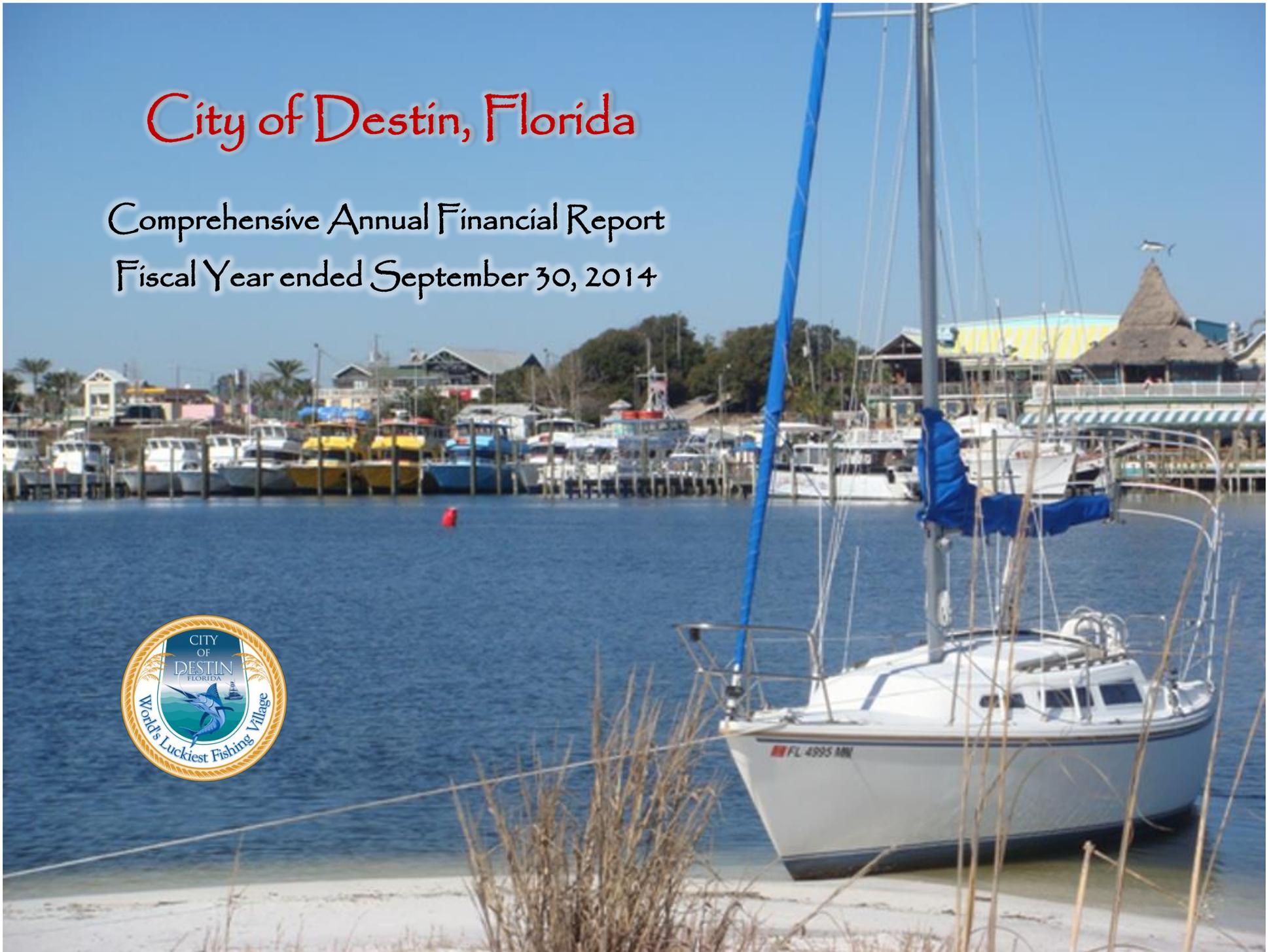


City of Destin, Florida

Comprehensive Annual Financial Report
Fiscal Year ended September 30, 2014

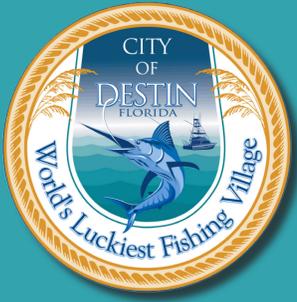


City of Destin, Florida

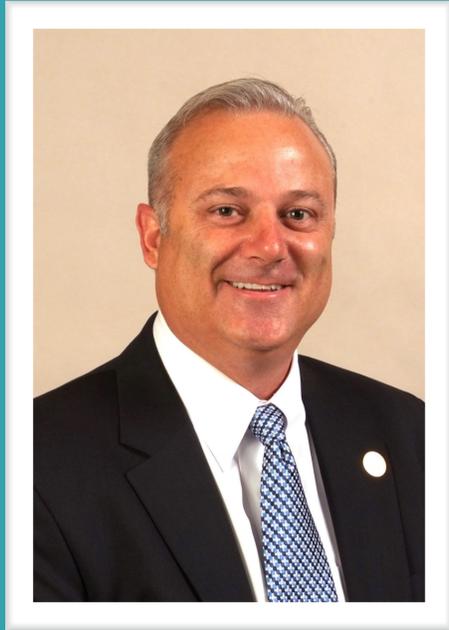
Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2014

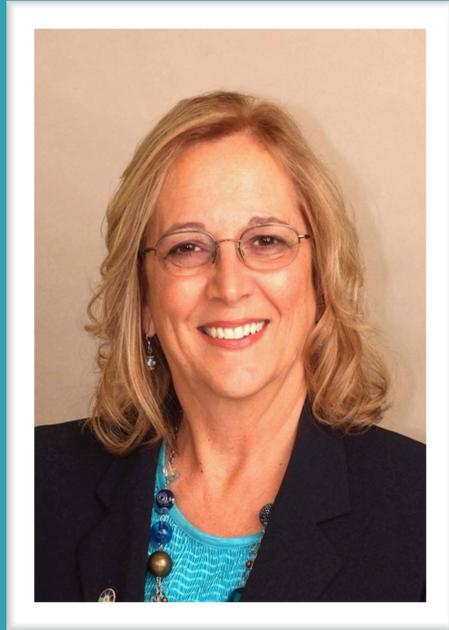
*City of Destin, Florida
Finance Department
Bragg Farmer, Finance Director
4200 Indian Bayou Trail
Destin, Florida 32541
(850) 837-4242
CityofDestin.com*



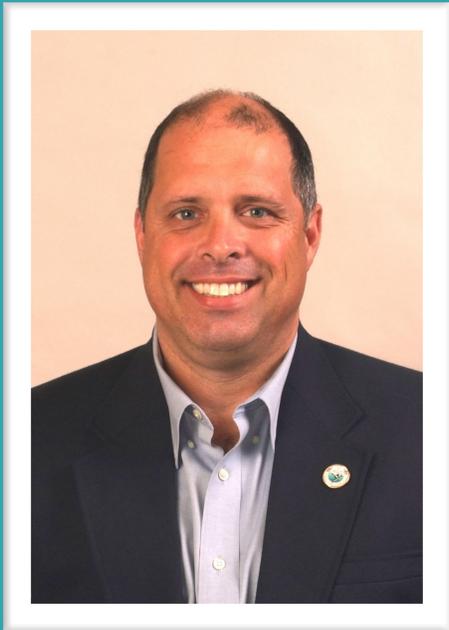
DESTIN CITY COUNCIL



MEL PONDER
MAYOR



SANDY TRAMMELL
MAYOR PRO TEM/COUNCILMEMBER



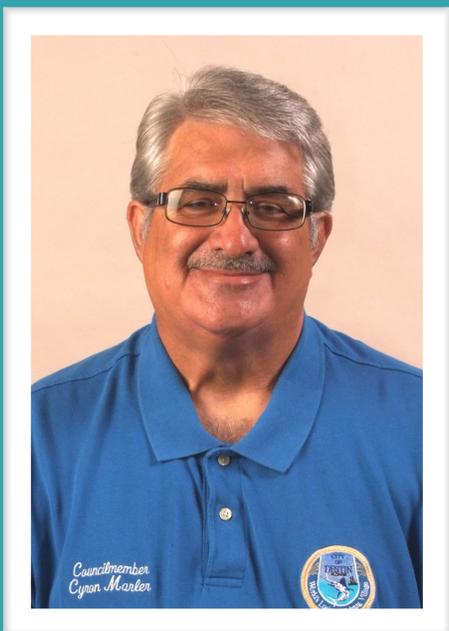
RODNEY BRADEN
COUNCILMEMBER



TUFFY DIXON
COUNCILMEMBER



JIM FOREMAN
COUNCILMEMBER



CYRON MARLER
COUNCILMEMBER



PREBBLE RAMSWELL
COUNCILMEMBER



JIM WOOD
COUNCILMEMBER

CITY OF DESTIN, FLORIDA

Introductory Section

- Table of Contents
- Letter of Transmittal
- Executive Directory
- Organizational Chart
- Government Finance Officers Certificate of Achievement for Excellence in Financial Reporting

INTRODUCTORY SECTION	<u>Page</u>
Table of Contents	i
Letter of Transmittal	iv
Executive Directory	xiv
Organization Chart	xv
Certificate of Achievement for Excellence in Financial Reporting - Fiscal Year Ended September 30, 2013	xvi
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplemental information)	4
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	16
Statement of Activities	17
FUND FINANCIAL STATEMENTS	
Governmental Fund Financial Statements	
Balance Sheet	18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
General Fund	22

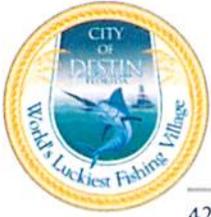
	<u>Page</u>
Special Revenue – CRA Town Center Fiduciary Fund Financial Statements	23
Statement of Plan Net Position – Pension Trust Fund	24
Statement of Changes in Plan Net Position – Pension Trust Fund	25
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress of Other Postemployment Benefits	55
COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS	
Nonmajor Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	57
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL	
Special Revenue – 2002 Series Capital Improvement	59
Community Redevelopment Agency – Harbor Special Revenue Fund	60
2002 Bond Series Debt Service Fund	61
2005 Bond Series Debt Service Fund	62
2009 Revenue Note Series Harbor CRA Debt Service Fund	63
2002 Bond Series Capital Improvement Capital Project Fund	64

STATISTICAL SECTION

Net Position by Component – Last Ten Years	65
Changes in Net Position – Last Ten Years	66
Fund Balances Governmental Funds – Last Ten Years	68
Changes in Fund Balances Governmental Funds – Last Ten Years	70
Revenue Base – Last Ten Years	72
Property Tax Rates Per \$1,000 of Taxable Value – All Direct and Overlapping Governments – Last Ten Years	73
Principal Tax Payers – Current Year and Ten Years Ago	74
Property Tax Levies and Collections – Last Ten Years	75
Ratios of Outstanding Debt (Bonds and Notes) – Last Ten Years	76
Capital Leases	78
Demographics	79
Principal Employers – Current Year	80
City Employees – Last Five Years	81

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85
Management Letter	87
Attestation Report on Compliance with Section 218.415 Florida Statutes	89



City of Destin

4200 Indian Bayou Trail | Destin, FL 32541 | Phone: 850-837-4242 | Fax: 850-269-9890 | www.cityofdestin.com

March 1, 2014

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Destin:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Destin, Florida (the City) for the fiscal year ended September 30, 2013. Chapter 218.39, Florida Statutes require that a complete set of financial statements be published within one year of fiscal year end and presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Destin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Destin 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 of Destin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Destin'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 aspects.

In compliance with the laws of the State of Florida, the City's financial statements have been audited by Carr, Riggs, and Ingram, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Destin for the fiscal year ended September 30, 2014, 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 unqualified opinion that the City of Destin's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Destin was part of a broader, state mandated "Single Audit" designed to meet the special needs of state

grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available within this document. GAAP requires 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 the MD&A and should be read in conjunction with it. The City of Destin's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Destin incorporated and adopted the Council-Manager form of government in 1984. The City Council is composed of seven voting members with the Mayor casting tie-breaking votes only. The Mayor and Council, elected in March of even years by the City at-large, can serve up to two consecutive four-year terms. The City Council is the legislative body of the City Government. They consider and adopt ordinances and enact regulations for the maintenance of good government, the preservation of peace, welfare, health and safety and convenience of the citizens. The Council also reviews and adopts the City Budget, makes appropriations, levies taxes, authorizes bond issues, holds public hearings for citizen input, appoints committees and establishes municipal policies. Pursuant to City Charter, the City Manager is appointed by a super-majority vote of the City Council. The City Manager is the chief administrative officer of the City and serves directly at the pleasure of the City Council. The City Manager implements Council policies, directs and supervises the administration of all departments, programs, offices, and agencies of the City.

The City of Destin provides a range of services that include the construction and maintenance of highways, streets, and other infrastructure; and parks and leisure/cultural activities and events. Police and fire protection, as well as utilities, including water, are provided by other agencies but work in close cooperation with City management. Tourism is the major field of employment within the City of Destin. The City of Destin includes a planning area of 7.9 square miles and is located in Okaloosa County approximately 52 miles east of Pensacola, Florida, and 49 miles west of Panama City Beach, Florida. The Gulf of Mexico on the south and Choctawhatchee Bay on the north form the City's natural boundaries. Destin is located on Florida's Emerald Coast known for sugar-white beaches, crystal clear green water and warm, sunny days. Destin is home to approximately 12,305 full-time residents with an estimated peak seasonal population of approximately 55,000. One of the City's most significant on-going challenges is to provide infrastructure and services to accommodate the seasonal population.

Budgetary Control. The annual budget serves as the foundation for the City of Destin's financial planning and control. All departments of the City of Destin are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget.

The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 22 as part of the basic financial statements for the government funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 23.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Destin operates.

Local economy. In FY2014, the City experienced a boom in tourist related business and hotel and condo occupancy was reported at record levels. The City is centrally located in the panhandle of Florida. Known as the "World's Luckiest Fishing Village", one of the largest and most elaborately equipped fishing fleet in the State of Florida docks at the Destin Harbor. In addition to fishing, recreational opportunities include golf, tennis and water sports, including diving and snorkeling. The Destin Harbor lies closer to the 100 Fathom curve than any other harbor on Florida's west and north coast, which provides speedy deep-water access. Tourism is one of Destin's largest industries, and Destin has made great strides to promote and market its commitment to serve as a community providing an outstanding quality of life to residents and visitors alike.

Besides tourism, Destin's economic base has been dependent on the real estate and construction industries. This is where the downturn in the housing market and overall economy has had the greatest impact. In conjunction with the City nearing a "build-out" of its vacant parcels, a marked decrease in both residential and commercial construction was seen. During FY2014, rising property values translated into higher ad valorem taxes. Ad valorem taxes are the City of Destin's largest single source of revenue. By City Charter the maximum rate of levy is limited to 2.0 mills, or \$2 per \$1,000 in property value; the rate for FY2014 was set at 1.500 mills.

Major Initiatives

Permanent Stabilization of Norriego Point. This has been a high priority – and very costly – project for the Destin community. Due to the complex dynamics of the Destin East Pass, in 2011 City Council appointed a Blue Ribbon Panel of stakeholders to assist in the decision-making for the proposed design for stabilization of the Point. In late FY2013 the City was notified that it had been awarded a NRDA grant through the Florida Department of Environmental Protection to construct this project. In FY14 city staff began working with the State to implement this project in 2015-16. Long-term savings to the City in terms of manpower and resources to maintain Norriego Point in the future will be substantial.

Community Redevelopment. In spite of the economic downturn, the City of Destin continues to focus on redevelopment opportunities. The establishment of two Community Redevelopment Agency districts directs major capital improvements in the heart of the City to maintain the vitality and heritage of our harbor district and to facilitate mobility across town and through our downtown areas, be it by car, bicycle, or foot.

The first three major projects of the Harbor District CRAs were completed in FY11-FY13: the reconstruction of Mountain Drive into a multi-modal roadway, the construction of the first phase of the Harbor Boardwalk, and the construction of a long-term surface parking lot on Harbor Boulevard with appropriate lighting, landscaping, and stormwater improvements.

In FY14 focus was placed on safe pedestrian mobility in the Harbor District and along US 98. The City worked with FDOT to conduct a Pedestrian Safety Assessment analysis of Hwy 98 from Marler Bridge to Airport Road. Council will be incorporating those recommendations with public input to determine the finalized pedestrian crossing infrastructure designs/improvements for Harbor Boulevard.

Roadway Improvements. Two major roadway reconstruction projects began in FY14 and will continue into FY15: Kelly Street Reconstruction Phase II (from Benning Street to Calhoun Avenue) and Hutchinson Street from US 98 to Scenic 98. The Hutchinson Street Project is funded in part through FDOT's Local Agency Program.

The City also moved forward in FY14 with the Cross-Town Connector (US 98 Alternative) project, Phase II. Adkins North America Inc. was awarded the contract to produce a Project Development and Environmental (PD&E) study to include a final alignment together with road design and permitting. During the PD&E study and design, Adkins will assist in procuring funding for the project. The PD & E process is estimated to take two years.

Future Planning. With the economic and real estate downturn, the ability to encourage any new development has been very difficult. Planning staff and our consultants completed a draft Economic Development Element for the City's updated

Comprehensive Plan. This was presented to City Council in March 2013 and received final approval in FY2014. In addition, city staff initiated a Tax Abatement Program for targeted industries and prepared the EDATE ordinance for referendum; voters approved in the fall of 2014.

Looking to the future, Destin's city management continuously monitors the economic climate. In response to tax reform issues and the economic downturn, the City increased the millage rate to 1.500 for FY14. This rate is 3.67% greater than the roll back rate of 1.443 mills.

The City has undertaken cost-cutting measures and is responsibly adjusting its budget for out-years to reflect a fiscally conservative program that still addresses the City's strategic priority goals. Our CRA's have been modified and projects deferred; our five-year capital improvement program (CIP) has been scaled back for the time being to road resurfacing, sidewalk improvement programs, and other projects that can be funded by impact fees, gas tax and grant revenues.

Financial Information

Management's Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes (from the beginning to the end of the period and current year to prior year). The Government-wide financial statements (in detail) are presented on pages 16 through 17 and are intended to present the City in a manner similar to private-sector businesses.

Additionally, the Fund Financial Statements (starting on page 18) are designed to address the Major (or more significant) individual funds by category. An explanation of these complementary presentations can be found in the MD&A (starting on page 3).

The following review of the types of commitments against unrestricted net assets for governmental activities is designed to complement the otherwise available information:

Commitments against Unrestricted Net Assets.

The Unrestricted Net Asset balance represents assets available for the general use of the City.

The normal types of commitments are:

- ***Encumbrances*** – where a contract exists to purchase/acquire some item or construct a capital project that will be acquired/constructed after the September 30 statement date.

- ***Project Commitment*** – where a tentative pre-contract commitment has been made and a related project budget established for a significant capital or maintenance effort (normally to be performed by a yet-to-be-hired third party contractor).
- ***Working Capital*** – is available resources set aside to ensure the normal and ordinary conduct of business (the payment of bills and salaries) given certain cyclical flows of revenue.
- ***Other*** – other tentative commitments that may be for future capital agendas, emergency reserves, etc.

It should also be understood that having reasonable levels of reserves is essential to the bond market's perceptions of local government sound financial position and related ability to utilize private sector styled business practices.

Long-Term Financial Planning.

The City's responsiveness to emerging economic challenges and its careful long-range planning have been instrumental in maintaining Destin's fiscal health. Fiscal conservatism, a streamlined budget, and operating efficiencies have resulted in a solid position for the City at the close of fiscal year 2014. Approval by Council of mission and goal statements allows staff to create strategic plans and a programmatic budget that directly responds to the Council's vision, goals, and community expectations.

Statement of Philosophy. In July 2006 the Mayor and City Council, working with the Florida Institute of Government (FIG), adopted a new vision statement: "*Destin is a world class beach and fishing resort community that seeks to carefully and proactively balance quality of life for its residents and visitors, while preserving its heritage and environment.*" City leaders have continued to reinforce and refine their support of this vision each year at their strategic planning sessions.

As indicated within this Vision Statement, the City of Destin is working at all levels to improve the quality of life within our community. Since the Budget is a policy document and serves as a statement of City policy in fiscal terms, it should be viewed as a reflection of the Council's strategic and service delivery priorities: enhanced quality of life, preservation of heritage and environment, and service excellence. The priority philosophic positions upon which the Budget has been developed include:

- ✓ Quality of life is enhanced by improvements in services, facilities and infrastructure;
- ✓ Adequate staffing levels are necessary to ensure basic services are provided in a responsive and professional manner;
- ✓ Revenues are estimated realistically and conservatively to ensure adequate funding of basic services over time; and
- ✓ Expenditure priority will be given to the appropriate care of the City's existing facilities and infrastructure before considering new or additional facilities and services.

The major goals of the City administration are to:

- ✓ Maintain and enhance the quality of life;
- ✓ Respond to community needs as expressed by Council and the citizens;
- ✓ Seek excellence in service delivery and program improvements;
- ✓ Develop new and balanced revenues to ensure adequate funding of City services;
- ✓ Recognize that our employees are the City's most valuable asset and strive to maintain their salaries and benefits at competitive, yet cost-effective levels.

The employees' overall mission is to *protect and promote the health, safety, welfare, and quality of life of our residents, businesses, and visitors*. In all activities, including the Budget, City employees strive for individual and organizational excellence in order to achieve the highest level of customer understanding and satisfaction. Both Council and staff embrace the same core values to earn and sustain the confidence and trust of the community:

- ✓ Fiscal discipline/responsibility
- ✓ Sound and fair group decision-making
- ✓ Respectful working relationships among City Council, staff, and citizens
- ✓ Lawful, ethical moral standards and actions
- ✓ Commitment to the stated values and goals
- ✓ Professional development of officials, staff, and volunteers
- ✓ Open and sensitive to citizens' concerns
- ✓ Knowledgeable of the current issues
- ✓ Commitment to public safety
- ✓ Trust/honesty/integrity
- ✓ Organizational development
- ✓ Preservation of heritage and environment

Plans articulated in the fiscal year 2014 Adopted Budget and Capital Improvement Plan continue to support basic governmental services (roads, solid waste management, parks, recreation, and stormwater, etc.) while also addressing the City Council's broad goals and citizens' expectations for the community.

Destin's financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, investment planning, strategic capital improvement project planning, and debt management, all of which are further identified below. The Finance Department's management role will be to maintain and enhance financial plan elements and ensure continued financial stability for the City of Destin.

Financial Planning. Strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available

revenues. Financial forecasts coupled with financial trend analysis techniques and careful reserve analysis help preserve the fiscal well being of Destin. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

Budget Planning. The City of Destin is required to adopt an annual budget in accordance with the City Charter and State Statutes. The City Manager is charged with preparing a proposed budget submission in July of each year for the fiscal year that begins the following October 1. Appropriations by department by fund and tax levies are adopted in September. The budget also authorizes the number of full-time equivalent positions available to City departments to deliver services. The budget may be amended by Council motion at a regular meeting or administratively if the change is within the same department and fund. Various thresholds of review and approval have been established for purchases and hiring as the budget is implemented.

Capital Improvement Program. Destin's Capital Improvement Program projects are planned for five years and evaluated based on project totals of over \$25,000, a useful life of five years or more; and costs that do not reoccur annually, unless the project has multi-year elements. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Debt Management. Destin has a financial policy which prohibits the issuance of debt for operating expenses. With that as a governing framework, all debt issuances are for the purpose of financing capital infrastructure (or long-lived costly assets). Each debt issuance is evaluated against multiple additional policies addressing: debt service as a percent of operating expenditures, tax and revenue bases for the repayment of debt, the overall debt burden on the community and statutory limitations and market factors affecting tax-exempt interest costs. In all cases a long-term analysis is made considering the financial (debt) capacity that fits the wherewithal (and willingness) of our community to pay for the capital projects. The annual debt service operating cost for each additional one million dollars in new debt ranges from \$75,000 to \$79,000, based on an interest rate of 4.5 percent when amortized over 20 years. Sizing of the City's Capital Improvement Program is based on the debt capacity in conjunction with conservatively estimated pay-as-you-go revenues which will help stabilize per capita debt and lower annual debt service costs to the City over the long-term. Revenues pledged to the repayment of debt issues consist of general government taxes, local option gas taxes, half-cent sales taxes, communication service taxes, and

CRA tax increment funding (TIF). Annual requirements and debt transactions are reflected in the notes to the financial statements. The City's CRAs receive funding through a "Tax Increment Formula" (TIF). This revenue is calculated using the growth of the tax base of the property within the boundaries of the CRA from the date the CRA is conceived. The CRA can get an increase in its funding based on the increase of the assessed value of this property.

Internal Control. City management is responsible for establishing and monitoring internal controls to ensure that the City fulfills its fiduciary responsibility as custodian of public monies. The purpose of internal controls is to provide reasonable, but not absolute, assurance that City assets are safeguarded against loss through unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Fiduciary Operations. The City of Destin maintains a defined contribution plan for the City's full-time employees. The City's contributes 7.5% of the employee's annual earnings to the retirement program, and will match the first 5% of the employee's contribution to their 457 retirement program. Additional information on the City's pension arrangements and post employment benefits can be found in Note's 12 and 13 in the financial statements.

Financial Policies. Due to the decline in ad valorem revenue, along with a decline in state shared revenue, the City put spending constraints into place that would give it flexibility to make budget changes until the economy recovered. Capital expenditures were funded from impact fees, gas tax revenue and grants. These measures have allowed the City to maintain fiscal responsibilities without any major reduction in services to our community.

General Government Functions. The City's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are determined generally by the City Council upon recommendation of the City Manager and the Finance Director establishes accepted accounting policies and procedures, as well as the number of funds.

General government functions include the General Fund, Special Revenue Fund, Debt Service Fund, and the Capital Improvements Fund.

In accordance with Florida Statutes, Chapter 218.33, revenues are recorded by source to provide information necessary to (1) prepare and control the budget, (2) record the collection of revenues (3) prepare financial statements and schedules, and (4) prepare financial statistics.

Awards and Acknowledgements

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 Destin for its comprehensive annual financial report (CAFR) for the year ended September 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the nineteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

This achievement is the direct result of the efforts of many people and not the work of a single person. Our gratitude is given to the Mayor and City Council for their continuing attention, assistance, and cooperation regarding the financial operations of the City as well as to our residents for their support toward the planning and administration of the financial operations of the City in a responsible and progressive manner. We would also like to express our thanks to the staff of Carr, Riggs, and Ingram, LLC for their professional services and assistance to the City of Destin. Lastly, we extend our sincere appreciation to all city employees, particularly our finance staff, for their hard work, professionalism, and dedication to ensuring Destin's financial stability.

Respectfully submitted,



Greg Kisela
City Manager



Bragg Farmer
Finance Director

CITY OF DESTIN
EXECUTIVE DIRECTORY

CITY COUNCIL

Mel Ponder, Mayor
Rodney Braden, Council
Tuffy Dixon, Council
Jim Foreman, Council
Cyron Marler, Council
Prebble Ramswell, Council
Sandy Trammell, Council
Jim Wood, Council

CITY MANAGER

Greg Kisela

City Clerk

Rey Bailey

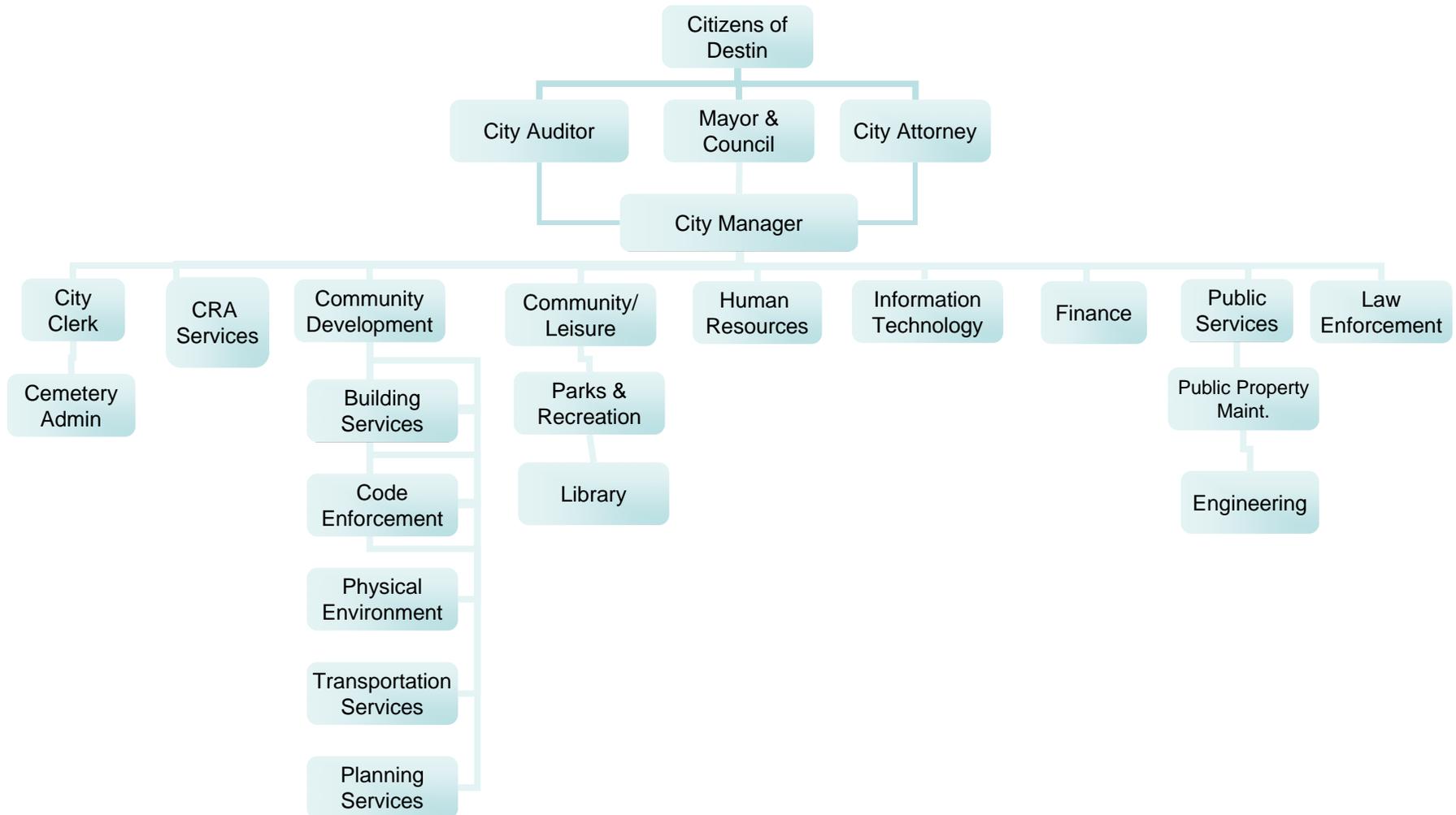
Finance/Budget
Director

Bragg Farmer

City Attorney

J. Jerome Miller

City of Destin Organizational Chart



As of 9/30/14



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Destin
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Destin, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Destin, Florida (hereinafter referred to as the "City"), as of and for the year ended September 30, 2014, 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.

Auditor's 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 auditor's 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund and the CRA Town Center Special Revenue Fund for the year then ended, in conformity 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 the management's discussion and analysis and schedule of funding progress of other postemployment benefits, on pages 4-15 and 55, 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 nonmajor fund financial statements, schedules of revenues, expenditures, and changes in fund balance – budget to actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedules of revenues, expenditures, and changes in fund balance – budget to actual, 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 the schedules of revenues, expenditures, and changes in fund balance – budget to actual, 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 1, 2015, 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

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Destin, Florida (the "City") we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2014.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded liabilities by \$103,479,219 (net position) and represent a decrease of \$3,326,945 or 3.11%, from prior year. Of this amount, \$90,108,379 represents the net investment in capital assets (e.g. land, infrastructure, building, machinery, and equipment), \$43,399 is restricted for future obligations, and \$13,327,441 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The \$3,326,945 governmental net position decrease was largely the result of a settlement of a lawsuit against the City and an increase in budgeted expenses.

The City's governmental funds reported a combined ending fund balance of \$14,704,321, a decrease of \$3,298,172. The fund balance decrease was the result of the settlement of litigation, capital outlay expenditures and debt service payments.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,753,876, or 16.87% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Governmental Accounting Standards Board ("GASB") Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* financial statements is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (such as year-to-year and government-to-government), and enhance the City's accountability.

This discussion and analysis intends to serve as an introduction to the City's basic financial statements. The basic financial statements 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Designed to be corporate-like, the government-wide financial statements typically consolidate governmental and business-type activities into two columns, which add to a total for the primary government entity. However, the City only has governmental activities and, therefore, one column is presented that provides readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable 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 City's net assets 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 flows 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 (community development services), physical environment (cemetery), transportation (includes public works, administration, streets, engineering and right-of-way), human services (contract services and contributions), culture and recreation (parks, library and museum) and debt service interest.

The government-wide financial statements are found on pages 16 - 17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into three categories: governmental, proprietary 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 focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at fiscal year-end.

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 18 - 21 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, 2002 Series Capital Improvement Special Revenue Fund, which is presented in combination with General Fund, and CRA Town Center Special Revenue Fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements and can be found elsewhere in the report.

The City adopted an annual appropriated budget for all of the governmental funds. A budgetary comparison statement is presented within this report for each of these funds to demonstrate compliance with the budgets.

PROPRIETARY FUNDS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has no operations that meet the definition of this fund category.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The City maintains a defined contribution plan for the City's full-time employees. The City administers the retirement plan known as the "Employee Thrift Plan." The Board of Trustees operates the investment policy set forth by the City Council. All funds are held by Benjamin F. Edwards & Co., which also acts as the Investment Manager. As of September 30, 2014, total investments were stated at \$5,049,922, an increase of \$667,523 compared to the September 30, 2013, stated value of \$4,382,399. Allocations of investments were represented as 98.8% mutual funds and 1.2% cash and cash equivalents.

The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are found on pages 24 - 25 of this report.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information, which 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 26 of this report.

OTHER INFORMATION

The combining statements, mentioned earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information. The combining and individual nonmajor fund financial statements are found on pages 56 - 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as an indicator of a government's financial position. The City's assets exceeded liabilities by \$103,479,219 (net position) for the fiscal year ended September 30, 2014, as reported in Table 1.

The largest portion of the City's net position, \$90,108,379 (87.08%), reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports its investment in capital assets, 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. In both the current and prior fiscal years, the City reported positive balances in net position for the government as a whole. An additional portion of the City's net position, \$43,399 (0.04%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$13,327,441 may be used to meet the City's' ongoing obligations to citizens and creditors.

Table 1
Statement of Net Position
As of September 30

	Governmental Activities		
	2014	2013	Change
Current and other assets	\$ 15,909,965	\$ 18,584,277	\$ (2,674,312)
Capital assets	120,545,350	122,997,596	(2,452,246)
Deferred outflows	112,886	114,051	(1,165)
Total assets and deferred outflows	136,568,201	141,695,924	(5,127,723)
Long-term liabilities outstanding	31,653,403	32,484,898	(831,495)
Other liabilities	656,536	2,291,053	(1,634,517)
Deferred inflows	123,938	113,809	10,129
Total liabilities and deferred outflows	32,433,877	34,889,760	(2,466,012)
Net position:			
Net investment in capital assets	90,108,379	91,599,506	(1,491,127)
Restricted, capital projects	43,399	43,355	44
Unrestricted	13,331,610	15,163,303	(1,831,693)
Total net position	\$ 103,483,388	\$ 106,806,164	\$ (3,322,776)

The overall decrease in the City's net position was \$3,326,945 (3.11%) during fiscal year 2014. Key elements of this increase are described in the following table.

Table 2
Change in Net Position
For the year ended September 30,

	Governmental Activities		
	2014	2013	Change
Revenue:			
Program revenues:			
Charges for services	\$ 3,045,755	\$ 2,863,529	\$ 182,226
Operating grants and contributions	373,317	189,862	183,455
Capital grants and contributions	126,767	7,888,961	(7,762,194)
General revenue:			
Taxes			
Property taxes			
Ad valorem	5,289,653	5,012,023	277,630
Tax incremental financing	800,673	829,168	(28,495)
Public service	601,432	521,574	79,858
Utility service fees	936,081	1,012,259	(76,178)
Intergovernmental, unrestricted	1,403,097	1,359,128	43,969
Investment earnings	149,952	(87,675)	237,627
Miscellaneous	20,602	3,307	17,295
Total revenue	\$ 12,747,329	\$ 19,592,136	\$ (8,594,807)
Expenses:			
General government	\$ 3,135,252	\$ 2,847,225	\$ 288,027
Public safety	2,721,873	2,633,697	88,176
Economic environment	1,387,855	1,103,214	284,641
Physical environment	710,134	647,709	62,425
Transportation	2,661,304	2,525,995	135,309
Human services	59,650	60,250	(600)
Culture and recreation	2,277,720	2,163,148	114,572
Debt service-interest	1,366,317	1,662,880	(296,563)
Total expenses	14,320,105	13,644,118	675,987
Special item - settlement	(1,750,000)	-	(1,750,000)
Increase (decrease) in net position	(3,322,776)	5,948,018	-
Beginning net position	106,806,164	100,858,146	5,948,018
Ending net position	\$ 103,483,388	\$ 106,806,164	\$ (3,322,776)

FINANCIAL IMPACTS

NORMAL IMPACTS

There are eight basic factors that impact revenues and expenses as reflected below.

Revenue

- Economic Condition – This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- Council Approved Rate Adjustments – While certain tax rates are set by statute, the City Council has significant authority to impose and periodically adjust rates (sanitation, impact fees, recreation user fees, etc.)
- Changing Patterns in Intergovernmental Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing, etc.) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distort year-to-year comparisons.
- Market Impacts on Investment Income – The current market conditions have a significant influence on the City’s investment income causing it to fluctuate greatly.

Expenses

- Introduction of New Programs – Within functional expense categories, (general government, public works, parks and recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments – Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent 21.44% of the City’s operating costs.
- Salary Adjustments – The ability to attract and retain human resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil, and parts. Some fluctuations may experience commodity-specific increases.

Current Year Impact – Governmental Activities

- Ad valorem property taxes increased \$277,630 (5.54%), which was caused by the slight increase of property values within the City.
- Charges for services increased \$182,226 (6.36%), which was attributable to the increase in electric franchise fees charged in the current year.
- Total City expenses increased \$680,156 (5.67%).

Chart 1: Expenses and Program Revenue – Governmental Activities

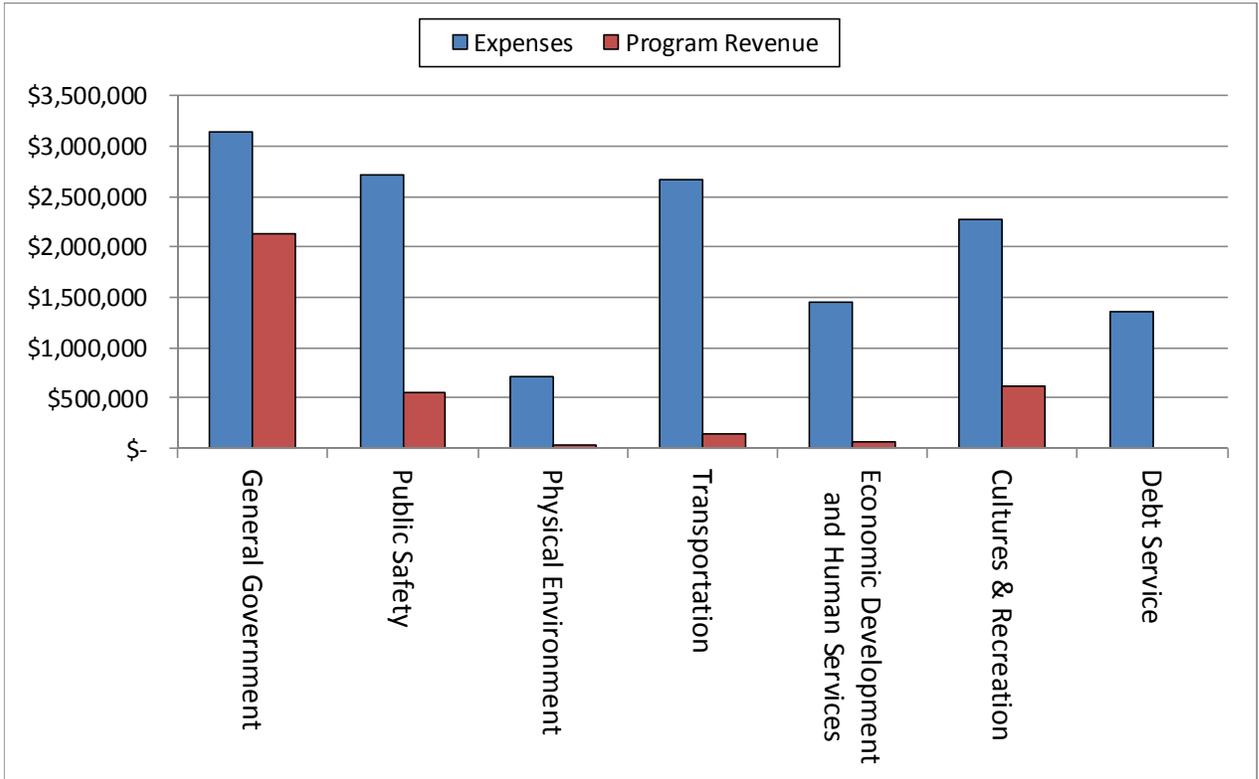
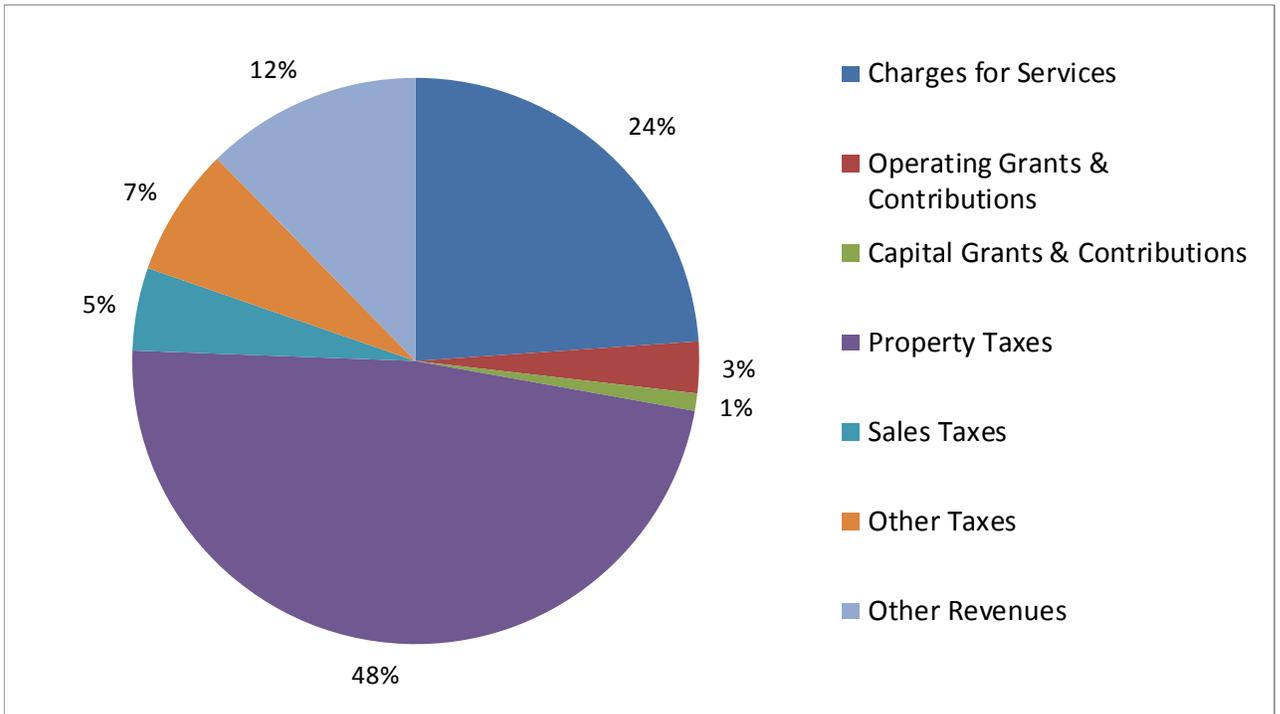


Chart 2: Revenue by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'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 spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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, 2014, the City's governmental funds reported combined ending fund balance of \$14,704,321, a decrease of \$3,298,172 compared to prior year.

The general fund is the chief operating fund of the City. At September 30, 2014, unassigned fund balance was \$1,753,876, while total fund balance declined to \$15,679,271. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 16.87% of total general fund expenditures, while total fund balance represents 151% percent of that same amount.

The fund balance of the City's general fund decreased \$604,227 during the current fiscal year, which is comparable to the prior year.

The CRA Town Center Special Revenue fund balance decreased \$847,694 due to debt funding requirements.

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

The Employee Thrift Plan had restricted net position at September 30, 2014 of \$5,049,922. The total increase in net position was \$667,523.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget of the General Fund was \$208,838. Increases in the budget were to be funded from interfund transfers and charges for services. The largest variance between final budget and actual was the variance between budgeted and actual capital outlay. This variance arose because the City incurred less capital outlay expenditures than expected.

The following expenditures are of interest in the fiscal year 2014 budget:

Sheriff's Contract: The City provides law enforcement services through a contract with the Okaloosa County Sheriff's Office. This contract provides for all patrol activities including, beach patrol, marine patrol, and investigations. Additionally, the Sheriff's office provides the City with a full spectrum of peripheral services at no additional charge. The funding level for the fiscal year 2014 budget is approximately \$55,000 greater than the prior year.

Beach Safety Patrol: For the tenth year, the Council approved funding (\$100,000 in 2014) to support the beach safety patrol operated by the Destin Fire Control District. The funding supports the equipment and operational needs of the patrol activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2014, was \$120,545,350 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$2,452,246 or 1.99% overall, and is summarized as follows:

Major capital asset events during the current year include the following:

- Transportation improvements: This includes citywide street resurfacing, engineering drawings for the Cross Town Connector, and a Traffic Signal at Marler Street. Impact fees and Gas tax revenue are the sole source of revenue for transportation projects.

Table 3
Capital Assets
(net of accumulated depreciation)

	Governmental Activities		
	2014	2013	Change
Land	\$ 23,205,573	\$ 22,802,279	\$ 403,294
Buildings	8,335,179	8,614,287	(279,108)
Improvements other than buildings	16,921,816	14,433,822	2,487,994
Infrastructure	61,889,878	62,759,083	(869,205)
Machinery and equipment	784,138	674,992	109,146
Books, publications and library materials	92,667	93,832	(1,165)
Equipment under capital lease	119,229	-	119,229
Construction in progress	9,196,870	13,619,301	(4,422,431)
Total	\$ 120,545,350	\$ 122,997,596	\$ (2,452,246)

Additional information on the City's capital assets can be found in Note 7.

LONG TERM DEBT

At September 30, 2014, the City had total bonded debt outstanding of \$5,800,000 and notes payable of \$24,482,810. The majority of the City's debt represents bonds and notes secured solely by specified revenue sources (i.e. revenue bonds). The City has no general obligation or special assessment debt. For general obligation debt greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt.

Table 4
Outstanding Debt
Revenue Bonds, Promissory Notes and Capital Leases

	Governmental Activities		
	2014	2013	Change
Revenue bonds	\$ 5,800,000	\$ 18,940,000	\$ (13,140,000)
Revenue notes	24,482,810	13,746,242	10,736,568
Capital leases	95,393	-	95,393
Total	\$ 30,378,203	\$ 32,686,242	\$ (2,308,039)

The City is repaying its outstanding obligations. During 2014, the City's repayments totaled 14,274,432 which included the refunding of certain revenue bonds.

The City has purchased credit enhancement insurance for some of the revenue bonds. However, the City does not have an underlying rating from these agencies.

The City has no legal debt margin requirements set forth by the City's Charter or the Florida Statutes.

Additional information on long-term debt can be found in Notes 8 through 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City had experienced significant ad valorem growth until FY 2007. From FY 2007 until FY 2013, when the real estate market collapsed, the City experienced a 38% decrease in property values. There has also been an equally as destructive decrease in the City's state shared revenues. The economic effect on the two CRA's has also been dramatic. Their revenue source is primarily ad valorem TIF funding which has decreased by over 38%. The combined effect of these revenue issues has caused a significant budgetary challenge for the upcoming and future years. With the economy shrinking, the demand for City services and the cost of providing these services has increased. It is the goal of the City Council to maintain service levels without increasing the cost of providing these services to our businesses, citizens and visitors.

Our Charter 2-mil ad valorem tax cap (the "cap") poses a serious issue for the City in the immediate future. The City's ability to supplement general revenues in lieu of removing the cap is also seriously limited, particularly with our Charter prohibition upon utility taxes. One-time or short-term revenues, for specific purposes, such as additional sales tax and impact fees are limited to capital expenditures and cannot be used for general revenues to offset the City's rising operating and maintenance expenses. Another contributing factor has been the reluctance of past councils to adequately budget user fees and charges to offset costs for services and facilities. With a portion of the City's franchise revenues and local option taxes dedicated to debt service, there are few alternatives for revenue enhancement within the budget.

In fiscal year 2014, the ability to balance the Budget was attributed to the cutting of operating expenditures and capital projects for the City of Destin.

The City has steadily worked on its capital program over the last seven years. Beginning with fiscal year 2006, the level of funding increased allowing the City to provide improvement to much needed public infrastructure. Capital funding has now decreased to a point that only emergency repairs and streets and sidewalk maintenance (gas tax funding) is being performed. Existing City facilities, such as the Community Center and City Hall are aging and in need of a greater level of repair, maintenance and/or replacement.

If these estimates are realized, the City's budgetary general fund balance will remain stable by the close of 2015. More importantly, however, this will have been accomplished without selling capital assets or restructuring long-term debt to alleviate cash flow pressures.

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal government, which provide funding for specific programs, projects, or activities. For the business-type activities and certain governmental activities (permitting, recreational programs, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services (including development-related impact fees) has an impact on the City's specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for those businesses that choose to locate in our jurisdiction. As the City has limited growth potential, it places great emphasis on redevelopment and it is essential for the continued financial and economic health of our community.

Regional economic indicators were also considered in preparing the 2014-2015 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 4200 Indian Bayou Trail, Destin, Florida, 32541. The City's website address is www.cityofdestin.com. Inquiries may also be sent via email to the Finance Department at bfarmer@cityofdestin.com.

City of Destin, Florida

Statement of Net Position

<i>September 30,</i>	2014
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,713,780
Investments	9,448,154
Restricted cash and cash equivalents	258,072
Accounts receivable	273,433
Due from other governments	549,695
Prepaid expenses	15,895
Capital assets, not being depreciated	32,402,443
Capital assets, net of accumulated depreciation	88,142,907
Total assets	135,804,379
Deferred outflows of resources	
Deferred charge on refunding	112,886
Total deferred outflows of resources	112,886
Liabilities	
Accounts payable	238,094
Accrued interest - restricted	229,935
Customer deposits - restricted	441
Accrued payroll	188,066
Noncurrent liabilities:	
Due within one year	1,589,028
Due in more than one year	30,064,375
Total liabilities	32,309,939
Deferred inflows of resources	
Deferred revenue	123,938
Total deferred inflows of resources	123,938
Net position	
Net investment in capital assets	90,108,379
Restricted for:	
Capital projects	43,399
Unrestricted	13,331,610
Total net position	\$ 103,483,388

See accompanying notes to financial statements.

City of Destin, Florida

Statement of Activities

Year ended September 30,

2014

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,135,252	\$ 2,099,136	\$ 31,072	\$ -	\$ (1,005,044)
Public safety	2,721,873	553,710	-	-	(2,168,163)
Economic environment	1,387,855	-	-	70,802	(1,317,053)
Physical environment	710,134	7,463	-	25,269	(677,402)
Transportation	2,661,304	47,642	59,567	30,696	(2,523,399)
Human services	59,650	-	-	-	(59,650)
Culture and recreation	2,277,720	337,804	282,678	-	(1,657,238)
Interest on long term debt	1,366,317	-	-	-	(1,366,317)
Total governmental activities	\$ 14,320,105	\$ 3,045,755	\$ 373,317	\$ 126,767	(10,774,266)
General revenues					
Taxes:					
Property taxes, levied for operational purposes					6,090,326
Sales, use, and fuel taxes					601,432
Utility service fees					936,081
Grants and contributions not restricted to specific programs					1,403,097
Investment income					149,952
Miscellaneous					20,602
Special item - Settlement					(1,750,000)
Total general revenues and special item					7,451,490
Change in net position					(3,322,776)
Net position, October 1, 2013					106,806,164
Net position, September 30, 2014					\$ 103,483,388

See accompanying notes to financial statements.

Balance Sheet – Governmental Funds

September 30,

2014

	General Fund*	CRA Town Center Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,117,290	\$ 30,238	\$ 566,252	\$ 4,713,780
Investments	9,448,154	-	-	9,448,154
Due from other governments	549,695	-	-	549,695
Advance to other fund	1,863,725	-	-	1,863,725
Accounts receivable - other	206,771	-	66,662	273,433
Prepaid expenditures	15,895	-	-	15,895
Restricted cash and cash equivalents	-	-	258,072	258,072
Total assets	\$ 16,201,530	\$ 30,238	\$ 890,986	\$ 17,122,754
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 210,439	\$ 1,055	\$ 26,600	\$ 238,094
Accrued payroll	183,272	531	4,263	188,066
Customer deposits - restricted	441	-	-	441
Advance from other fund	-	1,863,725	-	1,863,725
Total liabilities	394,152	1,865,311	30,863	2,290,326
Deferred inflows of resources:				
Deferred revenue	123,938	-	-	123,938
Total deferred inflows of resources	123,938	-	-	123,938
Fund balances:				
Nonspendable	1,879,620	-	-	1,879,620
Restricted	1,098,945	-	151,914	1,250,859
Committed	10,276,708	-	74,256	10,350,964
Assigned	684,591	-	633,953	1,318,544
Unassigned	1,743,576	(1,835,073)	-	(91,497)
Total fund balances (deficit)	15,683,440	(1,835,073)	860,123	14,708,490
Total liabilities, deferred inflows of resources and fund balances	\$ 16,201,530	\$ 30,238	\$ 890,986	\$ 17,122,754

* The 2002 Series Capital Improvement Special Revenue Fund is presented in combination with the General Fund.

Reconciliation of the Balance Sheet to the Statement of Net Position

<u>September 30,</u>	<u>2014</u>	
Total fund balance - governmental funds	\$	14,708,490
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental non-depreciable assets	32,402,443	
Governmental depreciable assets	122,687,130	
Less accumulated depreciation	<u>(34,544,223)</u>	120,545,350
<p>Deferred charges on refunding are not financial resources and, therefore are not reported as assets in governmental funds. The State of Net Position includes these charges, net of amortization.</p>		
		112,886
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Revenue bonds payable	(5,800,000)	
Notes payable	(24,482,810)	
Capital lease payable	(119,229)	
Bond premium, net	(147,818)	
Accrued interest	(229,935)	
Compensated absences	(153,585)	
OPEB liability	(949,961)	(31,883,338)
<u>Total net position - governmental activities</u>	<u>\$</u>	<u>103,483,388</u>

See accompanying notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

Year ended September 30,

2014

	General Fund*	CRA Town Center Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,628,990	\$ 394,045	\$ 406,628	\$ 9,429,663
Licenses and permits	597,505	-	-	597,505
Intergovernmental	1,674,585	330	-	1,674,915
Charges for services	462,224	-	-	462,224
Contributions	99,975	-	-	99,975
Fines and forfeitures	49,229	-	-	49,229
Impact fees	268,840	-	-	268,840
Investment income	140,824	-	-	140,824
Miscellaneous income	24,274	-	1,704	25,978
Total revenues	11,946,446	394,375	408,332	12,749,153
Expenditures				
General government	2,913,561	-	-	2,913,561
Economic environment	10,007	63,585	136,040	209,632
Physical environment	379,218	-	-	379,218
Public safety	1,768,098	-	-	1,768,098
Transportation	1,544,311	-	-	1,544,311
Human services	59,650	-	-	59,650
Culture and recreation	1,949,815	-	-	1,949,815
Capital outlay	1,229,815	-	352,001	1,581,816
Debt service				
Principal	240,000	-	1,134,432	1,374,432
Interest	288,100	-	1,274,713	1,562,813
Other	6,644	-	31,571	38,215
Investment loss	-	-	1,824	1,824
Total expenditures	10,389,219	63,585	2,930,581	13,383,385
Excess (deficiency) of revenues over expenditures	1,557,227	330,790	(2,522,249)	(634,232)
Other financing sources (uses)				
Transfers in	-	-	3,730,001	3,730,001
Transfers out	(526,514)	(1,178,484)	(2,025,003)	(3,730,001)
Capital lease addition	119,229	-	-	119,229
Proceeds of refunding	-	-	11,871,000	11,871,000
Debt service - principal	-	-	(12,900,000)	(12,900,000)
Total other financing sources (uses)	(407,285)	(1,178,484)	675,998	(909,771)
Special Item				
Settlement	(1,750,000)	-	-	(1,750,000)
Net change in fund balances	(600,058)	(847,694)	(1,846,251)	(3,294,003)
Fund balances (deficit), beginning of year	16,283,498	(987,379)	2,706,374	18,002,493
Fund balances (deficit), end of year	\$ 15,683,440	\$ (1,835,073)	\$ 860,123	\$ 14,708,490

* The 2002 Series Capital Improvement Special Revenue Fund is presented in combination with the General Fund.

See accompanying notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	2014	
Net change in fund balances - total governmental funds	\$	(3,294,003)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		1,581,816
The net effect of miscellaneous transactions involving capital assets (i.e. adjustments and disposals) is to decrease capital assets.		(11,230)
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(4,022,831)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal payments	1,374,432	
Amortization of bond discount	(6,767)	
Amortization of bond premium	9,238	
Change in compensated absences	4,028	
Change in OPEB liability	(101,941)	
Change in accrued interest on long-term debt	<u>234,711</u>	1,513,701
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Bond proceeds	(11,871,000)	
Principal repayment	<u>12,900,000</u>	1,029,000
Capital lease additions are reported as other financing sources in the governmental funds but are recognized as long-term liabilities in the Statement of Net Position.		(119,229)
Change in net position - governmental activities	\$	(3,322,776)

See accompanying notes to financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual General Fund

Year ended September 30,

2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 8,505,690	\$ 8,505,690	\$ 5,966,619	\$ (2,539,071)
Licenses and permits	537,500	537,500	597,505	60,005
Intergovernmental	1,474,376	1,474,376	612,144	(862,232)
Charges for services	383,760	383,760	462,224	78,464
Contributions	8,400	8,400	99,975	91,575
Fines and forfeitures	42,000	42,000	49,229	7,229
Impact fees	101,900	101,900	268,840	166,940
Investment income	-	-	140,824	140,824
Miscellaneous income	217,950	217,950	7,907	(210,043)
Total revenues	11,271,576	11,271,576	8,205,267	(3,066,309)
Expenditures				
General government	2,979,660	3,002,994	2,883,713	119,281
Economic environment	10,007	10,007	10,007	-
Physical environment	222,776	232,255	222,970	9,285
Public safety	1,839,034	1,839,034	1,753,103	85,931
Transportation	1,530,243	1,560,246	1,506,311	53,935
Human services	58,975	59,650	59,650	-
Culture and recreation	2,089,977	2,123,849	1,947,146	176,703
Capital outlay	1,533,883	1,645,282	431,116	1,214,166
Debt service	534,668	534,744	534,744	-
Total expenditures	10,799,223	11,008,061	9,348,760	1,659,301
Excess (deficiency) of revenues over expenditures	472,353	263,515	(1,143,493)	(1,407,008)
Other financing sources (uses)				
Transfers in	3,360,727	3,360,727	3,062,409	(298,318)
Transfers out	(4,052,446)	(4,531,072)	(3,588,923)	942,149
Net other financing sources (uses)	(691,719)	(1,170,345)	(526,514)	643,831
Net change in fund balance	(219,366)	(906,830)	(1,670,007)	(763,177)
Fund balance, October 1, 2013	13,719,287	13,719,287	13,719,287	-
Fund balance, September 30, 2014	\$ 13,499,921	\$ 12,812,457	\$ 12,049,280	\$ (763,177)

See accompanying notes to financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual Community Redevelopment Agency – Town Center Special
Revenue Fund

Year ended September 30,

2014

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 459,558	\$ 459,558	\$ 394,045	\$ (65,513)
Intergovernmental	200	200	330	130
Total revenues	459,758	459,758	394,375	(65,383)
Expenditures				
Economic environment	69,264	69,264	63,585	5,679
Total expenditures	69,264	69,264	63,585	5,679
Excess (deficiency) of revenues over expenditures	390,494	390,494	330,790	(59,704)
Other financing sources (uses)				
Transfers out	(1,249,905)	(1,249,905)	(1,178,484)	71,421
Total other financing sources (uses)	(1,249,905)	(1,249,905)	(1,178,484)	71,421
Net change in fund balance	(859,411)	(859,411)	(847,694)	11,717
Fund balance, October 1, 2013	(987,379)	(987,379)	(987,379)	-
Fund balance, September 30, 2014	\$ (1,846,790)	\$ (1,846,790)	\$ (1,835,073)	\$ 11,717

See accompanying notes to financial statements.

Statement of Plan Net Position – Pension Trust Fund

<i>September 30,</i>	2014
Assets	
Cash and cash equivalents	\$ 63,059
Investments, at fair value	
Mutual funds	4,986,863
Total assets	5,049,922
Liabilities	
Interfund balance	-
Total liabilities	-
Net position	
Assets held in trust for pension benefits	\$ 5,049,922

See accompanying notes to financial statements.

Statement of Changes in Plan Net Position – Pension Trust Fund

<i>Year ended September 30,</i>	2014
Additions	
Employer contributions	\$ 319,202
Interest income	88,168
Net increase in fair value of investments	422,045
Total additions	829,415
Deductions	
Administrative expenses	14,235
Benefits and other withdrawals	147,657
Total deductions	161,892
Change in net position	667,523
Net position, October 1, 2013	4,382,399
Net position, September 30, 2014	\$ 5,049,922

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION & REPORTING ENTITY

The City of Destin, Florida (the "City") was established as a municipality on November 9, 1984. The City's original charter was enacted as Chapter 84-422, Laws of Florida, on June 25, 1984. The present charter was certified November 9, 1984 by referendum. The City operates under a Council-Manager form of government and provides the following services: public safety (law enforcement and protective inspections), transportation (road and street facilities), culture and recreation (library, community center, parks and recreation, and special events), physical environment (cemetery), and general governmental services (including planning and zoning).

As required by generally accepted accounting principles (GAAP), these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City is financially accountable if it appoints a voting majority of the organization'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 burden on the City. Blended component units are legally separate entities, but are in substance a part of the City's operations and therefore the data from these units are combined with the data from the primary government. The City has two blended component units as described below:

- The Community Redevelopment Agency - Town Center is governed by the members of the City Council. Although it is legally separate from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated town center area. The CRA - Town Center is reported as a special revenue fund using the blended method. Separate financial information for the CRA - Town Center can be obtained from the City.
- The Community Redevelopment Agency - Harbor is governed by the members of the City Council. Although it is legally separate from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated harbor area. The CRA - Harbor is reported as a special revenue fund using the blended method. Separate financial information for the CRA - Harbor can be obtained from the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Measurement Focus, Basis of Accounting and Basis of Presentation***

Government-wide Financial Statements – Government-wide financial statements, including the statement of net position and statement of activities, present information about the City as a whole. These statements include the non-fiduciary financial activity of the primary government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is allocated to the department where the related asset is used.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

The effects of non-fiduciary interfund activity have been eliminated from the government-wide financial statements.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the City's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

Fund Financial Statements – Fund financial statements report detailed information about the City in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues as available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fund Financial Statements (Continued)**

For this purpose, the City considers grant revenues to be available if they are collected within six months of the end of the fiscal year. For all other revenues, the period is 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major funds:

General Fund - This is the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

2002 Series Capital Improvement Special Revenue Fund - This fund is used to account for the proceeds of specific revenues (electric franchise and telecommunication taxes and the 1/2 cent sales tax). For financial reporting purposes this fund was combined with the general fund.

CRA Town Center Special Revenue Fund - This fund is used to account for the proceeds of specific revenues (Tax Increment Financing Trust Funds) and the redevelopment activities relating to the City of Destin CRA Town Center.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

Pension Trust Fund - This fund is custodial in nature and does not present results of operations or have a measurement focus. Pension Trust Funds are accounted for using the accrual basis of accounting. The Pension Trust Fund accounts for the assets of the City's Employee Thrift Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Deposits and Investments***

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

As governed by the Florida Statute 218 and the City's investment policy, the City is authorized to invest available surplus funds in investments including money market instruments, certificates of deposit, U.S. Treasury notes, U.S. agency bonds, mortgaged backed securities, investment grade corporate bonds, and asset backed securities. These investments may be bundled into mutual funds which hold only these types of investments or a portfolio with an investment manager that trades these types of investment instruments in a structured manner to enhance overall portfolio return. Investments are stated at fair value in accordance with GASB No. 31. U.S. Treasury notes and U.S. agency and instrumentalities obligations are valued at quoted market.

The City's investments and portfolio allocation is determined by the City Council. The portfolio of investments is maintained by the Finance Director who provides a portfolio report quarterly to the Board. The report provides a breakdown of the portfolio as well as its overall performance.

Pension Trust Funds may invest in direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, bonds, or indebtedness of United States corporations rated BAA or better, stocks of U.S. corporations which are listed on the national stock exchanges (limited to 50% of the assets of the fund) and investment accounts maintained by major national banks and insurance companies given the top rating by Best.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Receivables and Payables (Continued)***

All receivables are shown net of an allowance for uncollectibles. At September 30, 2014, the City considers all receivables collectible and accordingly does not have an allowance.

Property Taxes

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the current fiscal year. The following is the current property tax calendar:

Lien date	January 1, 2014
Levy date	November 1, 2014
Due date	March 31, 2015
Delinquency date	April 1, 2015

Discounts of 1% for each month taxes are paid prior to March 2015 are granted.

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

Capital Assets

Expenditures for capital assets acquired or constructed for general City purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial cost more than the following:

Land	All
Buildings and improvements	\$10,000
Infrastructure	\$10,000
Improvements - other	\$10,000
Equipment	\$1,000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Capital Assets (Continued)***

Interest costs incurred during construction of general capital assets are not considered material and are not capitalized as part of the construction.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life is expensed as incurred.

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

Assets	Years
Buildings	20 - 50 years
Improvements other than buildings	10 - 50 years
Machinery, equipment and vehicles	5 -10 years
Infrastructure	20 - 40 years
Books, publications, etc.	5 -10 years

Compensated Absences

The policy of the City for sick and vacation leave, as originally adopted on August 1, 1988, and last amended September 18, 2001, is as follows:

Sick Leave

Sick leave is earned at the rate of one day per month for full-time employees and full-time probationary employees who have completed 30 days of service.

There is no limit to the amount of sick leave that an employee may accumulate. Upon separation of employment, all accrued sick leave is forfeited; therefore, sick pay benefits that have been earned are not accrued, but rather recorded as an expenditure when used by City employees.

Vacation Leave

All full-time employees, excluding those classified as temporary, are permitted to accumulate earned but unused annual vacation leave to their account after satisfactorily completing a probationary period. Upon approval, once an employee completes their probationary period, he/she may use vacation leave as accrued. An employee can accrue up to 160 hours of vacation leave. The employee can be paid for such leave upon separation, if he/she has successfully completed the probationary period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Compensated Absences (continued)***

An employee shall accrue vacation leave based upon the number of years the employee has worked for the City. All service must be continuous to be credited toward accumulated vacation leave.

Vacation leave is earned as follows:

Years of Employment	Days Accrued per Year
0 - 3 years	10
4 - 7 years	12
8 - 12 years	15
13 or more years	18

If there has been a break in service of 15 working days or more, the employee, upon reinstatement or reemployment, will begin earning annual leave as a new employee. Vacation leave is earned from the first of the month in which the employee begins work, if the starting date occurs between the first and fifteenth of the month. Employees beginning employment after the fifteenth will begin earning leave from the first day of the month following their employment.

Regular employees who resign or are terminated in good standing shall receive pay for their accrued and unused annual leave. Only a full calendar month of employment will be considered in computing vacation leave and will be based upon the employee's regular rate of pay at separation.

Compensatory Leave

Compensatory leave is accrued at one hour for every hour worked in excess of 40 for the week. Following an initial probationary period, an employee can use accumulated compensatory time as accrued. The maximum number of hours of compensatory leave that can be carried over from one calendar year to the next is 160 hours. There is no limit (other than limitations as a result of the calendar year roll-over limitation) on the number of hours of accumulated compensatory leave to be paid out to employees who resign or are terminated in good standing. At September 30, 2014, the City had \$5,795 recorded as accumulated compensatory leave.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Long-term Obligations (Continued)***

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 Post-Employment Benefits

The City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The effect of this adoption was to establish uniform reporting standards for other post-employment benefit (OPEB) expense and related liabilities, note disclosures, and required supplementary information (RSI) in annual financial reports of governmental entities. The effects of this implementation have been included in the City's financial statements. See Note 12 for a description of the OPEB expenditures and liabilities. GASB Statement No. 45 improves the relevance and usefulness of financial reporting by: (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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. At September 30, 2014, the City had \$112,886 recorded as deferred charge on refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2014, the City had \$123,938 recorded as deferred revenue, which represents payments received prior to September 30, 2014 for 2015 business licenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Fund Equity***

In the fund financial statements, governmental funds report equity as fund balance. The following is a description of the City's various fund balance accounts:

Nonspendable - Amounts that are not in a spendable form (prepaid insurance, for example) or are legally or contractually required to be maintained intact.

Restricted - Amounts that are constrained by external parties constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource provider.

Committed - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the government's highest level of decision-making authority which is the City Council. Commitments may be changed or lifted only by the government taking the same formal action (resolution) that imposed the constraint originally. At the end of each fiscal period the Council commits an amount of fund balance for encumbrances which represent outstanding purchase orders intended to be fulfilled.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the City Council) or by an official or body (the City Manager) to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - The residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Net Position

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to property, plant and equipment, net of any related debt. Restricted net position represents the net assets restricted by external parties, constitutional provisions or enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Budgetary Information***

Budgets are adopted on a basis consistent with GAAP for the current fiscal year. For the year ended September 30, 2014, annual appropriated budgets were adopted by ordinance for all governmental funds. All appropriations lapse at year-end except for appropriations related to multi-year capital projects.

The 2002 Series Capital Improvement Special Revenue Fund is combined with the General Fund for financial reporting purposes. However, for fiscal year 2014 the City adopted a separate legal budget for the fund. Accordingly, the 2002 Series Capital Improvement Special Revenue Fund budgetary comparison is presented separately from the General Fund.

The City follows these procedures to establish the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and revenue sources. The City Council requires changes as deemed necessary, sets proposed millages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.
2. Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purpose of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.
3. Prior to October 1, the budgets for all governmental funds are legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during 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.
4. The City Manager and Finance Director are authorized to transfer budgeted amounts within departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgeted amounts reflected in the financial statements are originally adopted amounts as amended by the City Council or by City Manager in accordance with applicable City ordinances.
6. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are included in the reported components of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

Notes to Financial Statements

NOTE 3 - INVESTMENTS

The City's investments at September 30, 2014, consist of the following:

Investments - Governmental Funds	Maturity	Rating	Fair Value
U.S. Treasuries	04/30/17 - 05/15/22	Aaa	\$ 1,726,630
Government agency bonds	06/15/15 - 06/16/39	AA-/+	772,835
Mortgage backed securities	01/15/18 - 12/17/47	BBB - AAA	2,211,239
Investment grade corporate bonds	06/24/16 - 08/01/24	BBB - AAA	2,587,950
Asset backed securities	01/15/16 - 01/01/27	AA - AAA	2,149,500
Total investments - governmental funds			\$ 9,448,154

Investments - Pension Funds	Fair Value
AMCAP Fund, Class A shares	\$ 406,208
Bond Fund of America, Class A shares	507,492
Euro Pacific Growth Fund, Class A shares	741,174
Intermediate Bond Fund of America, Class A shares	506,992
Capital Income Builder, Class A Shares	1,032,492
Short-term Bond Fund of America, Class A Shares	254,152
Investment Company of America Fund, Class A shares	1,538,353
Total investments - pension fund	\$ 4,986,863

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The City has established an investment policy in accordance with 218.415, Florida Statutes. The investment choices are listed in the City's policy and conform to the provisions of 218.415(16).

NOTE 3 – INVESTMENTS (Continued)

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. Although it has no formal policy, the City minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and maintains significant amounts of investments in short-term securities.

Custodial Credit Risk

- For an investment, custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The City has no formal policy for custodial risk. At September 30, 2014, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. The City does not have a formal policy that requires diversification of the portfolio with maximum limits per investment type. At September 30, 2014, the City held 17.54%, 8.78%, and 5.60% of its investment balance in Fannie Mae, Freddie Mac, and Federal Home Loan Bank instruments, respectively. These percentages of total investments exclude treasury notes.

Notes to Financial Statements

NOTE 4 - RECEIVABLES

Receivables at September 30, 2014, were as follows:

	General Fund	Other Governmental Funds	Total
Franchise fees	\$ 191,455	\$ -	\$ 191,455
Business licenses	14,934	-	14,934
Other	382	66,662	67,044
	\$ 206,771	\$ 66,662	\$ 273,433

NOTE 5 - DUE FROM OTHER GOVERNMENTS

The amount due from other governments at September 30, 2014, is composed of the following:

	General Fund
Federal:	
FEMA Severe weather grant	\$ 38,253
State of Florida:	
Local option gas tax	73,869
Alcohol and beverage licenses	42,891
Median beautification and maintenance	7,636
1/2 cent sales tax	93,361
Communications services tax	76,385
FEMA Severe weather grant	6,375
Turtle lighting compliance grant	14,995
Okaloosa County:	
Beach restoration west	184,650
Tax collector	3,452
September traffic fines	3,893
Occupational licenses	3,935
	\$ 549,695

Notes to Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

The following is a summary of Interfund advances reported in the fund financial statements.

	Advance to	Advance from
General Fund	\$ 1,863,725	\$ -
CRA Town Center Special Revenue Fund	-	1,863,725
	<u>\$ 1,863,725</u>	<u>\$ 1,863,725</u>

The General Fund advanced funds to the CRA Town Center Special Revenue Fund in order to make the debt service payments in the current year. The General Fund will charge interest to the CRA Town Center Special Revenue Fund until the balance is repaid.

All transfers are routine and are consistent with the activities of the fund making the transfer. The following presents the interfund transfers for the year ended September 30, 2014:

	Trasfers in	Tranfers out
General Fund (1)	\$ 16,786	\$ 543,300
CRA Town Center Special Revenue Fund (2)	-	1,178,484
Other Governmental Funds (1) (2) (3) (4) (5)	3,730,001	2,025,003
	<u>\$ 3,746,787</u>	<u>\$ 3,746,787</u>

(1) The 2002 Series Capital Improvement Special Revenue Fund transferred \$543,300 to the 2013 Revenue Refunding Note Series Debt Service Fund to meet annual debt service requirements.

(2) The Town Center CRA Special Revenue Fund transferred \$1,178,484 to the 2005 Bond Series Debt Service Fund and 2014 Revenue Refunding Note Series to meet annual debt service requirements.

(3) The CRA Harbor Special Revenue Fund transferred \$400,000 to the 2009 Revenue Note Debt Service Fund to meet annual debt service requirements.

(4) The 2005 Bond Series Debt Service Fund transferred \$1,348,376 to the 2014 Revenue Refunding Note Series to repay the outstanding principal in accordance with the refunding requirements.

(5) The 2002 Bond Series Debt Service Fund transferred \$261,677 to the 2013 Revenue Refunding Note Series Debt Service Funding in accordance with the refunding requirements.

Notes to Financial Statements

NOTE 7 - CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2014 are shown below:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,802,278	\$ 403,295	\$ -	\$ 23,205,573
Construction in progress	13,619,302	919,699	(5,342,131)	9,196,870
Total capital assets not being depreciated	36,421,580	1,322,994	(5,342,131)	32,402,443
<i>Capital assets being depreciated:</i>				
Buildings	12,263,928	-	-	12,263,928
Improvements other than buildings	23,442,392	-	4,510,710	27,953,102
Infrastructure	78,454,039	-	616,708	79,070,747
Machinery, equipment and vehicles	2,567,529	101,462	61,384	2,730,375
Property under capital lease	-	119,229	-	119,229
Books, publications, and library materials	511,618	38,131	-	549,749
Total capital assets being depreciated	117,239,506	258,822	5,188,802	122,687,130
<i>Less accumulated depreciation for:</i>				
Buildings	3,649,644	279,105	-	3,928,749
Improvements other than buildings	9,008,569	2,012,717	(10,000)	11,011,286
Infrastructure	15,691,176	1,505,914	-	17,197,090
Machinery, equipment and vehicles	1,892,535	183,812	(132,098)	1,944,249
Property under capital lease	-	1,987	-	1,987
Books, publications, and library materials	421,566	39,296	-	460,862
Total accumulated depreciation	30,663,490	4,022,831	(142,098)	34,544,223
Total capital assets being depreciated, net	86,576,016	(3,764,009)	5,330,900	88,142,907
Governmental activities capital assets, net	\$ 122,997,596	\$ (2,441,015)	\$ (11,231)	\$ 120,545,350

Notes to Financial Statements

NOTE 7 - CHANGES IN CAPITAL ASSETS (Continued)

Amortization of equipment under capital leases is included with depreciation expense in the financial statements. Depreciation expense for the year ended September 30, 2014, totaled \$3,880,733 for governmental activities. Depreciation expense was allocated to specific functions as follows:

Function	Depreciation
General government	\$ 108,650
Public safety	972,268
Physical environment	330,916
Transportation	1,103,345
Economic environment	1,174,523
Culture and recreation	333,129
Total	\$ 4,022,831

NOTE 8 - CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Town Center Area Redevelopment Revenue					
Bonds Series 2005	\$ 12,900,000	\$ -	\$ (12,900,000)	\$ -	\$ -
Less deferred amounts for issuance discount	(5,602)	-	5,602	-	-
Florida Municipal Loan Council Revenue					
Refunding Bonds Series 2005B	6,040,000	-	(240,000)	5,800,000	250,000
Plus deferred amounts for issuance premium	157,056	-	(9,238)	147,818	-
Community Redevelopment Area Phase I					
Revenue Note Series 2009	6,136,242	-	(138,700)	5,997,542	288,096
Capital Improvement Refunding Revenue					
Note Series 2013	7,610,000	-	(329,732)	7,280,268	339,096
Capital Improvement Refunding Revenue					
Note Series 2014	-	11,871,000	(666,000)	11,205,000	688,000
Capital lease	-	119,229	-	119,229	23,836
Compensated absences	157,613	202	(4,230)	153,585	-
Other post employment benefits payable	848,020	101,941	-	949,961	-
	\$ 33,843,329	\$ 12,092,372	\$ (14,282,298)	\$ 31,653,403	\$ 1,589,028

NOTE 9 - BONDS PAYABLE*Florida Municipal Loan Council Revenue Bonds, Series 2005B*

The Florida Municipal Loan Program is a program sponsored and administered by the Florida League of Cities, Inc. Upon entering the program, the City signed an interlocal agreement which admitted them as a member to the Florida Municipal Loan Council (the "Council"). The Council is a separate legal entity and special district under the laws of the State of Florida in accordance with Chapter 163, Part I, Florida Statutes, as amended.

Effective May 26, 2005, the Council closed on the Florida Municipal Loan Council Revenue Bonds, Series 2005B. The total issue was for \$18,145,000. Six borrowers were involved in the issue, including the City, which borrowed a total of \$6,875,000 under a separate loan agreement with the Council. The purpose of the borrowing by the City was to finance capital projects and to partially refund the Series 1999B bond issuance.

Payments on the debt are due semiannually each May 1 and November 1 through fiscal year 2030 with interest rates ranging from 3.85% to 5.75% over the term of the loan. Principal payments are only made with the November 1 payment. The City is also required to pay annual administration and trustee fees, which total less than \$9,000 annually. There are no specific requirements under the loan agreement for the creation of special debt service sinking funds; therefore, the semiannual payments made by the City are reflected as expenditures of the General Fund.

Capital Improvement Revenue Bonds, Series 2005

On August 5, 2005, the City issued \$15,000,000 in revenue bonds through the CRA Town Center with interest rates ranging from 4.5% to 5.3%. The net proceeds of the Series 2005 bonds were deposited to a construction account to fund the City's five year improvement plan. This plan includes sidewalks; road improvements; entry gateways; bike lane improvements; pedestrian crosswalks; and the completion of a street light program.

The Capital Improvement Revenue Bonds, Series 2005 ordinance provides for:

A. Establishment and maintenance of various funds -

- Capital Improvement Revenue Bond Series 2005 Special Revenue Fund records pledged revenues consisting of the ad-valorem tax increment revenue;
- Capital Improvement Revenue Bonds Series 2005 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.

Notes to Financial Statements

NOTE 9 - BONDS PAYABLE (Continued)

- B. Restrictions on the use of cash accumulated in the Capital Improvement Revenue Bonds, Series 2005, Special Revenue Fund, in order of priority, are as follows:
- Deposits to the Interest and Principal Bond Amortization Accounts are required on or before the fifteenth day of each month equal to one-sixth (1/6) of the interest coming due on the next semiannual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal maturity date;
 - A reserve balance of \$1,328,555 must be established. These funds are to be used in the event there are insufficient sinking fund amounts.
 - Deposits to a Rebate Account, if necessary, to cover the any potential liabilities associated with arbitrage costs related to the bonds; and
 - Balance remaining may be used for the purchase or redemption of the Bonds or for any lawful purpose after making all of the above required payments.

These bonds were redeemed in full in March 2014.

Principal and interest amounts required on remaining outstanding bonds from September 30, 2014 to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
<i>Florida Municipal Loan Council - Series 2005B</i>			
2015	\$ 250,000	\$ 279,400	\$ 529,400
2016	260,000	269,700	529,700
2017	270,000	257,750	527,750
2018	280,000	244,000	524,000
2019	295,000	229,625	524,625
2020 - 2024	1,725,000	904,125	2,629,125
2025 -2029	2,205,000	415,625	2,620,625
2030	515,000	12,875	527,875
Total	\$ 5,800,000	\$ 2,613,100	\$ 8,413,100

The outstanding bonds payable indentures include various restrictions and other covenants. The City believes it is in compliance with all bond covenants.

NOTE 10 - NOTES PAYABLE

Town Center Area Redevelopment Refunding Revenue Note, Series 2014

Effective March 11, 2014, the City closed on a \$11,871,000 note payable issued for the purpose of refunding certain outstanding debt of the City. Interest payments are due semiannually on March 1 and September 1 with the principal payments due on September 1. The note carries an interest rate of 3.41%. The final payment is due on September 1, 2027. The net proceeds of the Series 2014 revenue note were used to refund the Capital Improvement Revenue Bonds, Series 2005. The refunding reduced total debt service payments over the next thirteen years by approximately \$2.8 million. This results in an estimated economic gain (difference between the present values of the debt service payments on the old and new debt) of \$890,000.

The Town Center Area Redevelopment Refunding Revenue Note, Series 2014 ordinance provides for:

A. Establishment and maintenance of various funds -

- Town Center Area Redevelopment Revenue Special Revenue Fund records pledged revenues consisting of the ad-valorem increment revenue;
- Town Center Area Redevelopment Revenue Note Series 2014 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.

B. Restrictions on the use of cash accumulated in the Town Center Area Redevelopment Revenue Note, Series 2014, Special Revenue Fund, in order of priority, are as follows:

- Deposits to the Sinking Fund accounts are to be used to pay debt service on the 2014 Note and will be spent within a 12-month period beginning on the date of deposits. Moneys in the Sinking Fund will be depleted at least once a year except for a reasonable carryover amount not in excess of and one-twelfth (1/12) of the annual debt service on the 2014 Note for the preceding year.

NOTE 10 - NOTES PAYABLE (Continued)

Capital Improvement Refunding Revenue Note, Series 2013

Effective August 26, 2013, the City closed on a \$7,610,000 note payable issued for the purpose of refunding certain outstanding debt of the City. Interest payments are due semiannually on February 1 and August 1 with the principal payments due on August 1. The note carries an interest rate of 3.04%. The final payment is due on August 1, 2031. The net proceeds of the Series 2013 revenue note were used to refund the Capital Improvement Revenue Bonds, Series 2002.

The Capital Improvement Revenue Note, Series 2013 ordinance provides for:

A. Establishment and maintenance of various funds -

- Capital Improvement Revenue Note Series 2013 Special Revenue Fund records pledged revenues consisting of the communication service tax and the ½ cent sales tax;
- Capital Improvement Revenue Note Series 2013 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.

B. Restrictions on the use of cash accumulated in the Capital Improvement Revenue Note, Series 2013, Special Revenue Fund, in order of priority, are as follows:

- Deposits to the Interest and Principal Bond Amortization Accounts are required on or before the fifteenth day of each month equal to one-sixth (1/6) of the interest coming due on the next semiannual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal maturity date;
- Balance remaining is to be used exclusively for funding associated with the capital improvement projects of the City.

NOTE 10 - NOTES PAYABLE (Continued)*Capital Improvement Revenue Note, Series 2009*

Effective August 25, 2009, the City closed on an \$8,500,000 note payable issued through the Harbor CRA. Interest payments are due semiannually on January 31 and July 31 with the principal payments due on July 31. The note carries an interest rate of 4.2%. After July 31, 2019, the interest may be adjusted once to the market rate at that time. During the year ended September 30, 2011, the City advance refunded \$2,000,000, shortening the term of the note. The final payment is now due on July 31, 2029. The net proceeds of the Series 2009 revenue note were deposited to a construction account to fund the City's five year improvement plan. This plan includes construction and reconstruction of Mountain Drive, related storm water drainage; installation and construction of multi-modal sidewalks; a boardwalk along the Harbor; a parking facility within the Harbor Community Redevelopment Area; the construction of Heritage Park; and any other projects as may be identified by the Council in accordance with the Redevelopment Plan.

The Capital Improvement Revenue Note, Series 2009 ordinance provides for:

A. Establishment and maintenance of various funds -

- Capital Improvement Revenue Note Series 2009 Special Revenue Fund records pledged revenues consisting of the ad-valorem tax increment revenue;

Capital Improvement Revenue Note Series 2009 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.

B. Restrictions on the use of cash accumulated in the Capital Improvement Revenue Note, Series 2009, Special Revenue Fund, in order of priority, are as follows:

- Deposits to the Sinking Fund accounts are required on or before the fifteenth day of January each year equal to all annual interest and principal payments;
- Balance remaining is to be used exclusively for funding associated with the Harbor CRA.

Notes to Financial Statements

NOTE 10 - NOTES PAYABLE (Continued)

Principal and interest amounts due on notes payable are as follows:

Year ending September 30,	Principal	Interest	Total
<i>Town Center Area Redevelopment Refunding Revenue Note, Series 2014</i>			
2015	\$ 688,000	\$ 382,091	\$ 1,070,091
2016	713,000	358,630	1,071,630
2017	734,000	334,316	1,068,316
2018	767,000	309,287	1,076,287
2019	795,000	283,135	1,078,135
2020 - 2024	4,433,000	988,695	5,421,695
2025 - 2029	3,075,000	212,477	3,287,477
Subtotal	11,205,000	2,868,631	14,073,631
<i>Capital Improvement Refunding Revenue Note, Series 2013</i>			
2015	339,096	221,320	560,416
2016	348,726	211,012	559,738
2017	358,630	200,410	559,040
2018	368,815	189,508	558,323
2019	379,290	178,296	557,586
2020 - 2024	2,064,275	711,834	2,776,109
2025 - 2029	2,374,531	379,728	2,754,259
2030 - 2031	1,046,905	47,962	1,094,867
Subtotal	7,280,268	2,140,070	9,420,338
<i>Capital Improvement Revenue Note, Series 2009</i>			
2015	288,096	255,394	543,490
2016	299,697	243,793	543,490
2017	313,124	230,366	543,490
2018	326,457	217,033	543,490
2019	340,360	203,130	543,490
2020 - 2024	2,214,904	744,208	2,959,112
2025 - 2029	2,214,904	279,078	2,493,982
Subtotal	5,997,542	2,173,002	8,170,544
Total	\$ 24,482,810	\$ 7,181,703	\$ 31,664,513

NOTE 11 - CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the acquisition of a utility truck. The lease agreement qualifies as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease terms; therefore, it has been recorded at present value of the future minimum lease payments as of the inception date. The future minimum lease obligations as of September 30, 2014 are as follows:

Year ending September 30,	Principal	Interest	Total
2015	\$ 23,836	\$ 1,960	\$ 25,796
2016	22,728	3,068	25,796
2017	23,459	2,337	25,796
2018	24,214	1,582	25,796
2019	24,992	804	25,796
Total	\$ 119,229	\$ 9,751	\$ 128,980

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS***Plan Description***

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City, and eligible dependents, may continue to participate in the City's health and hospitalization plan for medical, and prescription drug coverage. The City implicitly subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)***Funding Policy***

Contribution requirements of the City and plan members are established and may be amended through action from the City Council. The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-2014 fiscal year, no retirees received postemployment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with government accounting standards. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

<i>Year ended September 30,</i>	2014
Normal Cost (service cost for one year)	\$ 81,710
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	55,195
Interest on Normal Cost and Amortization	6,161
Annual Required Contribution (ARC)	143,066
Interest on Net OPEB Obligation	33,819
Adjustment to Annual Required Contribution	(46,863)
Annual OPEB Cost (Expense)	130,022
Contributions made	(28,081)
Increase (decrease) in Net OPEB Obligation	101,941
Net OPEB Obligation, beginning of year	848,020
Net OPEB Obligation, end of year	\$ 949,961

Notes to Financial Statements

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014 are as follows:

Fiscal year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	\$ 130,022	\$ 28,081	21.60%	\$ 949,961
9/30/2013	130,022	28,081	21.60%	848,020
9/30/2012	275,418	26,725	9.70%	746,079

Funded Status and Funding Progress

As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$843,151, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$843,151. The covered payroll (annual payroll of active participating employees) was \$2,723,799 for the 2013-2014 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 31.0%.

Actuarial Method and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's OPEB actuarial valuation as of October 1, 2012, used the Entry Age Normal actuarial cost method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2014 and to estimate the City's 2013-2014 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5% discount rate. The actuarial assumptions also included a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 8.5% initially for the 2013 fiscal year, reduced to an ultimate rate of 4.5% by the 2017 fiscal year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2014, is 25 years.

NOTE 13 - RETIREMENT PLANS***Deferred Compensation Plan***

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. 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 employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan 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.

In accordance with generally accepted accounting principles, the assets and liabilities of the plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Employee Thrift Plan

The City established the City of Destin Employee Thrift Plan on May 1, 1987, a defined contribution plan, made available to all City employees who have attained the age of eighteen, in accordance with Internal Revenue Service Code, Section 401(a) and 501(a) as amended from time to time. The plan is administered by the City. Employees make no contributions to this plan. The City's contribution to the Plan is 7.5% of the participant's compensation for the plan year. If an employee contributes to the Deferred Compensation Plan, the City will also match the first 5% of the employee's contribution with an additional Thrift Plan contribution.

Participants vest 20% in the City's matching contribution after three years of continuous service and continue to vest at 20% per year until fully vested after 7 years of continuous service. Participants are fully vested in the City's annual 7.5% non-matching contribution after 1,000 hours of service. The Plan does not issue separately audited financial statements.

NOTE 13 - RETIREMENT PLANS (Continued)

Each participant's account is credited with the City's contribution and plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

The City made all required contributions of \$307,141 during the fiscal year ended September 30, 2014. The contributions represent 10.4% of current year covered and total payroll of \$2,950,599.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. 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.

Litigation and Other Matters

The City is the defendant in various claims, generally concerning development issues. In the opinion of management, any future costs associated with these claims will not have a significant adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

In April 2014, the City entered into a settlement agreement with Trident-Operations, LLC and Red Brick Construction, LLC to settle an outstanding claim against the City. The settlement totaled approximately \$2.15 million, of which approximately \$400,000 was to purchase land. The remaining \$1.75 million is shown as a special item on the accompanying financial statements.

Risk Management

The City purchases insurance coverage through commercial insurance carriers to cover liability, workmen's compensation, automobile, personal property, marine equipment and crime/fidelity risks. The City's liability and workmen's compensation policies are retrospective policies that require adjusted premium calculations following the end of the policy period; however, the City does not retain any risk of loss through these coverages. All policies have been maintained for several years without reductions in coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Notes to Financial Statements

NOTE 15 - FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund as follows:

Description	Major Funds			Total Governmental Funds
	General Fund	CRA Town Center Special Revenue Fund	Other Governmental Funds	
Fund Balance				
<i>Nonspendable:</i>				
Interfund Advance	\$ 1,863,725	\$ -	\$ -	\$ 1,863,725
Prepaid expenses	15,895	-	-	15,895
<i>Restricted for:</i>				
Impact fees: park, traffic, library, and police	1,098,945	-	-	1,098,945
Debt service	-	-	151,914	151,914
<i>Committed for:</i>				
Encumbrances	316,454	-	74,256	390,710
Emergency operations	2,012,990	-	-	2,012,990
Debt service	541,944	-	-	541,944
Emergency maintenance	2,112,789	-	-	2,112,789
Alternative investment	5,292,531	-	-	5,292,531
<i>Assigned for:</i>				
Special Revenue	261,120	-	555,127	816,247
Capital Projects	380,536	-	78,826	459,362
Software upgrades	42,935	-	-	42,935
<i>Unassigned:</i>	1,743,576	(1,835,073)	-	(91,497)
Total Fund Balance	\$ 15,683,440	\$ (1,835,073)	\$ 860,123	\$ 14,708,490

Deficit unassigned fund balances totaling \$1,835,073 exist in the CRA Town Center Special Revenue Fund. The deficit in the CRA Town Center Special Revenue Fund results from transfers to the 2005 Bond Series Fund for debt service payments.

Notes to Financial Statements

NOTE 16 - CONSTRUCTION CONTRACT COMMITMENTS

The City is involved in a number of construction contracts at varying stages of completion. The estimated remaining commitment on each project at September 30, 2014, is as follows:

Project	Balance Committed
Walt/Destin Beach Restoration	\$ 170,047
Harbor CRA - Harbor Boardwalk Promenade	73,276
Beach Restoration West	53,829
Heritage Park and Plaza	50,620
Pedestrian Access Points	2,242
Library Study Rooms	1,173
Norriego Point Stabilization	1,071
Community Center Roof	981
Total	\$ 353,239

Required Supplementary Information
(Other Than MD&A)

Schedule of Funding Progress for Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/13	\$ -	\$ 843,151	\$ 843,151	\$ 843,151	0.00%	\$ 2,723,799	30.95%
10/1/12	-	843,151	843,151	843,151	0.00%	2,723,799	30.95%
10/1/11	-	1,633,389	1,633,389	1,633,389	0.00%	2,629,995	62.11%

City of Destin, Florida

Combining and Individual Fund Statements and Schedules

These financial statements provide a more detailed view of the “Basic Financial Statements” prepared in the preceding subsection.

Combining statements are presented for the City of Destin for the nonmajor governmental funds. Individual fund statements are necessary to present budgetary comparisons for nonmajor governmental funds for which annual appropriated budgets have been adopted.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

Community Redevelopment Agency – Harbor Special Revenue Fund

To account for fund relating to the City of Destin CRA Harbor redevelopment activities.

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for and the payment of general long-term principal and interest in accordance with bond ordinances.

2002 Bond Series Debt Service Fund

To account for the accumulation of resources and payments for debt associated with the 2002 Bond Series.

2005 Bond Series Debt Service Fund

To account for the accumulation of resources and payments for debt associated with the 2005 Bond Series.

2009 Revenue Note Series Debt Service Fund

To account for the use of financial resources for payments for debt associated with the 2009 revenue note issue.

2013 Refunding Revenue Note Series Debt Service Fund

To account for the use of financial resources for payments for debt associated with the 2013 revenue note issue.

2014 Refunding Revenue Note Series Debt Service Fund

To account for the use of financial resources for payments for debt associated with the 2014 revenue note issue.

CAPITAL PROJECTS FUNDS

The capital project funds are used to account for financial resources to be used for the acquisition or construction of major projects.

2002 Bond Series Capital Improvement Fund

To account for capital projects relating to the 2002 Series Bond.

2009 Bond Series Capital Improvement Fund

To account for capital projects relating to the 2009 Series Revenue Note.

Nonmajor Governmental Funds
Combining Balance Sheet

September 30,

2014

	Special Revenue Funds		Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds	
	CRA Harbor	2002 Bond Series	2005 Bond Series	2009 Revenue Note Series	2013	2014	2002 Capital Projects	2009 Capital Projects		
					Revenue Refunding Note Series	Revenue Refunding Note Series				
Assets										
Cash and cash equivalents	\$ 566,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 566,252
Accounts receivable - other	66,662	-	-	-	-	-	-	-	-	66,662
Restricted cash and cash equivalents	-	-	-	5,050	146,626	238	62,759	43,399	-	258,072
Total assets	\$ 632,914	\$ -	\$ -	\$ 5,050	\$ 146,626	\$ 238	\$ 62,759	\$ 43,399	\$ -	\$ 890,986
Liabilities and fund balances										
Liabilities:										
Accounts payable	\$ 248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,352	\$ -	\$ -	\$ 26,600
Accrued payroll	4,263	-	-	-	-	-	-	-	-	4,263
Total liabilities	4,511	-	-	-	-	-	26,352	-	-	30,863
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	5,050	146,626	238	-	-	-	151,914
Committed	73,276	-	-	-	-	-	980	-	-	74,256
Assigned	555,127	-	-	-	-	-	35,427	43,399	-	633,953
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	628,403	-	-	5,050	146,626	238	36,407	43,399	-	860,123
Total liabilities and fund balances	\$ 632,914	\$ -	\$ -	\$ 5,050	\$ 146,626	\$ 238	\$ 62,759	\$ 43,399	\$ -	\$ 890,986

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended September 30,

2014

	Special Revenue Funds		Debt Service Funds		
	CRA Harbor	2002 Bond Series	2005 Bond Series	2009 Revenue Note Series	
Revenues					
Taxes	\$ 406,628	\$ -	\$ -	\$ -	-
Miscellaneous income	667	-	597	-	120
Total revenues	407,295	-	597	-	120
Expenditures					
Economic environment	136,040	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	138,700
Interest	-	-	339,328	-	261,302
Other	-	-	-	-	-
Investment loss	-	199	-	-	-
Total expenditures	136,040	199	339,328	-	400,002
Excess (deficiency) of revenues over expenditures	271,255	(199)	(338,731)	-	(399,882)
Other financing sources (uses)					
Transfers in	-	90,550	339,328	-	400,000
Transfers out	(400,000)	(261,667)	(1,348,376)	-	-
Proceeds of refunding	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Total other financing sources (uses)	(400,000)	(171,117)	(1,009,048)	-	400,000
Net change in fund balances	(128,745)	(171,316)	(1,347,779)	-	118
Fund balances, beginning of year	757,148	171,316	1,347,779	-	4,932
Fund balances, end of year	\$ 628,403	\$ -	\$ -	\$ -	5,050

(Continued)

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)

Year ended September 30,

2014

	Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	2013 Revenue Refunding Note Series	2014 Revenue Refunding Note Series	2002 Capital Projects	2009 Capital Projects	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 406,628
Miscellaneous income	267	9	-	44	1,704
Total revenues	267	9	-	44	408,332
Expenditures					
Economic environment	-	-	-	-	136,040
Capital outlay	-	-	352,001	-	352,001
Debt service					
Principal	329,732	666,000	-	-	1,134,432
Interest	213,351	460,732	-	-	1,274,713
Other	-	31,571	-	-	31,571
Investment loss	-	-	1,625	-	1,824
Total expenditures	543,083	1,158,303	353,626	-	2,930,581
Excess (deficiency) of revenues over expenditures	(542,816)	(1,158,294)	(353,626)	44	(2,522,249)
Other financing sources (uses)					
Transfers in	712,591	2,187,532	-	-	3,730,001
Transfers out	-	-	(14,960)	-	(2,025,003)
Proceeds of refunding	-	11,871,000	-	-	11,871,000
Debt service - principal	-	(12,900,000)	-	-	(12,900,000)
Total other financing sources (uses)	712,591	1,158,532	(14,960)	-	675,998
Net change in fund balances	169,775	238	(368,586)	44	(1,846,251)
Fund balances, beginning of year	(23,149)	-	404,993	43,355	2,706,374
Fund balances, end of year	\$ 146,626	\$ 238	\$ 36,407	\$ 43,399	\$ 860,123

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
2002 Series Capital Improvement Special Revenue Fund

Year ended September 30,

2014

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 976,471	\$ 976,471	\$ 936,081	\$ (40,390)
Intergovernmental	957,203	957,203	1,022,177	64,974
Miscellaneous income	1,000	1,000	365	(635)
Total revenues	1,934,674	1,934,674	1,958,623	23,949
Expenditures				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,934,674	1,934,674	1,958,623	(23,949)
Other financing sources (uses)				
Transfers out	(1,934,674)	(2,413,300)	(2,413,300)	-
Total other financing sources (uses)	(1,934,674)	(2,413,300)	(2,413,300)	-
Net change in fund balance	-	(478,626)	(454,677)	23,949
Fund balance, October 1, 2013	715,797	715,797	715,797	-
Fund balance, September 30, 2014	\$ 715,797	\$ 237,171	\$ 261,120	\$ 23,949

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
Community Redevelopment Agency – Harbor Special Revenue Fund

<i>Year ended September 30,</i>	2014			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 397,978	\$ 397,978	\$ 406,628	\$ 8,650
Miscellaneous income	885	885	667	(218)
Total revenues	398,863	398,863	407,295	8,432
Expenditures				
Economic environment	133,605	135,639	136,040	(401)
Capital outlay	73,276	73,276	-	73,276
Total expenditures	206,881	208,915	136,040	72,875
Excess (deficiency) of revenues over expenditures	191,982	189,948	271,255	81,307
Other financing sources (uses)				
Transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	(400,000)	(400,000)	(400,000)	-
Net change in fund balance	(208,018)	(210,052)	(128,745)	81,307
Fund balance, October 1, 2013	757,148	757,148	757,148	-
Fund balance, September 30, 2014	\$ 549,130	\$ 547,096	\$ 628,403	\$ 81,307

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
2002 Bond Series Debt Service Fund

<i>Year ended September 30,</i>	2014			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous income	\$ 850	\$ 850	\$ (199)	\$ (1,049)
Total revenues	850	850	(199)	(1,049)
Expenditures				
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	850	850	(199)	(1,049)
Other financing sources (uses)				
Transfers in	561,076	561,076	90,550	(470,526)
Transfers out	-	-	-	-
Total other financing sources (uses)	561,076	561,076	90,550	(470,526)
Net change in fund balance	561,926	561,926	90,351	(471,575)
Fund balance, October 1, 2013	171,316	171,316	171,316	-
Fund balance, September 30, 2014	\$ 733,242	\$ 733,242	\$ 261,667	\$ (471,575)

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
2005 Bond Series Debt Service Fund

<i>Year ended September 30,</i>	2014			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous income	\$ 1,250	\$ 1,250	\$ 597	\$ (653)
Total revenues	1,250	1,250	597	(653)
Expenditures				
Debt service:				
Principal	650,000	650,000	-	650,000
Interest	598,655	598,655	339,328	259,327
Other	1,250	1,250	-	1,250
Total expenditures	1,249,905	1,249,905	339,328	910,577
Excess (deficiency) of revenues over expenditures	(1,248,655)	(1,248,655)	(338,731)	909,924
Other financing sources (uses)				
Transfers in	1,248,655	1,248,655	339,328	(909,327)
Transfers out	-	(437,799)	(1,348,376)	910,577
Total other financing sources (uses)	1,248,655	810,856	(1,009,048)	1,250
Net change in fund balance	-	(437,799)	(1,347,779)	911,174
Fund balance, October 1, 2013	1,347,779	1,347,779	1,347,779	-
Fund balance, September 30, 2014	\$ 1,347,779	\$ 909,980	\$ -	\$ 911,174

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
2009 Harbor CRA Revenue Note Series Debt Service Fund

<i>Year ended September 30,</i>	2014			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous income	\$ 100	\$ 100	\$ 120	\$ 20
Total revenues	100	100	120	20
Expenditures				
Debt service:				
Principal	138,700	138,700	138,700	-
Interest	261,300	261,302	261,302	-
Total expenditures	400,000	400,002	400,002	-
Excess (deficiency) of revenues expenditures	(399,900)	(399,902)	(399,882)	20
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	400,000	400,000	400,000	-
Net change in fund balance	100	98	118	20
Fund balance, October 1, 2013	(118)	(118)	(118)	-
Fund balance, September 30, 2014	\$ (18)	\$ (20)	\$ -	\$ 20

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual
2002 Bond Series Capital Improvement Capital Project Fund

<i>Year ended September 30,</i>	2014			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous income	\$ -	\$ -	\$ (1,625)	\$ (1,625)
Total revenues	-	-	(1,625)	(1,625)
Expenditures				
Capital outlay	382,540	382,540	352,001	30,539
Total expenditures	382,540	382,540	352,001	30,539
Net change in fund balance	(382,540)	(382,540)	(353,626)	28,914
Fund balance, October 1, 2013	404,993	404,993	404,993	-
Fund balance, September 30, 2014	\$ 22,453	\$ 22,453	\$ 51,367	\$ 28,914

Statistical Section

This section contains statistical tables reflecting various supplemental financial data concerning general government operations. When applicable, a 10-year history has been depicted to disclose trends in finance-related matters. These tables have been included as part of this report for information purposes only, and therefore, have not been subjected to audit by the City's independent certified public accountants.

The statistical section of the City's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says 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 annual financial reports for the relevant year. The data contained in these statistical sections is unaudited.

Net Position by Component – Last Ten Years
(Unaudited)

Fiscal Year	Net investment in Capital Assets	Restricted	Unrestricted	Total Net Poition
2014	\$ 90,108,379	\$ 43,399	\$ 13,331,610	\$ 103,483,388
2013	91,599,506	43,355	15,163,303	106,806,164
2012	85,440,401	86,133	15,923,523	101,450,057
2011	86,323,618	145,924	16,122,768	102,592,310
2010	88,762,180	108,973	14,563,083	103,434,236
2009	80,799,935	202,051	17,293,601	98,295,587
2008	73,900,518	3,212,670	16,297,259	93,410,447
2007	62,723,825	6,332,163	15,992,544	85,048,532
2006	43,851,875	14,497,697	16,026,357	74,375,929
2005	52,129,060	7,604,919	6,609,426	66,343,405

Source: City Finance Department

Changes in Net Position – Last Ten Years
(Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
Expenses					
General government	\$ 3,135,252	\$ 2,847,225	\$ 3,100,230	\$ 3,083,995	\$ 3,114,648
Public safety	2,721,873	2,633,697	2,656,076	2,783,021	2,864,322
Physical environment	710,134	647,709	798,777	757,543	802,320
Transportation	2,661,304	2,525,995	2,579,572	387,128	421,724
Economic environment	1,387,855	1,103,214	820,654	2,604,558	2,734,425
Human services	59,650	60,250	58,600	59,425	59,800
Culture and recreation	2,277,720	2,163,148	2,077,254	2,249,778	2,139,381
Debt service interest	1,366,317	1,662,880	1,712,494	1,783,709	1,915,233
Unallocated depreciation	-	-	-	-	-
Total expenses	14,320,105	13,644,118	13,803,657	13,709,157	14,051,853
Program revenues					
Charges for services					
General government	2,099,136	1,835,784	1,908,566	2,003,295	2,030,784
Public safety	553,710	644,091	601,592	295,471	263,785
Physical environment	7,463	51,686	71,600	24,188	19,525
Transportation	47,642	41,810	37,477	41,712	78,697
Culture and recreation	337,804	290,158	294,040	275,151	290,821
Operating grants and contributions	373,317	189,862	152,660	187,627	249,738
Capital grants and contributions	126,767	7,888,961	249,075	248,607	4,716,739
Total program revenues	3,545,839	10,942,352	3,315,010	3,076,051	7,650,089
Net (expense) revenue	(10,774,266)	(2,701,766)	(10,488,647)	(10,633,106)	(6,401,764)
General revenues and other changes in net assets					
Property taxes	6,090,326	5,841,191	6,253,055	6,800,611	8,135,754
Other taxes	1,537,513	1,533,833	1,607,807	1,586,464	1,614,889
Other revenue	1,573,651	1,274,760	1,485,532	1,404,105	1,556,630
Special items	(1,750,000)	-	-	-	-
Total general revenues	7,451,490	8,649,784	9,346,394	9,791,180	11,307,273
Change in net assets	(3,322,776)	5,948,018	(1,142,253)	(841,926)	4,905,509
Net position, beginning	106,806,164	101,450,057	102,592,310	103,434,236	98,295,587
Prior period adjustment	-	(591,911)	-	-	233,140
Net position, ending	\$ 103,483,388	\$ 106,806,164	\$ 101,450,057	\$ 102,592,310	\$ 103,434,236

Source: City Finance Department

Changes in Net Position – Last Ten Years
(Continued) (Unaudited)

	Fiscal Year				
	2009	2008	2007	2006	2005
Expenses					
General government	\$ 3,284,631	\$ 4,276,964	\$ 4,830,321	\$ 3,631,258	\$ 3,379,079
Public safety	2,834,815	1,964,477	1,932,899	1,929,134	1,717,633
Physical environment	618,908	146,686	161,287	765,894	215,410
Transportation	2,516,483	2,351,522	2,417,783	2,369,001	2,342,332
Economic environment	570,639	489,185	228,042	149,008	2,728,065
Human services	74,606	73,475	60,339	59,749	71,471
Culture and recreation	2,275,566	2,208,858	2,097,804	2,229,826	2,270,656
Debt service interest	1,794,965	1,651,645	1,771,600	2,018,880	1,135,924
Unallocated depreciation	-	-	30,237	-	-
Total expenses	13,970,613	13,162,812	13,530,312	13,152,750	13,860,570
Program revenues					
Charges for services					
General government	1,912,784	1,775,153	1,723,608	1,655,047	2,547,896
Public safety	366,463	847,249	1,242,861	824,126	1,202,789
Physical environment	26,055	23,880	9,418	22,478	65,005
Transportation	77,134	71,466	109,036	65,889	110,587
Culture and recreation	308,221	325,378	424,325	468,384	548,695
Operating grants and contributions	349,894	397,354	517,271	266,669	175,269
Capital grants and contributions	3,430,177	4,558,576	5,335,958	4,910,731	2,488,748
Total program revenues	6,470,728	7,999,056	9,362,477	8,213,324	7,138,989
Net (expense) revenue	(7,499,885)	(5,163,756)	(4,167,835)	(4,939,426)	(6,721,581)
General revenues and other changes in net assets					
Property taxes	9,049,685	9,822,437	10,155,767	8,788,746	6,079,827
Other taxes	1,768,834	1,724,292	1,882,666	1,866,046	1,783,331
Other revenue	1,566,506	1,978,943	2,802,004	2,667,776	1,968,860
Total general revenues	12,385,025	13,525,672	14,840,437	13,322,568	9,832,018
Change in net assets	4,885,140	8,361,916	10,672,602	8,383,142	3,110,437
Net position, beginning	93,410,447	85,048,531	74,375,929	66,343,405	63,232,968
Prior period adjustment	-	-	-	(350,618)	-
Net position, ending	\$ 98,295,587	\$ 93,410,447	\$ 85,048,531	\$ 74,375,929	\$ 66,343,405

Fund Balances Governmental Funds – Last Ten Years
(Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
General Fund					
Nonspendable	\$ 1,879,620	\$ 1,324,569	\$ 749,569	\$ -	\$ -
Restricted	1,098,945	1,152,307	1,584,691	2,045,893	-
Committed	10,276,708	10,418,492	843,061	285,911	-
Assigned	684,591	730,267	1,460,679	265,430	-
Unassigned	1,743,576	2,657,863	10,488,610	10,596,954	-
Reserved	-	-	-	-	625,065
Unreserved:					
Designated	-	-	-	-	2,082,539
Undesignated	-	-	-	-	8,365,993
Total	\$ 15,683,440	\$ 16,283,498	\$ 15,126,610	\$ 13,194,188	\$ 11,073,597
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	151,914	1,524,027	1,726,853	1,750,981	-
Committed	74,256	95,853	196,393	203,614	-
Assigned	633,953	1,109,529	1,303,787	5,190,139	-
Unassigned	(1,835,073)	(1,010,642)	(329,808)	-	-
Reserved	-	-	-	-	1,799,359
Unreserved, designated:					
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	-	2,971,640
Capital projects funds	-	-	-	-	6,644,894
Total all other governmental funds	\$ (974,950)	\$ 1,718,767	\$ 2,897,225	\$ 7,144,734	\$ 11,415,893

The City implemented GASB Statement 54 beginning with fiscal year 2011, changing their policy of fund balance classification. Accordingly data prior to 2011 is presented under the prior classification.

Source: City Finance Department

Fund Balances Governmental Funds – Last Ten Years
(Continued) (Unaudited)

	Fiscal Year				
	2009	2008	2007	2006	2005
General Fund					
Reserved	\$ 9,246,802	\$ 6,785,829	\$ 5,267,231	\$ 7,112,155	\$ 1,458,684
Unreserved:					
Designated	1,913,377	2,108,523	2,335,228	3,085,120	4,412,077
Undesignated	2,264,893	6,374,479	7,179,497	4,937,548	3,600,515
Total	\$ 13,425,072	\$ 15,268,831	\$ 14,781,956	\$ 15,134,823	\$ 9,471,276
All other governmental funds					
Reserved	\$ 2,604,767	\$ 2,496,589	\$ 6,184,571	\$ 7,297,285	\$ 390,626
Unreserved, designated:					
Capital projects funds	-	-	-	-	14,885,498
Debt service funds	-	-	-	-	2,970,603
Unreserved, undesignated reported in:					
Special revenue funds	3,060,515	2,221,073	1,176,607	3,807,214	2,208,229
Capital projects funds	8,145,177	710,068	1,737,212	5,633,749	-
Total all other governmental funds	\$ 13,810,459	\$ 5,427,730	\$ 9,098,390	\$ 16,738,248	\$ 20,454,956

Changes in Fund Balances Governmental Funds – Last Ten Years
(Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
Revenues					
Taxes	\$ 9,429,663	\$ 8,951,113	\$ 9,515,410	\$ 10,156,136	\$ 11,555,256
Licenses and permits	597,505	846,549	674,302	431,642	397,118
Intergovernmental	1,674,915	9,294,741	1,567,009	1,570,516	4,608,547
Charges for services	462,224	366,618	355,199	333,667	1,753,389
Impact fees	268,840	144,678	9,298	46,455	71,389
Fines and forfeits	49,229	43,404	38,678	44,928	99,098
Miscellaneous income (loss)	166,802	36,132	185,357	71,745	461,293
Contributions	99,975	20,292	316,151	212,142	10,251
Total revenues	12,749,153	19,703,527	12,661,404	12,867,231	18,956,341
Expenditures					
General government	2,913,561	2,681,215	2,651,905	2,600,234	2,655,748
Economic environment	209,632	185,215	146,377	127,647	119,400
Physical environment	379,218	287,702	464,567	56,173	162,923
Public safety	1,768,098	1,661,520	1,701,869	1,745,789	1,952,136
Transportation	1,544,311	1,295,486	1,247,816	1,294,605	1,475,520
Human services	59,650	60,250	58,600	59,425	59,800
Culture and recreation	1,949,815	1,772,495	1,744,325	1,900,024	1,799,523
Capital outlay	1,581,816	8,697,826	4,037,950	2,174,904	9,029,171
Debt service					
Principal	1,374,432	1,243,032	1,191,883	3,252,384	4,518,620
Interest	1,562,813	1,697,345	1,721,570	1,790,259	1,919,650
Other	38,215	32,345	9,629	16,355	9,891
Investment loss	1,824	110,438	-	-	-
Total expenditures	13,383,385	19,724,869	14,976,491	15,017,799	23,702,382
Excess (deficiency) of revenues over expenditures	(634,232)	(21,342)	(2,315,087)	(2,150,568)	(4,746,041)
Other financing sources (uses)					
Transfers in	3,730,001	2,206,101	5,037,324	7,118,394	5,469,743
Transfers out	(3,730,001)	(2,206,101)	(5,037,324)	(7,118,394)	(5,469,743)
Lease proceeds	119,229	-	-	-	-
Proceeds of refunding	11,871,000	7,610,000	-	-	-
Debt service principal	(12,900,000)	(7,610,000)	-	-	-
Total other financing sources (uses)	(909,771)	-	-	-	-
Special item - Settlement	(1,750,000)	-	-	-	-
Net change in fund balance	\$ (3,294,003)	\$ (21,342)	\$ (2,315,087)	\$ (2,150,568)	\$ (4,746,041)
Debt service as a percentage of noncapital expenditures	25.2%	27.0%	26.7%	39.4%	43.9%
Footnote on capital assets					
Capital outlay	\$ 1,581,816	\$ 8,697,826	\$ 4,037,950	\$ 2,174,904	\$ 9,029,171
Net capitalized	\$ 1,581,816	\$ 8,697,826	\$ 4,037,950	\$ 2,174,904	\$ 9,029,171

Source: City Finance Department

Changes in Fund Balances Governmental Funds – Last Ten Years
(Continued) (Unaudited)

	Fiscal Year				
	2009	2008	2007	2006	2005
Revenues					
Taxes	\$ 12,526,902	\$ 9,143,410	\$ 13,549,598	\$ 12,048,962	\$ 9,143,410
Licenses and permits	398,866	1,006,151	386,281	802,406	1,006,151
Intergovernmental	4,809,899	4,061,085	6,902,173	6,533,419	4,061,085
Charges for services	334,377	520,043	465,373	495,054	520,043
Impact fees	245,529	1,514,872	1,098,555	287,913	1,514,872
Fines and forfeits	70,741	140,854	61,140	73,758	140,854
Miscellaneous income (loss)	452,107	573,696	1,460,582	1,252,791	573,696
Contributions	17,331	10,899	279,216	42,589	10,899
Total revenues	18,855,752	16,971,010	24,202,918	21,536,892	16,971,010
Expenditures					
General government	3,073,083	3,024,975	4,572,199	3,473,849	3,024,975
Economic environment	121,392	2,728,065	219,327	149,008	2,728,065
Physical environment	446,653	93,206	122,765	716,624	93,206
Public safety	1,924,118	1,702,588	1,917,095	1,917,301	1,702,588
Transportation	1,466,452	1,427,373	1,774,546	1,396,121	1,427,373
Human services	74,606	71,471	60,339	59,749	71,471
Culture and recreation	1,959,459	1,656,406	1,746,922	1,902,830	1,656,406
Capital outlay	9,056,468	3,516,220	22,742,144	9,514,553	3,516,220
Debt service					
Principal	867,302	451,224	693,942	590,466	451,224
Interest	1,735,804	888,874	1,766,130	1,354,068	888,874
Other	91,445	372,909	30,235	13,968	372,909
Total expenditures	20,816,782	15,933,311	35,645,644	21,088,537	15,933,311
Excess (deficiency) of revenues over expenditures	(1,961,030)	1,037,699	(11,442,726)	448,355	1,037,699
Other financing sources (uses)					
Transfers in	4,244,855	7,477,038	5,625,139	3,698,506	7,477,038
Transfers out	(4,244,855)	(7,477,038)	(5,625,139)	(3,698,506)	(7,477,038)
Non-operating loss	-	-	-	98,489	-
Lease proceeds	8,500,000	200,230	-	-	200,230
Issuance of debt	-	15,000,000	3,450,000	1,400,000	15,000,000
Total other financing sources (uses)	8,500,000	15,200,230	3,450,000	1,498,489	15,200,230
Net change in fund balance	\$ 6,538,970	\$ 16,237,929	\$ (7,992,726)	\$ 1,946,844	\$ 16,237,929
Debt service as a percentage of noncapital expenditures	22.9%	13.8%	19.3%	16.9%	13.8%
Footnote on capital assets					
Capital outlay	\$ 12,100,629	\$ 3,516,220	\$ 22,742,144	\$ 9,514,553	\$ 3,516,220
Construction transfer	-	(4,882,770)	(2,954,154)	(2,486,034)	(4,882,770)
Net capitalized	\$ 12,100,629	\$ (1,366,550)	\$ 19,787,990	\$ 7,028,519	\$ (1,366,550)

City of Destin, Florida

Revenue Base – Last Ten Years
(Unaudited)

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value	Net New Taxable Value	Total Direct Tax Rate
2014	\$ 3,747,016,760	\$ 78,140,476	\$ 3,825,157,236	\$ 12,425,495	1.500000
2013	3,688,914,802	74,840,249	3,763,755,051	10,732,896	1.500000
2012	3,867,973,497	79,535,484	3,947,508,981	17,076,973	1.455000
2011	4,204,208,488	88,099,052	4,292,307,540	13,101,472	1.455000
2010	4,968,815,287	95,161,399	5,063,976,686	22,377,983	1.455000
2009	5,527,288,467	104,236,762	5,631,525,229	288,140,903	1.455000
2008	6,058,512,904	123,764,308	6,182,277,212	272,902,873	1.455000
2007	6,117,995,343	123,050,458	6,241,045,801	239,183,606	1.455000
2006	4,481,677,844	115,262,486	4,596,940,330	172,961,622	1.500000
2005	3,210,438,893	101,592,919	3,312,031,812	51,688,443	1.800000

Source: Okaloosa County Tax Collector

Property Tax Rates Per \$1,000 of Taxable Value
 All Direct and Overlapping Governments – Last Ten Years
 (Unaudited)

Fiscal Year	Direct Rate		Indirect Rate			
	City of Destin	Destin Fire District	Okaloosa County	Okaloosa Co. School Board	Northwest Florida Water District	Total Overlapping Rates
2014	1.500000	1.000000	3.430800	7.551000	0.040000	12.021800
2013	1.500000	1.000000	3.430800	7.551000	0.040000	12.021800
2012	1.455000	1.000000	3.289900	7.476000	0.040000	11.805900
2011	1.455000	1.000000	3.289900	7.769000	0.045000	12.103900
2010	1.455000	1.000000	3.289900	7.534000	0.045000	11.868900
2009	1.455000	1.000000	3.289900	7.639000	0.045000	11.973900
2008	1.455000	0.900900	3.299500	7.624000	0.045000	11.869400
2007	1.455000	0.800400	3.344300	7.639000	0.045000	11.828700
2006	1.500000	0.770000	3.650000	7.786000	0.050000	12.256000
2005	1.800000	0.830000	4.250000	8.063000	0.050000	13.193000

As of levy date, November 1 of each year listed

Source: Okaloosa County Tax Collector

Property Tax Payers – Current Year and Ten Years Ago
(Unaudited)

Taxpayer	September 30, 2014			September 30, 2004		
	Taxable Assessed Value	Rank	Percent of City's Total Taxable Value	Taxable Assessed Value	Rank	Percent of City's Total Taxable Value
Emerald Grande, LLC	\$ 58,515,920	1	1.55%	\$ -	-	0.00%
AHB Apartments, LLC	21,073,921	2	0.56%	-	-	0.00%
DRB Development, LLC	13,744,900	3	0.36%	-	-	0.00%
Dunavant Gulf, LLC	11,306,189	4	0.30%	-	-	0.00%
Paradise Isle Destin, LLC	10,757,300	5	0.29%	-	-	0.00%
Wyndham Vacation Resorts Inc.	8,023,200	6	0.21%	-	-	0.00%
Shanri Holdings Corp	7,346,230	7	0.19%	-	-	0.00%
Crystal Beach Plaza, LLC	7,046,083	8	0.19%	6,711,386	7	0.20%
Blasbichler H D Agreement	6,896,447	9	0.18%	9,316,872	5	0.27%
Club Destin Resort	6,656,000	10	0.18%	9,724,000	4	0.28%
98 Palms LTD	-	-	0.00%	14,003,950	1	0.41%
Holiday Inn Beach Resort	-	-	0.00%	12,583,100	2	0.37%
Gulf Destin Corp.	-	-	0.00%	11,586,536	3	0.34%
Coyaba Development, LLC	-	-	0.00%	6,966,746	6	0.20%
Destin Dev Co, LLC	-	-	0.00%	6,669,930	8	0.19%
Marbella Condo Developers, LLC	-	-	0.00%	6,281,392	9	0.18%
Oak Harbor Development	-	-	0.00%	6,053,716	10	0.18%
Total Principal Taxpayers	<u>\$ 151,366,190</u>		<u>4.02%</u>	<u>\$ 89,897,628</u>		<u>2.62%</u>
Total Tax Value of Other	<u>\$ 3,616,172,601</u>		<u>95.98%</u>	<u>\$ 3,347,498,645</u>		<u>97.38%</u>
Total Taxable Assessed Value	<u>\$ 3,767,538,791</u>		<u>100.00%</u>	<u>\$ 3,437,396,273</u>		<u>100.00%</u>

Source: Okaloosa County Tax Collector

Property Tax Levies and Collections – Last Ten Years Ago
(Unaudited)

Fiscal Year Ended September 30,	Taxes Levied For the Calendar Year*	Collected within the Calendar Year of the Levy		Collections of Delinquent Taxes	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 5,737,736	\$ 5,530,911	96.40%	\$ 54,974	\$ 5,585,885	97.35%
2013	5,202,450	5,294,736	101.77%	29,787	5,324,523	102.35%
2012	5,743,626	5,512,611	95.98%	53,720	5,566,331	96.91%
2011	6,245,307	6,004,421	96.14%	29,068	6,033,489	96.61%
2010	6,690,594	6,489,898	97.00%	11,849	6,501,747	97.18%
2009	7,511,063	7,251,378	96.54%	13,694	7,265,072	96.72%
2008	8,545,452	8,585,378	100.47%	24,372	8,609,750	100.75%
2007	9,548,580	8,982,465	94.07%	5,097	8,987,562	94.12%
2006	8,304,918	7,954,482	95.78%	41,947	7,996,429	96.29%
2005	5,663,577	5,874,240	103.72%	8,570	5,882,810	103.87%

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

Source: Okaloosa County Tax Collector

Ratios of Outstanding Debt (Bonds and Notes) – Last Ten Years
(Unaudited)

Fiscal Year Ended September 30,	1993A & B Capital Improvement Revenue Bonds	1999B Florida Municipal Loan Council Revenue Bonds	2002 Capital Improvement Revenue Bonds	2005B Florida Municipal Loan Council Revenue Bonds	2005 CRA Town Center Revenue Bonds	2006 YMCA Revenue Note	2006A & B Florida Land Acq. Note	2009 CRA Harbor Revenue Note
2014	\$ -	\$ -	\$ -	\$ 5,800,000	\$ -	\$ -	\$ -	\$ 5,997,542
2013	-	-	-	6,040,000	12,900,000	-	-	6,136,242
2012	-	-	7,870,000	6,275,000	13,515,000	-	-	6,269,274
2011	-	-	8,125,000	6,500,000	14,100,000	-	-	6,396,157
2010	-	-	8,370,000	6,720,000	14,600,000	183,541	-	8,500,000
2009	-	175,000	8,605,000	6,755,000	14,900,000	492,715	3,450,000	8,500,000
2008	-	340,000	8,825,000	6,785,000	15,000,000	792,788	3,450,000	-
2007	-	500,000	9,040,000	6,815,000	15,000,000	1,214,057	3,450,000	-
2006	120,000	650,000	9,240,000	6,845,000	15,000,000	1,334,858	-	-
2005	175,000	795,000	9,435,000	6,875,000	15,000,000	-	-	-
2004	230,000	7,380,000	9,615,000	-	15,000,000	-	-	-

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

Ratios of Outstanding Debt (Bonds and Notes) – Last Ten Years
(Continued) (Unaudited)

Fiscal Year Ended September 30,	2013 Capital Improvement Revenue Note	2014 Revenue Refunding Note Series	Total Revenue Bonds and Notes	Resources Restricted to Pay Principal	Net General Bonded Debt	Net General Bonded Debt as Percentage of Taxable Value	Per Capita
2014	\$ 7,280,268	\$ 11,205,000	\$ 30,282,810	\$ 1,958,622	\$ 28,324,188	0.0647%	\$ 2,302
2013	7,610,000	-	32,686,242	3,401,985	29,284,257	0.1041%	2,379
2012	-	-	33,929,274	3,500,829	30,428,445	0.1032%	2,590
2011	-	-	35,121,157	3,565,528	31,555,629	0.1015%	2,681
2010	-	-	38,373,541	3,526,485	34,847,056	0.0919%	3,013
2009	-	-	42,877,715	2,453,321	40,424,394	0.0572%	3,367
2008	-	-	35,192,788	3,448,464	31,744,324	0.0980%	2,763
2007	-	-	36,019,057	3,687,266	32,331,791	0.1024%	2,958
2006	-	-	33,189,858	3,555,816	29,634,042	0.1071%	2,738
2005	-	-	32,280,000	3,372,459	28,907,541	0.1045%	2,715
2004	-	-	32,225,000	3,046,563	29,178,437	0.0945%	2,757

Capital Leases – Last Ten Years
(Unaudited)

Fiscal year ended September 30,	Capital Leases	Leases as a Percentage of Taxable value
2014	\$ 119,229	0.000%
2013	-	0.000%
2012	-	0.000%
2011	-	0.000%
2010	-	0.000%
2009	15,469	0.000%
2008	67,697	0.001%
2007	143,910	0.002%
2006	217,050	0.005%
2005	176,292	0.005%

City of Destin, Florida

Demographics
(Unaudited)

Land area (miles)		
Square miles incorporated		8.25
Land		7.50
Water		0.75
Gulf-front		6.60
Bay-front		18.40
City maintained streets		66.10
Paved		65.86
Unpaved		0.24
Estimated population		
Year-round		12,305
Seasonal-peak		60,000
Gender composition		
Female		51%
Male		49%
Racial composition		
White		92.0%
Hispanic		4.2%
Black		0.5%
American Indian		0.8%
Other		2.6%
Median household income	\$	78,205
Personal income	\$	48,731
Number of households		12,237
Households with homestead exemption		5,112
Unemployment rate		4.50%

Source: City of Destin census FY2010 and updated by the State of Florida

Note: Information has not significantly changed for last ten years.

City of Destin, Florida

Principal Employers – Current Year
(Unaudited)

Employer	September 30, 2014		
	Approximate Range of Numbers of Employees	Rank	Percent of City's Estimated Population
ResortQuest International, Inc.	1000-1300	1	10.0%
A J's Seafood and Oyster House	100-249	2	1.00%
Crab Trap	100-249	3	1.00%
Cracker Barrel	100-249	4	1.00%
Destin Healthcare and Rehabilitation	100-249	5	1.00%
Harbor Docks	100-249	6	1.00%
Charter Boat's	100-249	7	1.00%
Holiday Inn	100-249	8	1.00%
Lucky Snapper Grill & Bar	100-249	9	1.00%
Track Recreation Center	100-249	10	<u>1.00%</u>
Total			<u><u>19.00%</u></u>

Source: Okaloosa County Tax Collector

City of Destin, Florida

City Employees – Last Five Years
(Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
City Manager's Office					
City Manager	1	1	1	1	1
Administrative Assistant	1	1	1	1	1
Deputy City Manager	0	0	0	0	0
Public Information Manager	1	1	1	1	1
Grants Projects Manager	1	1	1	1	1
Program Manager (FTT)(thru March 09)	0	0	0	0	0
Geographic Information Systems Manager	1	1	1	1	1
IT Manager	1	1	1	1	1
Systems Network Specialist	0	0	0	0	0
Receptionist 2-PT (FTE)	1	1	1	1	1
Subtotal	7	7	7	7	7
Public Safety					
Crossing Guards (2 PT Seasonal)	1	1	1	1	1
Human Resources					
HR/Risk Manager	1	1	1	1	1
HR Coordinator	1	1	1	1	1
Intern (PT)	0	0	0	0	0
Subtotal	2	2	2	2	2
City Clerk's Office					
City Clerk	1	1	1	1	1
Deputy City Clerk	1	1	1	1	1
Deputy City Clerk	0	0	0	0	0
Records Clerk (PT)	1	1	1	1	1
Subtotal	3	3	3	3	3
Finance Director's Office					
Finance Director	1	1	1	1	1
Accountant	1	1	1	1	1
Accounting Clerk	0	0	0	0	0
Payorll Accounting Clerk	0	0	0	0	0
AP Administrative Clerk	0.5	0.5	0.5	0.5	0.5
Subtotal	2.5	2.5	2.5	2.5	2.5
Community Development Office					
Community Development Director	1	1	1	1	1
Comprehensive Planning Manager	1	1	1	1	1
Current Planning Manager	0	0	0	0	0
Transportation Manager	0	0	0	0	0
Administrative Assistant	1	1	1	1	1
Engineering Assisant II				0	0
Stormwater Management Specialist	1	1	1	1	1
Planner	1	1	1	1	1
Subtotal	5	5	5	5	5

City of Destin, Florida

City Employees – Last Five Years
(Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
Building Inspections					
Building Official	1	1	1	1	1
Deputy Building Official	0	0	0	0	0
Building Inspector	1	1	1	1	2
Permit & Licensing Administrator	1	1	1	1	1
Permit & Licensing Clerk	1	1	1	1	1
Subtotal	4	4	4	4	5
Environmental Code Enforcement					
Environmental Code Enforcement Manager (physical env.)	0.5	0.5	0.5	0.5	0.5
Environmental Code Enforcement Manager (Harbor)	0.5	0.5	0.5	0.5	0.5
Code Enforcement Officer	2	2	2	2	2
Code Enforcement Clerk	0	0	0	0	0
Subtotal	3	3	3	3	3
Public Services Department					
Public Services Director	1	1	1	1	1
Deputy Public Services Director	1	1	1	1	1
Operations & Maintenance Manager	0	0	0	0	0
Repair & Maintenance Supervisor	0	0	0	1	1
Field Crew Supervisor	0	0	0	1	1
Administrative Assistant	1	1	1	1	1
Mechanic	1	1	1	1	1
Maintenance Technician-General Maintenance	1	1	1	1	1
Equipment Operator	1	1	1	1	1
Maintenance Technicians (4x.5 PT Seasonal)	2	2	2	2	2
Subtotal	8	8	8	10	10
Facilities					
Maintenance Technician - Facilities	2	2	2	2	2
Maintenance Technician - Custodian	1	1	1	1	1
Subtotal	3	3	3	3	3
Cemetery					
Maintenance Technician	0	0	0	0	0.5
Parks					
Maintenance Technician	6	6	5	5	4.5
Groundskeeper	0	0	1	1	1
Subtotal	6	6	6	6	5.5

City Employees – Last Five Years
(Continued) (Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
City Engineer's Department					
City Engineer	0	0	0	0	0
Engineering Assistant II	1	1	1	1	1
Administrative Assistant	0	0	0	0	1
Drafting Cad Technician	1	1	1	1	1
Stormwater Program Coordinator	0	0	0	0	0
Subtotal	2	2	2	2	3
Library					
Library Director	1	1	1	1	1
Technical Services (Cataloger)	1	1	1	1	1
Circulation Desk	1	1	1	1	1
Administrative Assistant	1	1	1	1	1
Youth Services & Reference Librarian	1	1	1	1	1
Library Assistant - Full Time (1)	0	0	0	0	0
Library Assistant - (6 x .5) PT	2.5	2.5	2.5	2.5	3
Subtotal	7.5	7.5	7.5	7.5	8
Morgan Sports Complex					
Recreation Program Coordinator (50% Outdoor Rec)	1	1	1	0.5	0.5
Recreation Assistant I	1	1	1	1	1
Field Maintenance Supervisor	1	1	1	1	1
Field Maintenance Technician	3.5	3.5	3.5	4.5	3.5
Field Maintenance Tech/Mechanic	0	0	0	1	1
Recreation Assistant	1.5	1.5	1.5	1	1
Scorekeepers (PT)	1.5	1.5	1.5	1.5	1.5
Subtotal	9.5	9.5	9.5	10.5	9.5
Outdoor Recreation					
Recreation Manager	1	1	1	1	1
Park Attendant (PT)	0.5	0.5	0.5	0.5	0.5
Joe's Bayou Attendant (3 x .5 PT)	1.5	1.5	1.5	1.5	1.5
Recreation Program Coordinator (50% Morgan SC)	0	0	0	0.5	0.5
Subtotal	3	3	3	3.5	3.5
Community Center					
Deputy Recreation Manager	1	1	1	1	1
Administrative Assistant	1	1	1	1	1
Recreation Program Coordinator	1	1	1	1	1
Recreation Assistant	2.5	2.5	2.5	2.5	2.5
Custodian	1.5	1.5	1.5	1.5	1.5
Camp Counselors (3 x .5 PT)	1.5	1.5	1.5	1.5	1.5
Subtotal	8.5	8.5	8.5	8.5	8.5

City of Destin, Florida

City Employees – Last Five Years
(Continued) (Unaudited)

	Fiscal Year				
	2014	2013	2012	2011	2010
Community Redevelopment Agency					
CRA Manager (Town Center)	0.25	0.25	0	0	0
CRA Manager (Harbor)	0.25	0.25	0	0	0
Program Manager (FT) (thru March 09) (Harbor)	0	0	0.25	0.25	0.25
Maintenance Technician	1.5	1.5	0	0	0
CRA Finance Administrative Clerk (Town Center)	0.25	0.25	0.25	0.25	0.25
CRA Finance Administrative Clerk (Harbor)	0.25	0.25	0.25	0.25	0.25
Subtotal	2.5	2.5	0.75	0.75	0.75
Total all positions	77.50	77.50	75.75	79.25	80.75

Information is provided for the most recent five years as this is the most relevant.

Source: City Human Resources Manager

Compliance Section

- Compliance Matters
- Management Letter
- Attestation Report

**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***

The Honorable Mayor and Members of the City Council
City of Destin, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Destin, Florida, (hereinafter referred to as the "City"), as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 1, 2015



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

MANAGEMENT LETTER

The Honorable Mayor and Members of the City Council
City of Destin, Florida

We have audited the financial statements of the City of Destin, Florida (hereinafter referred to as the "City"), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 1, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in this report, which is dated March 1, 2015, 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 audit report. There were no recommendations made in the preceding annual 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 to be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2014.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

Carri Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 1, 2015



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor and Members of the City Council
City of Destin, Florida

We have examined City of Destin, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 1, 2015