059,709</u>	<u>1,727,045</u>	<u>990,099</u>	<u>6,776,853</u>
Miscellaneous revenue	24,863	6,790	3,294	34,947
TOTAL ADDITIONS	<u>5,566,921</u>	<u>2,594,916</u>	<u>2,104,192</u>	<u>10,266,029</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	2,775,507	1,614,344	1,214,816	5,604,667
Disability payments	46,851	117,823	5,894	170,568
Other	36,513	14,477	27,514	78,504
Total benefits and refunds paid	<u>2,858,871</u>	<u>1,746,644</u>	<u>1,248,224</u>	<u>5,853,739</u>
Administrative expenses				
Legal	3,080	18,203	8,607	29,890
Contractual	52,570	39,269	37,108	128,947
Other	28,443	14,974	24,751	68,168
Total administrative expenses	<u>84,093</u>	<u>72,446</u>	<u>70,466</u>	<u>227,005</u>
TOTAL DEDUCTIONS	<u>2,942,964</u>	<u>1,819,090</u>	<u>1,318,690</u>	<u>6,080,744</u>
INCREASE IN PLAN NET POSITION	<u>2,623,957</u>	<u>775,826</u>	<u>785,502</u>	<u>4,185,285</u>
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	38,040,310	19,110,819	13,574,486	70,725,615
End of year	<u>\$ 40,664,267</u>	<u>\$ 19,886,645</u>	<u>\$ 14,359,988</u>	<u>\$ 74,910,900</u>

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

9. DEFINED CONTRIBUTION PENSION PLAN

City of Fort Walton Beach Defined Contribution Plan

In December 2009, City Council closed the General Employees' Defined Benefit Pension Plan. All general, full-time employees hired on or after January 1, 2010, are members of the Defined Contribution Retirement Plan (Plan). The Plan is a money purchase defined contribution retirement plan administered by ICMA Retirement Corporation, with the City serving as trustee. All funds are held in the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust in the name of each participant. The City finance director serves as the coordinator for the Plan. The Plan requires a 5% payroll contribution by the employee with a 5% employer (City) match. Employees can increase their contribution; however, only an additional 2½% is eligible for City match. Members of the General Employees' Defined Benefit Pension Plan, who were not fully or partially vested at the time the Plan was opened, were permitted to transfer their contributions to the Plan as a one-time, irrevocable election. The Plan participants individually select and make changes in funding options, which are made available by the independent plan administrator. Since participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses.

The authority for establishing and amending the Plan's provisions lies with the City Council. The City Council also has the authority for amending contribution requirements. Contributions made to the Plan by the employees and by the City were \$168,815 and \$168,815, respectively, for the year ending September 30, 2016. The City's contributions vest 20% each year beginning after one year of employment. Participants are fully vested after 5 years of service.

10. DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Plan). The Plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The assets are held in trust for the employees' benefit. The Plan participants individually select and make changes in funding options, which are made available by the independent plan administrator. Since participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the Plan properly and to assure the investment alternatives made available are reasonable.

Assets of the plan have a fair value of \$2,682,652 at September 30, 2016. Contributions made by plan members during the year ended September 30, 2016, were \$153,164.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The latest actuarial valuation was performed as of October 1, 2014. GASB Statement No. 45 allows for actuarial valuations to be performed biennially with results applicable for two reporting years. Unless otherwise noted, the following disclosures are represented as of September 30, 2016:

Plan Description

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit eligible retirees (as defined in the City's pension plans) and their eligible dependents to participate in the health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City provides this benefit to its employees through a single-employer defined benefit plan. The plan does not issue a separate report.

Funding Policy

The City is financing the post employee benefits on a "pay-as-you-go" basis. Annual required contributions were \$368,225 for the current fiscal year, towards which the City made a contribution of \$174,411. Retiree contributions totaled \$453,356 for the fiscal year ended September 30, 2016. At September 30, 2016, the City recorded a net OPEB obligation of \$1,128,845 for governmental activities and \$339,413 for business-type activities in its government-wide statement of net position. The OPEB obligation is a function of the annual required contribution, interest, adjustments to the annual required contribution, annual pension costs, and actual employers' contributions made to the plan.

Membership

At September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	99
Terminated employees entitled to benefits but not receiving them	0
Active employees	<hr/> 228
Total	<hr/> 327
Participating employers	<hr/> 1

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed thirty years.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

The following table shows the components of the City's annual OPEB cost for the fiscal years ended September 30, 2016 and 2015, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Fiscal year ended	9/30/2016	9/30/2015
Annual required contributions	\$ 368,225	\$ 357,654
Interest on net OPEB obligation	51,237	43,788
Adjustment to annual required contribution	<u>(57,724)</u>	<u>(47,501)</u>
Annual OPEB cost (expense) total	361,738	353,941
Employer contributions	<u>(174,411)</u>	<u>(167,728)</u>
Increase in net OPEB obligation	187,327	186,213
Net OPEB obligation – beginning of year	<u>1,280,931</u>	<u>1,094,718</u>
Net OPEB obligation – end of year	<u><u>\$ 1,468,258</u></u>	<u><u>\$ 1,280,931</u></u>

For the governmental activities, the net other postemployment benefit obligation is generally liquidated by the General Fund.

The amounts broken out by plan for the fiscal year ended September 30, 2016, are as follows:

	General	Police	Fire	Total
Annual required contribution	\$ 243,838	\$ 75,388	\$ 48,999	\$ 368,225
Interest on net OPEB obligation	34,851	10,755	5,631	51,237
Adjustment to annual required contribution	<u>(39,513)</u>	<u>(12,189)</u>	<u>(6,022)</u>	<u>(57,724)</u>
Annual OPEB cost	239,176	73,954	48,608	361,738
Estimated net contributions made	<u>(120,487)</u>	<u>(36,374)</u>	<u>(17,550)</u>	<u>(174,411)</u>
Anticipated increase (decrease) in net OPEB obligation	118,689	37,580	31,058	187,327
Net OPEB obligation – beginning of year	<u>871,265</u>	<u>268,880</u>	<u>140,786</u>	<u>1,280,931</u>
Final net OPEB obligation – end of year	<u><u>\$ 989,954</u></u>	<u><u>\$ 306,460</u></u>	<u><u>\$ 171,844</u></u>	<u><u>\$ 1,468,258</u></u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

The City's funded status as of the October 1, 2014 valuation date was as follows:

	<u>10/1/2014</u>
Actuarial accrued liability (AAL)	\$ 4,437,530
Actuarial value of assets (AVA)	-
<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>\$ 4,437,530</u>
Funded ratio	0.0%
Covered payroll	\$ 7,981,236
Ratio of UAAL to covered payroll	55.6%

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years, were as follows:

Year Ending	Three-Year Trend Information				Net OPEB Obligation (Asset)
	Annual OPEB Cost	City Contributions	Percentage Contributed	Net OPEB Obligation (Asset)	
9/30/2016	\$ 361,738	\$ 174,411	48.21%	\$ 1,468,258	
9/30/2015	353,941	167,728	47.39%	1,280,931	
9/30/2014	503,210	275,495	54.75%	1,094,718	

Funded Status and Funding Progress

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

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Required Supplementary Information

The Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the latest actuarial valuation as of October 1, 2014, the Individual Entry Age Normal Cost Method (level percentage of pay) was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare costs trend rate of 8.0% in FY15, which will be decreased to an ultimate rate of 4.50% beginning in fiscal year ending September 30, 2020. The investment rate of return included a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized in a closed amortization, calculated as a level percent of payroll over a thirty year period.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee medical benefits and natural disasters. The City purchases insurance through commercial carriers. Insurance coverage for workers' compensation, liability, casualty, inland marine, flood, police accidental death, public officials' bonds, fiduciary and fuel tanks were purchased from several commercial carriers during the year ended September 30, 2016. There has been no significant reduction in insurance coverage from the prior year. Commercial insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

13. OPERATING LEASES

Lessor

The City receives rental income from leasing various parcels of land under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2016, was \$317,981 in the General Fund, \$12,000 in the Community Redevelopment Agency Fund, and \$17,906 in the Utilities Fund.

In addition, the City also leases a portion of its Golf Clubhouse for retail and food service operations. The rent received for this lease for the fiscal year ended September 30, 2016, totaled \$73,438.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2017	\$ 318,898	\$ 18,448
2018	280,585	19,001
2019	323,103	19,571
2020	328,470	20,157
2021	<u>334,221</u>	<u>20,750</u>
Total minimum lease payments	<u>\$ 1,585,277</u>	<u>\$ 97,927</u>

Lessee

The City leases golf carts in the General Fund through an operating lease with Yamaha. The original lease term began on January 1, 2013 and was terminated on June 30, 2016. A new four-year lease was signed in August 2016 that expires on July 31, 2020. Under the new lease, monthly lease payments are \$6,323 plus property tax paid by the lessor. Rent expense for the fiscal year ending September 30, 2016 was \$96,180.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2017	\$ 75,870
2018	75,870
2019	75,870
2020	<u>63,225</u>
Total minimum lease payments	<u>\$ 290,835</u>

The City leases golf course and parks grounds maintenance equipment and utility carts in the General Fund through operating leases with DLL Finance. The grounds maintenance equipment lease is a five-year lease that began on January 1, 2016 and expires on December 31, 2020. The utility cart lease is a four-year lease that began on September 1, 2016 and expires on August 31, 2020. Monthly rent payments under the lease agreements are \$2,104 plus property taxes paid by the lessor. Rent expense for the fiscal year ending September 30, 2016 was \$18,060.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

13. OPERATING LEASES – CONTINUED

Lessee – Continued

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2017	\$ 25,256
2018	25,256
2019	25,256
2020	24,421
2021	3,808
Total minimum lease payments	\$ 103,997

The City leases copiers in the General, Utilities, and Sanitation Funds through Great American Financial Services. The lease term began October 1, 2015 and expires on September 30, 2019. Monthly lease payments in each fund are as follows: General Fund: \$1,383; Utilities Fund: \$74; and Sanitation Fund: \$38. Rent expense for each fund for the year ending September 30, 2016 was as follows: General Fund: \$16,596; Utilities Fund: \$888; and Sanitation Fund: \$456.

Future minimum lease payments are as follows:

Year Ending September 30	Business-Type Activities		
	Governmental Activities	Utilities	Sanitation
2017	\$ 16,596	\$ 888	\$ 456
2018	16,596	888	456
2019	16,596	888	456
Total minimum lease payments	\$ 49,788	\$ 2,664	\$ 1,368

The City leases a postage machine in the General Fund through an operating lease with MailFinance. The lease term began on March 12, 2015 and expires on June 11, 2020. Quarterly rent payments are \$687, and rent expense for the fiscal year ending September 30, 2016 was \$2,748.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2017	\$ 2,748
2018	2,748
2019	2,748
2020	1,374
Total minimum lease payments	\$ 9,618

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

14. CAPITAL LEASES

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

The assets acquired through capital leases are as follows:

Assets	Governmental Activities	
Telephone system	\$	103,784
Fitness equipment		67,774
Accumulated depreciation		<u>(49,723)</u>
Assets acquired by lease, net	<u>\$</u>	<u>121,835</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, are as follows:

Year Ending September 30	Governmental Activities	
2017	\$	39,993
2018		39,993
2019		37,905
2020		<u>6,777</u>
Total minimum lease payments		124,668
Less amount representing interest		<u>(18,015)</u>
Present value of minimum lease payments	<u>\$</u>	<u>106,653</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

15. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

The following is a summary of changes in long-term debt liabilities of the City for the year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue notes payable	\$ 12,371,587	\$ -	\$ (646,256)	\$ 11,725,331	\$ 651,675
Capital leases	134,249	-	(27,596)	106,653	30,555
Compensated absences	648,313	862,195	(876,363)	634,145	158,536
Total governmental activities	<u>\$ 13,154,149</u>	<u>\$ 862,195</u>	<u>\$ (1,550,215)</u>	<u>\$ 12,466,129</u>	<u>\$ 840,766</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue notes payable	\$ 8,794,000	\$ -	\$ -	\$ 8,794,000	\$ 407,000
State revolving loans	15,312,458	-	(655,529)	14,656,929	668,043
Compensated absences	175,376	212,794	(215,528)	172,642	43,162
Total business-type activities	<u>\$ 24,281,834</u>	<u>\$ 212,794</u>	<u>\$ (871,057)</u>	<u>\$ 23,623,571</u>	<u>\$ 1,118,205</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
Revenue Notes			
\$8,500,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2013A, 2.69% interest due semi annually and principal due annually ranging from \$326,969 to \$464,334 through 2027 with a balloon payment of \$3,000,000 due in 2028. Budgeted and appropriated half cent sales tax is pledged for payment of the note. Proceeds used to finance the construction of the City's new recreational complex along with the purchase of a bucket truck and a grounds sweeper for City's municipal golf course.	\$ 356,081	\$ 7,132,526	\$ 7,488,607
\$4,470,610 City of Fort Walton Beach, Florida, Capital Improvement Refunding Revenue Note, Series 2013, 2.30% interest due semi annually and principal due annually ranging from \$187,659 to \$299,010 through 2031. Available non ad valorem revenues are pledged for payment of the note. Proceeds used for refunding Series 2001 revenue bonds for construction of certain capital improvements.	219,874	3,639,402	3,859,276
\$819,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2011, due in quarterly installments of \$24,449 through April 2016 then \$21,156 from June 2016 through April 2021; interest at 2.55%. Available non ad valorem revenues are pledged for payment of the note. Proceeds used for purchase of a fire truck and golf equipment.	<u>75,720</u>	<u>301,728</u>	<u>377,448</u>
Total revenue notes	<u>651,675</u>	<u>11,073,656</u>	<u>11,725,331</u>
Leases			
\$103,784 capital lease payable, 2013, due in monthly installments of \$2,088 through August 2019, collateralized by a the City's phone system.	18,021	42,104	60,125
\$67,774 capital lease payable, 2015, due in quarterly installments of \$3,734 through December 2019, collateralized by fitness equipment at the City's Recreation Complex.	<u>12,534</u>	<u>33,994</u>	<u>46,528</u>
Total leases	<u>30,555</u>	<u>76,098</u>	<u>106,653</u>
Accrued Compensated Absences			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	<u>158,536</u>	<u>475,609</u>	<u>634,145</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 840,766</u>	<u>\$ 11,625,363</u>	<u>\$ 12,466,129</u>

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES			
Revenue Notes			
\$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.	<u>\$ 407,000</u>	<u>\$ 8,387,000</u>	<u>\$ 8,794,000</u>
State Revolving Loans			
\$15,637,939 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$471,683 including interest at 1.90% beginning August 2015, through February 2035. Proceeds used for force main replacement, storage tank construction and pump station upgrades.	<u>668,043</u>	<u>13,988,886</u>	<u>14,656,929</u>
Accrued Compensated Absences			
Accumulated, vested annual compensation for Enterprise Funds	<u>43,162</u>	<u>129,480</u>	<u>172,642</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 1,118,205</u>	<u>\$ 22,505,366</u>	<u>\$ 23,623,571</u>
GRAND TOTAL LONG-TERM DEBT			<u>\$ 36,089,700</u>

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

15. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2016, are as follows:

Governmental Activities

Year Ending September 30	Leases		Revenue Notes	
	Principal	Interest	Principal	Interest
2017	\$ 30,555	\$ 9,438	\$ 651,675	\$ 299,112
2018	33,881	6,112	664,711	282,526
2019	35,536	2,369	682,573	265,599
2020	6,681	96	700,401	248,217
2021	-	-	697,037	230,379
2022-2026	-	-	3,425,805	897,254
2027-2031	-	-	4,903,129	274,531
Total	\$ 106,653	\$ 18,015	\$ 11,725,331	\$ 2,497,618

Business-Type Activities

Year Ending September 30	Revenue Note		State Revolving Loan	
	Principal	Interest	Principal	Interest
2017	\$ 407,000	\$ 256,785	\$ 668,043	\$ 275,323
2018	419,000	244,900	680,796	262,570
2019	431,000	232,666	693,793	249,574
2020	444,000	220,080	707,038	236,329
2021	456,000	207,116	720,535	222,832
2022-2026	2,491,000	827,674	3,814,332	902,502
2027-2031	2,875,000	442,292	4,192,583	524,251
2032-2036	1,271,000	55,947	3,179,809	121,975
Total	\$ 8,794,000	\$ 2,487,460	\$ 14,656,929	\$ 2,795,356

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES

Capital Improvement Revenue Note, Series 2011

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the bonds on the next quarter payment date.

	Principal/Interest Payments Due	Sinking Fund Requirement at September 30, 2016
Principal due at October 1, 2016	\$ 18,750	\$ 18,750
Interest due at October 1, 2016	<u>2,406</u>	<u>2,406</u>
Total	<u><u>\$ 21,156</u></u>	<u><u>\$ 21,156</u></u> ¹

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

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

Capital Improvement Refunding Revenue Note, Series 2013

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semi-annual payment date. The sinking fund was not required to be funded at September 30, 2016.
3. The City is not aware of any noncompliance with the covenants.

Capital Improvement Revenue Note, Series 2013A

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.
2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semi-annual payment date. The sinking fund was not required to be funded at September 30, 2016.
3. The City is not aware of any noncompliance with the covenants.

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES – CONTINUED

Utility System Revenue Refunding Note, Series 2015

1. The balance sheet and statement of revenues, expenses, and changes in fund balance of the Utility Fund are shown in the financial section of the report.
2. Net revenues pledged consist of gross revenues less costs of operation and maintenance. The net revenues pledged in fiscal year 2016 was approximately \$2,640,000.
3. The debt issued refunded Series 2005 bond used for system improvements.
4. The term of the pledge commitment ends January, 2033.
5. The pledged revenues needed to meet the rate covenants in fiscal year 2016 was \$320,981. The covenant is based upon 125% of the annual debt service requirement.
6. The pledged revenues exceeded the debt service requirements by \$2,319,011 in fiscal year 2016.
7. The City is not aware of any noncompliance with the covenants.

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	\$ 9,318

Advance to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sanitation	General	\$ 407,761

General Fund receivables from the Community Development Block Grant Fund in the amount of \$9,318 are the result of eliminating a temporary deficit cash balance.

On September 30, 2014, the City's Sanitation Fund loaned the General Fund \$500,000 to purchase a Fire Engine. The loan from the Sanitation Fund will be paid back over a 10-year period at an interest rate of 2.00%. The balance of the advance as of September 30, 2016 is \$407,761.

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

17. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

Transfers Out	Transfers In		
	Other Governmental		
	General Fund	Funds	Total
General Fund	\$ -	\$ 1,021,974	\$ 1,021,974
Other Governmental Funds	20,364	-	20,364
Utilities Fund	619,771	-	619,771
Sanitation Fund	136,075	-	136,075
	\$ 776,210	\$ 1,021,974	\$ 1,798,184

The transfers out of the General Fund are \$1,021,974. These transfers consist of a \$997,306 transfer to the Debt Service Fund (Other Governmental Funds) for principal and interest payments on debt, and a \$24,668 transfer to the Cemetery Perpetual Care Fund (Other Governmental Funds) for maintenance.

Transfers in to the General Fund of \$776,210 consist of a \$20,364 transfer from the Cemetery Perpetual Care Fund (Other Governmental Funds) for the purchase of a niche wall and mower, franchise fees from the Utilities Fund of \$619,771, and compensation from the Sanitation Fund for additional roadway wear & tear caused by the heavy trucks in the amount of \$136,075.

18. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2016, is as follows:

Governmental Funds –	
General Fund	\$ 458,192
Other Governmental Funds	<u>201,550</u>
	\$ 659,742

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

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

19. GOVERNMENTAL FUND BALANCES

At September 30, 2016, the City's governmental fund balances were classified as follows:

	General Fund	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
		Agency		
Nonspendable				
Inventory	\$ 240,865	\$ 1,762	\$ -	\$ 242,627
Restricted for				
Improvement districts	-	1,435,601	-	1,435,601
Library	154,588	-	-	154,588
Public safety	-	-	536,448	536,448
Debt service	-	-	21,156	21,156
Other purposes	9,229	-	2,078	11,307
Total restricted	163,817	1,435,601	559,682	2,159,100
Committed				
Cemetery maintenance	-	-	2,467,828	2,467,828
Natural disaster recovery	6,009,523	-	-	6,009,523
Total committed	6,009,523	-	2,467,828	8,477,351
Assigned to				
Capital projects	1,183,563	-	-	1,183,563
Citizen police academy	1,985	-	-	1,985
Other purposes	12,830	-	-	12,830
Total assigned	1,198,378	-	-	1,198,378
Unassigned	4,356,681	-	-	4,356,681
	\$ 11,969,264	\$ 1,437,363	\$ 3,027,510	\$ 16,434,137

20. COMMITMENTS AND CONTINGENCIES

Grants

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

**CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

20. COMMITMENTS AND CONTINGENCIES – CONTINUED

Wastewater Service Interlocal Agreement with Okaloosa County

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

On a monthly basis, the County will bill the City at a rate equal to \$2.77 per each 1,000 gallons of wastewater flow. Additionally, the City will pay to the County the Sewer Readiness to Serve Fee, which is equal to \$4,347 per month. Each year in March, the Readiness to Serve Fee will increase by 3%. The minimum commitment by the City under the Agreement is as follows:

Fiscal Year Ending September 30

2017	\$ 54,673
2018	56,313
2019	58,002
2020	59,742
2021	61,534
2022 through 2026	336,490
2027 through 2031	390,081
2032 through 2036	452,210
2037 through 2039	<u>305,201</u>
 Total	 <u>\$ 1,774,246</u>

Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2016, were \$2,915,545.

21. NON-RECURRING TRANSACTIONS

The City sold a tract of land during the year ended September 30, 2016. The land was not assigned a value in the capital asset records. The City recognized \$850,000 of proceeds from the sale as an other financing source in the General Fund.

During the year ended September 30, 2016, the City received donated capital assets consisting primarily of a clock tower for the Veterans' tribute at the cemetery and emergency services equipment which it valued at \$276,300 in its government-wide financial presentation.



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

Measurement Date	2015	2014
Total Pension Liability		
Service cost	\$ 569,712	\$ 622,382
Interest	3,314,990	3,222,809
Differences between expected and actual experience	(1,074,244)	-
Benefit payments, including refunds of employee contributions	<u>(2,676,038)</u>	<u>(2,575,304)</u>
Net change in total pension liability	134,420	1,269,887
Total pension liability – beginning	<u>42,730,211</u>	<u>41,460,324</u>
Total pension liability – ending (a)	<u>\$ 42,864,631</u>	<u>\$ 42,730,211</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 1,355,041	\$ 1,296,450
Contributions – member	209,567	212,790
Net investment income	(4,390)	3,228,153
Benefit payments, including refunds of employee contributions	<u>(2,676,038)</u>	<u>(2,575,304)</u>
Administrative expenses	<u>(39,535)</u>	<u>(42,483)</u>
Net change in plan fiduciary net position	(1,155,355)	2,119,606
Plan fiduciary net position – beginning	<u>39,242,244</u>	<u>37,122,638</u>
Plan fiduciary net position – ending (b)	<u>\$ 38,086,889</u>	<u>\$ 39,242,244</u>
Net pension liability – ending (a) – (b)	<u>\$ 4,777,742</u>	<u>\$ 3,487,967</u>
Plan fiduciary net position as a percentage of the total pension liability	88.85%	91.84%
Covered employee payroll ¹	\$ 4,191,304	\$ 4,255,801
Net pension liability as a percentage of covered employee payroll	113.99%	81.96%

Notes to schedule:

¹ The covered employee payroll figure was not available. Pensionable salary has been reported instead.

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

Measurement Date	2015	2014
Total Pension Liability		
Service cost	\$ 336,234	\$ 322,118
Interest	1,953,123	1,905,286
Differences between expected and actual experiences	(659,966)	-
Benefit payments, including refunds of employee contributions	<u>(1,655,069)</u>	<u>(1,632,053)</u>
Net change in total pension liability	<u>(25,678)</u>	595,351
Total pension liability – beginning	<u>25,008,402</u>	<u>24,413,051</u>
Total pension liability – ending (a)	<u><u>\$ 24,982,724</u></u>	<u><u>\$ 25,008,402</u></u>
Plan Fiduciary Net Position		
Contributions – employer ¹	\$ 628,975	\$ 836,053
Contributions – state	175,025	175,703
Contributions – member	101,886	96,591
Net investment income	(538,198)	1,869,244
Benefit payments, including refunds of employee contributions	<u>(1,655,069)</u>	<u>(1,632,053)</u>
Administrative expenses	<u>(25,084)</u>	<u>(38,242)</u>
Net change in plan fiduciary net position	<u>(1,312,465)</u>	1,307,296
Plan fiduciary net position – beginning	<u>20,463,452</u>	<u>19,156,156</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 19,150,987</u></u>	<u><u>\$ 20,463,452</u></u>
Net pension liability – ending (a) – (b)	<u><u>\$ 5,831,737</u></u>	<u><u>\$ 4,544,950</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.66%	81.83%
Covered employee payroll ²	\$ 2,037,716	\$ 1,975,478
Net pension liability as a percentage of covered employee payroll	286.19%	230.07%

Notes to schedule:

¹ Adjusted for actual contributions made.

² The covered employee payable figure was not available. Pensionable salary has been reported instead.

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

Measurement Date	2015	2014	2013
Total Pension Liability			
Service cost	\$ 478,365	\$ 414,836	\$ 384,107
Interest	1,554,072	1,425,875	1,367,809
Change in excess state money	-	89,886	-
Changes of benefit terms	804,097	-	-
Differences between expected and actual experiences	(224,382)	-	-
Contributions – buy back	72,413	-	-
Benefit payments, including refunds of employee contributions	(1,140,432)	(1,071,302)	(1,042,333)
Net change in total pension liability	1,544,133	859,295	709,583
Total pension liability – beginning	19,195,485	18,336,190	17,626,607
Total pension liability – ending (a)	\$ 20,739,618	\$ 19,195,485	\$ 18,336,190
Plan Fiduciary Net Position			
Contributions – employer	\$ 672,369	\$ 715,439	\$ 703,618
Contributions – state	205,007	214,272	204,226
Contributions – member	150,357	135,622	133,633
Contributions – buy back	72,413	-	-
Net investment income	15,563	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,140,432)	(1,071,302)	(1,042,333)
Administrative expenses	(47,088)	(34,537)	(33,706)
Net change in plan fiduciary net position	(71,811)	1,160,656	1,064,736
Plan fiduciary net position – beginning	13,662,319	12,501,663	11,436,927
Plan fiduciary net position – ending (b)	\$ 13,590,508	\$ 13,662,319	\$ 12,501,663
Net pension liability – ending (a) – (b)	\$ 7,149,110	\$ 5,533,166	\$ 5,834,527
Plan fiduciary net position as a percentage of the total pension liability	65.53%	71.17%	68.18%
Covered employee payroll¹	\$ 2,072,260	\$ 2,054,879	\$ 2,054,879
Net pension liability as a percentage of covered employee payroll	344.99%	269.27%	283.94%

Notes to schedule:

¹ The covered employee payable figure was not available. Pensionable salary has been reported instead.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>General Employees' Retirement Fund</u>										
Actuarially determined contribution	\$ 1,197,424	\$ 1,286,744	\$ 1,187,794	\$ 1,268,253	\$ 1,258,659	\$ 1,091,338	\$ 1,477,933	\$ 1,268,428	\$ 1,268,019	\$ 1,231,003
Contributions in relation to the actuarially determined contributions	<u>1,280,082</u>	<u>1,355,041</u>	<u>1,296,450</u>	<u>1,318,790</u>	<u>1,306,268</u>	<u>1,159,438</u>	<u>1,477,777</u>	<u>1,268,260</u>	<u>1,267,864</u>	<u>1,231,003</u>
Contribution deficiency (excess)	\$ (82,658)	\$ (68,297)	\$ (108,656)	\$ (50,537)	\$ (47,609)	\$ (68,100)	\$ 156	\$ 168	\$ 155	\$ -
Covered employee payroll¹	\$ 4,045,350	\$ 4,191,304	\$ 4,255,801	\$ 4,259,070	\$ 4,542,537	\$ 5,004,486	\$ 5,595,076	\$ 7,252,396	\$ 7,521,520	\$ 8,199,930
Contributions as a percentage of covered employee payroll	31.64%	32.33%	30.46%	30.96%	28.76%	23.17%	26.41%	17.49%	16.86%	15.01%
<u>Police Officers' Retirement Fund</u>										
Actuarially determined contribution	\$ 709,037	\$ 772,294	\$ 932,426	\$ 881,697	\$ 875,055	\$ 682,860	\$ 665,220	\$ 578,670	\$ 488,381	\$ 516,528
Contributions in relation to the actuarially determined contributions	<u>790,573</u>	<u>772,294</u>	<u>1,011,756</u>	<u>925,589</u>	<u>968,003</u>	<u>682,860</u>	<u>665,220</u>	<u>578,670</u>	<u>488,381</u>	<u>516,528</u>
Contribution deficiency (excess)	\$ (81,536)	\$ -	\$ (79,330)	\$ (43,892)	\$ (92,948)	\$ -				
Covered employee payroll¹	\$ 2,073,208	\$ 2,037,716	\$ 1,975,478	\$ 2,038,886	\$ 2,178,847	\$ 2,239,545	\$ 2,195,529	\$ 2,557,811	\$ 5,230,182	\$ 2,602,616
Contributions as a percentage of covered employee payroll	38.13%	37.90%	51.22%	45.40%	44.43%	30.49%	30.30%	22.62%	9.34%	19.85%
<u>Firefighters' Retirement Fund</u>										
Actuarially determined contribution	\$ 816,138	\$ 748,086	\$ 824,007	\$ 817,997	\$ 700,045	\$ 675,386	\$ 708,063	\$ 555,720	\$ 326,864	\$ 299,027
Contributions in relation to the actuarially determined contributions	<u>945,923</u>	<u>877,376</u>	<u>839,825</u>	<u>829,245</u>	<u>784,705</u>	<u>675,386</u>	<u>708,063</u>	<u>555,720</u>	<u>358,840</u>	<u>299,027</u>
Contribution deficiency (excess)	\$ (129,785)	\$ (129,290)	\$ (15,818)	\$ (11,248)	\$ (84,660)	\$ -	\$ -	\$ -	\$ (31,976)	\$ -
Covered employee payroll¹	\$ 2,060,954	\$ 2,072,260	\$ 2,121,613	\$ 2,153,568	\$ 1,946,811	\$ 1,961,080	\$ 2,116,516	\$ 1,988,762	\$ 1,632,275	\$ 1,409,038
Contributions as a percentage of covered employee payroll	45.90%	42.34%	39.58%	38.51%	40.31%	34.44%	33.45%	27.94%	21.98%	21.22%

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

See notes to the schedule of contributions.

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2016

	9/30/2015	9/30/2014	9/30/2013
General Employees' Retirement Fund			
Annual Money-Weighted Rate of Return			Not Available
Net of Investment Expense	-0.01%	8.82%	
Police Officers' Retirement Fund			
Annual Money-Weighted Rate of Return			Not Available
Net of Investment Expense	-2.69%	9.96%	
Firefighters' Retirement Fund			
Annual Money-Weighted Rate of Return			
Net of Investment Expense	0.12%	9.72%	9.63%

Note: This information is not available for previous years.

See notes to the schedule of contributions.

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

Valuation Date: October 1, 2014

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry-Age Actuarial Cost Method

Mortality rates:

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

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

Interest rate: 7.9% per year, compounded annually, net of investment related expenses

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation Date: October 1, 2014

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry-Age Normal Actuarial Cost Method

Amortization method: Level percentage of pay, closed

Remaining
amortization period: 30 years

Mortality: RP-2000 Sex-Distinct Combined Healthy Table with a five year set forward for disabled lives. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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

Retirement age:	Member Age	Retirement Probability
	55	10.0%
	56	10.0%
	57	25.0%
	58	20.0%
	59	33.3%
	60+	100.0%

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

Early retirement: Earlier of 1) Age 50 and ten years of service, or 2) 25 years of service, regardless of age, Members are assumed to retire with an immediate subsidized benefit at the rate of 4% per year.

Salary increases:	Member Age	Assumption
	30 or less	10.0%
	31-35	8.5%
	36-40	7.0%
	41-45	6.0%
	45-50	4.5%
	51-55	4.0%
	56+	3.0%

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

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

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

Payroll growth: None

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

Termination and disability rate table:

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

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

Valuation Date: October 1, 2014

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Entry Age Normal Actuarial Cost Method

Amortization method: Level percentage of pay, closed

Remaining

amortization period: 30 years

Mortality: RP-2000 Combined Healthy Table with a five year set forward for disabled lives.

Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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

Retirement age: Earlier of Age 55 and ten years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year

Early retirement: Commencing with the earliest early retirement age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 3.00% per year.

Disability rate: See table below; it is assumed that 75% of disablements and active Member deaths are service related.

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

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

Payroll increase: 3.00% per year

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

Termination and disability rate table:

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

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

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



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CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Law Enforcement Trust	Law Enforcement Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	
ASSETS							
Cash and cash equivalents	\$ 221,465	\$ 877	\$ 320,784	\$ -	\$ 24,685	\$ -	\$ 567,811
Investments	-	-	-	-	2,445,320	-	2,445,320
Due from other governments	7,541	-	-	11,396	-	-	18,937
Cash and cash equivalents - restricted	-	-	-	-	-	21,156	21,156
TOTAL ASSETS	\$ 229,006	\$ 877	\$ 320,784	\$ 11,396	\$ 2,470,005	\$ 21,156	\$ 3,053,224
LIABILITIES							
Accounts payable	\$ -	\$ 789	\$ 3,195	\$ -	\$ 2,177	\$ -	\$ 6,161
Accrued liabilities	3,562	-	6,673	-	-	-	10,235
Due to other funds	-	-	-	9,318	-	-	9,318
Total liabilities	3,562	789	9,868	9,318	2,177	-	25,714
FUND BALANCE							
Restricted	225,444	88	310,916	2,078	-	21,156	559,682
Committed	-	-	-	-	2,467,828	-	2,467,828
Total fund balance	225,444	88	310,916	2,078	2,467,828	21,156	3,027,510
TOTAL LIABILITIES AND FUND BALANCE	\$ 229,006	\$ 877	\$ 320,784	\$ 11,396	\$ 2,470,005	\$ 21,156	\$ 3,053,224

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, 2016

Special Revenue Funds						
	Law Enforcement Trust	Training	Florida Building Code	Community Development Block Grant	Memorial Cemetery Perpetual Care	Beal Service
REVENUES						
Permits and fees	\$ 17,394	-	\$ 372,150	\$ 117,087	-	\$ -
Intergovernmental	977	5,817	-	-	-	\$ 372,150
Fines	5,856	89	5,499	-	-	134,481
Miscellaneous				-	-	6,794
Total revenues	<u>24,227</u>	<u>5,906</u>	<u>377,649</u>	<u>117,087</u>	<u>216,372</u>	<u>227,816</u>
EXPENDITURES						
Current						
Public safety	6,466	16,780	320,321	-	-	343,567
Physical environment	-	-	-	-	12,604	12,604
Economic environment	-	-	-	119,072	-	119,072
Capital outlay	15,101	-	20,291	-	-	35,392
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	673,851	673,851
Interest	-	-	-	-	327,748	327,748
Total expenditures	<u>21,567</u>	<u>16,780</u>	<u>340,612</u>	<u>119,072</u>	<u>12,604</u>	<u>1,001,599</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,660</u>	<u>(10,874)</u>	<u>37,037</u>	<u>(1,985)</u>	<u>203,768</u>	<u>(1,001,599)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	24,668	997,306
Transfers out	-	-	-	-	(20,364)	-
Total other financing sources (uses)	-	-	-	-	4,304	997,306
NET CHANGE IN FUND BALANCE	<u>2,660</u>	<u>(10,874)</u>	<u>37,037</u>	<u>(1,985)</u>	<u>208,072</u>	<u>(4,293)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>222,784</u>	<u>10,962</u>	<u>273,879</u>	<u>4,063</u>	<u>2,259,756</u>	<u>25,449</u>
FUND BALANCE AT END OF YEAR	<u>\$ 225,444</u>	<u>\$ 88</u>	<u>\$ 310,916</u>	<u>\$ 2,078</u>	<u>\$ 2,467,828</u>	<u>\$ 21,156</u>
						<u>2,796,893</u>
						<u>\$ 3,027,510</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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 18,067	\$ 17,394	\$ (673)
Fines	-	-	977	977
Miscellaneous	<u>2,400</u>	<u>2,400</u>	<u>5,856</u>	<u>3,456</u>
Total revenues	<u>2,400</u>	<u>20,467</u>	<u>24,227</u>	<u>3,760</u>
EXPENDITURES				
Current				
Public safety	49,090	59,930	6,466	53,464
Capital outlay	<u>167,740</u>	<u>174,967</u>	<u>15,101</u>	<u>159,866</u>
Total expenditures	<u>216,830</u>	<u>234,897</u>	<u>21,567</u>	<u>213,330</u>
NET CHANGE IN FUND BALANCE	(214,430)	(214,430)	2,660	217,090
FUND BALANCE AT BEGINNING OF YEAR	214,430	214,430	222,784	8,354
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 225,444	\$ 225,444

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines	\$ 7,100	\$ 7,100	\$ 5,817	\$ (1,283)
Miscellaneous	97	97	89	(8)
Total revenues	<u>7,197</u>	<u>7,197</u>	<u>5,906</u>	<u>(1,291)</u>
EXPENDITURES				
Current				
Public safety	17,673	20,331	16,780	3,551
NET CHANGE IN FUND BALANCE	(10,476)	(13,134)	(10,874)	2,260
FUND BALANCE AT BEGINNING OF YEAR	10,476	13,134	10,962	(2,172)
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 88	\$ 88

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Permits and fees	\$ 346,600	\$ 346,600	\$ 372,150	\$ 25,550
Miscellaneous	3,776	3,776	5,499	1,723
Total revenues	<u>350,376</u>	<u>350,376</u>	<u>377,649</u>	<u>27,273</u>
EXPENDITURES				
Current				
Public safety	326,811	360,969	320,321	40,648
Capital outlay	<u>20,650</u>	<u>20,992</u>	<u>20,291</u>	<u>701</u>
Total expenditures	<u>347,461</u>	<u>381,961</u>	<u>340,612</u>	<u>41,349</u>
NET CHANGE IN FUND BALANCE	2,915	(31,585)	37,037	68,622
FUND BALANCE AT BEGINNING OF YEAR				
	-	31,585	273,879	242,294
FUND BALANCE AT END OF YEAR	<u>\$ 2,915</u>	<u>\$ -</u>	<u>\$ 310,916</u>	<u>\$ 310,916</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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 119,530	\$ 119,530	\$ 117,087	\$ (2,443)
EXPENDITURES				
Current				
Economic environment	199,474	206,033	119,072	86,961
Capital outlay	165,035	158,476	-	158,476
Total expenditures	364,509	364,509	119,072	245,437
NET CHANGE IN FUND BALANCE	(244,979)	(244,979)	(1,985)	242,994
FUND BALANCE AT BEGINNING OF YEAR	244,979	244,979	4,063	(240,916)
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 2,078	\$ 2,078

CITY OF FORT WALTON BEACH, FLORIDA
BEAL MEMORIAL CEMETERY PERPETUAL CARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Miscellaneous	\$ 26,500	\$ 26,500	\$ 216,372	\$ 189,872
EXPENDITURES				
Current				
Physical environment	63,100	63,100	12,604	50,496
DEFICIENCY OF REVENUES				
OVER (UNDER) EXPENDITURES	(36,600)	(36,600)	203,768	240,368
OTHER FINANCING				
SOURCES (USES)				
Transfers in	36,600	36,600	24,668	(11,932)
Transfers out	(68,336)	(68,336)	(20,364)	47,972
Total other financing sources (uses)	(31,736)	(31,736)	4,304	36,040
NET CHANGE IN FUND BALANCE	(68,336)	(68,336)	208,072	276,408
FUND BALANCE AT BEGINNING OF YEAR	68,336	68,336	2,259,756	2,191,420
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 2,467,828	\$ 2,467,828

CITY OF FORT WALTON BEACH, FLORIDA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	720,427	720,427	673,851	46,576
Interest	336,886	336,886	327,748	9,138
Total expenditures	1,057,313	1,057,313	1,001,599	55,714
DEFICIENCY OF REVENUES				
OVER (UNDER) EXPENDITURES	(1,057,313)	(1,057,313)	(1,001,599)	55,714
OTHER FINANCING				
SOURCES (USES)				
Transfers in	1,057,313	1,057,313	997,306	(60,007)
NET CHANGE IN FUND BALANCE	-	-	(4,293)	(4,293)
FUND BALANCE AT BEGINNING				
OF YEAR	-	-	25,449	25,449
FUND BALANCE AT END				
OF YEAR	\$ -	\$ -	\$ 21,156	\$ 21,156

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 22,013,431	\$ 21,095,355	\$ 20,563,790	\$ 20,605,683	\$ 24,756,705	\$ 25,379,050	\$ 23,531,576	\$ 24,866,399	\$ 27,443,877	\$ 27,791,054
Restricted										
Debt service	92,730	91,713	91,713	92,880	113,816	113,507	21,156	25,449	25,449	21,156
Capital projects	56,550	-	-	-	-	-	-	-	-	-
Improvement Districts	-	-	-	-	4,212,984	3,736,100	3,833,430	4,073,364	1,874,265	1,437,363
Public safety	307,983	307,983	254,409	269,600	268,820	262,648	462,375	565,946	507,625	536,448
Perpetual care - expendable	1,787,789	1,877,086	1,869,558	1,898,445	-	-	-	-	-	-
Other purposes	657,116	473,655	463,168	477,194	234,568	194,193	177,129	172,630	187,575	165,895
Unrestricted	8,564,657	9,821,155	9,347,576	8,975,046	12,666,165	11,487,979	9,329,608	10,700,661	159,868	2,158,813
Total governmental activities net position	<u>\$ 33,480,256</u>	<u>\$ 33,666,947</u>	<u>\$ 32,590,214</u>	<u>\$ 32,318,848</u>	<u>\$ 42,253,058</u>	<u>\$ 41,173,477</u>	<u>\$ 37,355,274</u>	<u>\$ 40,404,449</u>	<u>\$ 30,198,659</u>	<u>\$ 32,110,729</u>
Business-Type Activities										
Net investment in capital assets	\$ 21,051,160	\$ 21,043,965	\$ 17,577,019	\$ 18,928,438	\$ 17,037,456	\$ 14,929,648	\$ 17,305,881	\$ 13,779,184	\$ 12,886,793	\$ 12,893,855
Restricted										
Debt service	323,430	316,153	471,441	481,023	184,711	184,933	1,087,405	1,082,935	157,228	157,228
System improvements	39,414	60,709	98,292	61,559	82,573	112,863	305,508	367,263	382,734	404,761
Unrestricted	9,011,906	8,301,545	8,276,703	6,791,840	6,859,952	8,552,169	9,379,587	9,658,709	10,656,992	11,118,844
Total business-type activities net position	<u>\$ 30,425,910</u>	<u>\$ 29,722,372</u>	<u>\$ 26,423,455</u>	<u>\$ 26,262,860</u>	<u>\$ 24,164,692</u>	<u>\$ 23,779,613</u>	<u>\$ 28,078,381</u>	<u>\$ 24,888,091</u>	<u>\$ 24,083,747</u>	<u>\$ 24,574,688</u>
Primary Government										
Net investment in capital assets	\$ 43,064,591	\$ 42,139,320	\$ 38,140,809	\$ 38,728,907	\$ 41,794,161	\$ 40,308,698	\$ 40,837,576	\$ 38,645,583	\$ 40,330,670	\$ 40,684,909
Restricted	3,265,012	3,127,299	3,257,332	3,297,029	5,097,472	4,604,244	5,887,003	6,287,587	3,134,876	2,722,851
Unrestricted	17,576,563	18,122,700	17,624,279	16,805,772	19,526,117	20,040,148	18,709,195	20,359,370	10,816,860	13,277,657
Total primary government net position	<u>\$ 63,906,166</u>	<u>\$ 63,389,319</u>	<u>\$ 59,022,420</u>	<u>\$ 58,831,708</u>	<u>\$ 66,417,750</u>	<u>\$ 64,953,090</u>	<u>\$ 65,433,774</u>	<u>\$ 65,292,540</u>	<u>\$ 54,282,406</u>	<u>\$ 56,685,417</u>

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
General government	\$ 4,563,855	\$ 5,494,094	\$ 4,625,871	\$ 5,306,003	\$ 3,765,536	\$ 4,314,050	\$ 2,662,406	\$ 3,179,768	\$ 2,735,875	\$ 3,285,039
Public safety	9,641,338	10,048,884	9,908,644	9,231,632	9,206,784	9,805,368	9,729,228	9,685,621	9,562,140	10,172,215
Physical environment	354,439	343,411	350,374	304,907	393,752	383,970	379,681	392,255	379,334	430,490
Transportation	1,943,966	2,135,639	1,672,741	1,543,310	1,570,038	1,592,150	1,631,665	1,495,374	1,474,209	1,494,178
Economic environment	335,185	127,355	266,132	98,996	545,242	707,603	1,090,025	803,175	1,813,782	1,540,230
Culture and recreation	3,115,151	3,097,289	3,028,285	2,944,221	2,677,051	2,880,815	2,715,977	4,829,004	4,601,503	5,375,183
Debt service interest	331,771	302,948	247,703	240,940	214,470	254,516	324,405	483,301	340,497	323,639
Total governmental activities	<u>20,285,705</u>	<u>21,549,620</u>	<u>20,099,750</u>	<u>19,670,009</u>	<u>18,372,873</u>	<u>19,938,472</u>	<u>18,533,387</u>	<u>20,868,498</u>	<u>20,907,340</u>	<u>22,620,974</u>
Business-type activities										
Utilities	5,859,301	5,809,192	5,474,550	6,725,349	9,162,926	7,017,160	7,644,240	9,185,338	9,205,259	10,066,769
Sanitation	3,008,205	2,609,129	2,493,357	2,466,881	2,524,994	2,741,266	3,163,638	3,393,269	3,319,760	3,407,992
Golf	2,780,632	2,547,992	2,479,804	2,203,739	2,199,453	2,012,165	2,023,186	2,215	-	-
Stormwater	-	-	469,421	374,951	339,543	497,211	611,962	439,191	460,314	611,351
Total business-type activities	<u>11,648,138</u>	<u>10,966,313</u>	<u>10,917,132</u>	<u>11,770,920</u>	<u>14,226,916</u>	<u>12,267,802</u>	<u>13,443,026</u>	<u>13,020,013</u>	<u>12,985,333</u>	<u>14,086,112</u>
Total primary government expenses	<u>\$ 31,933,843</u>	<u>\$ 32,515,933</u>	<u>\$ 31,016,882</u>	<u>\$ 31,440,929</u>	<u>\$ 32,599,789</u>	<u>\$ 32,206,274</u>	<u>\$ 31,976,413</u>	<u>\$ 33,888,511</u>	<u>\$ 33,892,673</u>	<u>\$ 36,707,086</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,456,663	\$ 2,752,330	\$ 2,921,887	\$ 2,759,080	\$ 2,556,270	\$ 430,718	\$ 409,983	\$ 476,824	\$ 421,987	\$ 421,503
Public safety	579,365	641,941	642,364	467,835	430,017	373,855	640,271	495,111	490,379	523,163
Physical environment	316,520	348,838	286,623	289,654	394,513	439,555	404,429	376,998	409,253	371,205
Transportation	241,622	93,987	87,654	83,586	104,776	118,067	122,275	140,038	140,809	207,860
Economic environment	-	-	-	-	16,400	58,000	34,652	10	5,000	392,118
Culture and recreation	421,733	417,253	426,110	408,351	404,047	400,215	374,362	1,853,087	1,930,131	1,805,332
Operating grants and contributions	1,266,681	903,079	1,119,033	639,370	761,643	589,253	786,652	682,200	909,461	908,595
Capital grants and contributions	233,878	50,687	88,941	731,275	351,006	156,794	80,936	109,629	525,320	802,809
Total governmental activities program revenues	<u>5,516,462</u>	<u>5,208,115</u>	<u>5,572,612</u>	<u>5,379,151</u>	<u>5,018,672</u>	<u>2,566,457</u>	<u>2,853,560</u>	<u>4,133,897</u>	<u>4,832,340</u>	<u>5,432,585</u>
Business-type activities										
Charges for services										
Utilities	7,006,005	6,505,297	6,403,262	6,761,654	7,608,355	7,974,601	8,623,082	8,586,045	9,233,820	10,141,724
Sanitation	3,433,172	3,446,397	3,384,375	3,345,127	3,311,744	3,313,559	3,499,559	3,571,037	3,582,005	3,599,838
Golf	2,558,253	2,380,448	2,181,988	1,934,392	2,052,501	1,776,649	1,758,709	-	-	-
Stormwater	-	-	654,346	626,903	481,854	577,706	591,196	596,133	694,581	860,644
Operating grants and contributions	-	39,403	-	-	118,226	-	1,071	-	-	-
Capital grants and contributions	1,079,034	92,872	555,698	173,370	65,496	331,609	1,871,295	(157,294)	87,797	533,515
Total business-type activities program revenues	<u>14,076,464</u>	<u>12,464,417</u>	<u>13,179,669</u>	<u>12,841,446</u>	<u>13,638,176</u>	<u>13,974,124</u>	<u>16,344,912</u>	<u>12,595,921</u>	<u>13,598,203</u>	<u>15,135,721</u>
Total primary government program revenues	<u>\$ 19,592,926</u>	<u>\$ 17,672,532</u>	<u>\$ 18,752,281</u>	<u>\$ 18,220,597</u>	<u>\$ 18,656,848</u>	<u>\$ 16,540,581</u>	<u>\$ 19,198,472</u>	<u>\$ 16,729,818</u>	<u>\$ 18,430,543</u>	<u>\$ 20,568,306</u>

Continued...

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (14,769,243)	\$ (16,341,505)	\$ (14,527,138)	\$ (14,290,859)	\$ (13,354,201)	\$ (17,372,015)	\$ (15,679,827)	\$ (16,734,601)	\$ (16,075,000)	\$ (17,188,389)
Business-type activities	2,428,326	1,498,104	2,262,537	1,070,526	(588,740)	1,706,322	2,901,886	(424,092)	612,870	1,049,609
Total primary government	<u>\$ (12,340,917)</u>	<u>\$ (14,843,401)</u>	<u>\$ (12,264,601)</u>	<u>\$ (13,220,333)</u>	<u>\$ (13,942,941)</u>	<u>\$ (15,665,693)</u>	<u>\$ (12,777,941)</u>	<u>\$ (17,158,693)</u>	<u>\$ (15,462,130)</u>	<u>\$ (16,138,780)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 5,180,212	\$ 5,052,903	\$ 4,631,028	\$ 4,380,221	\$ 4,482,819	\$ 4,295,068	\$ 4,175,136	\$ 5,385,235	\$ 5,473,438	\$ 5,617,998
Sales taxes	2,363,078	2,214,232	1,977,959	1,943,337	2,066,834	2,198,270	2,241,242	2,362,190	2,557,062	2,707,153
Utility service taxes	1,420,142	5,094,918	3,454,691	3,914,362	3,926,930	3,739,311	3,761,437	3,889,976	4,036,009	3,931,939
Tax Increments for Redevelopment district	-	-	-	-	1,547,609	1,386,521	1,311,101	1,501,208	1,552,560	1,628,439
Franchise Fees	-	-	-	-	-	1,876,575	1,764,733	2,004,101	2,162,617	2,202,420
Intergovernmental, unrestricted	845,090	740,554	709,550	712,776	825,591	809,756	818,039	819,556	896,837	910,615
Gain on sale of assets	477,494	2,592	2,950	795,860	16,865	16,440	37,833	520,152	524,720	873,101
Miscellaneous	56,788	61,199	54,223	492,052	96,105	154,996	106,546	103,986	199,776	27,976
Investment earnings	755,389	444,488	269,896	152,884	133,419	159,465	62,285	345,734	272,076	444,972
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Special item: Impairment loss	-	-	-	-	-	(271,287)	-	-	-	-
Transfers	1,928,924	2,917,310	2,310,464	1,667,644	1,682,717	1,656,032	(2,145,441)	2,851,638	657,558	755,846
Total governmental activities	<u>13,027,117</u>	<u>16,528,196</u>	<u>13,410,761</u>	<u>14,059,136</u>	<u>14,778,889</u>	<u>16,292,434</u>	<u>11,861,624</u>	<u>19,783,776</u>	<u>18,332,653</u>	<u>19,100,459</u>
Business-type activities										
Taxes										
Utility service taxes	7,844	5,930	4,597	-	-	-	-	-	-	-
Gain on sale of assets	34,978	482	98,907	56,795	75,904	35,111	20,662	22,813	716	26,093
Miscellaneous	15,118	129,678	141,406	177,657	31,424	48,550	6,504	6,839	9,222	5,502
Investment earnings	713,872	579,578	340,155	202,071	65,961	69,622	11,107	55,669	159,761	165,583
Special item: Impairment loss	-	-	(3,836,055)	-	-	(588,652)	(786,713)	-	-	-
Transfers	(1,925,000)	(2,917,310)	(2,310,464)	(1,667,644)	(1,682,717)	(1,656,032)	2,145,441	(2,851,638)	(657,558)	(755,846)
Total business-type activities	<u>771,812</u>	<u>715,668</u>	<u>(3,250,990)</u>	<u>436,523</u>	<u>173,289</u>	<u>(435,369)</u>	<u>1,397,001</u>	<u>(2,766,317)</u>	<u>(487,859)</u>	<u>(558,668)</u>
Total primary government	<u>\$ 13,798,929</u>	<u>\$ 17,243,864</u>	<u>\$ 10,159,771</u>	<u>\$ 14,495,659</u>	<u>\$ 14,952,178</u>	<u>\$ 15,857,065</u>	<u>\$ 13,258,625</u>	<u>\$ 17,017,459</u>	<u>\$ 17,844,794</u>	<u>\$ 18,541,791</u>
Change in Net Position										
Governmental activities	\$ (1,742,126)	\$ 186,691	\$ (1,116,377)	\$ (231,722)	\$ 1,424,688	\$ (1,079,581)	\$ (3,818,203)	\$ 3,049,175	\$ 2,257,653	\$ 1,912,070
Business-type activities	1,275,138	(703,538)	(3,298,917)	(160,595)	(2,098,168)	(385,079)	4,298,887	(3,190,409)	125,011	490,941
Total primary government	<u>\$ (466,988)</u>	<u>\$ (516,847)</u>	<u>\$ (4,415,294)</u>	<u>\$ (392,317)</u>	<u>\$ (673,480)</u>	<u>\$ (1,464,660)</u>	<u>\$ 480,684</u>	<u>\$ (141,234)</u>	<u>\$ 2,382,664</u>	<u>\$ 2,403,011</u>

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

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

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

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 701,829	\$ 509,080	\$ 482,179	\$ 499,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,161,545	9,367,864	9,709,202	9,314,142	-	-	-	-	-	-
Nonspendable	-	-	-	-	3,032,726	2,857,963	254,229	262,964	249,732	240,865
Restricted	-	-	-	-	234,768	194,193	7,868,522	4,083,267	183,512	163,817
Committed	-	-	-	-	5,219,706	5,040,585	5,501,353	5,589,056	5,761,221	6,009,523
Assigned	-	-	-	-	1,537,572	354,999	1,301,385	1,584,887	1,396,207	1,198,378
Unassigned	-	-	-	-	1,189,562	1,611,120	788,076	1,300,881	2,225,633	4,356,681
Total general fund	<u>\$ 12,863,374</u>	<u>\$ 9,876,944</u>	<u>\$ 10,191,381</u>	<u>\$ 9,813,526</u>	<u>\$ 11,214,334</u>	<u>\$ 10,058,860</u>	<u>\$ 15,713,565</u>	<u>\$ 12,821,055</u>	<u>\$ 9,816,305</u>	<u>\$ 11,969,264</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 50,117	\$ 12,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Capital projects	56,550		8,751	-	-	-	-	-	-	-
Debt service	92,730	91,713	91,713	92,880	-	-	-	-	-	-
Special revenue funds	2,095,772	2,153,440	2,073,850	2,158,878	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	798	848	1,762
Restricted	-	-	-	-	4,595,420	4,112,255	4,316,961	4,663,961	2,410,554	1,995,283
Committed	-	-	-	-	1,929,448	1,959,836	2,035,225	2,249,720	2,259,756	2,467,828
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(306)	(302)	(2,745)	(6,231)	-	-
Total all other governmental funds	<u>\$ 2,245,052</u>	<u>\$ 2,245,153</u>	<u>\$ 2,224,431</u>	<u>\$ 2,264,541</u>	<u>\$ 6,524,562</u>	<u>\$ 6,071,789</u>	<u>\$ 6,349,441</u>	<u>\$ 6,908,248</u>	<u>\$ 4,671,158</u>	<u>\$ 4,464,873</u>

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

Note: The City implemented GASB 54 in FY11 and the Community Redevelopment Area was included with All Other Governmental Funds

City of Fort Walton Beach, Florida
SCHEDULE 4
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$10,804,833	\$ 9,039,398	\$9,160,133	\$9,414,513	\$10,438,481	\$10,065,983	\$9,901,157	\$11,537,812	\$11,837,177	\$11,941,311
Licenses, permits, and fees	496,614	2,225,224	2,320,683	2,406,916	2,428,621	2,142,995	2,221,406	2,392,487	2,564,079	2,623,810
Intergovernmental	3,661,644	2,914,162	2,950,179	3,502,904	3,358,615	3,291,693	3,400,876	3,376,079	3,951,367	4,322,696
Charges for services	911,026	1,216,687	1,132,681	907,476	911,405	969,560	1,065,316	2,373,486	2,499,107	2,402,801
Fines and forfeits	247,493	268,415	387,449	204,849	151,616	142,936	241,923	133,645	131,020	121,513
Miscellaneous	3,588,708	1,211,662	1,020,342	1,370,077	817,975	537,975	431,625	827,526	1,142,936	935,821
Total Revenues	19,710,318	16,875,548	16,971,467	17,806,735	18,106,713	17,151,142	17,262,303	20,641,035	22,125,686	22,347,952
Expenditures										
General governmental services	4,355,885	5,306,276	4,419,077	5,095,790	3,699,506	3,899,740	2,514,734	2,891,275	2,813,835	3,017,374
Public safety	9,170,719	9,614,744	9,379,319	8,872,424	8,676,620	9,154,002	9,066,246	9,082,876	9,080,984	9,053,178
Physical environment	276,086	278,273	283,460	250,691	306,365	295,459	311,684	325,864	339,596	337,831
Transportation	1,550,204	1,750,680	1,316,954	1,207,449	994,272	966,050	1,012,387	867,730	862,712	852,602
Economic environment	335,185	127,355	266,132	98,996	493,526	652,086	1,032,659	745,586	1,730,631	1,432,788
Culture and recreation	2,636,387	2,698,993	2,582,642	2,535,682	2,233,104	2,383,239	2,267,141	3,744,452	4,122,310	4,196,979
Capital outlay	1,457,758	652,734	520,722	1,335,369	1,561,057	2,609,203	1,282,142	4,721,096	8,128,139	2,105,686
Debt service										
Principal	355,459	2,052,797	168,949	175,629	198,699	211,683	4,540,488	612,996	660,107	673,851
Interest and other costs	330,136	297,335	246,774	240,093	236,268	243,959	203,347	377,574	354,544	336,835
Total expenditures	20,467,819	22,779,187	19,184,029	19,812,123	18,399,417	20,415,421	22,230,828	23,369,449	28,092,858	22,007,124
Excess of revenue over (under) expenditures	(757,501)	(5,903,639)	(2,212,562)	(2,005,388)	(292,704)	(3,264,279)	(4,968,525)	(2,728,414)	(5,967,172)	340,828
Other Financing Sources (Uses)										
Capital lease proceeds	-	-	-	-	-	-	103,784	-	67,774	-
Transfers in	2,644,727	5,367,633	3,191,822	2,342,226	2,296,944	2,284,416	673,836	1,636,165	1,721,632	1,798,184
Transfers out	(715,802)	(2,450,323)	(685,545)	(674,583)	(614,227)	(628,384)	(2,819,277)	(1,241,454)	(1,064,074)	(1,042,338)
Sale of general capital assets	-	-	-	-	-	-	-	-	-	850,000
Debt issuance	-	-	-	-	739,805	-	12,942,539	-	-	-
Total other financing sources (uses)	1,928,925	2,917,310	2,506,277	1,667,643	2,422,522	1,656,032	10,900,882	394,711	725,332	1,605,846
Net change in fund balance	\$ 1,171,424	\$ (2,986,329)	\$ 293,715	\$ (337,745)	\$ 2,129,818	\$ (1,608,247)	\$ 5,932,357	\$ (2,333,703)	\$ (5,241,840)	\$ 1,946,674
Debt service as a percentage of noncapital expenditures	3.61%	10.62%	2.23%	2.25%	2.58%	2.56%	22.65%	5.31%	5.08%	5.08%

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

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

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

Fiscal Year	Taxes	Licenses, Fees, and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other Revenues	Other Financing Sources	TOTAL
2016	\$11,941,311	\$2,623,810	\$4,322,696	\$2,402,801	\$121,513	\$935,821	\$2,648,184	\$24,996,136
2015	11,837,177	2,564,079	3,951,367	2,499,107	131,020	1,142,936	1,789,406	23,915,092
2014	11,537,812	2,392,487	3,376,079	2,373,486	133,645	827,526	1,636,165	22,277,200
2013	9,901,157	2,221,406	3,400,876	1,065,316	241,923	431,625	13,720,159	30,982,462
2012	10,065,983	2,142,995	3,291,693	969,560	142,936	537,975	2,284,416	19,435,558
2011	10,438,481	2,428,621	3,358,615	911,405	151,616	817,975	2,296,944	20,403,657
2010	9,414,513	2,406,916	3,502,904	907,476	204,849	1,370,077	2,342,226	20,148,961
2009	9,160,133	2,320,683	2,950,179	1,132,681	387,449	1,020,342	3,191,822	20,163,289
2008	9,039,398	2,225,224	2,914,162	1,216,687	268,415	1,211,662	5,367,633	22,243,181
2007	10,804,833	496,614	3,661,644	911,026	247,493	3,588,708	2,644,727	22,355,044

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

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

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

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

Tax Year	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations	Total Direct Tax Rate
2016	\$ 1,569,650,612	\$ 113,113,590	\$ 1,682,764,202	\$ 458,344,109	\$ 1,224,420,093	5.7697
2015	1,521,529,660	112,451,954	1,633,981,614	448,170,536	1,185,811,078	5.7697
2014	1,475,665,054	108,533,120	1,584,198,174	434,639,300	1,149,558,874	5.7697
2013	1,451,775,552	118,155,863	1,569,931,415	442,204,485	1,127,726,930	5.7697
2012	1,445,327,759	120,653,616	1,565,981,375	446,565,401	1,119,415,974	4.5383
2011	1,478,072,570	126,412,302	1,604,484,872	452,378,818	1,152,106,054	4.5383
2010	1,550,325,157	129,348,680	1,679,673,837	469,933,333	1,209,740,504	4.5383
2009	1,864,657,624	148,104,763	2,012,762,387	476,888,476	1,309,056,015	4.1986
2008	2,046,319,844	147,625,998	2,193,945,842	816,366,365	1,377,579,477	4.1986
2007	2,100,890,582	148,394,292	2,249,284,874	777,377,988	1,471,906,886	4.1986

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market.
The January 2016 assessment is the basis for Fiscal Year 2016-17 tax revenues.

Source: Okaloosa County Property Appraiser

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

City of Fort Walton Beach Direct Rate			Overlapping Rates*			
Fiscal Year	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2016	5.7697	5.7697	3.4308	6.9070	0.0366	10.3744
2015	5.7697	5.7697	3.4308	7.2790	0.0378	10.7476
2014	5.7697	5.7697	3.4308	7.4410	0.0390	10.9108
2013	5.7697	5.7697	3.4308	7.5510	0.0400	11.0218
2012	4.5383	4.5383	3.2899	7.4760	0.0400	10.8059
2011	4.5383	4.5383	3.2899	7.7690	0.0400	11.0989
2010	4.5383	4.5383	3.2899	7.5340	0.0450	10.8689
2009	4.1986	4.1986	3.2899	7.6390	0.0450	10.9739
2008	4.1986	4.1986	3.2995	7.6240	0.0450	10.9685
2007	4.1986	4.1986	3.3443	7.6390	0.0450	11.0283

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

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

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

Source: Okaloosa County Tax Collector

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

Taxpayer	2016			2007		
	Total Assessed Value	Percentage	Rank	Total Assessed Value	Percentage	Rank
Gulf Power Co.	\$ 20,358,644	1.66%	1	\$ 16,171,941	1.47%	2
Suso 2 Uptown, LP	14,339,454	1.17%	2			
Cox Communications Gulf Coast, LLC	7,005,455	0.57%	3			
99 Eglin LTD	6,077,028	0.50%	4	11,921,792	1.08%	3
DRS Training & Control	5,651,258	0.46%	5			
Pacifica Walton Beach LLC	5,553,541	0.45%	6			
Embarq Corp.	5,183,838	0.42%	7			
PSH Of Okaloosa LLC	5,154,076	0.42%	8			
FNBT.COM Bank	4,897,391	0.40%	9			
Fort Walton Machining, Inc.	4,330,150	0.35%	10			
HSU Paul S & Majes						
Sprint Florida, Inc.				21,250,752	1.93%	1
Aero Technical Service				9,992,057	0.91%	4
American Senior Living of FWB				9,603,077	0.87%	5
Metric Systems				6,164,931	0.56%	6
Emerald Coast Housing Corp.				5,832,431	0.53%	7
Dakota Group of NWF				5,777,969	0.53%	8
Inland Southeast Paradise Point				5,735,111	0.52%	9
Dea J. Jr & Thomas & Kilgore				5,716,175	0.52%	10
Total Taxable Assessed Value of Principal Taxpayers	78,550,835	6.42%		98,166,236	8.93%	
Total Taxable Assessed Value of Other Taxpayers	1,145,869,258	93.58%		1,001,497,505	91.07%	
Total Taxable Assessed Value	\$ 1,224,420,093	100.00%		\$ 1,099,663,741	100.00%	

⁽¹⁾ The 2016 tax roll is the basis for Fiscal Year 2016-17 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
2016	The 2016 tax levy is the basis for Fiscal Year 2016-17 tax revenues.							
2015	\$ 6,858,983	\$ 6,606,940	96.3%	\$ 30,392	\$ 6,637,332	96.8%	\$ 8,058	0.1%
2014	6,656,342	6,414,562	96.4%	31,452	6,446,014	96.8%	3,604	0.1%
2013	6,528,146	6,269,683	96.0%	76,388	6,346,071	97.2%	11,388	0.2%
2012	5,096,206	4,880,002	95.8%	50,880	4,930,882	96.8%	10,265	0.2%
2011	5,251,483	5,050,661	96.2%	38,067	5,088,728	96.9%	19,826	0.4%
2010	5,519,832	5,309,040	96.2%	78,863	5,387,903	97.6%	11,576	0.2%
2009	5,523,136	5,280,090	95.6%	45,233	5,325,323	96.4%	59,371	1.1%
2008	5,814,307	5,606,480	96.4%	25,515	5,631,996	96.9%	22,112	0.4%
2007	6,215,424	5,976,218	96.2%	23,448	5,999,666	96.5%	16,699	0.3%

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

Source: Okaloosa County Tax Collector

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

Fiscal Year	Governmental Activities				Business Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾	
	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	State Revolving Loans				
2016	\$ -	\$106,653	\$11,725,331	\$ -	\$ -	\$ -	\$ 8,794,000	\$ 14,656,929	\$ -	\$ 35,282,913	0.40%	1,617.22
2015	-	134,249	12,371,587	-	-	-	8,794,000	15,312,458	-	36,612,294	0.42%	1,754.39
2014	-	89,654	13,008,515	-	-	-	-	14,004,706	9,640,146	36,743,021	0.42%	1,813.93
2013	-	101,696	13,535,936	-	-	-	73,533	7,068,522	9,925,055	30,704,742	0.36%	1,515.83
2012	-	-	661,796	4,470,000	-	13,458	61,221	-	10,199,963	15,406,438	0.19%	762.92
2011	-	-	728,480	4,615,000	-	66,118	76,586	-	10,464,872	15,951,056	0.21%	816.58
2010	-	47,374	-	4,755,000	-	141,737	-	-	13,856,796	18,800,907	0.26%	923.65
2009	-	93,003	-	4,885,000	-	226,886	-	-	14,575,130	19,780,019	0.28%	956.71
2008	-	197,509	-	5,010,000	-	584,170	-	-	15,125,535	20,917,214	0.30%	999.96
2007	-	260,306	-	7,000,000	-	479,246	-	-	15,651,029	23,390,581	0.34%	1,113.41

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

⁽¹⁾ See Schedule 15 for personal income data.

⁽²⁾ See Schedule 15 for population data.

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

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

Fiscal Year	Governmental Activities		Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds			
2016	\$	-	0.00%	\$ -
2015		-	0.00%	-
2014		-	0.00%	-
2013		-	0.00%	-
2012		-	0.00%	-
2011		-	0.00%	-
2010		-	0.00%	-
2009		-	0.00%	-
2008		-	0.00%	-
2007		-	0.00%	-
2006		-	0.00%	-

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

⁽¹⁾ See Schedule 6 for property value data.

⁽²⁾ See Schedule 15 for population data.

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

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

Fiscal Year	Average Non-Ad Valorem Revenues		Avail. for Debt Service	Debt Service Requirements ⁽²⁾			
	Non-Ad Valorem Revenues ⁽¹⁾			Principal	Interest	Total	Coverage
2016	\$ 28,307,481		\$ 28,537,163	\$ 1,301,785	\$ 860,023	\$ 2,161,808	13.20
2015	28,766,844		27,552,810	962,155	940,698	1,902,853	14.48
2014	26,593,384		26,466,080	890,954	797,317	1,688,271	15.68
2013	26,338,776		25,803,342	364,156	460,197	824,353	31.30
2012	25,267,908		25,556,504	497,049	697,060	1,194,109	21.40
2011	25,845,100		26,274,792	468,935	695,713	1,164,648	22.56
2010	26,704,483		26,355,374	510,000	874,423	1,384,423	19.04
2009	26,006,265		28,208,317	340,000	889,985	1,229,985	22.93
2008	30,410,368		31,235,238	325,000	904,730	1,229,730	25.40
2007	32,060,108		30,760,329	315,000	918,699	1,233,699	24.93

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

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

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

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

Governmental Unit	Net Debt Outstanding	Percentage Applicable to Fort Walton Beach	Amount Applicable to Fort Walton Beach
Overlapping Debt			
Okaloosa County			
Revenue Bonds	\$ 52,719,870	10.95%	(2) \$ 5,773,870
Okaloosa County School District			
Certificates of Participation	39,871,232	31.11%	(1) 12,404,383
Subtotal: Overlapping Debt	<u>92,591,102</u>		<u>18,178,254</u>
Direct Debt			
City of Fort Walton Beach Revenue Notes	11,725,331	100.00%	11,725,331
City of Fort Walton Beach Lease Payable	106,653	100.00%	106,653
Subtotal: Direct Debt	<u>11,831,984</u>		<u>11,831,984</u>
Total Direct and Overlapping Debt	<u><u>\$ 104,423,087</u></u>		<u><u>\$ 30,010,238</u></u>

Source: Okaloosa County, Okaloosa County School Board

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

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

Employer	Product	2016			2007		
		Employees	Percentage of Total Employment	Ranking	Employees	Percentage of Total Employment	Ranking
USAF - Eglin ⁽¹⁾	Air Force Development Test Center	21,500	21.91%	1	21,841	23.11%	1
USAF - Hurlburt ⁽²⁾	Air Force Special Ops Command	10,651	10.85%	2	8,488	8.98%	2
Okaloosa County School District	Education Services	3,521	3.59%	3	3,448	3.65%	3
Okaloosa County ⁽³⁾	Local Government Services	1,501	1.53%	4	1,503	1.59%	4
Jacobs Technology - TEAS Group ⁽⁴⁾	Military Technical Support	1,000	1.02%	5			
Fort Walton Beach Medical Center ⁽⁴⁾	Medical Services	1,000	1.02%	6	1,300	1.38%	5
Lockheed Martin Corporation ⁽⁴⁾	Military Technical Support	800	0.82%	7			
InDyne Inc ⁽⁴⁾	Military Technical Support	800	0.82%	8			
Northwest Florida State College	Education Services	752	0.77%	9	759		7
L-3 Crestview Aerospace ⁽⁴⁾	Military Technical Support	600	0.61%	10			
Chromalloy Florida	Military Technical Support		0.00%		260	0.28%	10
City of Fort Walton Beach	Local Government Services		0.00%		432	0.46%	9
DRS Training and Control Systems	Defense Electronics		0.00%		800	0.85%	6
Tybrin Corporation	Military Technical Support		0.00%		<u>575</u>	0.61%	8
		<u>42,125</u>	36.86%		<u>39,406</u>	30.57%	

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

⁽²⁾Includes military and civilian personnel.

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

⁽⁴⁾Economic Development Council estimated the employee count for largest employers in Okaloosa County for FY14.

Source: Personnel Department of each employer

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

Fiscal Year	Fort Walton Beach Population	Okaloosa County Population	FWB as a % of the County	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2016	21,817	198,664	10.98%	\$ 8,803,001	\$ 44,923	4.9%
2015	20,869	190,550	10.95%	8,783,041	44,695	4.4%
2014	20,719	189,307	10.94%	8,775,211	45,277	4.6%
2013	20,256	186,887	10.84%	8,546,210	44,960	4.7%
2012	20,194	185,803	10.87%	7,913,960	43,132	6.0%
2011	19,534	180,280	10.84%	7,497,082	42,007	7.3%
2010	20,355	195,346	10.42%	7,369,683	41,050	8.0%
2009	20,675	196,237	10.54%	7,090,979	39,158	7.2%
2008	20,918	197,597	10.59%	6,861,716	37,497	4.8%
2007	21,008	196,540	10.69%	6,781,908	37,423	2.9%

OKALOOSA COUNTY EDUCATION						
			FY 2016	FY 2015	FY 2014	
Schools:	Grades K-5		18	18	18	
	Grades 6-8		7	7	7	
	Grades 9-12		4	4	4	
	PK-12 / Charter / Alternate		2 / 5 / 10	2 / 5 / 10	2 / 4 / 10	
	Grades K-8		1	1	1	
	Vocational / Technical		1	1	1	
	Exceptional Children		2	2	2	
Students:	Grades K-5		15,200	15,046	12,315	
	Grades 6-8		7,046	7,034	6,882	
	Grades 9-12		8,801	8,701	8,834	
	Adult Students		225	237	285	
	Exceptional Children		5,105	5,316	4,282	
Personnel:	Instructional (Classroom)		1,900	1,889	1,912	
	Non-Instructional		1,098	1,181	1,087	

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
City Manager	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	4.00
Administrative Services	3.60	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Risk Management	-	-	-	-	-	-	1.00	1.00	-	-
Information Technology	2.00	2.00	2.00	2.00	2.00	2.00	2.75	2.75	3.00	4.00
City Clerk	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00
Finance	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Purchasing	3.00	2.75	2.75	2.50	2.50	2.50	2.50	2.00	5.00	5.00
Public Safety										
Police	61.90	61.38	60.99	59.99	70.99	67.99	67.59	68.05	74.05	73.17
Fire	37.00	38.00	37.00	37.00	37.00	37.00	38.00	38.00	39.00	39.00
Recreation & Cultural Services										
Administration	12.90	12.64	12.32	13.45	13.67	13.81	15.93	17.19	32.09	32.64
Parks Maintenance	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.90	-	-
Right-of-Way Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	7.00	8.00	9.00	9.00
Senior Citizens Center	-	-	1.85	1.85	1.85	1.85	1.85	1.85	2.38	2.58
Golf Club	14.26	13.93	14.26	-	-	-	-	-	-	-
Golf Grounds Maintenance	15.75	15.75	15.75	-	-	-	-	-	-	-
Library	8.02	8.02	8.02	8.02	8.02	8.10	9.90	9.90	10.60	11.10
Museum	4.60	4.10	3.60	3.60	3.60	2.60	3.85	4.98	5.18	6.01
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50
Engineering Services										
Administration	3.00	4.00	4.00	5.00	5.00	5.00	6.00	6.00	7.00	7.00
Planning & Zoning	3.00	2.00	2.00	1.00	1.00	1.00	1.00	-	4.00	4.00
Building & Permitting	4.00	4.00	4.00	4.00	3.70	3.00	3.00	3.00	6.00	6.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-
Fleet Maintenance	9.00	9.00	9.00	9.00	8.75	8.75	10.00	11.00	12.00	12.00
Facilities Maintenance	7.00	7.00	7.00	8.00	8.00	8.00	11.00	11.00	10.00	11.00
Streets Maintenance	6.00	6.00	6.00	5.50	5.50	5.50	6.50	6.50	14.50	13.50
Community Development Block Grant	-	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	1.48
Community Redevelopment Agency	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00	1.00	1.75
Utility (Water/Sewer) Enterprise										
Administration	8.00	8.00	8.00	7.00	7.00	6.75	1.00	2.00	6.00	5.00
Customer Service	5.50	5.50	5.50	5.50	5.50	5.50	7.50	7.50	8.00	9.00
Water Operations	9.00	10.00	9.00	9.00	9.00	10.00	7.00	7.00	7.00	7.00
Sewer Operations	-	-	-	-	-	-	2.00	11.00	11.00	13.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	7.00
Sewer Collections	13.00	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00	12.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	18.75	19.62	19.87	21.00	21.00
Recycling	1.00	1.00	1.00	-	-	-	-	-	-	4.00
Golf Enterprise										
Golf Club	-	-	-	14.26	14.26	14.26	14.26	31.01	36.51	36.56
Golf Grounds Maintenance	-	-	-	15.75	15.75	15.75	15.75	-	-	-
Stormwater Enterprise										
Stormwater	6.00	6.00	6.00	6.00	6.00	6.00	7.00	8.00	-	-
Total	292.03	292.05	291.02	289.40	300.07	296.09	312.48	329.48	362.29	375.29

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

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

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

MISCELLANEOUS PERMITS

Year	Mechanical	Electrical	Gas	Plumbing	Water & Sewer
2016	200	216	144	92	34
2015	153	216	116	75	34
2014	247	379	136	194	27
2013	148	188	121	82	26
2012	148	168	102	100	39
2011	249	255	74	159	18
2010	212	290	87	154	27
2009	142	285	52	158	16
2008	168	298	97	178	20
2007	177	340	109	157	30

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

Year	Number Sold
2016	2,115
2015	2,259
2014	2,402
2013	2,087
2012	1,947
2011	2,269
2010	2,311
2009	2,364
2008	2,426
2007	2,499

MUNICIPAL RECREATIONAL FACILITIES

2 18-hole Golf Courses	1 Library
1 18-hole Disc Golf Course	4 Museums
1 Auditorium	23 Playgrounds
12 Baseball-Softball Facilities	2 Racquetball Court Facility
1 BMX/Skateboard Facility	1 Recreation Center
5 Boat Ramps	2 Soccer Field Facility
6 Exercise/Walking Tracks	4 Tennis Court Facilities
1 Fairgrounds	7 Undeveloped Parks
1 Football Stadium	4 Waterfront Parks

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

Note: Change in facility and athletic field totals due to the construction of the new Recreation Center, which was be complete in FY 2015.

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

Pct	Place Name	Registered Voters				
		Total	Dems	Reps	NPA	Other
01	BAKER	2,290	350	1,625	291	24
02	BLACKMON	660	131	455	67	7
03	MILLIGAN	1,263	226	810	207	20
04	HOLT	1,223	232	773	192	26
05	LAUREL HILL	1,044	244	609	172	19
06	GARDEN CITY	3,227	583	2,058	538	48
07	DORCAS	1,554	284	932	308	30
08	HONEY CREEK	4,085	896	2,362	744	83
09	YELLOW RIVER	3,713	729	2,196	716	72
10	WEST WRIGHT	6,065	1,417	3,076	1,435	137
11	EAST CRESTVIEW	7,916	1,706	4,148	1,845	217
12	WEST CRESTVIEW	934	516	219	188	11
13	NORTH CRESTVIEW	3,734	779	2,210	677	68
14	WEST NICEVILLE	2,897	523	1,663	639	72
15	VALPARAISO	2,925	531	1,695	639	60
16	SHALIMAR	2,688	564	1,510	547	67
17	CENTRAL WRIGHT	3,382	887	1,572	838	85
18	OCEAN CITY	2,216	531	1,146	501	38
19*	EAST FWB	1,717	522	705	448	42
20	WEST DESTIN	2,471	438	1,466	505	62
21	MARY ESTHER	2,639	553	1,517	507	62
22*	S CENTRAL FWB	2,125	609	1,010	472	34
23	EGLIN AFB	635	117	285	212	21
24*	WEST FWB	2,849	776	1,363	648	62
25	N CENTRAL NICEVILLE	1,781	322	1,084	332	43
26	SEMINOLE	2,574	331	1,751	436	56
27	CINCO BAYOU	302	69	151	77	5
28*	GARNIERS	356	67	223	58	8
29*	GOLF COURSE	2,119	332	1,385	360	42
30	OKALOOSA ISLAND	1,535	243	882	371	39
31	LONGWOOD	2,040	332	1,380	297	31
32*	FERRY PARK	2,439	469	1,477	435	58
33	ROCKY BAYOU	4,586	523	3,319	691	53
34	FLOROSA	3,608	796	1,767	937	108
35	NORTH DESTIN	3,150	403	2,030	672	45
36	SOUTH NICEVILLE	2,581	342	1,753	431	55
37	LAKE LORRAINE	2,666	341	1,840	440	45
38	NORTHGATE	2,279	515	1,254	467	43
39	EAST WRIGHT	2,338	566	1,184	547	41
40	SOUTH BLUEWATER	2,904	339	2,026	489	50
41*	N CENTRAL FWB	1,382	254	888	212	28
42*	NEW HEIGHTS	2,418	740	1,077	548	53
43	S CENTRAL NICEVILLE	2,262	419	1,332	465	46
44	CENTRAL DESTIN	1,886	334	1,013	495	44
45	SOUTH CRESTVIEW	4,545	1,017	2,366	1,078	84
46	NORTH BLUEWATER	4,521	576	3,012	847	86
47	WYNNEHAVEN BEACH	2,119	429	1,024	604	62
48*	WESTWOOD RETIREMENT	127	33	82	12	0
49	EAST DESTIN	3,157	404	2,144	556	53
50	SOUTH DESTIN	3,111	377	2,098	579	57
51	AIRPORT ROAD	1,859	284	1,184	355	36
52	LIVE OAK	3,596	707	2,084	740	65
Countywide Total		116,961	21,906	69,005	23,674	2,376
City Total		15,532	3,802	8,210	3,193	327

*City Precinct

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
2016	\$ 380,118	\$ 28,081	7.39%	\$ 406,239
2015	-	61,898	-	54,202
2014	-	3,604	-	116,100
2013	-	5,302	-	119,704
2012	-	12,779	-	125,006
2011	-	5,986	-	137,785
2010	-	19,801	-	-
2009	-	6,528	-	-
2008	-	7,511	-	-
2007	218,730	72,576	33.18%	146,154

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

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

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

Fiscal Year	Property Taxes	% of Total Revenues	Other Taxes/ Franchise Fees	% of Total Revenues	Sewer Fees	% of Total Revenues	Sanitation Fees	% of Total Revenues	Water Fees	% of Total Revenues	Golf Fees	% of Total Revenues
2016	\$ 7,271,903	20.4%	\$ 7,124,985	20.0%	\$ 6,310,574	17.7%	\$ 3,589,419	10.1%	\$ 3,769,366	10.6%	\$ 1,378,730	3.9%
2015	7,025,998	19.7%	7,171,032	20.1%	5,748,749	16.1%	3,581,264	10.1%	3,425,909	9.6%	1,399,101	3.9%
2014	6,886,443	20.6%	6,807,274	20.4%	5,177,966	15.5%	3,562,694	10.7%	3,238,894	9.7%	1,365,764	4.1%
2013	5,486,237	17.3%	6,355,549	20.1%	4,949,525	15.7%	3,499,459	11.1%	3,078,174	9.7%	1,591,423	5.0%
2012	5,681,589	18.5%	6,482,596	21.1%	4,839,764	15.8%	3,313,559	10.8%	3,052,071	9.9%	1,656,721	5.4%
2011	6,030,428	19.2%	6,673,824	21.2%	4,631,992	14.7%	3,307,993	10.5%	2,753,590	8.8%	1,954,589	6.2%
2010	5,332,480	17.5%	6,645,189	21.8%	4,154,795	13.6%	3,335,342	10.9%	2,379,913	7.8%	1,914,053	6.3%
2009	5,629,812	19.0%	6,425,482	21.7%	3,943,722	13.3%	3,363,185	11.4%	2,245,512	7.6%	2,164,174	7.4%
2008	6,021,743	20.6%	5,706,534	19.5%	3,984,282	13.6%	3,441,588	11.8%	2,271,327	7.8%	2,365,739	8.1%
2007	6,123,749	15.7%	5,645,463	14.5%	4,162,172	10.7%	3,427,925	8.8%	2,492,378	6.4%	2,441,793	6.3%

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

The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

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

Monthly Water Rates^(1,2)	Residential		Commercial		Number of Meters
	Inside	Outside⁽³⁾	Inside	Outside⁽³⁾	
Lifeline Rate ⁽⁴⁾	\$10.67	\$13.34	\$10.67	\$13.34	
Monthly Base Charge ⁽⁵⁾ , Meter Size:					
3/4"	\$10.67	\$13.34	\$10.67	\$13.34	9,017
1.0"	\$10.67	\$13.34	\$10.67	\$13.34	334
1.5"	\$14.50	\$18.13	\$14.50	\$18.13	110
2.0"	\$24.64	\$30.80	\$24.64	\$30.80	220
3.0"	\$37.55	\$46.94	\$37.55	\$46.94	14
4.0"	\$46.93	\$58.66	\$46.93	\$58.66	18
6.0"	\$74.65	\$93.31	\$74.65	\$93.31	0
8.0" or 10.0"	\$111.87	\$139.84	\$111.87	\$139.84	1
Multi-Residential, Addt'l per Unit	\$7.90	\$9.88	\$7.90	\$9.88	
					<u>9,714</u>
Residential Customers ⁽⁶⁾					8,510
Commercial Customers ⁽⁶⁾					1,108
Total Customers					<u>9,618</u>

Gallonage Rate (per 1,000 gallons per unit)	<u>Inside</u>	<u>Outside</u>
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 - 4,000)	\$3.18	\$3.98
Block 3 (4,001 - 8,000)	\$3.89	\$4.86
Block 4 (8,001 +)	\$5.83	\$7.29

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

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

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

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

⁽³⁾Outside City surcharge of 25% for water

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

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

⁽⁶⁾Billed in September

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

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

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

Function	Unaudited										Fiscal Year
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Public Safety											
Police											
Arrests	921	1,041	873	867	1,042	1,265	1,773	2,298	2,526	2,201	
Traffic citations	2,693	2,864	3,119	3,413	3,773	3,246	6,207	6,430	7,211	5,171	
Fire											
Emergency medical responses	3,067	3,322	3,278	3,231	3,197	3,041	2,791	2,645	2,484	2,567	
Fire responses	1,210	1,270	1,389	1,277	1,288	1,224	1,158	477	479	517	
Inspections	2,409	1,000	700	800	758	1,431	2,040	2,863	3,277	3,319	
Code Enforcement											
Code violations	1,807	1,702	1,766	2,118	2,158	2,456	2,426	2,513	2,108	1,793	
Engineering Services											
Building permits issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,429	1,582	1,710	
Residential building permits issued	23	1,214	1,220	1,095	697	588	630	n/a	n/a	n/a	
Commercial building permits issued	5	402	310	457	164	284	380	n/a	n/a	n/a	
Value of permits (in millions)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$46.20	\$37.40	\$28.70	
Value of residential permits (in millions)	\$ 4	\$ 16	\$ 16	\$ 15	\$ 9	\$ 10	\$ 7	n/a	n/a	n/a	
Value of commercial permits (in millions)	\$ 1	\$ 832	\$ 27	\$ 23	\$ 9	\$ 7	\$ 7	n/a	n/a	n/a	
Business Tax Receipts Sold	2,115	2,259	2,402	2,087	1,947	2,269	2,311	2,364	2,426	2,499	
Street resurfacing (lane miles)	1.01	0.64	0.16	-	1.70	2.25	5.71	1.53	0.78	0.46	
Pot holes (hours spent repairing)	163	770	528	813	989	1,014	617	1,257	1,476	1,022	
Sanitation											
Refuse collected (tons)	25,203	24,467	26,102	24,059	25,374	25,332	25,676	25,485	27,873	28,374	
Recyclables collected (tons)	1,507	1,191	754	615	375	251	161	150	112	367	
Culture and Recreation											
Parks and Recreation											
Recreation program participants ⁽³⁾	154	n/a	n/a	n/a	92,267	106,486	103,121	116,565	118,890	125,697	
Recreation program registrations ⁽⁵⁾	n/a	650	651	571	n/a	n/a	n/a	n/a	n/a	n/a	
Adult athletic participants ⁽³⁾	n/a	n/a	n/a	n/a	6,728	9,003	10,009	11,406	14,591	14,669	
Adult athletic registrations	621	424	426	467	n/a	n/a	n/a	n/a	n/a	n/a	
Youth athletic participants ⁽³⁾	n/a	n/a	n/a	n/a	14,548	13,038	12,525	14,211	15,570	14,418	
Youth athletic registrations	2,086	1,978	1,347	1,253	n/a	n/a	n/a	n/a	n/a	n/a	
Skate/tennis park participants ⁽⁴⁾	n/a	n/a	n/a	n/a	13,114	18,291	15,297	18,480	24,100	29,088	
Library											
Circulation volume	144,474	137,363	145,684	142,888	139,196	126,146	135,314	142,148	137,002	126,271	
Museum											
Number of visitors/participants ⁽¹⁾	22,437	22,683	19,461	22,901	21,480	28,200	39,935	47,700	45,168	28,916	
Water System											
New connections	81	34	27	26	39	18	27	16	20	30	
Water customers	9,618	9,537	9,480	9,279	8,846	8,804	8,795	8,741	8,927	8,996	
Water produced (million gallons)	883	891	884	855	868	899	897	943	963	1,071	
Wastewater System											
Wastewater treated (million gallons) ⁽²⁾	-	-	-	-	-	-	-	381	769	916	796

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

⁽²⁾Wastewater treatment transferred to County in March 2010

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

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

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

Source: City of Fort Walton Beach Performance Measures.

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

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	39	43	43	43	51	48	49	49	55	53
Engineering Services										
Miles of roads	93.12	93.12	93.12	93.12	93.06	92.65 ⁽²⁾	112.76	112.76 ⁽¹⁾	99.35	98.50
Miles of sidewalks	64.73	63.67	64.73	64.05	63.93	62.80	62.11	61.35	61.32	60.92
Signs fabricated and installed	854	1,133	918	785	935	976	910	1,110	1,223	1,481
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	129	129	116 ⁽⁷⁾	117 ⁽⁴⁾	122	122	122 ⁽³⁾	91	90	90
Parks (acres)	206.00	196.56	180.26	180.26	180.26	180.26	180.26	180.26	180.26	180.26
Library										
Inventoried collection	70,353	72,313	72,729	74,649	74,448	72,873	74,317	73,641	71,006	69,061
Water and Sewer System										
Potable water lines (miles)	144.91	144.77	146.25	145.9 ⁽⁵⁾	118.63	118.57	118.52	118.10	118.09	118.09
Sanitary sewer lines (miles)	129.51	110.45	130.32 ⁽⁶⁾	118.76	118.76	118.76	118.77	118.77	118.77	118.77
Reuse water lines (miles)	7.10	7.10	7.10	7.14	3.82	3.82	3.82	4.14	4.14	4.14
Potable Water Elevated Storage Tank Capacity: 1 ⁽⁶⁾ tank 200,000 gal; 1 tank 750,000 gal; 2 tanks 500,000 gal										
Potable Water Ground Storage Tank Capacity: 1 tank 135,000 gal; 1 tank 250,000 gal; 1 tank 1,000,000 gal; 1 tank 25,000 gal										
Pumping Capacity of Potable Water Wells: 9.231 million gallons per day										
Sanitary Sewer Ground Storage Tank Capacity: 4,000,000 gal										
Reuse Water Elevated Storage Tank Capacity: 1 tank 200,000 gal										
Reuse Water Ground Storage Tank Capacity: 1 tank 1,000,000 gal										
Stormwater System										
Storm drains (miles)	42.10	42.03	42.05	42.01	41.64	41.64 ⁽²⁾	45.70	45.66 ⁽¹⁾	34.73	34.73

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

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

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

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

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

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

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

N/A: Not available.

Source: City of Fort Walton Beach Performance Measures.

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

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

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
10/12/16 to 10/12/17	Wright National	1150164379	Fisher-Brown Agency	Flood	\$ 38,500 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/16 to 05/17/17	Wright National	1150342974	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/16 to 07/23/17	Wright National	1151270502	Fisher-Brown Agency	Flood	\$ 300,000 B \$ 50,000 C	18 Robinwood Drive Pump Station #1
06/23/16 to 06/23/17	Wright National	1150458831	Fisher-Brown Agency	Flood	\$ 55,000 B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/16 to 10/10/17	AIG Environmental Tank Guard	12896318	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 1,000,000/agg	Golf Course, Police, City Yard, Fuel Station Pump Station - Fire
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Inland Marine	\$ 555,260 \$ 250,000 \$ 664,648 \$ 588,532 \$ 250,000 \$ 231,933 \$ 318,276 \$ 255,211	Fine Arts Rented, Borrowed, Leased Equipment Contractor's Mobile Equipment EDP/Minicomputer/Word Processor Valuable Papers Other Inland Marine Emergency Svcs Portable Equipment Communication Equipment
9/16/16 to 9/16/17	Hartford	21BSBDB7459	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
02/09/17 to 02/09/18	Hartford	21BSBDB7454	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Customer Service Administrator, Finance Department
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Auto	\$ 100,000 \$ 1,000,000	Uninsured Motorist CSL Liability
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Forgery Alteration	\$ 250,000	

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type	Amount	Location
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money & Securities	\$ 10,000	
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	General Liability	\$ 1,000,000	Occurance
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Property	\$ 45,883,959	Blank Real & Personal Property
9/16/16 to 9/16/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Property	\$ 100,000 500,000	Business Income Additional Expense
02/09/17 to 02/09/18	PGIT	WC-FL1046200313-04	Public Risk Insurance Agency	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Public Officials Empl. Practice	\$ 5,000,000 5,000,000	
10/01/16 to 10/10/17	Federal Insurance	9906-62-32	LB Bryan & Co. Mutual of Omaha	AD&D	\$ 65,000 \$ 65,000 \$ 190,000	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/16 to 10/10/17	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	\$ 45,883,959	
5/01/17 to 5/01/18	Travelers	105927344	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees and Fire

Source: City of Fort Walton Beach Risk Management Department

CITY OF FORT WALTON BEACH, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO THE DEEPWATER HORIZON OIL SPILL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Source	Amounts Received in the 2015-2016 Fiscal Year	Amounts Expended in the 2015-2016 Fiscal Year
Florida Coastal Protection Trust Fund		
Stormwater projects (MOEX) Deepwater Horizon oil spill ¹	\$ 41,797	\$ 6,255

(1) Grant revenue of \$35,542 was recognized as revenue in the prior year financial statements, but was not but was not received until the current fiscal year.

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

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

We have audited the financial statements of the City of Fort Walton Beach, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated February 24, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 129 is presented for the purpose of additional analysis as required by Florida Statue 288.8018 and the Rules of the Auditor General Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Warren Averett, LLC

Fort Walton Beach, Florida
February 24, 2017

CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Agency	CFDA	Contract/Grant Number	Expenditures
Pass-Through Entity	Number		
Federal Project			
U.S. Department of Homeland Security			
Indirect programs			
Pass-through from Federal Emergency			
Management Agency (FEMA)			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-02509	\$ 470,638
Disaster Relief Assistance Grant	97.036	PA-04-FL-4177-PW	<u>314,499</u>
			<u>785,137</u>
U.S. Department of Housing & Urban Development			
Direct programs			
Community Development Block Grant 2013	14.218	B-13-MC-12-0030	17,825
Community Development Block Grant 2014	14.218	B-14-MC-12-0030	20,451
Community Development Block Grant 2015	14.218	B-15-MC-12-0030	<u>78,811</u>
			<u>117,087</u>
U.S. Department of Justice			
Direct programs			
Bulletproof Vest Partnership Program	16.607		<u>2,756</u>
Indirect programs			
Pass-through from Florida Department of			
Law Enforcement (FDLE)			
Byrne Memorial Justice Assistance Grant 2015	16.738	2015-JAGD-OKAL-1-R1-015	4,785
Byrne Memorial Justice Assistance Grant 2016	16.738	2016-JAGC-OKAL-1-H3-156	<u>9,853</u>
			<u>14,638</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			
			\$ 919,618

CITY OF FORT WALTON BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fort Walton Beach, Florida (the City), under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida

February 24, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Walton Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
February 24, 2017

CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

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

Identification of major programs:

CFDA Number	Name of Federal Project
97.044	Assistance to Firefighters Grant
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
Auditee qualified as federal low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS

The results of our audit of the City did not disclose any findings required to be reported under GAGAS.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

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

We have examined the City of Fort Walton Beach, Florida's (the City's) compliance with the following requirements for the year ended September 30, 2016:

- 1) Chapter 218.415, Florida Statutes, in regards to the investments.
- 2) Chapter 218.8018, Florida Statutes, in regards to the Deepwater Horizon Oil Spill receipts and expenditures.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Warren Averett, LLC

Fort Walton Beach, Florida
February 24, 2017

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Fort Walton Beach, Florida (the City), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 24, 2017.

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 Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 24, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings identified in the preceding annual final report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Fort Walton Beach, Florida, was established as a municipality by a Special Act of the Florida Legislature in 1937. The City's original charter was enacted as Chapter 18539, Laws of Florida.

Official Title and Legal Authority – Continued

The present charter was enacted in 1953 as Chapter 29093, Laws of Florida. The City had one component unit within its reporting entity. The Fort Walton Beach Community Redevelopment Agency was created pursuant to provisions of Chapter 163, Part III, Florida Statutes. This action, adopted by Resolution Number 77-38, also outlines the rights, powers, duties, privileges, and immunities invested in the governing body. City ordinance 1262, adopted on September 27, 1994, gave the City Council the authority to appoint an independent Board of Commissioners in place of the City Council effective January 1, 1995.

During 1992, the Florida Department of Community Affairs determined that the Fort Walton Beach Housing Authority was a dependent special district of the City. Utilizing the standards set forth in GASB Statement No. 61, the Fort Walton Beach Housing Authority was not considered as having met sufficient criteria for inclusion within the City's audited financial statements for the year ended September 30, 2016. As a result, the Fort Walton Beach Housing Authority is not included in the City's annual financial report.

During 2011, the Fort Walton Beach Community Redevelopment Agency (the Agency) became a blended component unit of the City. The City's council members serve as board members of the Agency. The Agency's governing body is the same as the governing body of the City and the Agency provides services specifically to the Community Redevelopment Area of the City. Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading.

Financial Condition

Section 10.554(1)(i)5..a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City, for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
February 24, 2017



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