FORT WALTON BEACH, FLORIDA

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Annual Comprehensive Financial Report

FY 2020-21

CITY OF FORT WALTON BEACH, FL
WITH COMPLIANCE MATTERS AND RESPONSES
FISCAL YEAR ENDED SEPT. 30, 2021

CITY OF FORT WALTON BEACH, FLORIDA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

PREPARED BY:

THE FINANCE DEPARTMENT
Julio Lacayo, Finance Director
City of Fort Walton Beach
107 Miracle Strip Parkway
Fort Walton Beach, FL 32548
www.fwb.org

CITY OF FORT WALTON BEACH, FL

City Council

Left to right (standing):
David Schmidt, Nic Allegretto, Nathan Kelley, Kirby Locklear, and Travis Smith

Left to right (seated):
Mike Holmes, Mayor Dick Rynearson, and MG Moran

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

Appointed Officers

City Manager – Michael D. Beedie, PE

City Clerk – Kim M. Barnes, MMC

City Attorney – Hayward Dykes, Jr.

Department Directors

Finance – Julio Lacayo, Jr.

Fire Services – Ken Perkins, Chief

Growth Management – Chris Frassetti

Human Resources – Tarey Franxman

Police Services – Robert Bage, Chief

Public Works & Utility Services – Daniel Payne, PE

Recreation & Cultural Services – Jeff Peters

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

"The Treasure of the Emerald Coast"

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

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

www.fwb.org

March 8, 2022

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Fort Walton Beach, Florida for the fiscal year ended September 30, 2021, is hereby submitted herewith pursuant to Chapter 218.39(1)(d) of the Florida Statutes requiring each local government entity to complete an audit report within nine (9) months after the end of the fiscal year.

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

The financial statements of the City of Fort Walton Beach have been audited by Warren Averett, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2021, 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, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II - Financial Section as the first component of this section of the report.

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

GOVERNMENT PROFILE

DATE OF INCORPORATION: June 16, 1941	
FORM OF GOVERNMENT: Council & Manager	PAVED STREETS: 93.12 miles
GEOGRAPHIC AREA: 7.60 square miles	SIDEWALKS: 63.79 miles
TAXABLE ASSESSED VALUE: $1,636,895,575	WATER & SEWER LINES: 283.69 miles
CITY MILLAGE RATE: 5.3293	STORM DRAIN: 44.14 miles
POPULATION: 20,948 (April 1, 2021 Est)	POLICE STATIONS: 1 FIRE STATIONS: 2
EMPLOYEES: 358 positions, 317.14 FTE's	LIBRARIES: 1 MUSEUMS: 4
SWORN POLICE OFFICERS: 54	18-HOLE GOLF COURSES: 2
FIREFIGHTING PERSONNEL: 44.25	ACRES OF PARKS: 448.54 (includes golf course)

The City of Fort Walton Beach, Florida prides itself on being a small, family-oriented seaside community boasting a downtown area that was home to a significant prehistoric Native American community on the Gulf Coast of Northwest Florida. Situated at the junction of two major highways - US 98 (Miracle Strip Parkway) and SR 85 (Eglin Parkway) - Fort Walton Beach enjoys the benefits of its crossroads location along the coastal portion of the Northwest Florida regional transportation network. The City offers a full-service government providing police and fire protection; cultural and recreational activities including parks, a library, a museum, and two championship golf courses; planning and zoning; public works such as street, sidewalk, right-of-way, and cemetery maintenance; utility services including water, sewer, and stormwater; and garbage and recycling collection to a coastal community of 20,940 full-time residents.

First Schoolhouse

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.

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

The City's premier gathering place along the Santa Rosa Sound has been the Landing Park since its purchase in 1986. The Landing Park is slated for renovations sometime in 2022. Building upon that with the complete reconstruction of Brooks Street, including the Brooks Bridge Park in 2013, the City's downtown waterfront was opened up to an extent never before realized and spurred economic growth downtown. Outside of downtown, the City completed construction of a new recreational complex in 2015 and a new field office complex in 2019, which has added to the attraction of the City.

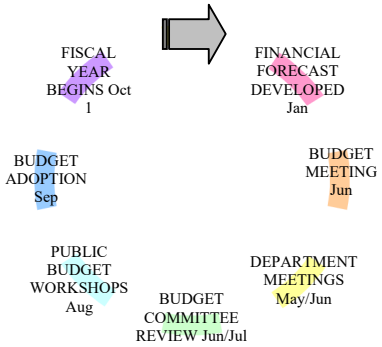
Recreation Complex – opened Summer 2015

Downtown Redevelopment: Brooks Bridge Park

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

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

In March or April, the City Council, acting as the Legislative Body of the City holds at least one (1) Strategic Planning Session. The goals set during this meeting are used by staff to formulate the budget policy items that are presented to City Council in June and then utilized to prepare the Budget. A Budget Policy Meeting is held with City Council in June to determine Council's priorities and position issues specific to development of the operational and capital budgets for the upcoming fiscal year. City Council's decisions provide the framework under which the budget is prepared to meet City Council's programmatic objectives within available fiscal resources projected in the five-year forecasts. The meeting is open to the public and the public is encouraged to attend and participate.



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

The City Charter charges the City Manager with the duty of presenting a balanced budget to City Council. In order to accomplish this goal, a Budget Committee is formed comprised of the City Manager, Finance Director, and Budget & Grants Analyst. The Committee conducts comprehensive meetings with Department Directors to review their budget requests and a collaborative effort is undertaken to achieve City Council and department goals within fiscal constraints. The Budget Committee enlists assistance for areas of specialized interests, such as the Information Technology Manager for computer issues; the Administrative Services Director for employee benefits, personnel and risk management issues; and the Fleet Supervisor for vehicle and equipment replacement schedules. Department goals, objectives, and metrics are also evaluated during budget development to determine the effectiveness of program activities and appropriate funding levels. After the departmental meetings, the Budget Committee finalizes the proposed budget given revenue projections, economic conditions, funding requirements, and City Council program priorities and issues previously identified in the budget process. Once a balanced budget is achieved, it is presented to City Council for consideration. The City Council is required by Florida Statutes and the City Charter to hold public hearings on the proposed budget and adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, department (e.g. financial services), and division (e.g. purchasing). Department Directors may request transfers of appropriations within a department and between divisions to transfer appropriations between line items, not to increase the total budget or to transfer resources between funds. Transfers of appropriations between funds require the approval of the City Council. The budget may be amended at any time by Resolution of City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Community Redevelopment Agency Fund, this comparison is presented on pages 21 & 22 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than those previously mentioned, this comparison is presented in the combining and individual fund statements and schedules, Section D of this report, which starts on page 99.

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 2021-22 budget of $52,861,351 is $3.2M, or 6.63%, more than the adopted FY 2020-21 budget. The increase is primarily due to the inclusion of Capital Improvement Projects in the General Fund, Enterprise Funds (Utilities & Stormwater), and the CRA Fund. The budget is predicated on maintaining the current millage rate of 5.3293 mills; as a result, ad valorem revenues will increase by 5.97% citywide.

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

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

Long-Term Financial Planning

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

- A five-year Capital Improvement Program (CIP) Plan is developed and approved by City Council each year during the annual budget process.
- Five-year replacement plans for capital equipment, including vehicles, equipment, and computer hardware and software, are also developed and approved by management each year during the annual budget process
- Annual Strategic Plan, which focuses on a one to three-year time period.

Relevant Financial Policies

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

Major Initiatives

These financial policies, as well as other indicators, were taken into account when adopting the City's budget for FY 2021-22. The City's budget for FY 2021-22 allocates $27.7 million to the General Fund, $19.8 million to the Enterprise Funds, and $5.3 million to Other Funds.

For the FY 2021-22 budget, the ad valorem rate remained at the current millage rate of 5.3293 mills. The FY 2021-22 budget includes Year 2 of the five-year utility rate study, which was adopted by City Council on August 11, 2020. The utility rate study included recommendations on rate structures for water and wastewater, stormwater and solid waste. Also, in FY 2021-22, the fire services assessment rates were set to generate the same amount of revenues, approximately $1.11 million, as in FY 2020-21; this is Year 2 of the collection method being moved to the annual ad valorem tax bill through the Okaloosa County Tax Collector's Office. No other significant changes to the City's various rates and fees are included in the FY 2021-22 budget.

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Walton Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2020. This was the eighteenth 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 (1) year only. Staff believes the current report continues to meet the Certificate of Achievement Program requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget dated October 1, 2021. This was the twenty-sixth 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. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this report.

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

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

Respectfully submitted,

Michael D. Beedie, P.E., ICMA-CM
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

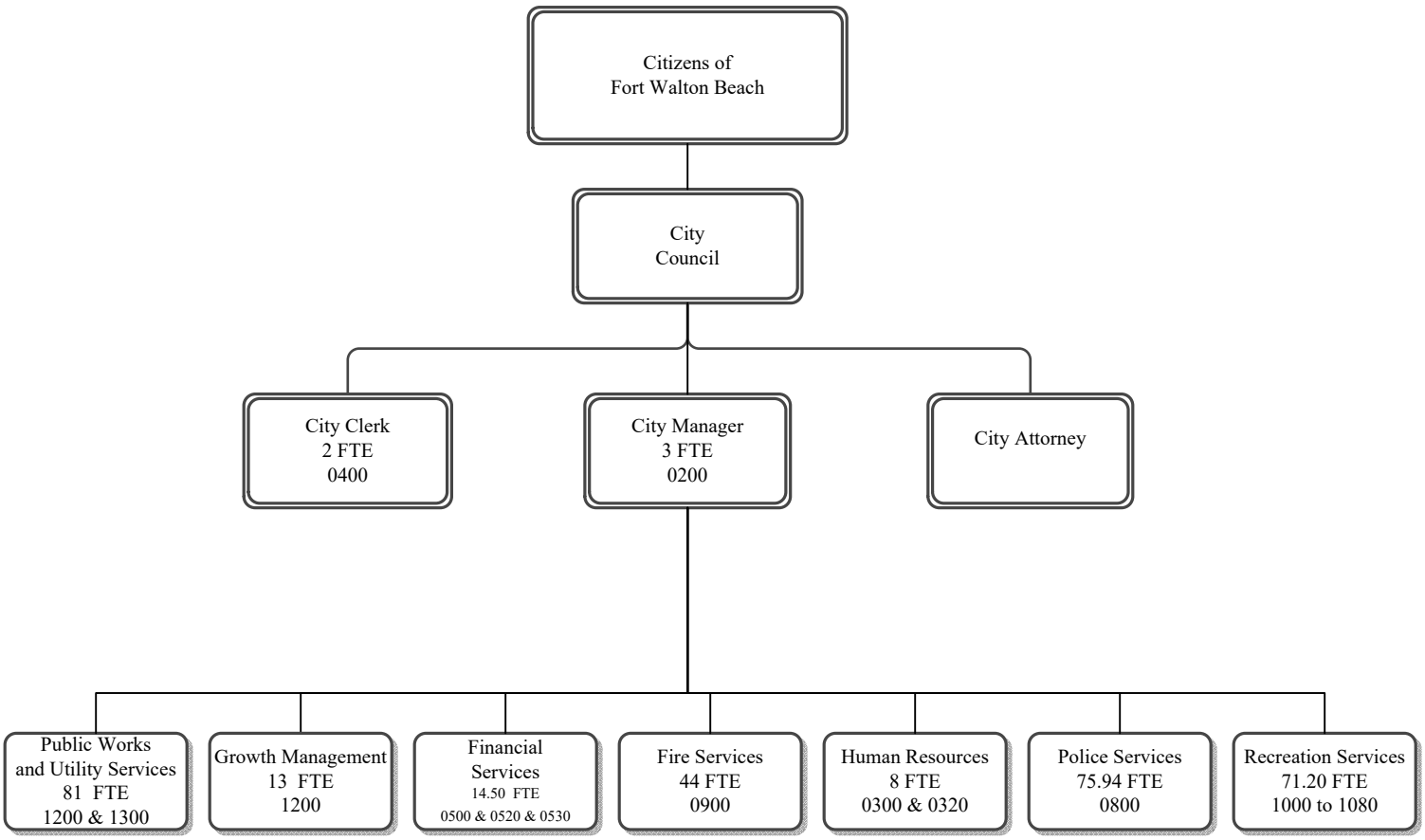
City of Fort Walton Beach
Florida

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO



Utility Administration
Fleet & Facilities
GIS/CAD
Sanitation
Sewer Collections
Stormwater
Streets
Water Distribution
Water Operations

Building Inspections & Permitting
Code Enforcement
CDBG
Planning
CRA

Accounting
Auditing
Budgeting
Purchasing
Debt Service & Management
Treasury
Utility Billing
Contingencies & Transfers

Advanced Life Support
Fire Suppression
Fire Prevention
Fire Inspection
Hazardous Materials Response
Fire Education

Human Resources
Insurance & Risk Management
IT

Uniform Patrol
K-9 Patrol
Criminal Investigations
Community Policing/ CRA
Crime Prevention
Communications
Records
Support Services
School Crossing Guards
Reserve Officers

Athletics – Adult & Youth
Recreation Centers and Programming
Grounds Maintenance: Parks, Right-Of-Way and Cemetery
Library
Museum
Golf Club Operations

Warren Averett
CPAs AND ADVISORS

45 Eglin Parkway, N.E., Suite 301
Fort Walton Beach, FL 32548
850.244.5121
warrenaverett.com

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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Community Redevelopment Agency (Special Revenue Fund) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules related to the pension and OPEB liabilities, contributions, and investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Walton Beach, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv - ix of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows by $75.5 million (total net position). Of this amount, $23.8 million represents unrestricted net position that is available to meet the City's ongoing obligations to citizens and creditors.
- The government's net position increased by $7.1 million during the fiscal year. In the governmental activities, revenues and transfers exceeded expenses by $6.7 million in fiscal year 2021. This was the result of multiple factors including a $1.1 million increase in sales tax revenues; $740,344 gain on sale of assets due to the selling of city owned surplus real estate; and a $111,982 increase in utility service taxes. In the business-type activities revenues exceeded expenses and transfers out by $389,881 in fiscal year 2021. Charges for services in the business-type activities and related expenses were relatively consistent between the current and prior fiscal year.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $36.7 million, an increase of $8.3 million from the prior year. This increase is primarily attributable to the sale of surplus City real estate and increases in proceeds from issuance of long-term debt and sales-based tax revenues.
- As of September 30, 2021, committed, assigned, and unassigned fund balance of the General Fund totaled $21.4 million, or 87.7% of the total General Fund expenditures.
- The City's total debt increased by $119,165 or 0.3%, during the fiscal year. This increase is proportional to scheduled principal payments and issuance of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The focus of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34 is on both the City as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Government-Wide Financial Statements

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

Government-Wide Financial Statements – Continued

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

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

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

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

Fund Financial Statements

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

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting, the focus of which is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are on pages 17-20 of this report.

Governmental Funds – Continued

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

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

The City of Fort Walton Beach adopts an annual appropriated budget for its General Fund, as well as each of the other governmental funds. A budgetary comparison statement is provided for the General Fund and the CRA Fund on pages 21-22 of this report.

Proprietary Funds

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

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

Fiduciary Funds

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. The required supplementary information is found on pages 87-98 of this report.

The combining statements referred to earlier in connection with non-major governmental immediately follow the required supplementary information on pension and OPEB plans and can be found beginning on page 99 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $75.5 million, as reported in Table 1. The City's net position increased by $7.1 million for the fiscal year ended September 30, 2021. Both governmental and business-type activities experienced increases.

By far, the largest portion of the City's net position, $42.1 million or 55.7%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports the investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position of $9.6 million, or 12.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $23.8 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current & Other	$40,983	$30,535	$19,186	$18,350	$60,169	$48,885
Capital Assets	48,644	48,994	31,781	33,496	80,425	82,490
Total Assets	89,627	79,529	50,967	51,846	140,594	131,375
Deferred Outflow of Resources	7,306	7,203	1,030	726	8,336	7,929
Liabilities						
Long-Term Liabilities	43,628	43,506	18,341	19,885	61,969	63,391
Other Liabilities	5,503	2,747	2,838	2,446	8,341	5,193
Total Liabilities	49,131	46,253	21,179	22,331	70,310	68,584
Deferred Inflow of Resources	2,489	1,832	599	412	3,088	2,244
Net Position						
Net Investment in Capital Assets	28,034	28,266	14,024	14,567	42,058	42,833
Restricted	8,999	6,209	633	622	9,632	6,831
Unrestricted	8,280	4,172	15,562	14,640	23,842	18,812
Total Net Position	$45,313	$38,647	$30,219	$29,829	$75,532	$68,476

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

Table 2

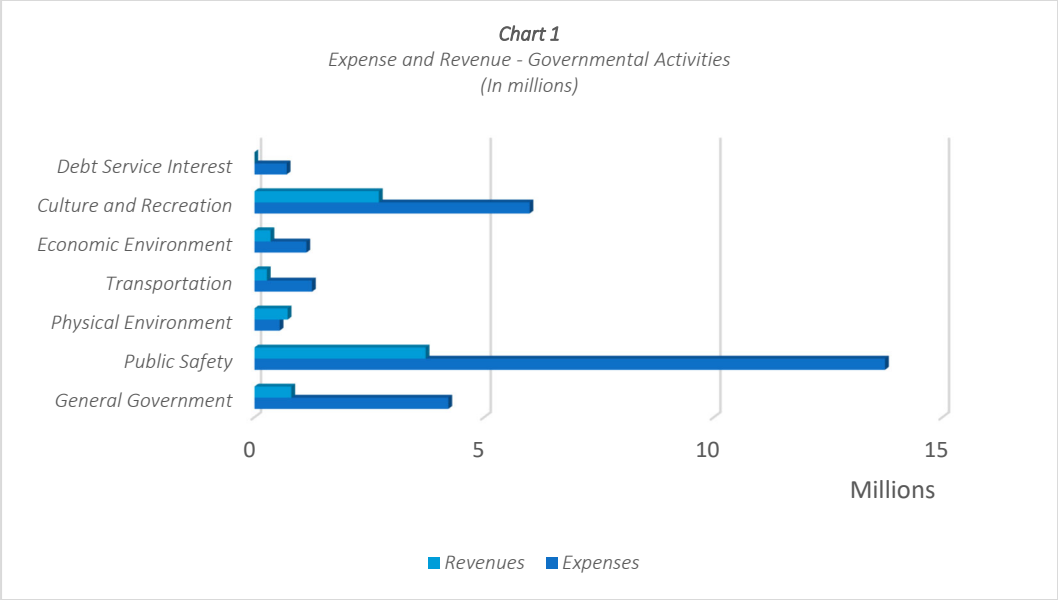
Statement of Activities

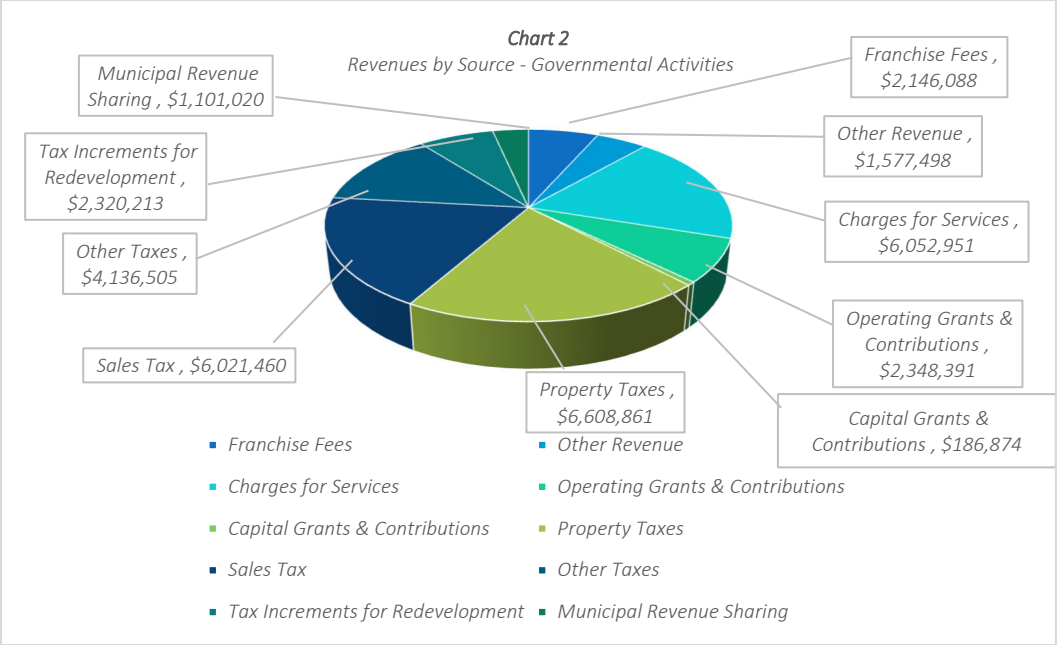
	Governmental Activities		Business-Type Activities		Total Activities	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenue:						
Charges for Services	$6,052,951	$4,779,588	$17,273,977	$16,325,285	$23,326,928	$21,104,873
Operating Grants & Contributions	2,348,391	4,049,001	-	-	2,348,391	4,049,001
Capital Grants & Contributions	186,874	232,491	89,963	211,962	276,837	444,453
General Revenue:						
Property Taxes	6,608,861	6,573,751	-	-	6,608,861	6,573,751
Other Taxes	10,157,965	8,964,802	-	-	10,157,965	8,964,802
Tax Increments for Redevelopment	2,320,213	2,369,529	-	-	2,320,213	2,369,529
Other Revenue	4,824,606	4,323,884	398,083	643,351	5,222,689	4,967,235
Total Revenues	32,499,861	31,293,046	17,762,023	17,180,598	50,261,884	48,473,664
Expenses						
Primary Government						
General Government	4,222,810	4,182,204	-	-	4,222,810	4,182,204
Public Safety	13,746,451	12,040,368	-	-	13,746,451	12,040,368
Physical Environment	547,701	497,072	-	-	547,701	497,072
Transportation	1,253,402	1,268,589	-	-	1,253,402	1,268,589
Economic Environment	1,131,722	1,317,571	-	-	1,131,722	1,317,571
Culture & Recreation	5,990,714	5,999,273	-	-	5,990,714	5,999,273
Debt Service Interest	700,924	727,034	-	-	700,924	727,034
Business-Type Expenses						
Utilities	-	-	10,574,909	9,315,619	10,574,909	9,315,619
Sanitation	-	-	3,996,753	3,824,136	3,996,753	3,824,136
Other	-	-	1,040,698	764,925	1,040,698	764,925
Total Expenses	27,593,724	26,032,111	15,612,360	13,904,680	43,206,084	39,936,791
Increase/(Decrease) in Net Position before Transfers	4,906,137	5,260,935	2,149,663	3,275,918	7,055,800	8,536,853
Transfers	1,759,782	1,747,686	(1,759,782)	(1,747,686)	-	-
Increase/(Decrease) in Net Position	6,665,919	7,008,621	389,881	1,528,232	7,055,800	8,536,853
Net Position – Beginning	38,646,964	31,638,343	29,828,791	28,300,559	68,475,755	59,938,902
Net Position – Ending	$45,312,883	$38,646,964	$30,218,672	29,828,791	$75,531,555	$68,475,755

Current Year Impacts – Governmental Activities

Governmental activities increased the City's net position by $6.7 million for the fiscal year ended September 30, 2021. Key elements of this change are as follows:

- Total revenues increased by $1.2 million, which is primarily attributable to increases in sales tax revenue and property taxes; all driven by healthy consumption of goods and services, and an increase of 5.9%, or $92.0 million, increase in taxable assessed property values for the City.
- Public safety expenses increased by $1.7 million, which is primarily attributable to increases in payroll and retirement benefits expenses as well as the City's portion of personnel costs not covered by the Staffing for Adequate Fire and Emergency Response (SAFER) grant.
- Total expenses for governmental activities increased by $1.6 million, or 6.0%, primarily due to an overall increase of 10.5% for insurance premium costs.





Current Year Impacts – Business-Type Activities

Business-type activities increased the City's net position by $389,881 for the fiscal year ended September 30, 2021. Key elements of this change are as follows:

- Charges for services resulted in additional revenues of $948,692, or a 5.8% increase from the prior year, due an increase in demand for utility services and an increase in rates for sanitation services.
- Interest and investment earnings decreased by $593,015, or 94.9%, as the result of a decline in market interest rates that significantly impacted returns on fixed-income securities.

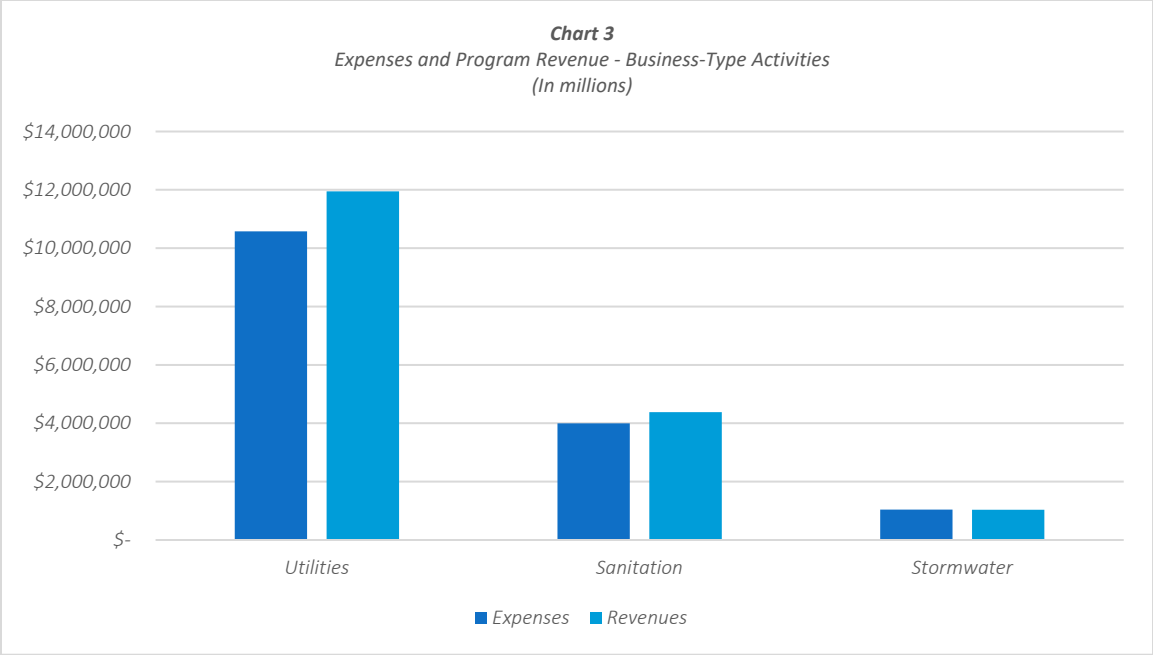


Chart 3
Expenses and Program Revenue - Business-Type Activities
(In millions)
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
Utilities
Sanitation
Stormwater
Expenses
Revenues

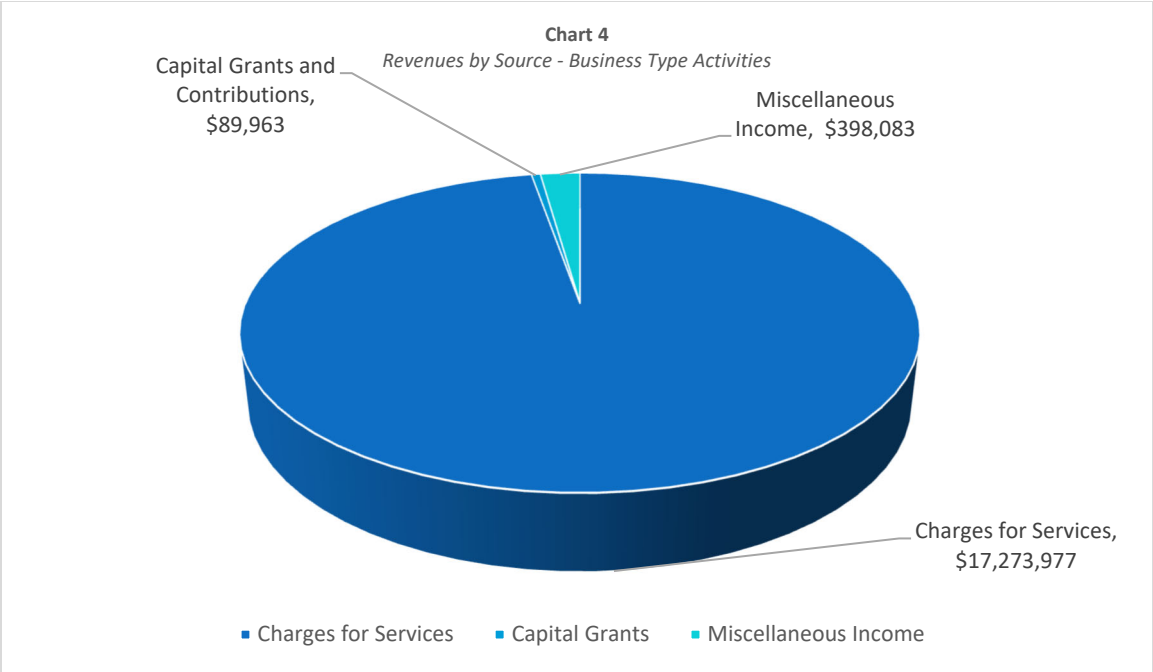


Chart 4
Revenues by Source - Business Type Activities
Capital Grants and Contributions, $89,963
Miscellaneous Income, $398,083
Charges for Services, $17,273,977
Charges for Services
Capital Grants
Miscellaneous Income

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of September 30, 2021, the City's governmental funds have combined ending fund balances of $36.7 million, an increase of $8.3 million from the prior year. Approximately 69.5% of this amount, or $25.5 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 20.

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 $21.4 million, while total fund balance reached $27.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed, assigned, and unassigned fund balance and total fund balance to total expenditures. This amount represents 87.7% of the total General Fund expenditures, while total fund balance represents 112.1% of that same amount.

During the 2021 fiscal year, the fund balance of the City's General Fund increased by $6.4 million. This increase is primarily attributable to the sale of surplus real estate and proceeds from the issuance of long-term debt for which the related expenditures were not incurred until the subsequent fiscal year. In addition, there were also delays in planned expenditures for various projects.

The CRA's fund balance increased by $1.1 million. This is mainly attributed to delays in planned expenditures due to permitting issues for The Landing Project.

Proprietary Funds

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

Unrestricted net position of the proprietary funds totaled $15.6 million at September 30, 2021, of which the Utilities Fund reported $12.4 million, the Sanitation Fund totaled $2.1 million, and the Stormwater Fund reported $1.0 million. The factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Fiduciary Funds

The General Employees' Retirement Fund's net position as a percentage of the total pension liability, an indicator of the sustainability of the Plan, was 99.5%, an increase of 3.2% over the prior year. Employees contribute 5% of pay to the Plan and the City contributed $1.4 million, which was a decrease of $332,315 when compared to the previous fiscal year.

Fiduciary Funds – Continued

The Police Officers' Retirement Fund's net position as a percentage of the total pension liability was 78.4%, a decrease of 0.4% from the previous fiscal year. Employees contribute 5% of pay to the Plan and the City and State contributed $1.0 million, an increase of $70,591 when compared to the previous fiscal year.

The Firefighters' Retirement Fund's net position as a percentage of the total pension liability was 66.5%, an increase of 3.9% over the previous fiscal year. Employees contribute 8.0% of pay to the Plan and the City and State contributed $1.4 million, an increase of $204,728 when compared to the previous fiscal year.

Additional information on the pension plans can be found on pages 52-68 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 (ICMA) Retirement Corporation. Additional information on the defined contribution plan can be found on page 69 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

A statement showing the original budget, the final budget, the actual results and the variance from the final budget to the actual results is included for the General Fund on page 21 of this report. The difference between the original and final budgeted appropriations was an increase of $3.7 million. Significant information related to this difference is summarized as follows:

- Increase for golf course irrigation loan of $1.5 million.
- Ladder fire truck financed purchase for an increase of $999,320.
- Cares Act grant for an increase of $550,000.
- Hurricane Sally damage grant for an increase of $363,340.
- Various donations and fees for an increase of $54,598.

Actual results, when compared to the final budget, show a variance of $8.5 million for expenditures. This variance is primarily due to amending the budget for expenditures planned, but not yet completed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of September 30, 2021, was $80.4 million (net of accumulated depreciation and related debt). This represents a net decrease of $2.1 million, or 2.5%. Highlights are summarized as follows:

- Capital assets outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.
- The City purchased a fire ladder truck for $999,320 in FY21 but it will not be completed and placed in service until the subsequent fiscal year.
- The City purchased a new sound system for the Council Chambers for $106,726.

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	
	2021	2020	2021	2020	2021	2020
Land	$10,935,286	$10,915,210	$709,678	$709,678	$11,644,964	$11,624,888
Buildings	22,459,386	23,700,410	77,608	83,760	22,536,994	23,784,170
Improvements other than Buildings	9,402,876	9,773,457	27,614,642	29,117,586	37,017,518	38,891,043
Machinery & Equipment	4,653,494	4,465,950	3,228,810	3,433,863	7,882,304	7,899,813
Equipment under Capital Lease	108,673	108,673	-	-	108,673	108,673
Easements	-	-	39,742	39,742	39,742	39,742
Construction in Progress	1,084,543	30,110	111,042	111,042	1,195,585	141,152
	$48,644,258	$48,993,810	$31,781,522	$33,495,671	$80,425,780	$82,489,481

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

Long-Term Debt

As shown in the following table, as of September 30, 2021, the City had total outstanding long-term debt of $40.4 million. All of the City's debt represents notes and bonds secured solely by specified revenue sources (i.e., revenue notes) and capital leases. The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum.

Table 4
Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Notes & Bonds	$21,593,776	$21,175,487	$6,637,000	$7,093,000	$28,230,776	$28,268,487
State Revolving Fund	-	-	11,186,723	11,907,259	11,186,723	11,907,259
Capital Leases	944,447	67,035	-	-	944,447	67,035
	$22,538,223	$21,242,522	$17,823,723	$19,000,259	$40,361,946	$40,242,781

Additional information on the City of Fort Walton Beach's long-term debt can be found in Notes 14-16 of this report on pages 75-81.

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 5.8% higher than a year ago for the Southern Region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.

- The local unemployment rate was 3.7%, which represents an approximate 0.1% decrease from September 2020. The State of Florida's unemployment rate was 5.0%, which represents an approximate 2.2% decrease from September 2020. The unemployment rate will impact the City's fee and usage-based revenues and shared portions of the State of Florida's usage-based taxes.
- The published state revenue sharing distribution estimate is up by 2.0% over the prior year, the half-cent sales tax distribution estimate is up by 11.1% over the prior year, and the communication services tax distribution estimate is down by 4.0% compared to the prior year.
- The military has a significant presence in our community with Eglin Air Force Base, Hurlburt Field, and Duke Field. Combined, these three installations employ over 72,000 military and civilian personnel. The military and defense-related industries have a $22 billion annual impact on Northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

These financial policies, as well as other indicators, were considered when adopting the City's budget for fiscal year 2022. The City's budget for fiscal year 2022 totals $52.9 million, which is $3.2 million higher than the fiscal year 2021 approved budget. The 2022 budget allocates $27.7 million, a 3.4% increase as compared to the fiscal year 2021 budget, to the General Fund, $19.9 million to the enterprise funds, and $5.3 million to other funds.

For the fiscal year 2022 budget, the City Council adopted a millage rate of 5.3293 mills, which is the same rate adopted for FY21.

Personnel expenses account for approximately 46.7% of the City's budget. The City's fiscal year 2022 budget remains relatively stable in this category, at 317.1 full-time equivalent (FTE's) positions, an increase of only 4.5 FTE's over the prior year.

REQUESTS FOR INFORMATION

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

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 11,984,790	$ 980,202	$ 12,964,992
Investments	24,978,956	16,256,927	41,235,883
Receivables, net	537,976	1,052,979	1,590,955
Internal balances	82,622	(82,622)	-
Due from other governments	715,943	-	715,943
Inventory, at cost	259,960	25,692	285,652
Prepaid assets	-	4,534	4,534
Restricted assets			
Cash and cash equivalents	1,928,308	943,871	2,872,179
Other assets			
Other receivables, net	494,636	4,065	498,701
Capital assets			
Non-depreciable/amortizable	12,019,829	860,462	12,880,291
Depreciable/amortizable, net	36,624,429	30,921,060	67,545,489
TOTAL ASSETS	89,627,449	50,967,170	140,594,619
DEFERRED OUTFLOWS OF RESOURCES	7,306,099	1,029,402	8,335,501
LIABILITIES			
Accounts payable	767,136	999,832	1,766,968
Accrued liabilities	707,458	201,965	909,423
Due to other governments	3,258	9,443	12,701
Unearned revenues	1,966,124	62,222	2,028,346
Payable from restricted assets			
Accrued interest	166,446	-	166,446
Customer deposits	-	310,489	310,489
Non-current liabilities			
Due within one year			
Compensated absences	233,322	50,194	283,516
Leases payable	343,701	-	343,701
Revenue bonds and notes payable	1,315,562	470,000	1,785,562
State revolving loans payable	-	734,290	734,290
Due in more than one year			
Compensated absences	699,965	150,581	850,546
Leases payable	600,746	-	600,746
Revenue bonds and notes payable	20,278,214	6,167,000	26,445,214
State revolving loans payable	-	10,452,433	10,452,433
Other post-employment benefits	5,509,850	1,477,103	6,986,953
Net pension liability	16,539,184	93,631	16,632,815
TOTAL LIABILITIES	49,130,966	21,179,183	70,310,149
DEFERRED INFLOWS OF RESOURCES	2,489,699	598,717	3,088,416
NET POSITION			
Net investment in capital assets	28,034,343	14,023,752	42,058,095
Restricted			
Debt service	21,156	157,228	178,384
System improvements	-	476,154	476,154
Improvement districts	4,133,412	-	4,133,412
Public safety	1,060,646	-	1,060,646
Other purposes	3,784,023	-	3,784,023
Unrestricted	8,279,303	15,561,538	23,840,841
TOTAL NET POSITION	$ 45,312,883	$ 30,218,672	$ 75,531,555

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
Function/program activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities							
General government	$ 4,222,810	$ 550,688	$ 252,317	$ -	$ (3,419,805)	$ -	$ (3,419,805)
Public safety	13,746,451	1,883,415	1,663,192	181,115	(10,018,729)	-	(10,018,729)
Physical environment	547,701	724,582	-	-	176,881	-	176,881
Transportation	1,253,402	270,779	-	-	(982,623)	-	(982,623)
Economic environment	1,131,722	51,039	294,572	5,759	(780,352)	-	(780,352)
Culture and recreation	5,990,714	2,572,448	138,310	-	(3,279,956)	-	(3,279,956)
Debt service interest	700,924	-	-	-	(700,924)	-	(700,924)
Total governmental activities	27,593,724	6,052,951	2,348,391	186,874	(19,005,508)	-	(19,005,508)
Business-type activities							
Utilities	10,574,909	11,856,685	-	89,963	-	1,371,739	1,371,739
Sanitation	3,996,753	4,381,765	-	-	-	385,012	385,012
Stormwater	1,040,698	1,035,527	-	-	-	(5,171)	(5,171)
Total business-type activities	15,612,360	17,273,977	-	89,963	-	1,751,580	1,751,580
Total primary government	$ 43,206,084	$ 23,326,928	$ 2,348,391	$ 276,837	(19,005,508)	1,751,580	(17,253,928)
General revenues							
Taxes							
Property taxes					6,608,861	-	6,608,861
Sales taxes					6,021,460	-	6,021,460
Utility service taxes					4,136,505	-	4,136,505
Tax increments for redevelopment districts					2,320,213	-	2,320,213
Franchise fees					2,146,088	-	2,146,088
Intergovernmental, unrestricted					1,101,020	-	1,101,020
Gain on sale of assets					740,344	260,579	1,000,923
Miscellaneous					93,227	105,520	198,747
Investment earnings					743,927	31,984	775,911
Transfers					1,759,782	(1,759,782)	-
Total general revenues and transfers					25,671,427	(1,361,699)	24,309,728
CHANGE IN NET POSITION					6,665,919	389,881	7,055,800
NET POSITION AT BEGINNING OF YEAR					38,646,964	29,828,791	68,475,755
NET POSITION AT END OF YEAR					$ 45,312,883	$ 30,218,672	$ 75,531,555

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 9,385,099	$ 1,307,091	$ 1,292,600	$ 11,984,790
Investments	18,208,593	2,723,755	4,046,608	24,978,956
Receivables	789,990	242,622	-	1,032,612
Due from other funds	304,936	-	-	304,936
Due from other governments	535,641	133,387	46,915	715,943
Inventory, at cost	259,960	-	-	259,960
Restricted assets				
Cash and cash equivalents	1,928,308	-	-	1,928,308
TOTAL ASSETS	$ 31,412,527	$ 4,406,855	$ 5,386,123	$ 41,205,505
LIABILITIES				
Accounts payable	$ 738,259	$ 19,420	$ 9,457	$ 767,136
Accrued liabilities	590,433	18,397	98,628	707,458
Due to other funds	-	-	61,786	61,786
Due to other governments	3,258	-	-	3,258
Advance from other funds	160,528	-	-	160,528
Unearned revenues	1,966,124	-	-	1,966,124
Total liabilities	3,458,602	37,817	169,871	3,666,290
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	578,316	235,626	-	813,942
FUND BALANCE				
Nonspendable	259,960	-	-	259,960
Restricted	5,712,331	4,133,412	1,081,802	10,927,545
Committed	8,649,189	-	4,154,232	12,803,421
Assigned	3,908,571	-	-	3,908,571
Unassigned	8,845,558	-	(19,782)	8,825,776
Total fund balance	27,375,609	4,133,412	5,216,252	36,725,273
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 31,412,527	$ 4,406,855	$ 5,386,123	$ 41,205,505

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, 2021

Fund balance, total governmental funds (page 17)		$ 36,725,273
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	12,019,829	
Governmental depreciable/amortizable assets	86,179,201	
Less accumulated depreciation/amortization	(49,554,772)	
		48,644,258
Unavailable revenues in governmental funds is susceptible to full accrual on the entity-wide statements.		
Special assessments	265,325	
Receivable related to sale of capital asset	548,617	
		813,942
Deferred inflows of resources and deferred outflows of resources are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.		
Deferred outflows of resources related to pension plans	5,586,000	
Deferred outflows of resources related to OPEB plan	1,720,099	
Deferred inflows of resources related to pension plans	(1,380,241)	
Deferred inflows of resources related to OPEB plan	(1,109,458)	
		4,816,400
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Notes payable	(21,593,776)	
Accrued interest	(166,446)	
Capital leases	(944,447)	
Compensated absences	(933,287)	
Other post-employment benefits	(5,509,850)	
Net pension liability	(16,539,184)	
		(45,686,990)
Net position of governmental activities (page 15)		$ 45,312,883

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, 2021

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 12,354,453	$ 1,350,992	$ -	$ 13,705,445
Permits and fees	3,442,354	24,584	635,702	4,102,640
Intergovernmental	7,815,811	974,980	303,697	9,094,488
Charges for services	3,461,193	-	-	3,461,193
Fines	64,130	-	13,346	77,476
Miscellaneous	621,199	68,615	668,515	1,358,329
Total revenues	27,759,140	2,419,171	1,621,260	31,799,571
EXPENDITURES				
Current				
General governmental services	3,632,924	-	-	3,632,924
Public safety	11,980,036	534,993	473,245	12,988,274
Physical environment	476,113	-	15,413	491,526
Transportation	741,097	-	-	741,097
Economic environment	-	648,786	296,871	945,657
Culture and recreation	4,924,696	-	-	4,924,696
Capital outlay	2,651,824	161,994	9,584	2,823,402
Debt service				
Principal	-	-	1,203,619	1,203,619
Interest	4,239	-	704,720	708,959
Total expenditures	24,410,929	1,345,773	2,703,452	28,460,154
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,348,211	1,073,398	(1,082,192)	3,339,417
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	748,986	-	-	748,986
Issuance of long-term debt	2,499,320	-	-	2,499,320
Transfers in	1,759,782	-	1,963,506	3,723,288
Transfers out	(1,963,506)	-	-	(1,963,506)
Total other financing sources (uses)	3,044,582	-	1,963,506	5,008,088
NET CHANGE IN FUND BALANCE	6,392,793	1,073,398	881,314	8,347,505
FUND BALANCE AT BEGINNING OF YEAR	20,982,816	3,060,014	4,334,938	28,377,768
FUND BALANCE AT END OF YEAR	$ 27,375,609	$ 4,133,412	$ 5,216,252	$ 36,725,273

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, 2021

Net change in fund balance – governmental funds (page 19)		$	8,347,505
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	2,823,402		
Less current year depreciation/amortization	(3,196,730)		
			(373,328)
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	(674,352)		
Accumulated depreciation/amortization – disposals	663,586		
Acquisition value of donated capital assets	34,500		
Accumulated depreciation/amortization – transfers and adjustments	42		
			23,776
Special assessment revenue in the governmental funds is recognized when due; however, the revenue was recognized in the statement of activities when it was earned (when levied).			
Payments received from special assessments	(25,052)		
Special assessment for interest and penalties	1,490		
Payments received on receivable related to the sale of capital assets	(48,910)		
			(72,472)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, long-term debt reassignments are reported as transfers on the statement of activities.			
Proceeds from issuance of long-term debt	(2,499,320)		
Debt principal and capital lease payments	1,203,619		
Change in accrued interest on long-term debt	8,035		
			(1,287,666)
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	410,081		
Change in other post-employment benefits liability and related deferred inflows and deferred outflows of resources	(296,029)		
Change in long-term compensated absences	(85,948)		
			28,104
Change in net position of governmental activities (page 16)		$	6,665,919

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 11,788,623	$ 11,788,623	$ 12,354,453	$ 565,830
Permits and fees	3,202,781	3,202,781	3,442,354	239,573
Intergovernmental	4,852,257	5,828,716	7,815,811	1,987,095
Charges for services	2,943,812	2,946,955	3,461,193	514,238
Fines	81,148	81,148	64,130	(17,018)
Miscellaneous	938,279	984,752	621,199	(363,553)
Total revenues	23,806,900	24,832,975	27,759,140	2,926,165
EXPENDITURES				
Current				
General governmental services	4,150,883	5,106,796	3,632,924	1,473,872
Public safety	12,552,155	12,559,754	11,980,036	579,718
Physical environment	414,776	414,776	476,113	(61,337)
Transportation	839,551	896,256	741,097	155,159
Culture and recreation	5,368,397	5,471,295	4,924,696	546,599
Capital outlay	5,862,576	8,473,994	2,651,824	5,822,170
Debt service	-	-	4,239	(4,239)
Total expenditures	29,188,338	32,922,871	24,410,929	8,511,942
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,381,438)	(8,089,896)	3,348,211	11,438,107
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	926,100	926,100	748,986	(177,114)
Issuance of long-term debt	-	2,499,320	2,499,320	-
Transfers in	1,063,282	1,063,282	1,759,782	696,500
Transfers out	(1,111,395)	(1,111,395)	(1,963,506)	(852,111)
Total other financing sources (uses)	877,987	3,377,307	3,044,582	(332,725)
NET CHANGE IN FUND BALANCE	(4,503,451)	(4,712,589)	6,392,793	11,105,382
FUND BALANCE AT BEGINNING OF YEAR	4,503,451	4,712,589	20,982,816	16,270,227
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 27,375,609	$ 27,375,609

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 1,350,992	$ 1,350,992	$ 1,350,992	$ -
Permits and fees	-	-	24,584	24,584
Intergovernmental	971,117	971,117	974,980	3,863
Miscellaneous	-	-	68,615	68,615
Total revenues	2,322,109	2,322,109	2,419,171	97,062
EXPENDITURES				
Current				
Public safety	538,234	538,234	534,993	3,241
Economic environment	661,804	662,685	648,786	13,899
Capital outlay	1,804,418	1,803,537	161,994	1,641,543
Total expenditures	3,004,456	3,004,456	1,345,773	1,658,683
NET CHANGE IN FUND BALANCE	(682,347)	(682,347)	1,073,398	1,755,745
FUND BALANCE AT BEGINNING OF YEAR	682,347	682,347	3,060,014	2,377,667
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 4,133,412	$ 4,133,412

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 637,556	$ -	$ 342,646	$ 980,202
Restricted assets – cash and cash equivalents	942,991	880	-	943,871
Investments	12,812,371	2,615,825	828,731	16,256,927
Receivables, net	759,800	235,457	57,722	1,052,979
Advance to other funds	-	52,452	-	52,452
Inventory – at cost	25,692	-	-	25,692
Prepaid assets	-	-	4,534	4,534
Total current assets	15,178,410	2,904,614	1,233,633	19,316,657
Other assets				
Advance to other funds	-	108,076	-	108,076
Other receivables, net	4,065	-	-	4,065
Total other assets	4,065	108,076	-	112,141
Capital assets, net				
Non-depreciable/amortizable	801,242	-	59,220	860,462
Depreciable/amortizable, net	25,958,977	1,450,762	3,511,321	30,921,060
Total capital assets	26,760,219	1,450,762	3,570,541	31,781,522
Total non-current assets	26,764,284	1,558,838	3,570,541	31,893,663
TOTAL ASSETS	41,942,694	4,463,452	4,804,174	51,210,320
DEFERRED OUTFLOWS OF RESOURCES	598,822	317,453	113,127	1,029,402

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2021

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
LIABILITIES				
Current liabilities				
Accounts payable	$ 858,572	$ 136,994	$ 4,266	$ 999,832
Accrued liabilities				
Compensated absences	29,803	15,851	4,540	50,194
Wages	78,409	36,262	12,102	126,773
Interest	75,018	-	-	75,018
Other	148	-	26	174
Due to other funds	-	243,150	-	243,150
Due to other governments	-	9,443	-	9,443
Revenue note payable	470,000	-	-	470,000
State revolving loan payable	734,290	-	-	734,290
Payable from restricted assets				
Customer deposits	309,609	880	-	310,489
Unearned revenues	62,222	-	-	62,222
Total current liabilities	2,618,071	442,580	20,934	3,081,585
Non-current liabilities				
Accrued liabilities				
Compensated absences	89,407	47,555	13,619	150,581
Revenue note payable	6,167,000	-	-	6,167,000
State revolving loan payable	10,452,433	-	-	10,452,433
Other post-employment benefits	765,959	510,145	200,999	1,477,103
Net pension liability	54,760	29,490	9,381	93,631
Total non-current liabilities	17,529,559	587,190	223,999	18,340,748
TOTAL LIABILITIES	20,147,630	1,029,770	244,933	21,422,333
DEFERRED INFLOWS OF RESOURCES	330,411	197,601	70,705	598,717
NET POSITION				
Net investment in capital assets	9,002,449	1,450,762	3,570,541	14,023,752
Restricted				
Debt service	157,228	-	-	157,228
System improvements	476,154	-	-	476,154
Unrestricted	12,427,644	2,102,772	1,031,122	15,561,538
TOTAL NET POSITION	$ 22,063,475	$ 3,553,534	$ 4,601,663	$ 30,218,672

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, 2021

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
OPERATING REVENUES				
Charges for services	$ 11,835,336	$ 4,381,765	$ 1,035,527	$ 17,252,628
OPERATING EXPENSES				
Personal services	1,954,536	1,146,286	303,795	3,404,617
Operating	6,422,767	2,578,662	326,811	9,328,240
Depreciation/amortization expense	1,768,020	271,805	410,092	2,449,917
Total operating expenses	10,145,323	3,996,753	1,040,698	15,182,774
OPERATING INCOME	1,690,013	385,012	(5,171)	2,069,854
NON-OPERATING REVENUES (EXPENSES)				
Rental income	21,349	-	-	21,349
Interest expense	(423,575)	-	-	(423,575)
Amortization	(5,613)	-	-	(5,613)
Gain on sale of capital assets	32,581	222,728	5,270	260,579
Gain (loss) on investments	(132,879)	(34,169)	(7,593)	(174,641)
Interest	153,990	43,340	9,295	206,625
Grants in aid	(398)	-	-	(398)
Miscellaneous	59	105,461	-	105,520
Total non-operating revenues (expenses)	(354,486)	337,360	6,972	(10,154)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,335,527	722,372	1,801	2,059,700
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Impact fees	89,963	-	-	89,963
Transfers out	(1,238,095)	(325,459)	(196,228)	(1,759,782)
Total capital contributions and transfers	(1,148,132)	(325,459)	(196,228)	(1,669,819)
CHANGE IN NET POSITION	187,395	396,913	(194,427)	389,881
NET POSITION AT BEGINNING OF YEAR	21,876,080	3,156,621	4,796,090	29,828,791
NET POSITION AT END OF YEAR	$ 22,063,475	$ 3,553,534	$ 4,601,663	$ 30,218,672

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 12,017,781	$ 4,366,326	$ 1,046,599	$ 17,430,706
Payments to suppliers	(6,065,353)	(2,607,501)	(335,667)	(9,008,521)
Payments to employees	(2,270,988)	(1,276,335)	(331,824)	(3,879,147)
Miscellaneous income	21,408	105,461	-	126,869
Net cash provided by operating activities	3,702,848	587,951	379,108	4,669,907
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Repayments on interfund loan	-	51,424	-	51,424
Advanced from other funds	-	219,711	-	219,711
Grants in aid	(398)	-	-	(398)
Transfers out	(1,238,095)	(325,459)	(196,228)	(1,759,782)
Net cash used in non-capital financing activities	(1,238,493)	(54,324)	(196,228)	(1,489,045)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Impact fees and capital received	89,963	-	-	89,963
Acquisitions of capital assets	(248,486)	(417,911)	(87,157)	(753,554)
Proceeds from sale of capital assets	32,581	239,875	5,909	278,365
Proceeds from capital grants and contributions	-	-	194,549	194,549
Principal paid on revenue note	(456,000)	-	-	(456,000)
Principal paid on state revolving loan	(720,536)	-	-	(720,536)
Interest paid on loans and notes payable	(428,616)	-	-	(428,616)
Net cash provided by (used in) capital and related financing activities	(1,731,094)	(178,036)	113,301	(1,795,829)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(4,952,694)	(1,273,463)	(283,203)	(6,509,360)
Proceeds from sales and maturities of investments	4,833,468	908,701	323,751	6,065,920
Investment income, net	21,111	9,171	1,702	31,984
Net cash provided by (used in) investing activities	(98,115)	(355,591)	42,250	(411,456)
NET CHANGE IN CASH AND CASH EQUIVALENTS	635,146	-	338,431	973,577
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	945,401	880	4,215	950,496
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,580,547	$ 880	$ 342,646	$ 1,924,073

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, 2021

	Utilities Fund	Sanitation Fund	Stormwater Fund	Total
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	$ 637,556	$ -	$ 342,646	$ 980,202
Restricted assets	942,991	880	-	943,871
Total cash and cash equivalents	$ 1,580,547	$ 880	$ 342,646	$ 1,924,073
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,690,013	$ 385,012	$ (5,171)	$ 2,069,854
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,768,020	271,805	410,092	2,449,917
Miscellaneous revenue	21,408	105,461	-	126,869
Decrease (increase) in assets:				
Accounts receivable	126,611	(15,439)	5,621	116,793
Due from other governments	-	-	5,451	5,451
Inventory	(6,671)	-	-	(6,671)
Increase in deferred outflows of resources	(128,772)	(124,394)	(55,479)	(308,645)
Increase (decrease) in liabilities:				
Accounts payable	366,973	(26,547)	(8,408)	332,018
Compensated absences payable	(12,682)	(2,170)	(2,439)	(17,291)
Wages	(936)	(8,107)	1,111	(7,932)
Other liabilities	(2,888)	(2,292)	(448)	(5,628)
Customer deposits	22,289	-	-	22,289
Other post-employment benefits	78,094	52,015	20,521	150,630
Unearned revenue	33,545	-	-	33,545
Net pension liability	(326,736)	(124,305)	(26,917)	(477,958)
Increase in deferred inflows of resources	74,580	76,912	35,174	186,666
Net cash provided by operating activities	$ 3,702,848	$ 587,951	$ 379,108	$ 4,669,907
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Amortization of deferred loss on refunding	$ 5,613	$ -	$ -	$ 5,613

See notes to the financial statements.

CITY OF FORT WALTON BEACH, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021

	Employee Retirement Funds
ASSETS	
Cash and cash equivalents	$ 5,501,372
Investments, at fair value	
U.S. Government and Agency obligations	13,742,064
Corporate obligations	5,065,510
Corporate equity	16,215,155
Mutual funds and exchange-traded funds	60,523,993
Commingled real estate investment funds	10,413,821
Total investments	105,960,543
TOTAL ASSETS	111,461,915
LIABILITIES	
Accounts payable	205,239
NET POSITION RESTRICTED FOR PENSIONS	$ 111,256,676

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, 2021

	Employee Retirement Funds
ADDITIONS	
Contributions	
Employer	$ 3,573,658
Plan members	509,337
State of Florida	458,715
Total contributions	4,541,710
Investment income (loss)	19,526,371
Less investment expense	(219,585)
Net investment income (loss)	19,306,786
Miscellaneous revenue	1,094
TOTAL ADDITIONS	23,849,590
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	6,576,988
Disability payments	196,350
Refunds	94,911
Total benefits and refunds paid	6,868,249
Administrative expenses	
Legal	13,199
Contractual services	189,788
Other	60,878
Total administrative expenses	263,865
TOTAL DEDUCTIONS	7,132,114
CHANGE IN FIDUCIARY NET POSITION	16,717,476
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	94,539,200
End of year	$ 111,256,676

See notes to the financial statements.

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

Description of the City

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

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

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

The Reporting Entity

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

As required by U.S. GAAP, these financial statements present the City of Fort Walton Beach (the primary government) and its blended component unit. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in the GASB literature for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB guidance, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2021, the City had one component unit, which has been presented in the financial statements of the primary government using the blended presentation method and is presented as a governmental fund type with a fiscal year end of September 30. The Fort Walton Beach Community Redevelopment Agency (the CRA) was formed 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 CRA. The CRA’s governing body is the same as the governing body of the City. The CRA functions as a department of the City. City management has operational and fiscal responsibility for the CRA’s activities. The CRA has a separate standalone audit report that can be obtained by contacting the Growth Management Department, City Hall Annex, 105 Miracle Strip Parkway S.W., Fort Walton Beach, Florida 32548 or online at www.fwb.org.

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 have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

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

Measurement Focus and Basis of Accounting

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

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

Measurement Focus and Basis of Accounting – Continued

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

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

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

The following is the current property tax calendar:

Lien Date	January 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

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

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2021 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.

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 2021, 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.

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

Basis of Presentation – Continued

Proprietary

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

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

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

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

Fiduciary

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

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

Investments

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Investments – Continued

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

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable and available financial resources.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All proprietary fund receivables are shown net of an allowance for uncollectible accounts. The allowance is computed by considering 100% of receivables in excess of 90 days, past trends on collections of accounts, and current year account write–offs.

Inventory

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for inventory. Under the consumption method, inventory items are recorded as expenditures during the period the inventory is used. The General Fund inventory balance is considered nonspendable in the fund financial statements to indicate that it is not available for appropriation.

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Restricted Assets

Certain resources in the following funds are restricted for specific purposes: in the Debt Service Fund for repayment of long-term debt; in the General Fund for unspent proceeds related to the Capital Improvement Revenue Note, Series 2018 and the Golf Course Irrigation System Revenue Note, 2021; and in the Utilities Fund customer deposits, impact fees, and repayment of Utility System Revenue Refunding Note, Series 2015.

Capital Assets

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

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

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

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Capital Assets – Continued

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

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

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

Long-Term Obligations

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Long-Term Obligations – Continued

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

Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the total OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the Fort Walton Beach's Retiree Health Care Plan and additions to/deductions from the plan's total OPEB liability have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. See Note 11 for additional information about the City's other postemployment benefit plan.

Net Pension Liability

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	October 1, 2019
Measurement Date (MD)	September 30, 2020
Measurement Period (MP)	October 1, 2019 to September 30, 2020

Classification of Fund Balance

GASB guidance establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are comprised of the following:

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued
Classification of Fund Balance – Continued
Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

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

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Council has delegated authority to the City Manager and Finance Director in accordance with the City's fund balance policy.

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

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

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

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Net Position

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

Estimates

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

Reclassifications

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

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2021, and March 8, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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

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

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

Encumbrances

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

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each major governmental and enterprise fund participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, and pooled investments managed by a financial institution. Interest income (which includes unrealized gains and losses) is distributed monthly based on the average balances.

Deposits

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

As of September 30, 2021, the value of the City's deposits was $16,112,392, all of which was held by qualified public depositories under Florida Statutes.

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2021, the City's investments consist of the pooled investments held by each fund to maximize earnings on surplus cash, those held in the various pension trust funds and the Beal Memorial Cemetery Perpetual Care special revenue fund. The types of investments, which can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

As of September 30, 2021, the City held the following investments and related maturities:

		INVESTMENT MATURITIES (YEARS)							
	Fair Value	<1	1-5	5-10	10-15	15-20	20-25	25-30	>30
Investments subject to interest rate risk:									
Corporate debt	$ 14,991,450	$ 384,227	$ 10,865,092	$ 3,742,131	$ -	$ -	$ -	$ -	$ -
Municipal debt	2,917,831	100,646	2,817,185	-	-	-	-	-	-
U.S. Treasury	19,496,265	1,861,801	12,522,470	3,897,478	-	-	1,214,516	-	-
U.S. Government Agencies	4,485,217	-	4,485,217	-	-	-	-	-	-
U.S. Government Agency Pools	5,717,591	-	-	-	1,465,899	4,251,692	-	-	-
	47,608,354	$ 2,346,674	$ 30,689,964	$ 7,639,609	$ 1,465,899	$ 4,251,692	$ 1,214,516	$ -	$ -
Investments not subject to interest rate risk:									
Money market funds	273,090								
Common stock	16,215,155								
Mutual and exchange-traded funds	64,560,802								
Real estate investment funds	10,413,821								
External investment pools	8,125,204								
Total	$ 147,196,426								

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.

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

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

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

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

All pension trust funds were in compliance with respective investment policies regarding credit rate risk as of September 30, 2021.

The Moody's rating ranges of the different investment classes held by each respective plan at September 30, 2021, are as follows:

	General Pension Plan	Police Pension Plan	Fire Pension Plan
Corporate debt	A1-A3	A1-A3	A1-A3
U.S. Treasury	Aaa	Aaa	Aaa
U.S. government agency 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).

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

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

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

- *Equities* – No more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- *Fixed Income* – The value of bonds issued by any single corporation shall not exceed 10% of the Plan's total fair value.

- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 75% of the Plan's assets at fair value, and foreign securities shall not exceed 25% of the Plan's fair value.

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

- *Equities* – No more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock, or convertible stock of any 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 fair value.

- *Other Limitations* – Investments in corporate common stock and convertible bonds shall not exceed 70% of the Plan's assets at fair value, and foreign securities shall not exceed 25% of the Plan's fair value.

All pension trust fund plans were in compliance with respective investment policies regarding concentration of credit risk as of September 30, 2021.

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued
Concentration of Credit Risk – Continued
The Beal Memorial Cemetery investment policy limits investment concentrations as follows:

- *Domestic Equities* – No more than 5% of the fair value of the total equity portfolio may be invested in the equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity at fair value may be held in any one sector.

- *International Equities* – No more than 5% of the fair value of the total equity portfolio may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 2% of those outstanding and not more than 25% of equity at fair value may be held in any one sector.

- *Fixed Income Investments* – Securities of any one issuer shall not exceed 5% of a total bond portfolio at time of purchase.

Investments in Entities That Calculate Net Asset Value (NAV) per Share
The fair values of investments in real estate funds held by the pension trust funds are based on the investments' NAV per share, as provided by the investee.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Funds	$ 10,413,821	None	Quarterly	0 - 90 days

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

4. FAIR VALUE OF INVESTMENTS

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

- Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.

- Level 3 – Unobservable inputs for an asset.

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2021:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 273,090	$ -	$ 273,090	$ -
Debt securities				
U.S. Treasury bills	694,980	694,980	-	-
U.S. Treasury bonds	18,801,285	18,801,285	-	-
U.S. Government Agency obligations	4,485,217	-	4,485,217	-
U.S. Government Agency collateralized mortgage obligations (CMO's)	5,717,591	-	5,717,591	-
Corporate bonds	14,991,450	-	14,991,450	-
Municipal bonds	2,917,831	-	2,917,831	-
Total debt securities	47,608,354	19,496,265	28,112,089	-
Equity securities				
Domestic common stock	14,788,724	14,788,724	-	-
Foreign common stock	1,426,431	1,426,431	-	-
Mutual funds and exchange-traded funds	64,560,802	243,868	64,316,934	-
Total equity securities	80,775,957	16,459,023	64,316,934	-
* Commingled real estate investment funds	10,413,821	-	-	-
Total investments measured at fair value	139,071,222	$ 35,955,288	$ 92,702,113	$ -
Total investments measured at amortized cost	8,125,204			
Total investments at September 30, 2021	$ 147,196,426			

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

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

5. RECEIVABLES

Receivables at September 30, 2021, were as follows:

	Governmental Activities		Business-Type Activities			
	General	Community Redevelopment Fund	Utilities	Sanitation	Stormwater	Total
Taxes	$ 24,090	$ -	$ -	$ -	$ -	$ 24,090
Accounts	187,302	6,996	810,210	247,081	61,716	1,313,305
Less allowance for doubtful accounts	-	-	(51,952)	(11,624)	(3,994)	(67,570)
Assessments	29,981	235,626	1,542	-	-	267,149
Notes	548,617	-	-	-	-	548,617
Other	-	-	4,065	-	-	4,065
Total receivables, net	$ 789,990	$ 242,622	$ 763,865	$ 235,457	$ 57,722	$ 2,089,656

During fiscal year 2015, the City sold a building for $462,000 and will receive $442,000 of the proceeds over twelve years ($2,917 monthly payments started November 2014). This note receivable bears interest at 5% per year and includes a balloon payment of $250,065 due to the City in October 2026. The balance of this note receivable is $348,617 as of September 30, 2021.

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 $200,000 as of September 30, 2021.

Since these receivables will be collected outside the periods of availability, they are reflected in the general fund's balance sheet as unavailable revenues as of September 30, 2021.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2021, are $715,943. Due from other governments in the governmental activities consists primarily of federal proceeds related to grants from the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, and the Federal Emergency Management Agency.

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized					
Land	$ 10,915,210	$ 20,076	$ -	$ -	$ 10,935,286
Construction in progress	30,110	1,054,433	-	-	1,084,543
Total capital assets not being depreciated/amortized	10,945,320	1,074,509	-	-	12,019,829
Capital assets being depreciated/amortized					
Buildings	36,419,950	62,772	(44,317)	-	36,438,405
Improvements other than buildings [1]	33,571,877	570,461	(198,817)	-	33,943,521
Software	573,318	-	-	-	573,318
Machinery and equipment	14,396,342	1,150,160	(431,218)	-	15,115,284
Equipment under capital lease	108,673	-	-	-	108,673
Total capital assets being depreciated/amortized	85,070,160	1,783,393	(674,352)	-	86,179,201
Less accumulated depreciation/amortization					
Buildings	(12,719,540)	(1,086,696)	31,821	(204,604)	(13,979,019)
Improvements other than buildings [1]	(23,798,420)	(941,084)	198,817	42	(24,540,645)
Software	(571,043)	(501)	-	(2)	(571,546)
Machinery and equipment	(9,932,667)	(1,168,449)	432,948	204,606	(10,463,562)
Total accumulated depreciation/amortization	(47,021,670)	(3,196,730)	663,586	42	(49,554,772)
Total capital assets being depreciated/amortized, net	38,048,490	(1,413,337)	(10,766)	42	36,624,429
Governmental activities, net	$ 48,993,810	$ (338,828)	$ (10,766)	$ 42	$ 48,644,258

[1] Includes infrastructure assets

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	111,042	-	-	-	111,042
Easements	39,742	-	-	-	39,742
Total capital assets not being depreciated/amortized	860,462	-	-	-	860,462
Capital assets being depreciated/amortized					
Buildings	411,900	-	(207,051)	-	204,849
Improvements other than buildings	51,062,225	213,620	(35,410)	-	51,240,435
Software	120,031	-	-	-	120,031
Machinery and equipment	11,231,827	539,934	(643,732)	-	11,128,029
Total capital assets being depreciated/amortized	62,825,983	753,554	(886,193)	-	62,693,344
Less accumulated depreciation/amortization					
Buildings	(328,140)	(5,677)	206,576	-	(127,241)
Improvements other than buildings	(21,944,639)	(1,711,844)	30,690	-	(23,625,793)
Software	(91,519)	(8,140)	-	-	(99,659)
Machinery and equipment	(7,826,476)	(724,256)	631,141	-	(7,919,591)
Total accumulated depreciation/amortization	(30,190,774)	(2,449,917)	868,407	-	(31,772,284)
Total capital assets being depreciated/amortized, net	32,635,209	(1,696,363)	(17,786)	-	30,921,060
Business-type activities, net	$ 33,495,671	$(1,696,363)	$ (17,786)	$ -	$ 31,781,522

6. CHANGES IN CAPITAL ASSETS – CONTINUED

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

Governmental activities	
General government	$ 542,109
Public safety	889,837
Physical environment	58,063
Transportation	504,423
Economic environment	184,348
Culture and recreation	1,017,950
Total depreciation/amortization expense – governmental activities	$ 3,196,730
Business-type activities	
Utilities Fund	$ 1,768,020
Sanitation Fund	271,805
Stormwater Fund	410,092
Total depreciation/amortization expense – business-type activities	$ 2,449,917

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2021, the City had various components of deferred outflows of resources and deferred inflows of resources as follows:

Governmental activities:

	General Fund	Community Redevelopment Fund	Governmental Activities
Deferred outflows			
City pension contributions made subsequent to the measurement date	$ -	$ -	$ 3,729,010
Net difference between projected and actual earnings on pension plan investments	-	-	-
Differences between expected and actual experience on pension plan actuarial assumptions	-	-	598,719
Changes in assumptions related to pension plan	-	-	1,258,271
City OPEB contributions made subsequent to the measurement date			180,039
Changes in assumptions related to OPEB plan	-	-	1,540,060
Total deferred outflows	$ -	$ -	$ 7,306,099
Deferred inflows			
Differences between expected and actual experience on pension plan actuarial assumptions	$ -	$ -	$ 406,838
Net difference between projected and actual earnings on pension plan investments	-	-	910,479
Changes in assumptions related to pension plan	-	-	62,924
Differences between expected and actual experience on OPEB plan actuarial assumptions	-	-	1,008,667
Changes in assumptions related to OPEB plan			100,791
Unavailable revenue – special assessments	29,699	235,626	-
Unavailable revenue – long-term receivable from sale of buildings	548,617	-	-
Total deferred inflows	$ 578,316	$ 235,626	$ 2,489,699

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

Business-type activities:

	Utilities Fund	Sanitation Fund	Stormwater Fund	Business-Type Activities
Deferred outflows				
City pension contributions made subsequent to the measurement date	$ 220,623	$ 118,813	$ 37,795	$ 377,231
Deferred loss on refunding	65,953	-	-	65,953
City OPEB contributions made subsequent to the measurement date	25,022	16,666	6,575	48,263
Changes in assumptions related to OPEB plan	214,057	142,571	56,223	412,851
Total deferred outflows	$ 598,822	$ 317,453	$ 113,127	$ 1,029,402
Deferred inflows				
Net difference between projected and actual earnings on pension plan investments	$ 176,217	$ 94,898	$ 30,187	$ 301,302
Changes in assumptions related to pension plan	-	-	-	-
Differences between expected and actual experience on pension plan actuarial assumptions	-	-	-	-
Changes in assumptions related to OPEB plan	14,008	9,331	3,681	27,020
Differences between expected and actual experience on OPEB plan actuarial assumptions	140,186	93,372	36,837	270,395
Total deferred inflows	$ 330,411	$ 197,601	$ 70,705	$ 598,717

8. DEFINED BENEFIT PENSION PLANS

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

Plan Description – General Employees’ Retirement Fund (GERF)

Plan Administration

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

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Plan Administration – Continued

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

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

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	166
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	43
Active Plan Members	63
	272

Benefits Provided

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

Funding Policy and Contributions

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2021, the participants' contribution rate was 5.0%. The City is required to contribute the remaining amount necessary to fund the normal cost and amortize the unfunded actuarial accrued liability over not more than 15 years. For the year ended September 30, 2021, the City was required to contribute $1,024,247.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF

The measurement date is September 30, 2020. The measurement period for the pension expense was October 1, 2019 to September 30, 2020. The reporting period is October 1, 2020 through September 30, 2021. The city's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% - 6.50%
Discount Rate	7.30%
Investment Rate of Return	7.30%

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

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

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

Males – Disabled Retirees with three-year set forward
Females – Disabled Retirees with three-year set forward

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for non-special risk employees, with appropriate risk and collar adjustments made based on plan demographics.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For 2020, the inflation rate assumption of the investment advisor was 2.50%.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – GERF – Continued

Actuarial Assumptions – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	55.00%	7.50%
International equity	10.00%	8.50%
Broad market fixed income	20.00%	2.50%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Change in Net Pension Liability – GERF

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2020 (Valuation Date of 10/01/2019)	$ 50,294,277	$ 48,423,281	$ 1,870,996
Changes:			
Service cost	366,197	-	366,197
Interest	3,723,744	-	3,723,744
Differences between expected and actual experience	60,721	-	60,721
Changes of assumptions	618,633	-	618,633
Contributions – employer	-	1,419,339	(1,419,339)
Contributions – employee	-	147,885	(147,885)
Net investment income	-	4,869,412	(4,869,412)
Benefit payments, including refunds of employee contributions	(3,327,697)	(3,327,697)	-
Administrative expenses	-	(50,568)	50,568
Net changes	1,441,598	3,058,371	(1,616,773)
Balances at September 30, 2021 (Measurement Date of 9/30/2020)	$ 51,735,875	$ 51,481,652	$ 254,223

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

	1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 8.30%
Sponsor's net pension liability (asset)	$ 5,676,016	$ 254,223	$ (4,339,612)

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.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – GERF
For the year ended September 30, 2021, the City recognized a reduction in pension expense of $646,287. On September 30, 2021, 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	$ 1,024,247	$ -
Net difference between projected and actual earnings on pension plan investments	-	818,089
Changes of assumptions	309,317	-
Differences between expected and actual experience	30,361	-
Total	$ 1,363,925	$ 818,089

Deferred outflows of resources related to pensions of $1,024,247 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, 2022. 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:	
2022	$ (194,289)
2023	(170,351)
2024	137,841
2025	(251,612)
	$ (478,411)

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.

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.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Plan Description – PORF – Continued

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	47
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	18
Active Plan Members	42
	107

Benefits Provided

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

Contributions

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2021, the participants' contribution rate was 5.0% of payroll until a 75% maximum accrual is attained and then 0.5% thereafter. The State of Florida is required to contribute 7.5% of payroll and the City is required to contribute the difference between the actuarially determined rate and the contribution rate of the participants and the State of Florida. For the year ended September 30, 2021, the City was required to contribute 32.7% of payroll.

Net Pension Liability – PORF

The measurement date is September 30, 2020. The measurement period for the pension expense was October 1, 2019 to September 30, 2020. The reporting period is October 1, 2020 through September 30, 2021. The city's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.20%
Investment rate of return	7.20%

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – PORF – Continued
Actuarial Assumptions – Continued
Mortality rates for healthy lives were obtained from the PubS.H-2010 table and were projected generationally with Scale MP-2018 with the following adjustments:

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

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

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

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics.

The other significant actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial experience study dated June 4, 2018. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For 2020, 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	47.50%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	22.50%	2.50%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Total	100.00%	

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – PORF – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability – PORF

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at September 30, 2020 (Valuation Date of 10/01/2019)	$ 28,099,293	$ 22,132,402	$ 5,966,891
Changes:			
Service cost	546,326	-	546,326
Interest	2,143,525	-	2,143,525
Contributions – employer	-	806,946	(806,946)
Contributions – state	-	217,473	(217,473)
Contributions – employee	-	132,013	(132,013)
Change in excess state contributions	(172,843)	-	(172,843)
Net investment income	-	2,166,715	(2,166,715)
Differences between expected and actual experience	(211,485)	-	(211,485)
Changes of assumptions	46,143		46,143
Changes of benefit terms	1,428,025	-	1,428,025
Benefit payments, including refunds of employee contributions	(1,868,482)	(1,868,482)	-
Administrative expenses	-	(57,304)	57,304
Net changes	1,911,209	1,397,361	513,848
Balances at September 30, 2021 (Measurement Date of 9/30/2020)	$ 30,010,502	$ 23,529,763	$ 6,480,739

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability – PORF – Continued
Sensitivity of the Net Pension Liability to changes in the Discount Rate

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Sponsor's net pension liability	$ 10,032,279	$ 6,480,739	$ 3,529,297

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – PORF
For the year ended September 30, 2021, the City recognized pension expense of $1,948,179. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City and State contributions subsequent to measurement date	$ 1,456,033	$ -
Net difference between projected and actual earnings on pension plan investments	-	198,500
Changes of assumptions	326,916	62,924
Differences between Expected and Actual experience	141,906	366,968
Total	$ 1,924,855	$ 628,392

Deferred outflows of resources related to pensions of $1,456,033 resulting from the City's and State's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. 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:	
2022	$ (186,161)
2023	181,612
2024	(43,544)
2025	(111,477)
	$ (159,570)

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

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.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	35
	67

Benefits Provided

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

Contributions

Contributions to the Plan are established based on an actuarially determined rate recommended by an independent actuary. For the year ended September 30, 2021, the participants' contribution rate was 8.0% of payroll. The State of Florida is required to contribute 9.2% of payroll and the City is required to contribute the difference between the actuarially determined rate and the contribution rate of the participants and the State of Florida. For the year ended September 30, 2021, the City was required to contribute 45.1% of payroll.

Net Pension Liability – FRF

The measurement date is September 30, 2020. The measurement period for the pension expense was October 1, 2019 to September 30, 2020. The reporting period is October 1, 2020 through September 30, 2021. The city's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.20%
Investment rate of return	7.20%

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

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

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

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

The above mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This mandate requires the use of assumptions used by the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For 2020, the inflation rate assumption of the investment advisor was 2.50%.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability – FRF – Continued

Actuarial Assumptions – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	50.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	20.00%	2.50%
Fixed income (non-core)	2.50%	2.50%
Global fixed income	2.50%	3.50%
Real estate	10.00%	4.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. 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.

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, 2020 (Valuation Date of 10/01/2019)	$ 28,063,048	$ 17,559,808	$ 10,503,240
Changes:			
Service cost	546,149	-	546,149
Interest	2,063,083	-	2,063,083
Contributions – employer	-	1,231,466	(1,231,466)
Contributions – state	-	209,723	(209,723)
Contributions – employee	-	204,865	(204,865)
Net investment income	-	1,922,011	(1,922,011)
Changes of assumptions	66,865	-	66,865
Differences between expected and actual experience	231,328	-	231,328
Benefit payments, including refunds of employee contributions	(1,459,394)	(1,459,394)	-
Administrative expenses	-	(55,253)	55,253
Net changes	1,448,031	2,053,418	(605,387)
Balances at September 30, 2021 (Measurement Date of 9/30/2020)	$ 29,511,079	$ 19,613,226	$ 9,897,853

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

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Sponsor's net pension liability	$ 13,745,938	$ 9,897,853	$ 6,740,223

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.

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – FRF
For the year ended September 30, 2021, the City recognized a pension expense of $1,865,605. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City and State contributions subsequent to measurement date	$ 1,625,961	$ -
Net difference between projected and actual earnings on pension plan investments	-	195,192
Changes of assumptions	735,960	-
Differences between expected and actual experience	437,634	39,870
Total	$ 2,799,555	$ 235,062

Deferred outflows of resources related to pensions of $1,625,961 resulting from the City's and State's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. 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:	
2022	$ 387,045
2023	427,358
2024	247,674
2025	(123,545)
	$ 938,532

Pension Expense
For the fiscal year ended September 30, 2021, the City recognized an aggregate pension expense of $3,167,497 on all defined benefit pension plans.

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, 2021:

COMBINING STATEMENT OF PLAN NET POSITION

	Employee Retirement Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	$ 1,647,745	$ 2,093,289	$ 1,760,338	$ 5,501,372
Investments, at market				
U.S. Government and Agency obligations	7,146,437	3,951,415	2,644,212	13,742,064
Corporate obligations	2,999,874	1,199,083	866,553	5,065,510
Corporate equity	16,215,155	-	-	16,215,155
Mutual and exchange-traded funds	25,854,439	18,181,215	16,488,339	60,523,993
Commingled real estate investment funds	6,134,611	2,256,743	2,022,467	10,413,821
Total investments, at market	58,350,516	25,588,456	22,021,571	105,960,543
TOTAL ASSETS	59,998,261	27,681,745	23,781,909	111,461,915
LIABILITIES				
Accounts payable	40,030	66,202	99,007	205,239
NET POSITION RESTRICTED FOR PENSIONS	$ 59,958,231	$ 27,615,543	$ 23,682,902	$111,256,676

8. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Employee Retirement Funds			
	General Employees' Retirement	Police Officers' Retirement	Firefighters' Retirement	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Employer	$ 989,560	$ 1,193,572	$ 1,390,526	$ 3,573,658
Plan members	136,164	147,074	226,099	509,337
State of Florida	-	223,280	235,435	458,715
Total contributions	1,125,724	1,563,926	1,852,060	4,541,710
Investment income	10,988,422	4,591,037	3,946,912	19,526,371
Less investment expense	(148,781)	(36,886)	(33,918)	(219,585)
Net investment income	10,839,641	4,554,151	3,912,994	19,306,786
Miscellaneous revenue	1,094	-	-	1,094
TOTAL ADDITIONS	11,966,459	6,118,077	5,765,054	23,849,590
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	3,327,874	1,728,228	1,520,886	6,576,988
Disability payments	33,582	156,874	5,894	196,350
Other	-	21,261	73,650	94,911
Total benefits and refunds paid	3,361,456	1,906,363	1,600,430	6,868,249
Administrative expenses				
Legal	4,820	3,344	5,035	13,199
Contractual	70,202	60,425	59,161	189,788
Other	23,754	17,180	19,944	60,878
Total administrative expenses	98,776	80,949	84,140	263,865
TOTAL DEDUCTIONS	3,460,232	1,987,312	1,684,570	7,132,114
INCREASE IN PLAN NET POSITION	8,506,227	4,130,765	4,080,484	16,717,476
NET POSITION RESTRICED FOR PENSIONS				
Beginning of year	51,452,004	23,484,778	19,602,418	94,539,200
End of year	$ 59,958,231	$ 27,615,543	$ 23,682,902	$111,256,676

9. DEFINED CONTRIBUTION PENSION PLAN

City of Fort Walton Beach Defined Contribution Plan
In December 2009, City Council closed the General Employees' Defined Benefit Plan. All general, full-time employees hired on or after January 1, 2010, are members of the Defined Contribution Retirement Plan (Plan). The Plan is a money purchase defined contribution retirement plan administered by ICMA Retirement Corporation, with the City serving as trustee. All funds are held in the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust in the name of each participant. The City finance director serves as the coordinator for the Plan. The Plan requires a 5% payroll contribution by the employee with a 5% employer (City) match. Employees can increase their contribution; however, only an additional 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 $269,187 and $269,187, respectively, for the fiscal year ending September 30, 2021. 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 $2,838,456 at September 30, 2021. Contributions made by Plan members during the fiscal year ended September 30, 2021, were $66,526.

11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Plan Membership as of September 30, 2020:	
Inactive Plan Members or Beneficiaries Current Receiving Benefits	123
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	256
	379

Benefits Provided

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

Contributions

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

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2020. The total OPEB liability was determined by an actuarial valuation. The measurement period for OPEB expense was October 1, 2019 to September 30, 2020. The reporting period is October 1, 2020 to September 30, 2021.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	2.14%
Initial Trend Rate	7.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	54

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Total OPEB Liability – Continued

Actuarial Assumptions – Continued

For general employees, mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. For female lives, the headcount-weighted PubG-2010 female employee table was used. For male lives, the headcount-weighted PubG-2010 male below median income employee table, set back one year, was used. For disabled female lives, 100% of the Disabled Female table was used, set forward three years. For disabled male lives, 100% of the Disabled Male table was used, set forward three years.

For police and fire employees, mortality rates were also based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. For both males and females, the PubS.H-2010 below median income employee table, set forward one year, was used. For both disabled males and females, the 80% PubG.H-2010 and 20%PubS.H-2010 for Disabled Retirees was used.

Discount Rate

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's "Aa2" rating and S&P's "AA" rating.

Change in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) – (b)
Balances at September 30, 2020	$ 6,274,415	$ -	$ 6,274,415
Changes for the year:			
Service cost	230,648	-	230,648
Interest	228,430	-	228,430
Differences between expected and actual experience	(1,195,507)	-	(1,195,507)
Changes of assumptions	1,699,860	-	1,699,860
Contributions – employer	-	253,893	(253,893)
Benefit payments	(250,893)	(250,893)	-
Administrative expense	-	(3,000)	3,000
Net changes	712,538	-	712,538
Reporting period ending September 30, 2021	$ 6,986,953	$ -	$ 6,986,953

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Change in Total OPEB Liability – Continued
Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

	1% Decrease 1.14%	Current Discount Rate 2.14%	1% Increase 3.14%
Total OPEB liability	$ 8,276,702	$ 6,986,953	$ 5,977,993

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

	1% Decrease 3.00%-6.00%	Healthcare Cost Trend Rates 4.00%-7.00%	1% Increase 5.00%-8.00%
Total OPEB liability	$ 6,097,531	$ 6,986,953	$ 8,129,145

OPEB Plan Fiduciary Net Position
The plan is unfunded, so the OPEB plan's fiduciary net position is $0.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
For the year ended September 30, 2021, the City recognized OPEB expense of $603,687. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual experience	$ -	$ 1,279,062
Changes of assumptions	1,952,911	127,811
Employer contributions subsequent to the measurement date	228,302	-
Total	$ 2,181,213	$ 1,406,873

11. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – Continued
Deferred outflows of resources related to pensions of $228,302 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2022	$	1,072
2023		128,883
2024		128,883
2025		128,879
2026		158,321
	$	546,038

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, 2021. 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.

13. OPERATING LEASES

Lessor

The City receives rental income from leasing various parcels of land and buildings under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2021, was $391,868 in the General Fund, $51,039 in the CRA Fund, and $21,336 in the Utilities Fund.

Future minimum lease payments were as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2022	$ 323,862	$ 20,373
2023	278,785	22,014
Total minimum lease payments	$ 602,647	$ 42,387

Lessee

The City leases golf carts in the General Fund through an operating lease with Yamaha. The original lease term began September 2020 and expires in August 2024. Monthly payments are $6,954 plus property tax paid by the lessor. Rent expense for the fiscal year ending September 30, 2021 was $87,271.

Future minimum lease payments were as follows:

Year Ending September 30	Governmental Activities
2022	$ 83,445
2023	83,445
2024	76,491
Total minimum lease payments	$ 243,381

13. OPERATING LEASES – CONTINUED

Lessee – Continued

The City leases maintenance equipment and utility carts for the golf course and parks department in the General Fund through various operating leases with DLL Finance. The leases have expiration dates ranging from December 2020 to December 2023. Aggregate monthly lease payments for the maintenance equipment and utility carts are $5,727 plus property taxes paid by the lessor. Lease expense for the fiscal year ending September 30, 2021 was $83,090.

Future minimum lease payments were as follows:

Year Ending September 30	Governmental Activities
2022	$ 82,190
2023	73,948
2024	37,895
2025	16,963
2026	6,182
Total minimum lease payments	$ 217,178

14. CAPITAL LEASES

The City has entered into a lease agreement for financing the acquisition of fitness equipment for its recreation complex and a ladder fire truck that is in progress at year-end. These lease agreements qualify as capital leases for accounting purposes as a result of the transfer of title or bargain purchase option and therefore has been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund.

14. CAPITAL LEASES – CONTINUED

The assets acquired through capital leases were as follows:

Assets	Governmental Activities
Fitness equipment	$ 75,385
Ladder fire truck - construction in progress	999,320
Accumulated depreciation	(21,359)
Assets acquired by lease, net	$ 1,053,346

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year Ending September 30	Governmental Activities
2022	$ 358,625
2023	358,626
2024	244,804
2025	8,580
Total minimum lease payments	970,635
Less amount representing interest	(26,188)
Present value of minimum lease payments	$ 944,447

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Direct placements:					
Capital Improvement Revenue Note, Series 2011	$ 62,668	$ -	$ (62,668)	$ -	$ -
Capital Improvement Revenue Note, Series 2013	2,957,530	-	(238,399)	2,719,131	243,347
Capital Improvement Revenue Note, Series 2013A	6,005,773	-	(395,970)	5,609,803	406,621
Capital Improvement Revenue Bonds, Series 2018	12,149,516	-	(384,674)	11,764,842	399,407
Direct borrowings:					
Golf Course Irrigation System Revenue Note, 2021	-	1,500,000	-	1,500,000	266,187
Capital lease - fitness equipment	67,035	-	(13,294)	53,741	14,161
Capital lease - ladder fire truck	-	999,320	(108,614)	890,706	329,540
Compensated absences	847,339	823,167	(737,219)	933,287	233,322
Total governmental activities	$ 22,089,861	$ 3,322,487	$ (1,940,838)	$ 23,471,510	$ 1,892,585

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Direct placements:					
Utility System Revenue Refunding Note, Series 2015	$ 7,093,000	$ -	$ (456,000)	$ 6,637,000	$ 470,000
Direct borrowings:					
State Revolving Fund Loan, 2015	11,907,259	-	(720,536)	11,186,723	734,290
Compensated absences	218,066	244,907	(262,198)	200,775	50,194
Total business-type activities	$ 19,218,325	$ 244,907	$ (1,438,734)	$ 18,024,498	$ 1,254,484

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

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Placements

$819,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2011, due in quarterly installments of $24,449 through April 2016 then $21,156 from June 2016 through April 2021; interest at 2.55%. Available non ad valorem revenues are pledged for payment of the note. Proceeds were used for purchase of a fire truck and golf equipment. The note was repaid in full as of September 30, 2021.

$4,470,610 City of Fort Walton Beach, Florida, Capital Improvement Refunding Revenue Note, Series 2013, 2.30% interest due semiannually and principal due annually ranging from $187,659 to $299,010 through 2031. Available non ad valorem revenues are pledged for payment of the note. Proceeds were used for refunding Series 2001 revenue bonds for construction of certain capital improvements.

$8,500,000 City of Fort Walton Beach, Florida, Capital Improvement Revenue Note, Series 2013A, 2.69% interest due semiannually and principal due annually ranging from $326,969 to $464,334 through 2027 with a balloon payment of $3,000,000 due in 2028. Budgeted and appropriated half cent sales tax is pledged for payment of the note. Proceeds were used to finance the construction of the City's new recreational complex along with the purchase of a bucket truck and a grounds sweeper for City's municipal golf course.

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

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

Governmental Activities – Direct Borrowings

$1,500,000 golf course revenue note payable, 2021, due in monthly installments of $26,013 through October 2026, which includes principal and interest at 1.55%. The note is payable from pledged revenues of the golf course with any shortfalls funded by legally available non-ad valorem revenues. Proceeds are expected to be used for golf course repairs and renovations in fiscal year 2022. In the event of default (non-payment), the lender may declare all outstanding payments of principal and interest on the debt to be immediately due and payable. This note does not contain any subjective acceleration clauses.

$75,135 fitness equipment capital lease payable, 2020, due in monthly installments of $1,430 through March 2025, which includes principal and interest at 6.34%. In the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable or repossess the financed fitness equipment. This lease agreement does not contain any subjective acceleration clauses.

15. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Governmental Activities – Direct Borrowings

$999,320 ladder fire truck capital lease payable, 2021, due in monthly installments of $28,455 through May 2024, which includes principal and interest at 1.59%. In the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable or repossess the financed ladder fire truck. This lease agreement does not contain any subjective acceleration clauses.

Business-Type Activities – Direct Placements

$8,794,000 Utility System Revenue Refunding Note, Series 2015, due in annual installments of $407,000 to $645,000 beginning July 2017 through July 2033, with interest only semi-annual payments from January 2016 through January 2017; stated interest at 2.92%. Net revenues derived by the City from the utility operations are pledged for the payment of the note. Proceeds used to refinance and refund the Utility System Revenue Bonds, Series 2005, which was for water system and wastewater system improvements. In the event of default (non-payment), the lender may declare all outstanding payments of principal and interest on the debt to be immediately due and payable. This note does not contain any subjective acceleration clauses.

Business-Type Activities – Direct Borrowings

$15,637,939 State of Florida Department of Environmental Protection Revolving Loan Fund; semiannual payments of $471,683 including interest at 1.90% beginning August 2015, through February 2035. Proceeds used for force main replacement, storage tank construction and pump station upgrades. In the event of default (non-payment), the lender may notify financial market credit rating agencies, file suit for past due amounts, and accelerate repayment of unpaid principal to as much as 1.667 times the financing rate. This loan does not contain any subjective acceleration clauses.

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2021, were as follows:

Governmental Activities

	Capital Leases		Revenue Bonds and Notes	
Year Ending September 30	Principal	Interest	Principal	Interest
2022	$ 343,701	$ 14,924	$ 1,315,562	$ 683,993
2023	349,979	8,647	1,379,848	649,471
2024	242,343	2,461	1,415,409	611,910
2025	8,424	156	1,551,610	573,209
2026	-	-	1,597,208	529,610
2027-2031	-	-	8,316,577	1,837,097
2032-2036	-	-	4,423,769	826,231
2037-2041	-	-	1,593,793	84,207
Total	$ 944,447	$ 26,188	$ 21,593,776	$ 5,795,728

15. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding – Continued

Business-Type Activities

	Revenue Note		State Revolving Loan	
Year Ending September 30	Principal	Interest	Principal	Interest
2022	$ 470,000	$ 193,800	$ 734,290	$ 209,076
2023	484,000	180,076	748,308	195,059
2024	498,000	165,944	762,593	180,773
2025	512,000	151,402	777,152	166,215
2026	527,000	136,452	791,988	151,379
2027-2031	2,875,000	442,292	4,192,584	524,251
2032-2036	1,271,000	55,947	3,179,808	121,975
Total	$ 6,637,000	$ 1,325,913	$ 11,186,723	$ 1,548,728

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES

Capital Improvement Refunding Revenue Note, Series 2013

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.

2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2021.

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

Capital Improvement Revenue Note, Series 2013A

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.

2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2021.

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

16. COMMENTS REQUIRED BY THE BOND AND ORDINANCES – CONTINUED

Capital Improvement Revenue Note, Series 2018

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.

2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2021.

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

Golf Course Revenue Note, Series 2021

1. The balance sheet and statement of revenues, expenditures, and changes in fund balance of the Debt Service Fund are shown in the financial section of the report.

2. The City is required to establish sinking fund amounts sufficient to pay all principal and interest becoming due on the notes on the next semiannual payment date. The sinking fund was not required to be funded at September 30, 2021.

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

Utility System Revenue Refunding Note, Series 2015

1. The statement of net position and statement of revenues, expenses, and changes in net position of the Utility Fund are shown in the financial section of the report.

2. Net revenues pledged consist of gross revenues less costs of operation and maintenance. The net revenues pledged in fiscal year 2021 were approximately $3,458,033.

3. The debt issued refunded Series 2005 bond used for system improvements.

4. The term of the pledge commitment ends in January 2033.

5. The pledged revenues needed to meet the rate covenants in fiscal year 2021 were $828,895. The covenant is based upon 125% of the annual debt service requirement.

6. The pledged revenues exceeded the debt service requirements by $2,629,138 in fiscal year 2021.

7. The City is not aware of any instances of noncompliance with the debt covenants.

17. UNEARNED REVENUES

The composition of unearned revenues as of September 30, 2021, was as follows:

	General Fund	Utilities Fund	Totals
Federal grant proceeds received in advance of meeting eligibility requirements	$ 1,937,014	$ -	$ 1,937,014
Unredeemed gift cards	29,110	-	29,110
Charges for services paid in advance	-	62,222	62,222
	$ 1,966,124	$ 62,222	$ 2,028,346

The American Rescue Plan (ARP) Act and the Federal Emergency Management Agency (FEMA) grant documents do not require unspent funds to be held in a separate bank account and since the revenue is not earned, it is not a component of net position at either the fund or government-wide level. The terms of the grant require the funds to be expended by specific dates, and unspent grant funds are not typically considered restricted assets of the governmental unit. Therefore, the City has not reported the unspent proceeds as restricted assets as of September 30, 2021.

18. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2021, was as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Community Development Block Grant	$ 61,786
General	Sanitation	$ 243,150

Advance to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sanitation	General	$ 160,528

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

On September 30, 2014, the City's Sanitation Fund loaned the General Fund $500,000 to purchase a Fire Engine. The loan from the Sanitation Fund will be paid back over a 10-year period at an interest rate of 2.00%. The balance of the advance as of September 30, 2021 is $160,528.

18. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

The composition of interfund transfers for the year ended September 30, 2021, was as follows:

	Transfers In		
Transfers Out	**General Fund**	**Other Governmental Funds**	**Total**
General Fund	$ -	$ 1,963,506	$ 1,963,506
Utilities Fund	1,238,095	-	1,238,095
Sanitation Fund	325,459	-	325,459
Stormwater Fund	196,228	-	196,228
	$ 1,759,782	$ 1,963,506	$ 3,723,288

The transfers out of the General Fund are $1,963,506. These transfers consist of a $1,908,339 transfer to the Debt Service Fund (Other Governmental Fund) for principal and interest payments on debt, and a $55,167 transfer to the Beal Memorial Cemetery Perpetual Care Fund (Other Governmental Fund) for permanent maintenance.

Transfers into the General Fund of $1,759,782 consist of franchise fees, compensation for heavy trucks wear and tear on roadways, and a portion of the debt service for the new field office complex from the enterprise funds representing their portion of use of the facility.

19. ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2021, were as follows:

Governmental Funds –	
General Fund	$ 1,331,285
Community Redevelopment Agency Fund	433,317
Other Governmental Funds	29,960
	$ 1,794,562

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

20. GOVERNMENTAL FUND BALANCES

At September 30, 2021, the City's governmental fund balances were classified as follows:

	General Fund	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	$ 259,960	$ -	$ -	$ 259,960
Restricted for				
Public safety	-	-	1,060,646	1,060,646
Debt service	-	-	21,156	21,156
Improvement districts	-	4,133,412	-	4,133,412
Library capital projects	104,714	-	-	104,714
Field office complex	428,308	-	-	428,308
Discretionary sales taxes	3,673,641	-	-	3,673,641
Golf course improvements	1,500,000	-	-	1,500,000
Other purposes	5,668	-	-	5,668
Total restricted	5,712,331	4,133,412	1,081,802	10,927,545
Committed				
Affordable housing projects	340,000	-	-	340,000
Cemetery maintenance	-	-	4,154,232	4,154,232
Natural disaster recovery	8,309,189	-	-	8,309,189
Total committed	8,649,189	-	4,154,232	12,803,421
Assigned for				
Capital expenditures	939,464	-	-	939,464
FY22 appropriations	1,298,209	-	-	1,298,209
Long-term debt	850,000	-	-	850,000
Other purposes	820,898	-	-	820,898
Total assigned	3,908,571	-	-	3,908,571
Unassigned	8,845,558	-	(19,782)	8,825,776
	$ 27,375,609	$ 4,133,412	$ 5,216,252	$ 36,725,273

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

21. EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The Debt Service Fund had an excess of expenditures over final budgeted appropriations for the year ending September 30, 2021 in the amount of $831,760.

22. 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.

Joint Project with Florida Department of Transportation (FDOT)

The City Council adopted a resolution in fiscal year 2021 to pledge $1,000,000 toward the cost of a project development and environment (PD&E) study for the "Around the Mound" transportation alternative via the City's Downtown Master Plan. This resolution was adopted in order to accelerate the timeline for completing the study. The total cost of the study is estimated at $2,000,000, which will be split between the City and FDOT. The City has pledged revenues from the Redevelopment Trust Fund and discretionary sales tax proceeds to pay for its share of the cost of the study. As of the date of this report, the study has not been started by FDOT. No fund balances have been assigned for this project in the governmental funds as the pledged revenue sources are restricted by external sources.

Fort Walton Beach Housing Authority (FWBHA) Development Project

The FWBHA has applied to the Florida Housing Finance Corporation for low-income housing tax credits (LIHTC) for the Bayside Gardens redevelopment of Charlie Hill Terrace. In order to make the application more competitive, the FWBHA requested a commitment of $340,000 from the City as the Local Government Area of Opportunity (LGAO). The City Council adopted a resolution in fiscal year 2021 to commit the funding requested in the form of a 50% grant and 50% loan to the FWBHA. As of the date of this report, the FWBHA is awaiting a final decision on the application filed with the Florida Housing Finance Corporation.

Demolition of Field Office Complex and Golf Course Structures

In August 2021, the City Council awarded a bid to a local contractor to perform demolition services related to the old field office complex and various golf course structures. The total amount of the contract is $193,554. The portion of the contract allocated to the demolition of the field office complex is $156,277. This amount will be paid from unspent proceeds from the Capital Improvement Revenue Bonds, Series 2018 issue. The portion of the contract allocated to the demolition of golf course structures is $37,277. As of the September 31, 2021, the work on the project has not commenced. The project is expected to be completed in February 2022.

22. COMMITMENTS AND CONTINGENCIES – CONTINUED

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

On a monthly basis, the County bills the City at a rate equal to $2.77 per each 1,000 gallons of wastewater flow. Additionally, the City pays to the County the Sewer Readiness to Serve Fee, which is equal to $4,893 per month. Annually, the rate per thousand and the Readiness to Serve Fee increases by 3%. Fees paid for wastewater treatment to Okaloosa County, Florida during the year ended September 30, 2021, were $3,359,721.

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

Fiscal Year Ending September 30	
2022	$ 63,380
2023	65,281
2024	67,239
2025	69,256
2026	71,334
2027 through 2031	390,081
2032 through 2036	452,210
2037 through 2041	305,201
Total	$ 1,483,982

23. SUBSEQUENT EVENTS

Golf Course Irrigation System Contract
In December 2021, the City entered into an agreement with a specialty contractor to perform the golf course irrigation system replacement project. The total contract amount is $672,500, which will be paid in installments as the work is completed. The project is expected to be completed in Spring 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

Reporting Date *	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 366,197	$ 372,064	$ 446,214	$ 504,055	$ 557,163	$ 569,712	$ 622,382
Interest	3,723,744	3,888,510	3,827,379	3,771,606	3,317,396	3,314,990	3,222,809
Differences between expected and actual experience	60,721	(466,270)	(265,877)	(404,763)	400,221	(1,074,244)	-
Changes of assumptions [1]	618,633	(768,706)	-	-	4,485,495	-	-
Benefit payments, including refunds of employee contributions	(3,327,697)	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)	(2,575,304)
Net change in total pension liability	1,441,598	(136,214)	850,020	814,454	5,901,386	134,420	1,269,887
Total pension liability – beginning	50,294,277	50,430,491	49,580,471	48,766,017	42,864,631	42,730,211	41,460,324
Total pension liability – ending (a)	$ 51,735,875	$ 50,294,277	$ 50,430,491	$ 49,580,471	$ 48,766,017	$ 42,864,631	$ 42,730,211
Plan Fiduciary Net Position							
Contributions – employer	$ 1,419,339	$ 1,751,654	$ 2,006,925	$ 1,254,097	$ 1,280,082	$ 1,355,041	$ 1,296,450
Contributions – member	147,885	150,018	158,138	171,869	202,268	209,567	212,790
Net investment income	4,869,412	1,788,274	4,975,937	4,967,834	4,031,981	(4,390)	3,228,153
Benefit payments, including refunds of employee contributions	(3,327,697)	(3,161,812)	(3,157,696)	(3,056,444)	(2,858,889)	(2,676,038)	(2,575,304)
Administrative expenses	(50,568)	(40,421)	(49,518)	(42,201)	(35,704)	(39,535)	(42,483)
Net change in plan fiduciary net position	3,058,371	487,713	3,933,786	3,295,155	2,619,738	(1,155,355)	2,119,606
Plan fiduciary net position – beginning	48,423,281	47,935,568	44,001,782	40,706,627	38,086,889	39,242,244	37,122,638
Plan fiduciary net position – ending (b)	$ 51,481,652	$ 48,423,281	$ 47,935,568	$ 44,001,782	$ 40,706,627	$ 38,086,889	$ 39,242,244
Net pension liability – ending (a) – (b)	$ 254,223	$ 1,870,996	$ 2,494,923	$ 5,578,689	$ 8,059,390	$ 4,777,742	$ 3,487,967
Plan fiduciary net position as a percentage of the total pension liability	99.51%	96.28%	95.05%	88.75%	83.47%	88.85%	91.84%
Covered payroll	$ 2,957,684	$ 3,000,359	$ 3,162,762	$ 3,437,375	$ 4,045,350	$ 4,191,304	$ 4,255,801
Net pension liability as a percentage of covered payroll	8.60%	62.36%	78.88%	162.30%	199.23%	113.99%	81.96%

Notes:

[1] As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System in its July 1, 2019 actuarial valuation for non-special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

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

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

Reporting Date *	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 546,326	$ 384,431	$ 395,440	$ 334,061	$ 344,958	$ 336,234	$ 322,118
Interest	2,143,525	1,976,534	2,112,261	2,084,744	1,948,181	1,953,123	1,905,286
Change in excess state money	(172,843)	40,065	20,893	8,823	-	-	-
Changes of benefit terms [3]	1,428,025	-	-	-	-	-	-
Differences between expected and actual experiences	(211,485)	283,813	(833,418)	(343,066)	(425,107)	(659,966)	-
Changes of assumptions [2]	46,143	584,615	(251,695)	-	1,633,122	-	-
Benefit payments, including refunds of employee contributions	(1,868,482)	(1,851,074)	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)	(1,632,053)
Net change in total pension liability	1,911,209	1,418,384	(321,094)	262,835	1,756,444	(25,678)	595,351
Total pension liability – beginning	28,099,293	26,680,909	27,002,003	26,739,168	24,982,724	25,008,402	24,413,051
Total pension liability – ending (a)	$ 30,010,502	$ 28,099,293	$ 26,680,909	$ 27,002,003	$ 26,739,168	$ 24,982,724	$ 25,008,402
Plan Fiduciary Net Position							
Contributions – employer [1]	$ 806,946	$ 732,187	$ 830,613	$ 569,215	$ 577,564	$ 628,975	$ 836,053
Contributions – state	217,473	221,641	202,468	190,399	181,303	175,025	175,703
Contributions – member	132,013	113,192	112,112	104,557	102,214	101,886	96,591
Net investment income	2,166,715	1,085,486	1,609,609	2,036,244	1,698,093	(538,198)	1,869,244
Benefit payments, including refunds of employee contributions	(1,868,482)	(1,851,074)	(1,764,575)	(1,821,727)	(1,744,710)	(1,655,069)	(1,632,053)
Administrative expenses	(57,304)	(64,930)	(54,400)	(39,184)	(44,882)	(25,084)	(38,242)
Net change in plan fiduciary net position	1,397,361	236,502	935,827	1,039,504	769,582	(1,312,465)	1,307,296
Plan fiduciary net position – beginning	22,132,402	21,895,900	20,960,073	19,920,569	19,150,987	20,463,452	19,156,156
Plan fiduciary net position – ending (b)	$ 23,529,763	$ 22,132,402	$ 21,895,900	$ 20,960,073	$ 19,920,569	$ 19,150,987	$ 20,463,452
Net pension liability – ending (a) – (b)	$ 6,480,739	$ 5,966,891	$ 4,785,009	$ 6,041,930	$ 6,818,599	$ 5,831,737	$ 4,544,950
Plan fiduciary net position as a percentage of the total pension liability	78.41%	78.76%	82.07%	77.62%	74.50%	76.66%	81.83%
Covered payroll	$ 2,640,254	$ 2,263,844	$ 2,242,245	$ 2,091,146	$ 2,073,208	$ 2,037,716	$ 1,975,478
Net pension liability as a percentage of covered payroll	245.46%	263.57%	213.40%	288.93%	328.89%	286.19%	230.07%

Notes:

[1] Adjusted for actual contributions made

[2] As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System in its July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

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

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

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

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

Reporting Date *	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 546,149	$ 513,466	$ 477,930	$ 494,032	$ 453,506	$ 478,365	$ 414,836	$ 384,107
Interest	2,063,083	1,978,589	1,864,720	1,830,663	1,645,954	1,554,072	1,425,875	1,367,809
Change in excess state money	-	-	-	-	-	-	89,886	
Changes of benefit terms [2]	-	(2,402)	-	-	-	804,097	-	-
Differences between expected and actual experiences	231,328	98,199	513,043	(199,349)	261,007	(224,382)	-	-
Contributions – buy back	-	-	-	32,155	-	72,413	-	-
Changes of assumptions [1]	66,865	655,972	601,424	258,300	1,243,794	-	-	-
Benefit payments, including refunds of employee contributions	(1,459,394)	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Net change in total pension liability	1,448,031	1,836,270	2,138,961	981,327	2,366,872	1,544,133	859,295	709,583
Total pension liability – beginning	28,063,048	26,226,778	24,087,817	23,106,490	20,739,618	19,195,485	18,336,190	17,626,607
Total pension liability – ending (a)	$29,511,079	$28,063,048	$26,226,778	$24,087,817	$23,106,490	$20,739,618	$19,195,485	$18,336,190
Plan Fiduciary Net Position								
Contributions – employer	$ 1,231,466	$ 1,016,560	$ 1,089,746	$ 794,144	$ 744,019	$ 672,369	$ 715,439	$ 703,618
Contributions – state	209,723	219,901	195,017	204,568	201,904	205,007	214,272	204,226
Contributions – member	204,865	189,154	182,127	173,480	164,876	150,357	135,622	133,633
Contributions – buy back	-	-	-	32,155	-	72,413	-	-
Net investment income	1,922,011	564,309	1,430,717	1,401,324	969,107	15,563	1,201,162	1,099,298
Benefit payments, including refunds of employee contributions	(1,459,394)	(1,407,554)	(1,318,156)	(1,434,474)	(1,237,389)	(1,140,432)	(1,071,302)	(1,042,333)
Administrative expenses	(55,253)	(66,388)	(67,773)	(28,449)	(43,625)	(47,088)	(34,537)	(33,706)
Net change in plan fiduciary net position	2,053,418	515,982	1,511,678	1,142,748	798,892	(71,811)	1,160,656	1,064,736
Plan fiduciary net position – beginning	17,559,808	17,043,826	15,532,148	14,389,400	13,590,508	13,662,319	12,501,663	11,436,927
Plan fiduciary net position – ending (b)	$19,613,226	$17,559,808	$17,043,826	$15,532,148	$14,389,400	$13,590,508	$13,662,319	$12,501,663
Net pension liability – ending (a) – (b)	$ 9,897,853	$10,503,240	$ 9,182,952	$ 8,555,669	$ 8,717,090	$ 7,149,110	$ 5,533,166	$ 5,834,527
Plan fiduciary net position as a percentage of the total pension liability	66.46%	62.57%	64.99%	64.48%	62.27%	65.53%	71.17%	68.18%
Covered payroll	$ 2,560,508	$ 2,364,429	$ 2,276,592	$ 2,168,503	$ 2,060,954	$ 2,072,260	$ 2,054,879	$ 2,054,879
Net pension liability as a percentage of covered payroll	386.56%	444.22%	403.36%	394.54%	422.96%	344.99%	269.27%	283.94%

Notes:

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

As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System in its July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

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

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

Reporting Date *	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 230,648	$ 190,791	$ 91,714	$ 105,139	$ 85,100
Interest	228,430	235,597	205,213	187,954	195,814
Differences between expected and actual experience [2]	(1,195,507)	-	(494,909)	-	-
Changes of assumptions [1]	1,699,860	519,859	288,811	(639,051)	702,672
Benefit payments	(250,893)	(232,308)	(151,409)	(139,227)	(139,227)
Net change in total OPEB liability	712,538	713,939	(60,580)	(485,185)	844,359
Total OPEB liability - beginning	6,274,415	5,560,476	5,621,056	6,106,241	5,261,882
Total OPEB liability - ending (a)	6,986,953	6,274,415	5,560,476	5,621,056	6,106,241
Plan Fiduciary Net Position					
Contributions - employer	253,893	242,108	154,409	148,727	141,727
Benefit payments [3]	(250,893)	(232,308)	(151,409)	(139,227)	(139,227)
Administrative expenses	(3,000)	(9,800)	(3,000)	(9,500)	(2,500)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-	-
Sponsor's total OPEB liability - ending (a) - (b)	$ 6,986,953	$ 6,274,415	$ 5,560,476	$ 5,621,056	$ 6,106,241
Plan fiduciary net position as a percentage of total OPEB liability **	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll (projected)	$ 12,085,491	$ 11,392,366	$ 10,891,364	$ 7,927,323	$ 7,520,263
City's total OPEB liability as a percentage of covered payroll	57.81%	55.08%	51.05%	70.91%	81.20%

Notes:

[1] As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System to match the pension plan assumptions. Changes of assumptions and other inputs also reflect the changes in the discount rate each period. The following are the discount rates used in each period:

FY 2021: 2.14%
FY 2020: 3.58%
FY 2019: 4.18%

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

[2] Differences between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of 9/30/2020.

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

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

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

Reporting Date	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Employees' Retirement Fund										
Actuarially determined contribution	$ 1,024,247	$ 1,419,339	$ 1,602,192	$ 1,771,147	$ 1,120,584	$ 1,197,424	$ 1,286,744	$ 1,187,794	$ 1,268,253	$ 1,258,659
Contributions in relation to the actuarially determined contributions	1,024,247	1,419,339	1,751,654	2,006,925	1,254,097	1,280,082	1,355,041	1,296,450	1,318,790	1,306,268
Contribution deficiency (excess)	$ -	$ -	$ (149,462)	$ (235,778)	$ (133,513)	$ (82,658)	$ (68,297)	$ (108,656)	$ (50,537)	$ (47,609)
Covered payroll[1]	$ 2,723,263	$ 2,957,684	$ 3,000,359	$ 3,162,762	$ 3,437,375	$ 4,045,350	$ 4,191,304	$ 4,255,801	$ 4,259,070	$ 4,542,537
Contributions as a percentage of covered payroll	37.61%	47.99%	58.38%	63.45%	36.48%	32.33%	32.33%	30.46%	30.96%	28.76%
Police Officers' Retirement Fund										
Actuarially determined contribution	$ 1,456,033	$ 1,024,419	$ 837,623	$ 928,289	$ 650,347	$ 709,037	$ 772,294	$ 932,426	$ 881,697	$ 875,055
Contributions in relation to the actuarially determined contributions	1,456,033	1,024,419	913,763	1,033,081	750,791	790,573	772,294	1,011,756	925,589	968,003
Contribution deficiency (excess)	$ -	$ -	$ (76,140)	$ (104,792)	$ (100,444)	$ (81,536)	$ -	$ (79,330)	$ (43,892)	$ (92,948)
Covered payroll[1]	$ 2,941,480	$ 2,640,254	$ 2,263,844	$ 2,242,245	$ 2,091,146	$ 2,073,208	$ 2,037,716	$ 1,975,478	$ 2,038,886	$ 2,178,847
Contributions as a percentage of covered payroll	49.50%	38.80%	40.36%	46.07%	35.90%	38.13%	37.90%	51.22%	45.40%	44.43%
Firefighters' Retirement Fund										
Actuarially determined contribution	$ 1,534,814	$ 1,293,057	$ 1,127,832	$ 1,138,295	$ 899,929	$ 816,138	$ 748,086	$ 824,007	$ 817,997	$ 700,045
Contributions in relation to the actuarially determined contributions	1,625,961	1,441,189	1,236,461	1,284,763	998,712	945,923	877,376	839,825	829,245	784,705
Contribution deficiency (excess)	$ (91,147)	$ (148,132)	$ (108,629)	$ (146,468)	$ (98,783)	$ (129,785)	$ (129,290)	$ (15,818)	$ (11,248)	$ (84,660)
Covered payroll[1]	$ 2,826,544	$ 2,560,508	$ 2,364,429	$ 2,276,592	$ 2,168,503	$ 2,060,954	$ 2,072,260	$ 2,121,613	$ 2,153,568	$ 1,946,811
Contributions as a percentage of covered payroll	57.52%	56.29%	52.29%	56.43%	46.06%	45.90%	42.34%	39.58%	38.51%	40.31%

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

See notes to the schedule of contributions.

CITY OF FORT WALTON BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2021

Measurement Date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
General Employees' Retirement Fund							
Annual Money-Weighted Rate of Return							
Net of Investment Expense	10.25%	3.78%	11.43%	12.45%	10.78%	-0.01%	8.82%
Police Officers' Retirement Fund							
Annual Money-Weighted Rate of Return							
Net of Investment Expense	10.01%	5.08%	7.82%	10.52%	9.12%	-2.69%	9.96%
Firefighters' Retirement Fund							
Annual Money-Weighted Rate of Return							
Net of Investment Expense	11.01%	3.33%	9.24%	9.88%	7.25%	0.12%	9.72%

Note: This information is not available for previous years.

Valuation Date: October 1, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry-Age Actuarial Cost Method

Mortality rates:

Healthy lives:

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

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

Disabled lives:

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male set back four years

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

Inflation: 2.50%

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

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

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

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

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

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

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

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

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

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

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

Valuation Date: October 1, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry-Age Normal Actuarial Cost Method

Mortality rates:

Healthy lives:

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

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

Disabled lives:

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

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

Interest rate: 7.40% per year, compounded annually, net of investment related expenses

Retirement age:

Member Age	Retirement Probability
55	10.0%
56	10.0%
57	33.3%
58	50.0%
59	50.0%
60+	100.0%

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

Early retirement:

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

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

Payroll growth: None

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

Salary increases:

Service Years	Assumption
Less than 1	10.0%
1-4	6.5%
5-9	6.0%
10-14	5.5%
15-19	4.5%
20+	3.5%

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

Disability rate:

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

Termination rate:

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

Valuation Date: October 1, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Entry Age Normal Actuarial Cost Method

Mortality rates:

Healthy lives:

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

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

Disabled lives:

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

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

Interest rate: 7.40% per year compounded annually, net of investment related expenses

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

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

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

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

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

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

Salary increases:

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

Disability rate:

Age	Disability Rate
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%
60	2.09%
65	2.09%

Termination rate:

Service Years	Termination Rate
0	13.0%
1	12.0%
2	11.0%
3	10.0%
4	9.0%
5	8.0%
6	7.0%
7	6.5%
8	6.0%
9	5.5%
10	5.0%
11	4.5%
12+	4.0%

Retirement age:

Member Age	Retirement Probability
45 - 54	3.0%
55+	100.0%

In addition to the above table, 100% are assumed to retire upon completion of 25 years of service. The assumed rates in this table were approved in conjunction with an actuarial experience study dated June 2017.

CITY OF FORT WALTON BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021

	Special Revenue Funds						
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	$ 191,051	$ 18,029	$ 950,233	$ -	$ 112,131	$ 21,156	$ 1,292,600
Investments	-	-	-	-	4,046,608	-	4,046,608
Due from other governments	4,523	-	-	42,392	-	-	46,915
TOTAL ASSETS	$ 195,574	$ 18,029	$ 950,233	$ 42,392	$ 4,158,739	$ 21,156	$ 5,386,123
LIABILITIES							
Accounts payable	$ 480	$ -	$ 4,082	$ 388	$ 4,507	$ -	$ 9,457
Accrued liabilities	86,886	-	11,742	-	-	-	98,628
Due to other funds	-	-	-	61,786	-	-	61,786
Total liabilities	87,366	-	15,824	62,174	4,507	-	169,871
FUND BALANCE							
Restricted	108,208	18,029	934,409	-	-	21,156	1,081,802
Committed	-	-	-	-	4,154,232	-	4,154,232
Unassigned	-	-	-	(19,782)	-	-	(19,782)
Total fund balance	108,208	18,029	934,409	(19,782)	4,154,232	21,156	5,216,252
TOTAL LIABILITIES AND FUND BALANCE	$ 195,574	$ 18,029	$ 950,233	$ 42,392	$ 4,158,739	$ 21,156	$ 5,386,123

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, 2021

	Special Revenue Funds						
	Law Enforcement Trust	Law Enforcement Trust Training	Florida Building Code	Community Development Block Grant	Beal Memorial Cemetery Perpetual Care	Debt Service	Total Nonmajor Governmental Funds
REVENUES							
Permits and fees	$ -	$ -	$ 635,702	$ -	$ -	$ -	$ 635,702
Intergovernmental	9,125	-	-	294,572	-	-	303,697
Fines	8,864	4,482	-	-	-	-	13,346
Miscellaneous	4,623	18	1,078	-	662,796	-	668,515
Total revenues	22,612	4,500	636,780	294,572	662,796	-	1,621,260
EXPENDITURES							
Current							
Public safety	2,784	-	470,461	-	-	-	473,245
Physical environment	-	-	-	-	15,413	-	15,413
Economic environment	-	-	-	296,871	-	-	296,871
Capital outlay	8,434	-	1,150	-	-	-	9,584
Debt service							
Principal	-	-	-	-	-	1,203,619	1,203,619
Interest	-	-	-	-	-	704,720	704,720
Total expenditures	11,218	-	471,611	296,871	15,413	1,908,339	2,703,452
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,394	4,500	165,169	(2,299)	647,383	(1,908,339)	(1,082,192)
OTHER FINANCING SOURCES							
Transfers in	-	-	-	-	55,167	1,908,339	1,963,506
Total other financing sources	-	-	-	-	55,167	1,908,339	1,963,506
NET CHANGE IN FUND BALANCE	11,394	4,500	165,169	(2,299)	702,550	-	881,314
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	96,814	13,529	769,240	(17,483)	3,451,682	21,156	4,334,938
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 108,208	$ 18,029	$ 934,409	$ (19,782)	$ 4,154,232	$ 21,156	$ 5,216,252

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ -	$ 10,500	$ 9,125	$ (1,375)
Fines	-	-	8,864	8,864
Miscellaneous	2,309	2,309	4,623	2,314
Total revenues	2,309	12,809	22,612	9,803
EXPENDITURES				
Current				
Public safety	14,402	14,402	2,784	11,618
Capital outlay	-	10,500	8,434	2,066
Total expenditures	14,402	24,902	11,218	13,684
NET CHANGE IN FUND BALANCE	(12,093)	(12,093)	11,394	23,487
FUND BALANCE AT BEGINNING OF YEAR	12,093	12,093	96,814	84,721
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 108,208	$ 108,208

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines	$ 400	$ 400	$ 4,482	$ 4,082
Miscellaneous	100	100	18	(82)
Total revenues	500	500	4,500	4,000
EXPENDITURES				
Current				
Public safety	500	500	-	500
Total expenditures	500	500	-	500
NET CHANGE IN FUND BALANCE	-	-	4,500	4,500
FUND BALANCE AT BEGINNING OF YEAR	-	-	13,529	13,529
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 18,029	$ 18,029

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Permits and fees	$ 472,211	$ 472,211	$ 635,702	$ 163,491
Miscellaneous	2,000	2,000	1,078	(922)
Total revenues	474,211	474,211	636,780	162,569
EXPENDITURES				
Current				
Public safety	479,061	479,061	470,461	8,600
Capital outlay	4,510	4,510	1,150	3,360
Total expenditures	483,571	483,571	471,611	11,960
NET CHANGE IN FUND BALANCE	(9,360)	(9,360)	165,169	174,529
FUND BALANCE AT BEGINNING OF YEAR	9,360	9,360	769,240	759,880
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 934,409	$ 934,409

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 234,807	$ 433,526	$ 294,572	$ (138,954)
Total revenues	234,807	433,526	294,572	(138,954)
EXPENDITURES				
Current				
Economic environment	255,836	454,555	296,871	157,684
Total expenditures	255,836	454,555	296,871	157,684
NET CHANGE IN FUND BALANCE	(21,029)	(21,029)	(2,299)	18,730
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	21,029	21,029	(17,483)	(38,512)
FUND BALANCE (DEFICIT) AT END OF YEAR	$ -	$ -	$ (19,782)	$ (19,782)

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ 26,500	$ 26,500	$ 662,796	$ 636,296
EXPENDITURES				
Current				
Physical environment	12,200	12,200	15,413	(3,213)
EXCESS OF REVENUES OVER EXPENDITURES	14,300	14,300	647,383	633,083
OTHER FINANCING SOURCES (USES)				
Transfers in	40,983	40,983	55,167	14,184
Transfers out	(60,000)	(60,000)	-	60,000
Total other financing sources (uses)	(19,017)	(19,017)	55,167	74,184
NET CHANGE IN FUND BALANCE	(4,717)	(4,717)	702,550	707,267
FUND BALANCE AT BEGINNING OF YEAR	4,717	4,717	3,451,682	3,446,965
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 4,154,232	$ 4,154,232

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	799,647	799,647	1,203,619	(403,972)
Interest	276,932	276,932	704,720	(427,788)
Total expenditures	1,076,579	1,076,579	1,908,339	(831,760)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,076,579)	(1,076,579)	(1,908,339)	(831,760)
OTHER FINANCING SOURCES				
Transfers in	1,076,579	1,076,579	1,908,339	831,760
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	21,156	21,156
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 21,156	$ 21,156

III. STATISTICAL SECTION (UNAUDITED)

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

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

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

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

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

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

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net investment in capital assets	$ 25,379,050	$ 23,531,576	$ 24,866,399	$ 27,443,877	$ 27,791,054	$ 27,347,098	$ 29,375,380	$ 28,280,342	$ 28,266,271	$ 28,034,343
Restricted										
Debt service	113,507	21,156	25,449	25,449	21,156	21,156	26	-	21,156	21,156
Improvement Districts	3,736,100	3,833,430	4,073,364	1,874,265	1,437,363	1,552,484	1,812,525	1,691,456	3,060,014	4,133,412
Public safety	262,648	462,375	565,946	507,625	536,448	426,892	468,331	673,892	879,583	1,060,646
Other purposes	194,193	177,129	172,630	187,575	165,895	93,456	66,707	1,370,446	2,248,298	3,784,023
Unrestricted	11,487,979	9,329,608	10,700,661	159,868	2,158,813	(1,447,438)	(2,667,720)	(377,793)	4,171,642	8,279,303
Total governmental activities net position	$ 41,173,477	$ 37,355,274	$ 40,404,449	$ 30,198,659	$ 32,110,729	$ 27,993,648	$ 29,055,249	$ 31,638,343	$ 38,646,964	$ 45,312,883
Business-Type Activities										
Net investment in capital assets	$ 14,929,648	$ 17,305,881	$ 13,779,184	$ 12,886,793	$ 12,893,855	$ 13,818,340	$ 13,829,575	$ 13,678,160	$ 14,566,978	$ 14,023,752
Restricted										
Debt service	184,933	1,087,405	1,082,935	157,228	157,228	157,228	157,228	157,228	157,228	157,228
System improvements	112,863	305,508	367,263	382,734	404,761	452,472	440,212	454,564	465,123	476,154
Unrestricted	8,552,169	9,379,587	9,658,709	10,656,992	11,118,844	11,731,659	12,252,058	14,010,607	14,639,462	15,561,538
Total business-type activities net position	$ 23,779,613	$ 28,078,381	$ 24,888,091	$ 24,083,747	$ 24,574,688	$ 26,159,699	$ 26,679,073	$ 28,300,559	$ 29,828,791	$ 30,218,672
Primary Government										
Net investment in capital assets	$ 40,308,698	$ 40,837,576	$ 38,645,583	$ 40,330,670	$ 40,684,909	$ 41,165,438	$ 43,204,955	$ 41,958,502	$ 42,833,249	$ 42,058,095
Restricted	4,604,244	5,887,003	6,287,587	3,134,876	2,722,851	2,703,688	2,945,029	4,347,586	6,831,402	9,632,619
Unrestricted	20,040,148	18,709,195	20,359,370	10,816,860	13,277,657	10,284,221	9,584,338	13,632,814	18,811,104	23,840,841
Total primary government net position	$ 64,953,090	$ 65,433,774	$ 65,292,540	$ 54,282,406	$ 56,685,417	$ 54,153,347	$ 55,734,322	$ 59,938,902	$ 68,475,755	$ 75,531,555

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 2
CHANGES IN NET POSITION
Last Ten Fiscal Years
(full accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
General government	$ 4,314,050	$ 2,662,406	$ 3,179,768	$ 2,735,875	$ 3,285,039	$ 3,581,072	$ 3,799,439	$ 3,559,619	$ 4,182,204	$ 4,222,810
Public safety	9,805,368	9,729,228	9,685,621	9,562,140	10,172,215	11,507,059	11,420,904	11,159,777	12,040,368	13,746,451
Physical environment	383,970	379,681	392,255	379,334	430,490	543,287	505,458	519,126	497,072	547,701
Transportation	1,592,150	1,631,665	1,495,374	1,474,209	1,494,178	1,536,979	1,401,819	1,406,227	1,268,589	1,253,402
Economic environment	707,603	1,090,025	803,175	1,813,782	1,540,230	1,591,643	1,174,794	1,412,332	1,317,571	1,131,722
Culture and recreation	2,880,815	2,715,977	4,829,004	4,601,503	5,375,183	5,403,198	5,538,881	5,781,339	5,999,273	5,990,714
Debt service interest	254,516	324,405	483,301	340,497	323,639	304,331	291,590	664,131	727,034	700,924
Total government activities	19,938,472	18,533,387	20,868,498	20,907,340	22,620,974	24,467,569	24,132,885	24,502,551	26,032,111	27,593,724
Business-type activities										
Utilities	7,017,160	7,644,240	9,185,338	9,205,259	10,066,769	9,420,248	9,810,437	9,961,949	9,315,619	10,574,909
Sanitation	2,741,266	3,163,638	3,393,269	3,319,760	3,407,992	3,687,087	3,774,624	3,720,984	3,824,136	3,996,753
Golf	2,012,165	2,023,186	2,215	-	-	-	-	-	-	-
Stormwater	497,211	611,962	439,191	460,314	611,351	681,541	727,282	762,181	764,925	1,040,698
Total business-type activities	12,267,802	13,443,026	13,020,013	12,985,333	14,086,112	13,788,876	14,312,343	14,445,114	13,904,680	15,612,360
Total primary government expenses	$ 32,206,274	$ 31,976,413	$ 33,888,511	$ 33,892,673	$ 36,707,086	$ 38,256,445	$ 38,445,228	$ 38,947,665	$ 39,936,791	$ 43,206,084
Program Revenues										
Governmental activities										
Charges for services										
General government	$ 430,718	$ 409,983	$ 476,824	$ 421,987	$ 421,503	$ 448,911	$ 434,820	$ 508,494	$ 532,475	$ 550,688
Public safety	373,855	640,271	495,111	490,379	523,163	570,556	532,536	643,944	1,440,937	1,883,415
Physical environment	439,555	404,429	376,998	409,253	371,205	399,338	387,821	414,695	415,266	724,582
Transportation	118,067	122,275	140,038	140,809	207,860	240,653	246,164	252,418	258,883	270,779
Economic environment	58,000	34,652	10	5,000	392,118	12,000	-	21,300	36,701	51,039
Culture and recreation	400,215	374,362	1,853,087	1,930,131	1,805,332	1,846,019	2,078,405	2,171,484	2,095,326	2,572,448
Operating grants and contributions	589,253	786,652	682,200	909,461	908,595	825,624	706,094	765,032	4,049,001	2,348,391
Capital grants and contributions	156,794	80,936	109,629	525,320	802,809	361,641	1,487,587	37,406	232,491	186,874
Total governmental activities program revenues	2,566,457	2,853,560	4,133,897	4,832,340	5,432,585	4,704,742	5,873,427	4,814,773	9,061,080	8,588,216
Business-type activities										
Charges for services										
Utilities	7,974,601	8,623,082	8,586,045	9,233,820	10,141,724	10,970,823	10,737,496	11,390,289	11,356,045	11,856,685
Sanitation	3,313,559	3,499,559	3,571,037	3,582,005	3,599,838	3,663,445	3,774,519	3,871,204	3,934,207	4,381,765
Golf	1,776,649	1,758,709	-	-	-	-	-	-	-	-
Stormwater	577,706	591,196	596,133	694,581	860,644	917,844	975,805	1,027,310	1,035,033	1,035,527
Operating grants and contributions	-	1,071	-	-	-	-	-	-	-	-
Capital grants and contributions	331,609	1,871,295	(157,294)	87,797	533,515	1,314,521	151,049	93,282	211,962	89,963
Total business-type activities program revenues	13,974,124	16,344,912	12,595,921	13,598,203	15,135,721	16,866,633	15,638,869	16,382,085	16,537,247	17,363,940
Total primary government program revenues	$ 16,540,581	$ 19,198,472	$ 16,729,818	$ 18,430,543	$ 20,568,306	$ 21,571,375	$ 21,512,296	$ 21,196,858	$ 25,598,327	$ 25,952,156

Continued…

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue										
Governmental activities	$ (17,372,015)	$ (15,679,827)	$ (16,734,601)	$ (16,075,000)	$ (17,188,389)	$ (19,762,827)	$ (18,259,458)	$ (19,687,778)	$ (16,971,031)	$ (19,005,508)
Business-type activities	1,706,322	2,901,886	(424,092)	612,870	1,049,609	3,077,757	1,326,526	1,936,971	2,632,567	1,751,580
Total primary government	$ (15,665,693)	$ (12,777,941)	$ (17,158,693)	$ (15,462,130)	$ (16,138,780)	$ (16,685,070)	$ (16,932,932)	$ (17,750,807)	$ (14,338,464)	$ (17,253,928)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	$ 4,295,068	$ 4,175,136	$ 5,385,235	$ 5,473,438	$ 5,617,998	$ 5,807,598	$ 6,041,303	$ 6,416,668	$ 6,573,751	$ 6,608,861
Sales taxes	2,198,270	2,241,242	2,362,190	2,557,062	2,707,153	2,792,840	2,941,301	4,335,114	4,940,279	6,021,460
Utility service taxes	3,739,311	3,761,437	3,889,976	4,036,009	3,931,939	3,962,859	4,182,026	4,045,085	4,024,523	4,136,505
Tax Increments for Redevelopment district	1,386,521	1,311,101	1,501,208	1,552,560	1,628,439	1,649,589	1,811,121	1,893,803	2,369,529	2,320,213
Franchise Fees	1,876,575	1,764,733	2,004,101	2,162,617	2,202,420	2,034,209	2,131,104	2,084,717	2,070,302	2,146,088
Intergovernmental, unrestricted	809,756	818,039	819,556	896,837	910,615	981,613	1,009,901	1,034,884	978,949	1,101,020
Gain on sale of assets	16,440	37,833	520,152	524,720	873,101	-	-	66,523	158,530	740,344
Miscellaneous	154,996	106,546	103,986	199,776	27,976	157,806	93,106	77,264	44,913	93,227
Investment earnings	159,465	62,285	345,734	272,076	444,972	414,160	263,824	1,225,235	1,071,190	743,927
Special item: Impairment loss	-	(271,287)	-	-	-	-	-	-	-	-
Transfers	1,656,032	(2,145,441)	2,851,638	657,558	755,846	761,739	847,373	1,091,579	1,747,686	1,759,782
Total governmental activities	16,292,434	11,861,624	19,783,776	18,332,653	19,100,459	18,562,413	19,321,059	22,270,872	23,979,652	25,671,427
Business-type activities										
Gain on sale of assets	35,111	20,662	22,813	716	26,093	32,663	14,258	44,914	16,801	260,579
Miscellaneous	48,550	6,504	6,839	9,222	5,502	27,727	16,575	17,671	1,551	105,520
Investment earnings	69,622	11,107	55,669	159,761	165,583	85,567	9,388	713,509	624,999	31,984
Special item: Impairment loss	(588,652)	(786,713)	-	-	-	-	-	-	-	-
Transfers	(1,656,032)	2,145,441	(2,851,638)	(657,558)	(755,846)	(761,739)	(847,373)	(1,091,579)	(1,747,686)	(1,759,782)
Total business-type activities	(2,091,401)	1,397,001	(2,766,317)	(487,859)	(558,668)	(615,782)	(807,152)	(315,485)	(1,104,335)	(1,361,699)
Total primary government	$ 14,201,033	$ 13,258,625	$ 17,017,459	$ 17,844,794	$ 18,541,791	$ 17,946,631	$ 18,513,907	$ 21,955,387	$ 22,875,317	$ 24,309,728
Change in Net Position										
Governmental activities	$ (1,079,581)	$ (3,818,203)	$ 3,049,175	$ 2,257,653	$ 1,912,070	$ (1,200,414)	$ 1,061,601	$ 2,583,094	$ 7,008,621	$ 6,665,919
Business-type activities	(385,079)	4,298,887	(3,190,409)	125,011	490,941	2,461,975	519,374	1,621,486	1,528,232	389,881
Total primary government	$ (1,464,660)	$ 480,684	$ (141,234)	$ 2,382,664	$ 2,403,011	$ 1,261,561	$ 1,580,975	$ 4,204,580	$ 8,536,853	$ 7,055,800

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 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	$ 2,857,963	$ 254,229	$ 262,964	$ 249,732	$ 240,865	$ 245,181	$ 250,315	$ 269,837	$ 286,427	$ 259,960
Restricted	194,193	7,868,522	4,083,267	183,512	163,817	93,456	66,707	4,497,485	2,248,298	5,712,331
Committed	5,040,585	5,501,353	5,589,056	5,761,221	6,009,523	6,687,557	6,663,230	8,019,062	8,045,739	8,649,189
Assigned	354,999	1,301,385	1,584,887	1,396,207	1,198,378	1,891,555	1,913,861	2,341,510	2,184,202	3,908,571
Unassigned	1,611,120	788,076	1,300,881	2,225,633	4,356,681	3,561,586	2,282,375	3,291,695	8,218,150	8,845,558
Total general fund	$ 10,058,860	$ 15,713,565	$ 12,821,055	$ 9,816,305	$ 11,969,264	$ 12,479,335	$ 11,176,488	$ 18,419,589	$ 20,982,816	$ 27,375,609
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ 798	$ 848	$ 1,762	$ -	$ -	$ -	$ -	$ -
Restricted	4,112,255	4,316,961	4,663,961	2,410,554	1,995,283	2,000,532	2,280,882	2,365,348	3,960,753	5,215,214
Committed	1,959,836	2,035,225	2,249,720	2,259,756	2,467,828	2,739,865	2,974,049	3,120,593	3,451,682	4,154,232
Unassigned	(302)	(2,745)	(6,231)	-	-	(5,861)	(19,270)	(31,326)	(17,483)	(19,782)
Total all other governmental funds	$ 6,071,789	$ 6,349,441	$ 6,908,248	$ 4,671,158	$ 4,464,873	$ 4,734,536	$ 5,235,661	$ 5,454,615	$ 7,394,952	$ 9,349,664

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 4
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	$ 10,065,983	$ 9,901,157	$ 11,537,812	$ 11,837,177	$ 11,941,311	$ 12,220,392	$ 12,741,642	$ 13,101,370	$ 13,441,866	$ 13,705,445
Licenses, permits, and fees	2,142,995	2,221,406	2,392,487	2,564,079	2,623,810	2,514,178	2,586,035	2,659,200	3,475,389	4,102,640
Intergovernmental	3,291,693	3,400,876	3,376,079	3,951,367	4,322,696	4,266,425	4,880,937	5,516,224	9,870,743	9,094,488
Charges for services	969,560	1,065,316	2,373,486	2,499,107	2,402,801	2,488,384	2,739,021	2,868,887	2,757,191	3,461,193
Fines and forfeits	142,936	241,923	133,645	131,020	121,513	127,406	101,378	94,578	93,827	77,476
Miscellaneous	537,975	431,625	827,526	1,142,936	935,821	1,042,958	819,264	1,770,325	1,561,538	1,358,329
Total Revenues	17,151,142	17,262,303	20,641,035	22,125,686	22,347,952	22,659,743	23,868,277	26,010,584	31,200,554	31,799,571
Expenditures										
General governmental services	3,899,740	2,514,734	2,891,275	2,813,835	3,017,374	3,228,767	3,631,410	3,377,241	3,620,756	3,632,924
Public safety	9,154,002	9,066,246	9,082,876	9,080,984	9,053,178	9,913,344	10,584,430	10,157,745	11,255,650	12,988,274
Physical environment	295,459	311,684	325,864	339,596	337,831	372,552	425,472	439,446	440,769	491,526
Transportation	966,050	1,012,387	867,730	862,712	852,602	890,762	762,058	824,349	723,669	741,097
Economic environment	652,086	1,032,659	745,586	1,730,631	1,432,788	1,468,393	1,045,687	1,282,063	1,182,887	945,657
Culture and recreation	2,383,239	2,267,141	3,744,452	4,122,310	4,196,979	4,170,787	4,477,927	4,685,690	4,929,243	4,924,696
Capital outlay	2,609,203	1,282,142	4,721,096	8,128,139	2,105,686	1,598,285	3,574,823	10,498,028	4,546,491	2,823,402
Debt service										
Principal	211,683	4,540,488	612,996	660,107	673,851	682,229	718,320	698,381	1,084,666	1,203,619
Interest and other costs	243,959	203,347	377,574	354,544	336,835	316,629	297,245	547,165	734,680	708,959
Total expenditures	20,415,421	22,230,828	23,369,449	28,092,858	22,007,124	22,641,748	25,517,372	32,510,108	28,518,811	28,460,154
Excess of revenue over (under) expenditures	(3,264,279)	(4,968,525)	(2,728,414)	(5,967,172)	340,828	17,995	(1,649,095)	(6,499,524)	2,681,743	3,339,417
Other Financing Sources (Uses)										
Capital lease proceeds	-	103,784	-	67,774	-	-	-	350,000	74,135	-
Transfers in	2,284,416	673,836	1,636,165	1,721,632	1,798,184	1,794,419	1,868,634	2,353,906	3,620,644	3,723,288
Transfers out	(628,384)	(2,819,277)	(1,241,454)	(1,064,074)	(1,042,338)	(1,032,680)	(1,021,261)	(1,262,327)	(1,872,958)	(1,963,506)
Sale of general capital assets	-	-	-	-	850,000	-	-	-	-	748,986
Debt issuance	-	12,942,539	-	-	-	-	-	12,520,000	-	2,499,320
Total other financing sources (uses)	1,656,032	10,900,882	394,711	725,332	1,605,846	761,739	847,373	13,961,579	1,821,821	5,008,088
Net change in fund balance	$ (1,608,247)	$ 5,932,357	$ (2,333,703)	$ (5,241,840)	$ 1,946,674	$ 779,734	$ (801,722)	$ 7,462,055	$ 4,503,564	$ 8,347,505
Debt service as a percentage of noncapital expenditures	2.56%	22.65%	5.31%	5.08%	5.08%	4.75%	4.63%	5.66%	7.59%	7.46%

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 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
2021	$13,705,445	$4,102,640	$9,094,488	$3,461,193	$77,476	$1,358,329	$5,008,088	$36,807,659
2020	13,441,866	3,475,389	9,870,743	2,757,191	93,827	1,561,538	1,821,821	33,022,375
2019	13,101,370	2,659,200	5,516,224	2,868,887	94,578	1,770,325	15,223,906	41,234,490
2018	12,741,642	2,586,035	4,880,937	2,739,021	101,378	819,264	1,868,634	25,736,911
2017	12,220,392	2,514,178	4,266,425	2,488,384	127,406	1,042,958	1,794,419	24,454,162
2016	11,941,311	2,623,810	4,322,696	2,402,801	121,513	935,821	2,648,184	24,996,136
2015	11,837,177	2,564,079	3,951,367	2,499,107	131,020	1,142,936	1,789,406	23,915,092
2014	11,537,812	2,392,487	3,376,079	2,373,486	133,645	827,526	1,636,165	22,277,200
2013	9,901,157	2,221,406	3,400,876	1,065,316	241,923	431,625	13,720,159	30,982,462
2012	10,065,983	2,142,995	3,291,683	969,560	152,936	537,975	2,284,416	19,445,548

[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
2021	$ 1,509,800,706	$ 127,094,869	$ 2,156,732,885	$ 519,837,310	$ 1,636,895,575	5.3293
2020	1,423,217,107	121,764,835	2,054,497,373	509,515,431	1,544,981,942	5.3293
2019	1,330,528,554	118,539,677	1,942,542,259	493,474,028	1,449,068,231	5.6395
2018	1,240,032,941	113,382,574	1,831,324,319	477,406,649	1,353,917,670	5.7697
2017	1,622,927,933	117,555,021	1,740,482,954	462,721,193	1,277,761,761	5.7697
2016	1,569,650,612	113,113,590	1,682,764,202	458,344,109	1,224,420,093	5.7697
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

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

Source: Okaloosa County Property Appraiser

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

City of Fort Walton Beach Direct Rate			Overlapping Rates*			
Fiscal Year	Basic Rate	Total Direct Rate	Okaloosa County	Okaloosa County School Board	Northwest Florida Water Management	Total Overlapping Rates
2021	5.3293	5.3293	3.8308	5.9430	0.0294	9.8032
2020	5.3293	5.3293	3.8308	6.0350	0.0311	9.8969
2019	5.6395	5.6395	3.8308	6.2060	0.0327	10.0695
2018	5.7697	5.7697	3.8308	6.3610	0.0338	10.2256
2017	5.7697	5.7697	3.8308	6.5880	0.0353	10.4541
2016	5.7697	5.7697	3.4308	6.9070	0.0366	10.3744
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

[1] As of levy date, November 1 of each year listed.
The 2019 millage rate is the basis for Fiscal Year 2018-19 tax revenues.
* Overlapping rates are those of local and county governments that apply to property owners within the City of Fort Walton E

Source: Okaloosa County Tax Collector

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

	2021			2012			
Taxpayer	**Total Assessed Value**	**Percentage**	**Rank**	**Total Assessed Value**	**Percentage**	**Rank**	
Florida Power & Light Co.	$ 29,163,143	1.78%	1	$ 14,236,425	1.27%	1	Uptown Station Investors, LLC
Suso 2 Uptown, LP	16,723,033	1.02%	2	7,395,000	0.66%	2	Presidio Developers, LLC
BAE Systems Technology	9,414,638	0.58%	3	6,287,673	0.56%	3	BLC Westwood, LLC
Pacifica Walton Beach LLC	8,018,984	0.49%	4	4,916,159	0.44%	4	DRS Training & Control Systems
Cox Communications Gulf Coast, LLC	7,360,150	0.45%	5	4,867,494	0.43%	5	DDRM Shoppes at Paradise
99 Eglin LTD	7,262,643	0.44%	6	4,193,682	0.37%	6	FNBT Bank
H&E Equipment Service	7,203,248	0.44%	7	4,095,529	0.37%	7	Choctaw Plaza LTD
127 Miracle Strip LLC	6,691,847	0.41%	8	4,088,691	0.37%	8	ECH II - Captain's Quarters, LLC
DJD Investments of FL II LLC	6,236,692	0.38%	9	3,736,780	0.33%	9	Mariner Plaza Realty Assoc.
University Place, Inc.	5,864,625	0.36%	10	3,605,499	0.32%	10	Brown, Brown & Brown
Total Taxable Assessed Value of Principal Taxpayers	103,939,003	6.35%		57,422,932	5.13%		
Total Taxable Assessed Value of Other Taxpayers	1,532,956,572	93.65%		1,061,993,042	94.87%		
Total Taxable Assessed Value	$ 1,636,895,575	100.00%		$ 1,119,415,974	100.00%		

(1) The 2020 tax roll is the basis for Fiscal Year 2020-21 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
2021	The 2021 tax levy is the basis for Fiscal Year 2021-22 tax revenues.							
2020	$ 8,245,481	$ 7,939,074	96.3%	$ 13,594	$ 7,952,668	96.4%	$ 6,029	0.1%
2019	8,186,794	7,900,798	96.5%	18,327	7,919,125	96.7%	7,490	0.1%
2018	7,822,441	7,526,583	96.2%	20,747	7,547,330	96.5%	3,469	0.0%
2017	7,387,081	7,119,876	96.4%	8,632	7,128,508	96.5%	8,122	0.1%
2016	7,080,530	6,826,718	96.4%	18,798	6,845,517	96.7%	9,696	0.1%
2015	6,858,983	6,606,940	96.3%	30,392	6,637,332	96.8%	8,058	0.1%
2014	6,656,342	6,414,562	96.4%	31,452	6,446,014	96.8%	3,604	0.1%
2013	6,528,146	6,269,683	96.0%	76,388	6,346,071	97.2%	11,388	0.2%
2012	5,096,206	4,880,002	95.8%	50,880	4,930,882	96.8%	10,265	0.2%

[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

	Governmental Activities				Business Activities							
Fiscal Year	General Obligation Bonds	Lease Payable	Revenue Notes	Revenue Bonds	General Obligation Bonds	Lease Payable	Revenue Notes	State Revolving Loans	Revenue Bonds	Total Primary Government	Percentage of Personal Income [1]	Per Capita [2]
2021	$ -	$ 944,447	$ 9,828,934	$ 11,764,842	$ -	$ -	$ 6,637,000	$ 11,186,723	$ -	$ 40,361,946	0.35%	1,726.42
2020	-	67,035	9,025,971	12,149,516	-	-	7,093,000	11,907,259	-	40,242,781	0.42%	1,742.64
2019	-	6,681	9,726,372	12,520,000	-	-	7,537,000	12,614,297	-	42,404,350	0.44%	1,920.14
2018	-	42,217	10,408,945	-	-	-	7,968,000	13,308,089	-	31,727,251	0.36%	1,484.80
2017	-	76,099	11,073,656	-	-	-	8,387,000	13,988,885	-	33,525,640	0.39%	1,578.57
2016	-	106,653	11,725,331	-	-	-	8,794,000	14,656,929	-	35,282,913	0.43%	1,617.22
2015	-	134,249	12,371,587	-	-	-	8,794,000	15,312,458	-	36,612,294	0.45%	1,754.39
2014	-	89,654	13,008,515	-	-	-	-	14,004,706	9,640,146	36,743,021	0.48%	1,773.40
2013	-	101,696	13,535,936	-	-	-	73,533	7,068,522	9,925,055	30,704,742	0.42%	1,515.83
2012	-	-	661,796	4,470,000	-	13,458	61,221	-	10,199,963	15,406,438	0.21%	762.92

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 General Obligation Bonds	Percentage of Actual Taxable Value of Property [1]	Per Capita [2]
2021	$ -	0.00%	$ -
2020	-	0.00%	-
2019	-	0.00%	-
2018	-	0.00%	-
2017	-	0.00%	-
2016	-	0.00%	-
2015	-	0.00%	-
2014	-	0.00%	-
2013	-	0.00%	-
2012	-	0.00%	-

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

[1] See Schedule 6 for property value data.

[2] See Schedule 15 for population data.

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

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

Fiscal Year	Non-Ad Valorem Revenues [1]	Average Non-Ad Valorem Revenues Avail. for Debt Service	Debt Service Requirements [2]			
			Principal	Interest	Total	Coverage
2021	$ 40,695,849	$ 39,997,947	$ 2,380,155	$1,133,336	$ 3,513,491	11.38
2020	39,300,045	43,467,423	2,235,704	1,185,842	3,421,546	12.70
2019	47,634,800	39,571,847	1,823,173	1,029,403	2,852,576	13.87
2018	31,508,894	29,893,013	1,846,847	803,314	2,650,161	11.28
2017	28,277,131	28,292,306	1,726,719	831,220	2,557,939	11.06
2016	28,307,481	28,537,163	1,301,785	860,023	2,161,808	13.20
2015	28,766,844	27,680,114	962,155	940,698	1,902,853	14.55
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

[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, Capital Improvement Revenue Bonds, Series 2018, Utility System Revenue Note 2015, SRF Loan, 2011 Revenue Note, and Capital Leases. 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	$ 71,890,000	10.71%	(2)	$ 7,697,491
Okaloosa County School District				
Certificates of Participation	3,424,000	25.45%	(1)	871,564
Subtotal: Overlapping Debt	$ 75,314,000			$ 8,569,054
Direct Debt				
City of Fort Walton Beach Revenue Notes	$ 21,593,776	100.00%		$ 21,593,776
City of Fort Walton Beach Lease Payable	343,701	100.00%		343,701
Subtotal: Direct Debt	$ 21,937,477			$ 21,937,477
Total Direct and Overlapping Debt	$ 97,251,477			$ 30,506,531

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

		2021			2012		
Employer	**Product**	**Employees**	**Percentage of Total Employment**	**Ranking**	**Employees**	**Percentage of Total Employment**	**Ranking**
USAF - Eglin[1]	Air Force Development Test Center	17,040	18.24%	1	19,310	20.51%	1
USAF - Hurlburt[2]	Air Force Special Ops Command	13,594	14.55%	2	10,564	11.22%	2
Okaloosa County School District	Education Services	3,294	3.53%	3	3,129	3.32%	3
Fort Walton Beach Medical Center[4]	Medical Services	1,341	1.44%	4	1,097	1.17%	5
Publix (Okaloosa Combined)	Consumer Products	1,092	1.17%	5			
Okaloosa County BCC[3]	Local Government Services	955	1.02%	6	1,346	1.43%	4
Lockheed Martin	Defense Contractor	925	0.99%	7	827	0.88%	6
Reliance Test & Technology	Government Contractor	721	0.77%	8			
Northwest Florida State College	Education Services	717	0.77%	9	701	0.74%	8
North Okaloosa Medical Center	Medical Services	609	0.65%	10			
InDyne Inc	Military Technical Support				800	0.85%	7
Jacobs Technology - TEAS Group	Military Technical Support				566	0.60%	9
ResortQuest	Property Management Services				463	0.49%	10
		40,288	43.13%		38,803	41.22%	

[1]Includes military, civilian, and contractor personnel; a portion of contractor personnel may be duplicated with private sector employees also listed here.
[2]Includes military and civilian personnel.
[3]Includes County Commission, Clerk of Court, Property Appraiser, Sheriff (estimated), Supervisor of Elections, and Tax Collector.
[4]Economic Development Council estimated the employee count for largest employers in Okaloosa County for FY19.
Source: Personnel Department of each employer

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

Fiscal Year	Fort Walton Beach Population	Okaloosa County Population	FWB as a % of the County	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2021	23,379	218,346	10.71%	$ 11,626,309	$ 54,630	2.8%
2020	23,093	214,542	10.76%	10,680,336	50,680	4.1%
2019	22,084	210,738	10.48%	10,194,990	48,875	2.3%
2018	21,368	206,934	10.33%	9,678,184	47,433	3.4%
2017	21,238	203,478	10.44%	9,151,339	46,836	3.0%
2016	21,817	200,071	10.90%	8,925,717	44,923	4.9%
2015	20,869	197,748	10.55%	8,534,823	44,695	4.4%
2014	20,719	194,615	10.65%	8,151,537	45,277	4.6%
2013	20,256	192,688	10.51%	8,094,613	44,960	4.7%
2012	20,194	189,762	10.64%	7,586,859	43,132	6.0%

		OKALOOSA COUNTY EDUCATION		
		FY 2021	FY 2020	FY 2019
Schools:	Grades K-5	23	23	23
	Grades 6-8	12	12	12
	Grades 9-12	8	8	8
	PK-12 / Charter / Alternate	2 / 5 / 10	2 / 5 / 10	2 / 5 / 10
	Grades K-8	1	1	1
	Vocational / Technical	1	1	1
	Exceptional Children	2	2	2
Students:	Grades K-5	16,554	22,082	15,459
	Grades 6-8	8,560	9,967	8,014
	Grades 9-12	10,116	10,070	9,428
	Adult Students	622	638	473
	Exceptional Children	7,564	7,543	6,023
Personnel:	Instructional (Classroom)	1,816	1,791	1,920
	Non-Instructional	789	849	752

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
City Manager	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00
Human Resources	4.00	4.00	4.70	4.70	4.70	3.60	3.00	3.00	3.00	3.00
Information Technology	4.00	4.00	4.00	4.00	3.80	2.00	2.00	2.00	2.00	2.00
City Clerk	2.00	2.00	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50
Finance	7.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
Purchasing	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.50	2.50
Public Safety										
Police	70.94	69.83	71.82	70.90	65.90	61.90	61.38	60.99	59.99	70.99
Fire	44.00	44.00	37.00	37.00	37.00	37.00	38.00	37.00	37.00	37.00
Recreation & Cultural Services										
Administration	12.70	12.70	12.70	11.50	11.50	12.90	12.64	12.32	13.45	13.67
Parks Maintenance	13.00	13.00	12.00	10.25	10.25	10.00	10.00	10.00	10.00	11.00
Right-of-Way Maintenance	-	-	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00
Senior Citizens Center	-	-	-	-	-	-	-	1.85	1.85	1.85
Golf Club	13.42	13.42	13.96	13.81	13.81	14.26	13.93	14.26	-	-
Golf Grounds Maintenance	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	-	-
Library	9.22	9.22	8.72	8.72	8.72	8.02	8.02	8.02	8.02	8.02
Museum	4.10	4.10	3.60	4.00	4.00	4.60	4.10	3.60	3.60	3.60
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Growth Management										
Administration	2.00	2.00	2.00	3.00	3.00	3.00	4.00	4.00	5.00	5.00
Planning & Zoning	4.00	4.00	4.00	4.00	4.00	3.00	2.00	2.00	1.00	1.00
Building & Permitting	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.70
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fleet Maintenance	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	8.75
Facilities Maintenance	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00
Streets Maintenance	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	5.50	5.50
Community Development Block Grant	-	-	-	-	-	-	0.48	0.48	0.48	0.48
Community Redevelopment Agency	6.00	5.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Utility (Water/Sewer) Enterprise										
Administration	6.00	6.00	6.00	5.00	5.00	8.00	8.00	8.00	7.00	7.00
Customer Service	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
GIS	3.00	3.00	3.00	3.00	3.00	-	-	-	-	-
Water Operations	8.00	8.00	8.00	9.00	9.00	9.00	10.00	9.00	9.00	9.00
Water Distribution	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sewer Collections	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00
Sanitation Enterprise										
Solid Waste	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Golf Enterprise										
Golf Club	-	-	-	-	-	-	-	-	14.26	14.26
Golf Grounds Maintenance	-	-	-	-	-	-	-	-	15.75	15.75
Stormwater Enterprise										
Stormwater	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Total	**312.63**	**310.52**	**306.15**	**304.53**	**300.33**	**292.03**	**292.05**	**291.02**	**289.40**	**300.07**

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
2021	228	543	205	244	26
2020	262	573	196	231	22
2019	303	392	201	172	25
2018	300	360	159	159	37
2017	260	368	169	213	45
2016	200	216	144	92	81
2015	153	216	116	75	34
2014	247	379	136	194	27
2013	148	188	121	82	26
2012	148	168	102	100	39

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

Year	Number Sold
2021	1,248
2020	1,120
2019	1,389
2018	1,101
2017	2,595
2016	2,115
2015	2,259
2014	2,402
2013	2,087
2012	1,947

MUNICIPAL RECREATIONAL FACILITIES

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

Sources: City of Fort Walton Beach Customer Service, Building & Permitting, and Recreation departments.
Note: Change in facility and athletic field totals due to the construction of the new Recreation Center, which was complete in FY 2015.

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

		Registered Voters				
Pct	Place Name	Total	Dems	Reps	NPA	Other
01	BAKER	2,590	272	1,929	353	36
02	BLACKMON	684	80	510	92	2
03	MILLIGAN	1,388	171	955	237	25
04	HOLT	1,354	176	934	229	15
05	LAUREL HILL	1,166	191	786	171	18
06	GARDEN CITY	4,172	615	2,709	761	87
07	DORCAS	1,889	291	1,167	396	35
08	HONEY CREEK	4,432	865	2,562	891	114
09	YELLOW RIVER	4,179	776	2,391	916	96
10	WEST WRIGHT	6,211	1,511	2,910	1,646	144
11	EAST CRESTVIEW	11,448	2,590	5,453	3,087	318
12	WEST CRESTVIEW	945	491	249	188	17
13	NORTH CRESTVIEW	3,920	724	2,320	798	78
14	WEST NICEVILLE	2,931	511	1,679	668	73
15	VALPARAISO	3,023	506	1,748	696	73
16	SHALIMAR	2,913	631	1,538	675	69
17	CENTRAL WRIGHT	3,207	832	1,435	863	77
18	OCEAN CITY	2,607	593	1,297	653	64
19*	EAST FWB	1,813	511	740	519	43
20	WEST DESTIN	2,675	440	1,609	574	52
21	MARY ESTHER	2,722	547	1,503	605	67
22*	S CENTRAL FWB	2,159	554	1,053	504	48
23	EGLIN AFB	753	156	287	282	28
24*	WEST FWB	2,927	810	1,311	732	74
25	N CENTRAL NICEVILLE	1,937	341	1,118	425	53
26	SEMINOLE	2,680	353	1,775	515	37
27	CINCO BAYOU	266	51	130	77	8
28*	GARNIERS	339	63	197	68	11
29*	GOLF COURSE	2,078	344	1,266	434	34
30	OKALOOSA ISLAND	1,626	267	961	363	35
31	LONGWOOD	2,123	361	1,385	346	31
32*	FERRY PARK	2,480	463	1,476	493	48
33	ROCKY BAYOU	4,709	582	3,176	871	80
34	FLOROSA	3,668	814	1,787	981	86
35	NORTH DESTIN	3,427	487	2,137	732	71
36	SOUTH NICEVILLE	2,777	398	1,761	556	62
37	LAKE LORRAINE	2,729	397	1,716	566	50
38	NORTHGATE	2,174	474	1,147	507	46
39	EAST WRIGHT	2,301	572	1,122	562	45
40	SOUTH BLUEWATER	2,944	379	1,934	575	56
41*	N CENTRAL FWB	1,351	261	795	269	26
42*	NEW HEIGHTS	2,276	705	954	579	38
43	S CENTRAL NICEVILLE	2,290	421	1,311	504	54
44	CENTRAL DESTIN	1,846	334	980	492	40
45	SOUTH CRESTVIEW	4,497	1,027	2,188	1,158	124
46	NORTH BLUEWATER	4,462	641	2,788	932	101
47	WYNNEHAVEN BEACH	2,037	390	986	610	51
48*	WESTWOOD RETIREMENT	105	22	72	11	-
49	EAST DESTIN	3,311	379	2,252	618	62
50	SOUTH DESTIN	3,018	351	2,044	567	56
51	AIRPORT ROAD	2,097	321	1,277	460	39
52	LIVE OAK	3,940	717	2,147	981	95
	Countywide Total	141,596	26,759	79,957	31,788	3,092
*City Precinct	City Total	15,528	3,733	7,864	3,609	322

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
2021	$ 1,490	$ 25,052	7.81%	$ 265,325
2020	766	31,086	8.86%	288,887
2019	925	31,912	9.09%	319,207
2018	755	27,180	7.20%	350,194
2017	660	25,807	6.41%	376,619
2016	380,571	27,804	6.47%	401,766
2015	-	60,251	55.15%	48,999
2014	2,014	3,328	2.96%	109,250
2013	1,942	152,555	57.98%	110,564
2012	63,916	12,200	4.46%	261,177

[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
2021	$ 6,608,861	13.3%	$ 14,624,266	29.5%	$ 7,272,112	14.7%	$ 4,381,765	8.8%	$ 4,432,189	8.9%	$ 1,960,608	4.0%
2020	6,573,751	13.6%	13,404,633	27.8%	6,999,110	14.5%	3,934,207	8.2%	4,067,771	8.4%	1,751,965	3.6%
2019	6,416,668	11.5%	12,358,719	22.1%	7,005,068	12.5%	3,871,165	6.9%	4,041,311	7.2%	1,696,822	3.0%
2018	6,041,303	15.3%	7,343,744	18.7%	6,728,172	17.1%	3,774,520	9.6%	3,902,809	9.9%	1,676,940	4.3%
2017	7,457,189	20.9%	7,015,584	19.6%	6,668,790	18.7%	3,663,445	10.3%	3,906,282	10.9%	1,317,803	3.7%
2016	7,271,903	20.5%	7,124,985	20.0%	6,310,574	17.7%	3,589,419	10.1%	3,769,366	10.6%	1,378,730	3.9%
2015	7,025,998	19.6%	7,171,032	20.0%	5,748,749	16.1%	3,581,264	10.0%	3,425,909	9.6%	1,399,101	3.9%
2014	6,886,443	20.6%	6,807,274	20.3%	5,177,966	15.5%	3,562,694	10.6%	3,238,894	9.7%	1,365,764	4.1%
2013	5,486,237	17.2%	6,355,549	20.0%	4,949,525	15.6%	3,499,459	11.0%	3,078,174	9.7%	1,591,423	5.0%
2012	5,681,589	18.4%	6,482,596	20.9%	4,839,764	15.6%	3,313,559	10.7%	3,052,071	9.9%	1,656,721	5.4%

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

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

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

Monthly Water Rates[1,2]	**Residential**		**Commercial**		**Number of**
	Inside	**Outside[3]**	**Inside**	**Outside[3]**	**Meters**
Lifeline Rate[4]	$11.78	$14.73	$11.78	$14.73	
Monthly Base Charge[5], Meter Size:					
3/4"	$11.78	$14.73	$11.78	$14.73	9,146
1.0"	$11.78	$14.73	$11.78	$14.73	344
1.5"	$16.00	$20.00	$16.00	$20.00	112
2.0"	$27.20	$34.00	$27.20	$34.00	233
3.0"	$41.45	$51.81	$41.45	$51.81	14
4.0"	$51.79	$64.74	$51.79	$64.74	27
6.0"	$82.40	$103.00	$82.40	$103.00	0
8.0" or 10.0"	$123.49	$154.36	$123.49	$154.36	1
Multi-Residential, Addt'l per Unit	$8.72	$10.90	$8.72	$10.90	
					9,877
				Residential Customers [6]	8,603
				Commercial Customers [6]	1,174
				Total Customers	9,777

Gallonage Rate (per 1,000 gallons per unit)	Inside	Outside
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 - 4,000)	$3.51	$4.39
Block 3 (4,001 - 8,000)	$4.29	$5.36
Block 4 (8,001 +)	$6.44	$8.05

Monthly Wastewater Rates[2]	**Residential**	**Commercial**
Lifeline Rate[4]	$26.31	$31.59
Monthly Base Charge	$26.31	$31.59
Gallonage Rate (per 1,000 gallons per unit)[5]		
Block 1 (0 - 2,000)	Included in monthly base charge	
Block 2 (2,001 +)	$8.27	$9.93

[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	$15.60	$7.03	$ 22.63
Two Containers	31.20	13.90	45.10
Residential Dumpsters, Individual Meters	15.60	7.03	22.63
Commercial			
One Container	31.53	7.86	39.39
Two Containers	63.06	15.77	78.83
Shared Dumpster (minimum charge)	31.53	7.86	39.39

Garbage and Trash Collection	Garbage	Tipping	Total
2 Cubic Yards			
2 times per week	$66.93	$56.73	$ 123.66
3 times per week	100.38	85.00	185.38
4 times per week	133.90	113.21	247.11
5 times per week	167.31	141.52	308.83
6 times per week	200.77	169.79	370.56
4 Cubic Yards			
2 times per week	94.49	113.21	207.70
3 times per week	141.73	169.79	311.52
4 times per week	188.97	226.37	415.34
5 times per week	236.21	282.89	519.10
6 times per week	283.46	339.47	622.93
6 Cubic Yards			
2 times per week	124.04	169.79	293.83
3 times per week	186.05	254.68	440.73
4 times per week	248.01	339.47	587.48
5 times per week	310.02	424.31	734.33
6 times per week	372.04	509.26	881.30
8 Cubic Yards			
2 times per week	149.61	226.37	375.98
3 times per week	224.42	339.47	563.89
4 times per week	299.22	452.63	751.85
5 times per week	374.02	565.79	939.81
6 times per week	448.83	675.89	1,124.72
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	32.45	52.45
6 CY	20.00	58.35	78.35
8CY	20.00	90.70	110.70

Source: City of Fort Walton Beach Comprehensive Fee Schedule

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

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Police										
Arrests	643	627	611	660	757	921	1,041	873	867	1,042
Traffic citations	1,973	1,327	1,404	1,632	2,436	2,693	2,864	3,119	3,413	3,773
Fire										
Emergency medical responses	3,159	1,265	3,123	3,310	2,994	3,067	3,322	3,278	3,231	3,197
Fire responses	1,407	2,825	1,406	1,324	1,249	1,210	1,270	1,389	1,277	1,288
Inspections	944	643	1,008	966	932	2,409	1,000	700	800	758
Code Enforcement										
Code violations	1,129	965	1,251	1,446	1,825	1,807	1,702	1,766	2,118	2,158
Engineering Services										
Building permits issued	2,741	2,288	2,095	2,006	332	n/a	n/a	n/a	n/a	n/a
Residential building permits issued	2,266	1,692	1,942	1,855	483	23	1,214	1,220	1,095	697
Commercial building permits issued	475	596	153	151	178	5	402	310	457	164
Value of permits (in millions)	$70.86	$81.98	$65.80	$4.10	$2.70	n/a	n/a	n/a	n/a	n/a
Value of residential permits (in millions)	$ 31	$ 29	$ 41	$ 26	$ 12	$ 4	$ 16	$ 16	$ 15	$ 9
Value of commercial permits (in millions)	$ 40	$ 53	$ 24	$ 15	$ 15	$ 1	$ 832	$ 27	$ 23	$ 9
Business Tax Receipts Sold	166	212	406	628	1,769	2,115	2,259	2,402	2,087	1,947
Street resurfacing (lane miles)	1.06	1.27	0.00	0.18	0.00	1.01	0.64	0.16	-	1.70
Pot holes (hours spent repairing)	422	494	557	166	213	163	770	528	813	989
Sanitation										
Refuse collected (tons)	27,749	27,854	26,498	26,317	26,151	25,203	24,467	26,102	24,059	25,374
Recyclables collected (tons)	2,204	2,030	2,048	2,032	1,811	1,507	1,191	754	615	375
Culture and Recreation										
Parks and Recreation										
Recreation program participants	212	191	206	199	102	154	n/a	n/a	n/a	92,267
Recreation program registrations	n/a	n/a	n/a	n/a	n/a	n/a	650	651	571	n/a
Adult athletic participants	857	1,042	820	770	530	n/a	n/a	n/a	n/a	6,728
Adult athletic registrations	n/a	n/a	n/a	n/a	n/a	621	424	426	467	n/a
Youth athletic participants	1,791	1,496	2,264	2,123	2,394	n/a	n/a	n/a	n/a	14,548
Youth athletic registrations	n/a	n/a	n/a	n/a	n/a	2,086	1,978	1,347	1,253	n/a
Skate/tennis park participants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13,114
Library										
Circulation volume	121,287	127,507	157,554	147,760	139,980	144,474	137,363	145,684	142,888	139,196
Museum										
Number of visitors/participants[1]	9,636	13,662	30,050	23,012	24,522	22,437	22,683	19,461	22,901	21,480
Water System										
New connections	26	22	25	37	45	81	34	27	26	39
Water customers	9,777	9,677	9,642	9,639	9,620	9,618	9,537	9,480	9,279	8,846
Water produced (million gallons)	947	940	912	895	866	883	891	884	855	868

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn Officers	52	45	45	47	45	39	43	43	43	51
Engineering Services										
Miles of roads	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.12	93.06
Miles of sidewalks	63.79	63.79	63.79	63.67	63.67	64.73	63.67	64.73	64.05	63.93
Signs fabricated and installed	391	531	461	286	614	854	1,133	918	785	935
Culture and Recreation										
Parks and Recreation										
Recreational Amenities	116	116	129	129	129	129	129	116	117	122
Parks (acres)	448.54	448.54 [1]	206.00	206.00	206.00	206.00	196.56	180.26	180.26	180.26
Library										
Inventoried collection	47,216	51,398	56,973	62,513	67,881	70,353	72,313	72,729	74,649	74,448
Water and Sewer System										
Potable water lines (miles)	146.77	146.48	146.40	146.33	146.10	144.91	144.77	146.25	145.90	118.63
Sanitary sewer lines (miles)	129.82	129.44	129.49	129.49	129.62	129.51	110.45	130.32	118.76	118.76
Reuse water lines (miles)	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.14	3.82

Potable Water Elevated Storage Tank Capacity: 1 tank 200,000 gal; 1 tank 750,000 gal; 2 tanks 500,000 gal
Potable Water Ground Storage Tank Capacity: 1 tank 135,000 gal; 1 tank 250,000 gal; 1 tank 1,000,000 gal; 1 tank 25,000 gal
Pumping Capacity of Potable Water Wells: 9.231 million gallons per day
Sanitary Sewer Ground Storage Tank Capacity: 4,000,000 gal
Reuse Water Elevated Storage Tank Capacity: 1 tank 200,000 gal
Reuse Water Ground Storage Tank Capacity: 1 tank 1,000,000 gal

Stormwater System										
Storm drains (miles)	44.14	44.14	43.33	43.18	42.10	42.03	42.05	42.01	41.64	41.64

[1] FY 2020 Increase due to golf courses not being included in prior years.

N/A: Not available.
Source: City of Fort Walton Beach Performance Measures.

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type				Location
12/6/21 to 12/6/22	Wright National	1151306332	Fisher-Brown Agency	Flood	$	500,000	B	#7 Hollywood Boulevard
					$	500,000	C	Police Department
10/12/21 to 10/12/22	Wright National	1151291263	Fisher-Brown Agency	Flood	$	500,000	B	#5 Hollywood Boulevard
					$	300,000	C	Fire Department
10/12/21 to 10/12/22	Wright National	1151292103	Fisher-Brown Agency	Flood	$	402,700	B	107 Miracle Strip Parkway
					$	128,200	C	Auditorium
10/12/21 to 10/12/22	Wright National	1151291796	Fisher-Brown Agency	Flood	$	402,700	B	107 Miracle Strip Parkway
					$	382,900	C	City Hall
10/12/21 to 10/12/22	Wright National	1151292114	Fisher-Brown Agency	Flood	$	177,300	B	107 Miracle Strip Parkway
					$	25,000	C	Council Chamber
10/12/21 to 10/12/22	Wright National	1151292125	Fisher-Brown Agency	Flood	$	402,700	B	107 Miracle Strip Parkway
					$	382,900	C	Annex Building
10/12/21 to 10/12/22	Wright National	1151292120	Fisher-Brown Agency	Flood	$	389,700	B	107 Miracle Strip Parkway
					$	16,300	C	Bathrooms Building
10/12/21 to 10/12/22	Wright National	1151291389	Fisher-Brown Agency	Flood	$	450,000	B	141 Miracle Strip Parkway
					$	100,000	C	City Museum
10/12/21 to 10/12/22	Wright National	1151291280	Fisher-Brown Agency	Flood	$	350,000	B	22 McGriff Street
					$	50,000	C	Child Care Facility
12/2/20 to 12/2/21	Wright National	1150164378	Fisher-Brown Agency	Flood	$	38,500	B	338 Miracle Strip Parkway Restroom, East of Pavilion Liza Jackson Park
12/2/20 to 12/2/21	Wright National	1150164379	Fisher-Brown Agency	Flood	$	38,500	B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/21 to 05/17/22	Wright National	1150342974	Fisher-Brown Agency	Flood	$	98,300	B	55 Ferry Road Boy Scout Hut
07/23/21 to 07/23/22	Wright National	1151270502	Fisher-Brown Agency	Flood	$	300,000	B	18 Robinwood Drive
					$	50,000	C	Pump Station #1
06/23/21 to 06/23/22	Wright National	1150458831	Fisher-Brown Agency	Flood	$	55,000	B	168 Coral Drive SW City Hall Ball Field Restrooms
10/01/21 to 10/01/22	Commerce and Industry Insurance	12896318	Public Risk Insurance Agency	Petroleum	$	1,000,000/inc		Golf Course, Police, City Yard, Fuel Station
				Liability	$	1,000,000/agg		Pump Station - Fire, Recreation Center

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type			Location
10/01/21 to 10/01/22	PGIT	PKFL10462003 21-17	Public Risk Insurance Agency	Inland	$	750,000	2M | Blanket Unscheduled
				Marine	$	32,672	6M | Contractor's / Mobile Equipment
					$	35,953	6M | Contractor's / Mobile Equipment
					$	44,669	6M | Contractor's / Mobile Equipment
					$	30,204	6M | Contractor's / Mobile Equipment
					$	30,204	6M | Contractor's / Mobile Equipment
					$	30,204	6M | Contractor's / Mobile Equipment
					$	26,827	6M | Contractor's / Mobile Equipment
					$	29,079	6M | Contractor's / Mobile Equipment
					$	29,079	6M | Contractor's / Mobile Equipment
					$	49,788	6M | Contractor's / Mobile Equipment
					$	45,158	6M | Contractor's / Mobile Equipment
					$	54,284	6M | Contractor's / Mobile Equipment
					$	78,902	6M | Contractor's / Mobile Equipment
					$	665,000	125 - 2020 Yamaha DR2E AAC Golf Carts
					$	52,765	6M | Contractor's / Mobile Equipment
					$	97,373	6M | Contractor's / Mobile Equipment
					$	35,808	6M | Contractor's / Mobile Equipment
					$	48,088	6M | Contractor's / Mobile Equipment
					$	55,654	6M | Contractor's / Mobile Equipment
					$	32,943	6M | Contractor's / Mobile Equipment
					$	30,843	6M | Contractor's / Mobile Equipment
					$	30,753	6M | Contractor's / Mobile Equipment
					$	54,116	6M | Contractor's / Mobile Equipment
					$	25,343	6M | Contractor's / Mobile Equipment
					$	40,343	6M | Contractor's / Mobile Equipment
					$	37,236	6M | Contractor's / Mobile Equipment
					$	26,165	6M | Contractor's / Mobile Equipment
					$	29,660	6M | Contractor's / Mobile Equipment
					$	81,611	6M | Contractor's / Mobile Equipment
					$	81,611	6M | Contractor's / Mobile Equipment
					$	35,403	6M | Contractor's / Mobile Equipment
					$	25,190	6M | Contractor's / Mobile Equipment
					$	28,428	6M | Contractor's / Mobile Equipment
					$	63,048	6M | Contractor's / Mobile Equipment
					$	26,358	6M | Contractor's / Mobile Equipment
					$	24,657	6M | Contractor's / Mobile Equipment
					$	24,657	6M | Contractor's / Mobile Equipment
					$	30,567	6M | Contractor's / Mobile Equipment
					$	35,543	6M | Contractor's / Mobile Equipment
					$	93,150	Electronic Data Processing Equipment - RC
					$	730,000	Fine Arts
					$	6,500	Other Inland Marine (Street Signs)
					$	250,000	Rented, Borrowed, Leased Equipment - ACV
					$	4,065,836	Total All Inland Marine

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

Effective Dates	Company	Policy Number	Agent, Broker, or Company Rep.	Type			Location
7/13/21 to 7/13/22	Julio Lacayo Travelers	107301424	Fisher-Brown Agency	Public Official Bond	$	50,000	Finance Director
7/25/21 to 7/25/22	Carrie Gagnon - Travelers	107128081	Fisher-Brown Agency	Public Official Bond	$	50,000	Customer Service Administrator, Finance Department
2/18/21 - Until Cancelle	Kim Barnes - Travelers	107222946	Fisher-Brown Agency	Public Official Bond	$	50,000	City Clerk
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Auto	$	100,000	Uninsured Motorist
					$	1,000,000	CSL Liability
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Forgery Alteration	$	250,000	
10/01/21 to 10/01/22	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Money & Securities (theft)	$	10,000	
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Crime	$	250,000	Public Employees (Employee dishonesty) Blanket Fidelity Bond
10/01/21 to 10/01/22	PGIT	PKFL1046200316-07	Public Risk Insurance Agency	General Liability	$	1,000,000	Occurance
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	$	56,869,117	Blank Real & Personal Property
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Property	$	500,000	Business Income
					$	1,000,000	Additional Expense
10/01/21 to 10/01/22	PGIT	WC-FL1046200316-07	Public Risk Insurance Agency	Worker's Comp	$	1,000,000	Accident
					$	1,000,000	Disease
10/01/21 to 10/01/22	PGIT	PKFL1046200316-12	Public Risk Insurance Agency	Public Officials Empl. Practice	$	5,000,000/inc	Claims Made
					$	5,000,000/agg	Claims Made
10/01/21 to 10/01/22	Ace American	N16744931	Chubb ACHUBB Co.	AD&D	$	75,000	Line of Duty Coverage
					$	150,000	Fresh Pursuit Coverage
					$	225,000	Unlawful/Unintentional
10/01/21 to 10/01/22	PGIT	PKFL1046200315-11	Public Risk Insurance Agency	Boiler & Machinery	$	56,869,117	
5/01/21 to 5/01/24	Travelers	105927344	Fisher-Brown Agency	Fiduciary	$	2,000,000	Retirement Fund for General Liability Employees and Police
10/01/21 to 10/01/22	Ace American	PTP N1793868A	Chubb	Group Cancer	$	25,000	First Diagnosis Cancer Benefit
					$	25,000	First Diagnosis Benefit Continuation
					$	75,000	Cancer Death Benefit

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, 2021

Source	Amounts Received in the 2020-2021 Fiscal Year	Amounts Expended in the 2020-2021 Fiscal Year
Florida Coastal Protection Trust Fund		
Early Restoration Deepwater Horizon oil spill	$ -	$ 5,759

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

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

We have audited the financial statements of the City of Fort Walton Beach, Florida (the City) as of and for the year ended September 30, 2021, and have issued our report thereon dated March 12, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022

CITY OF FORT WALTON BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Agency Pass-Through Entity Federal Project	Assistance Listing Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing & Urban Development				
Direct programs:				
Community Development Block Grants 2019-21	14.218	N/A	$ 109,199	$ 76,800
COVID-19 Community Development Block Grants	14.218	B-20-MW-12-0030	185,373	134,410
			294,572	211,210
U.S. Department of Justice				
Direct programs:				
Public Safety Partnership and Community Policing (COPS) Grant	16.710	2020UMWX0107	138,996	-
Indirect programs:				
Pass-through from Florida Department of Law Enforcement (FDLE):				
COVID-19 Coronavirus Emergency Supplemental Funding (CESF)	16.034	2021-CESF-OKAL-2-C9-136	83,496	-
Byrne Memorial Justice Assistance Grant 2020	16.738	2020-JAGC-OKAL-8-5R-024	9,125	-
			231,617	-
U.S. Department of the Treasury				
Indirect programs:				
Pass-through from Florida Division of Emergency Management (FDEM) and Okaloosa County, Florida:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0050	702,459	-
U.S. Department of Homeland Security				
Direct programs:				
Assistance to Firefighters Grant	97.044	EMW-2019-FG-11054	63,119	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2018-FH-00488	336,742	-
Indirect programs:				
Pass-through from Florida Division of Emergency Management (FDEM):				
Disaster Grants - Public Assistance	97.036	Z2635	216,272	-
			616,133	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,844,781	$ 211,210

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, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. INDIRECT COST RATE

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

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 8, 2022.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022

Warren Averett
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAMS 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 the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for the City's major federal 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 the major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Programs
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

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

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Assistance Listing No.	Name of Federal Program
21.019	Coronavirus Aid, Relief, and Economic Security (CARES) Act
97.044	Assistance to Firefighters

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

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

II. FINANCIAL STATEMENT FINDINGS

FINDING 2021-001 – RECONCILIATION OF GRANT ACTIVITIES

Criteria
The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis. Pursuant to GASB Statement No. 33, recipients of expenditure-driven grants should recognize revenue as qualifying expenditures are incurred.

Condition
The City provided schedule of grant revenues and expenditures, including unearned revenues and receivables, did not reconcile to the accounting records and other supporting documentation.

Cause
Reconciliation of grant activities for financial reporting purposes was not prepared and reviewed on a timely basis by appropriately experienced and trained personnel. While the City has a written policy for grant administration activities, that policy does not provide the guidance necessary to facilitate financial reporting of grant activities in accordance with U.S. general accepted accounting procedures as well as preparation of the Schedule of Expenditures of Financial Awards (SEFA) required by the Uniform Guidance.

Effect
Various audit adjustments were proposed and accepted by management to properly reconcile grant activity for financial reporting purposes and to prepare the SEFA.

Recommendation
- Management should adopt written policies and procedures for identifying and reconciling expenditure-driven grant revenues with related qualifying expenditures.
- These policies should reflect who is responsible for preparing and reviewing the reconciling schedule of grant activities for financial reporting purposes as well as preparation of the SEFA.

Management's Response
Concur. The Finance Department will adopt written policies and procedures for identifying and reconciling expenditure-driven grant revenues with related expenditures/expenses. The Finance Director will present a policy update to the City Manager to ensure this practice is implemented.

II. FINANCIAL STATEMENT FINDINGS – CONTINUED

FINDING 2021-002 – COMPREHENSIVE ACCOUNTING POLICIES AND PROCEDURES / DEPARTMENT STAFFING

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

Condition
The City does not have written policy that outlines the nature and types of general ledger and account reconciliation reviews that should take place on a monthly, quarterly and year end basis in a centralized location. There were several correcting journal entries proposed by management after the year-end financial information was provided to auditors in January 2022.

Cause
There is not sufficient time for City staff to accomplish a robust review of the final trial balances, due to the lack of cohesive and comprehensive accounting policies and procedures that identify all tasks, particularly year end closing considerations. In addition, there is inadequate accounting department staffing for the volume of accounting activities to be performed and reviewed throughout the year.

Effect
The system of internal control over financial accounting and reporting is not functioning as designed for the year ended September 30, 2021.

Recommendation

- The City should adopt a comprehensive and cohesive set of written policies outlining accounting and financial reporting procedures and activities.
- These policies should outline the personnel responsible for performing and reviewing each task as well as the timeframe for completion. In addition, management should establish more effective review and reconciliation policies and procedures, as a customary part of the accounting process, to perform more frequent reviews of the general ledger activity throughout the year.
- The accounting department has been unable to fill a vacant senior accountant position. City management needs to evaluate the pay scale along with advertising strategies for the position.

Management's Response
Concur. Management is in the process of revising outdated policies regarding the timing of general ledger account reconciliations. The City is actively trying to hire additional professional staff to facilitate the performance of a robust accounting review of work performed on a timely basis.

City of Fort Walton Beach

"The Treasure of the Emerald Coast"

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

I. FINANCIAL STATEMENT FINDINGS

FINDING 2020-001 – BANK RECONCILIATIONS

Condition

Bank reconciliations were not performed on a timely basis at the end of each month from October 2019 through February 2020. Bank reconciliations were timely prepared and reviewed starting in April 2020 and throughout the rest of the fiscal year.

The City does not have a written policy that requires bank reconciliations be prepared within a designated time period after the end of the month, however it has instituted a standard operating procedure requiring the reconciliations to be reviewed and approved within 15 days of year end.

Current Status

Corrective action was taken.

FINDING 2020-002 – AUDITOR PROPOSED JOURNAL ENTRIES

Condition

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

- Adjustments to correct opening fund balance to the prior year audited balances;
- Adjustments to capital outlay transactions involving accounting for trade-ins;
- Adjustments to capital outlay transactions involving equipment acquired via capital lease;
- Accruing payables that related to FY20 that were recorded as expenditures in FY21;
- Accruing revenue on cost-reimbursement grants to match qualifying expenditures in FY20;
- Adjustments to debt payments in the enterprise funds that were recorded on the modified accrual basis of accounting rather than the full accrual basis of accounting required by U.S. GAAP;
- Adjustments to record accrued interest on long-term debt.

Current Status

With the exception of the adjustment to accrue revenue on cost-reimbursement grants to match qualifying expenditures, corrective action was taken for this finding. See finding 2021-001 in the accompanying schedule of findings and questioned costs for additional information about the grant reconciliation process.

FINDING 2020-003 – FRAUDULENT TRANSACTIONS

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

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

Current Status
Corrective action was taken. The City adopted a written ACH payment policy and implemented user access controls within the online banking application to ensure compliance with the ACH payment policy.

FINDING 2020-004 – IT RISK ASSESSMENT

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

Current Status
Corrective action was taken.

FINDING 2020-005 – BUDGET AMENDMENT

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

Current Status
Corrective action was taken.

Warren Averett
CPAs AND ADVISORS

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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, 2021:

1) Section 218.415, Florida Statutes, in regard to the investments.

2) Section 218.8018, Florida Statutes, in regard to the Deepwater Horizon Oil Spill receipts and expenditures.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination of the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022

Warren Averett
CPAs AND ADVISORS

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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, 2021, and have issued our report thereon dated March 8, 2022.

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

Other Reporting Requirements
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by *Uniform Guidance*, Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports and schedule, which are dated March 8, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City of Fort Walton Beach, Florida has been disclosed in Note 1 to the financial statements.

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

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we identified the following recommendation in addition to those matters discussed in our schedule of findings and questioned costs.

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or are likely to have occurred, that has an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, see the schedule of findings and questioned costs.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 8, 2022