

# City of Destin, Florida

Comprehensive Annual Financial Report  
Fiscal Year ended September 30, 2013

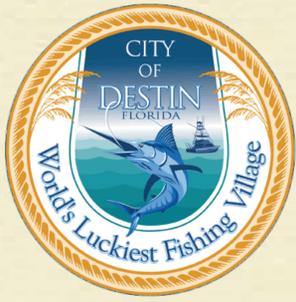


# City of Destin, Florida

## Comprehensive Annual Financial Report

For the Fiscal Year Ended  
September 30, 2013

*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



SARAH "SAM" SEEVERS  
MAYOR



SANDY TRAMMELL  
MAYOR PRO TEM/COUNCIL MEMBER



JIM BAGBY  
COUNCIL MEMBER



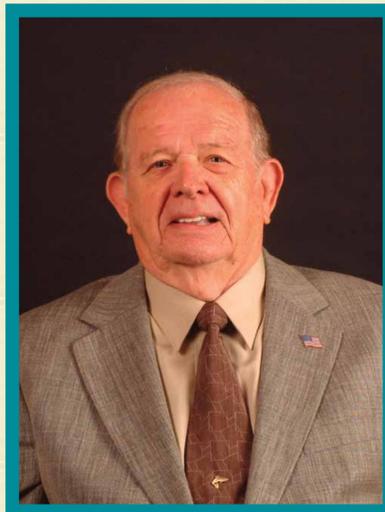
TUFFY DIXON  
COUNCIL MEMBER



JAMES FOREMAN  
COUNCIL MEMBER



CYRON MARLER  
COUNCIL MEMBER



LARRY WILLIGES  
COUNCIL MEMBER



JIM WOOD  
COUNCIL MEMBER

CITY OF DESTIN, FLORIDA

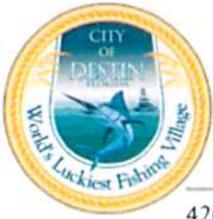
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# City of Destin

4200 Indian Bayou Trail | Destin, FL 32541 | Phone: 850-837-4242 | Fax: 850-269-9890 | [www.cityofdestin.com](http://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, 2013, 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, 2013, 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 FY2013, 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 FY2013, the housing slump translated into home values continuing to decrease. 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 FY2013 was set at 1.4550 mills.

## **Major Initiatives**

**Permanent Stabilization of Norriego Point.** This is a very 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 would receive a \$10.2 million NRDA grant for this project pending final approval.

**Beach Restoration.** The permitting for Destin’s western beach restoration project was approved in late 2012. Funding was provided by the Tourist Development Council through an interlocal agreement between Okaloosa County and the City. The project was completed in mid March 2013.

**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 major project of the Harbor District CRA– the reconstruction of Mountain Drive into a multi-modal roadway began in FY10 and was completed in FY11. The project came in approximately \$300,000 under budget, not including previously approved reductions for lighting, transit stops, etc.

Intense preparation for the construction of the Harbor Boardwalk in 2012 began in earnest in 2011. FY 2011’s work focused on finalizing the easement document and gaining harbor front owners’ support. The RFB for construction was released in September, and actual construction of the boardwalk improvements was completed prior to the summer season of 2012.

Work on designing and permitting a long-term surface parking lot on Harbor Boulevard and Marler Street, with appropriate lighting, landscaping, and stormwater improvements was completed in 2012. Construction was completed 2013.

**Roadway Improvements.** Due to budget constraints, the only capital projects approved in 2013 (using general fund gas tax dollars) was the Citywide Streets Resurfacing and Citywide Sidewalk planned improvements.

**Future Planning.** With the economic and real estate turndown, 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 will receive final approval in FY2014.

The City refinanced the 2002 Bond in August 2012. The reduction in the interest rate is going to save the City approximately \$100,000 per year for the life of the note.

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 retained its 1.4550 millage rate for FY13. This rate is 4.31% less than the roll back rate of 1.517. 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 2013. 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; and
- ✓ 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 2013 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, electric franchise 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, 2012. 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 eighteenth 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,



Maryann Ustick  
City Manager



Bragg Farmer  
Finance Director

**CITY OF DESTIN  
EXECUTIVE DIRECTORY**

**CITY COUNCIL**

**Sarah “Sam” Seevers, Mayor  
Jim Bagby, Council  
Tuffy Dixon, Council  
Jim Foreman, Council  
Cyron Marler, Council  
Jim Wood, Council  
Sandy Trammell, Council  
Larry Williges, Council**

**CITY MANAGER**

**Maryann Ustick**

**City Clerk**

**Rey Bailey**

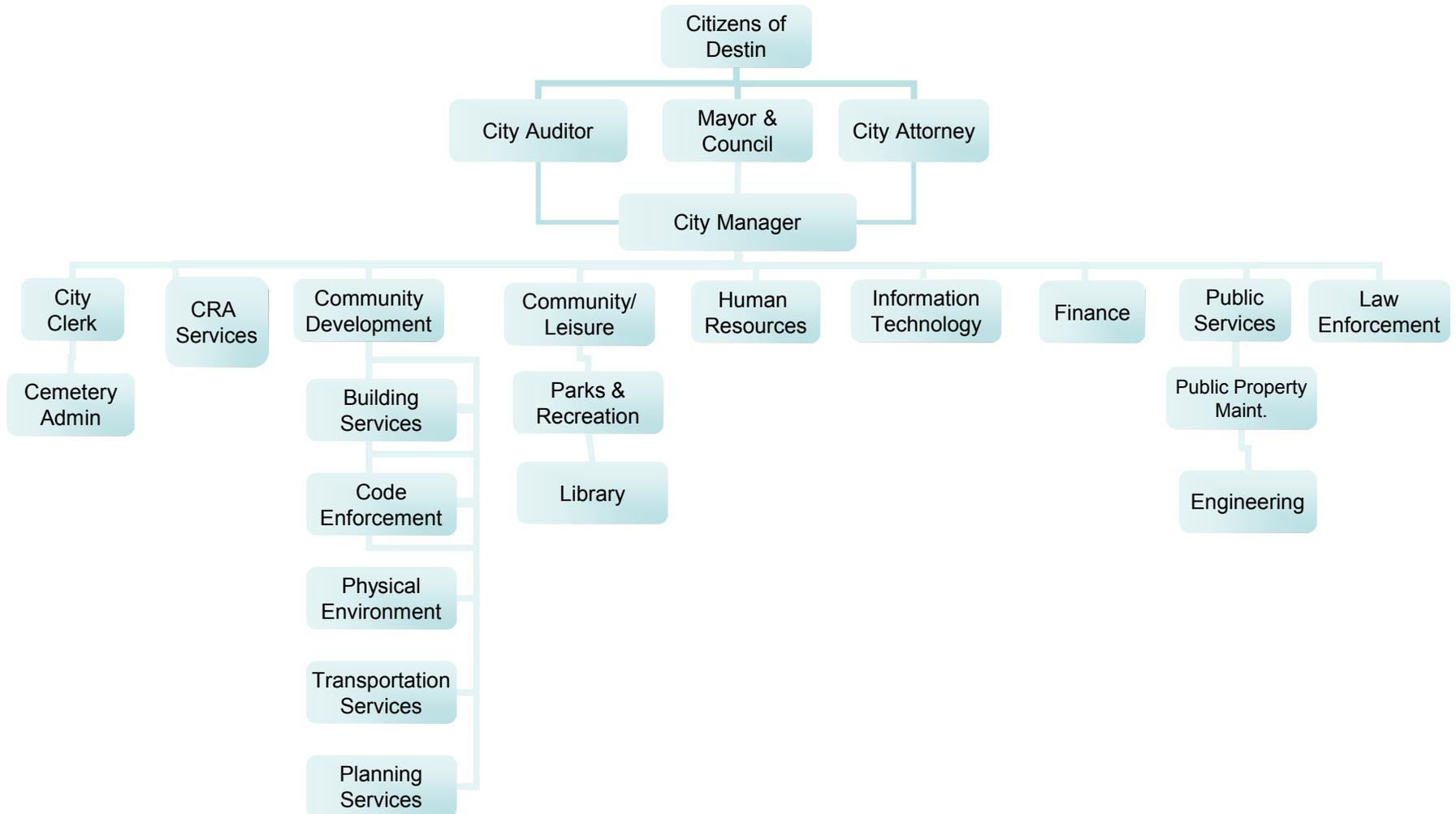
**Finance/Budget  
Director**

**Bragg Farmer**

**City Attorney**

**J. Jerome Miller**

# City of Destin Organizational Chart



As of 9/30/13



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, 2012**

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, 2013, 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, 2013, 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 3-15 and 54, 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, 2014, 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

*Car, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
March 1, 2014

## **MANGEMENT'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, 2013.

### **FINANCIAL HIGHLIGHTS**

The assets of the City exceeded liabilities by \$106,806,164 (net position) and represent an increase of \$5,948,018 or 5.57%, from prior year. Of this amount, \$91,599,506 represents the net investment in capital assets (e.g. land, infrastructure, building, machinery, and equipment), \$43,355 is restricted for future obligations, and \$15,163,303 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The \$5,948,018 governmental net position increase was largely the result of a grant from the Okaloosa Tourist Development Council.

The City's governmental funds reported a combined ending fund balance of \$18,002,493, a decrease of \$21,342. The fund balance decrease was the result of capital outlay expenditures and debt service payments.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,657,863, or 15.68% 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, 2013, total investments were stated at \$4,382,399, an increase of \$700,001 compared to the September 30, 2012, stated value of \$3,682,398. Allocations of investments were represented as 95.4% mutual funds and 4.6% 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 55 - 56 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 \$106,806,164 (net position) for the fiscal year ended September 30, 2013, as reported in Table 1.

The largest portion of the City's net position, \$91,599,506 (85.76%), 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 \$43,355 (0.04%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$15,163,303 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	
	2013	2012
Current and other assets	\$ 18,584,277	\$ 18,934,755
Capital assets	122,997,596	118,081,327
Deferred outflows	114,051	-
<b>Total assets and deferred outflows</b>	<b>141,695,924</b>	<b>137,016,082</b>
Long-term liabilities outstanding	32,484,898	33,472,528
Other liabilities	2,291,053	2,685,408
Deferred inflows	113,809	-
<b>Total liabilities and deferred outflows</b>	<b>34,775,951</b>	<b>36,157,936</b>
Net position:		
Net investment in capital assets	91,599,506	85,440,401
Restricted, capital projects	43,355	86,133
Unrestricted	15,163,303	15,331,612
<b>Total net position, as restated</b>	<b>\$ 106,806,164</b>	<b>\$ 100,858,146</b>

The overall increase in the City's net position was \$5,948,018 (5.90%) during fiscal year 2013. Key elements of this increase are described in the following table.

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	2013	2012
Revenue:		
Program revenue:		
Charges for services	\$ 2,863,529	\$ 2,913,275
Operating grants and contributions	189,862	152,660
Capital grants and contributions	7,888,961	249,075
General revenue:		
Taxes		
Property taxes		
Ad valorem	5,012,023	5,211,590
Tax incremental financing	829,168	1,041,465
Public service	521,574	547,372
Utility service fees	1,012,259	1,060,435
Intergovernmental, unrestricted	1,359,128	1,287,895
Investment earnings	(87,675)	195,792
Miscellaneous	3,307	1,845
<b>Total revenue</b>	<b>19,592,136</b>	<b>12,661,404</b>

**Table 2 (Continued)  
Change in Net Position**

	Governmental Activities	
	2013	2012
Expenses:		
General government	2,847,225	3,100,230
Public safety	2,633,697	2,656,076
Economic environment	1,103,214	820,654
Physical environment	647,709	798,777
Transportation	2,525,995	2,579,572
Human services	60,250	58,600
Culture and recreation	2,163,148	2,077,254
Debt service-interest	1,662,880	1,712,494
<b>Total expenses</b>	<b>13,644,118</b>	<b>13,803,657</b>
Increase (decrease) in net position	5,948,018	(1,142,253)
Beginning net position, as restated	100,858,146	102,000,399
Ending net position	\$ 106,806,164	\$ 100,858,146

## 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***

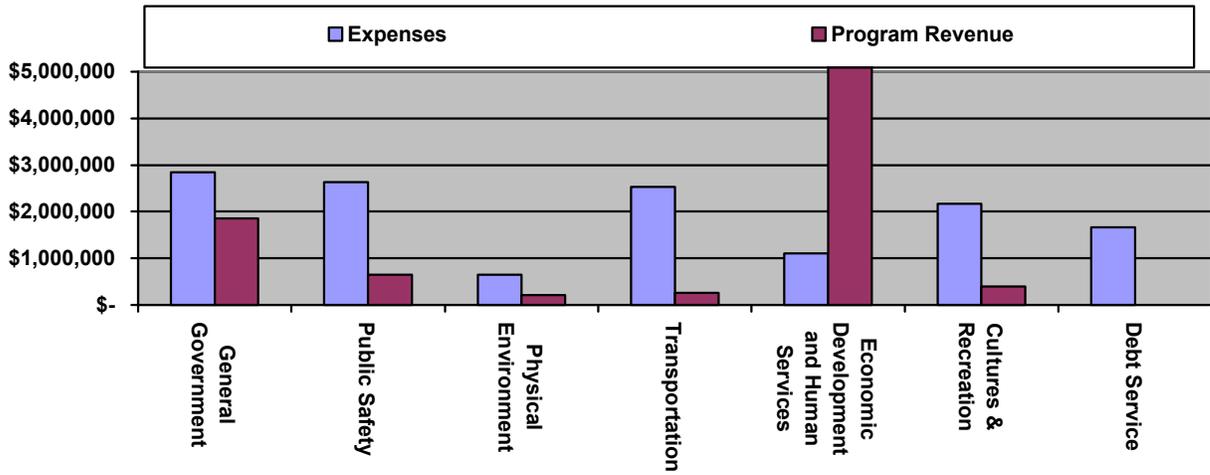
- Introduction of New Programs – Within functional expense categories, (general government, public works, parks and recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments – Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent 24.63% 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 decreased \$199,567 (3.83%), which was caused by the continued decline of property values within the City.
- Charges for services decreased \$49,746 (1.71%), which was attributable to the decrease in electric franchise fees charged in the current year.
- Total City expenses decreased \$159,539 (1.16%).

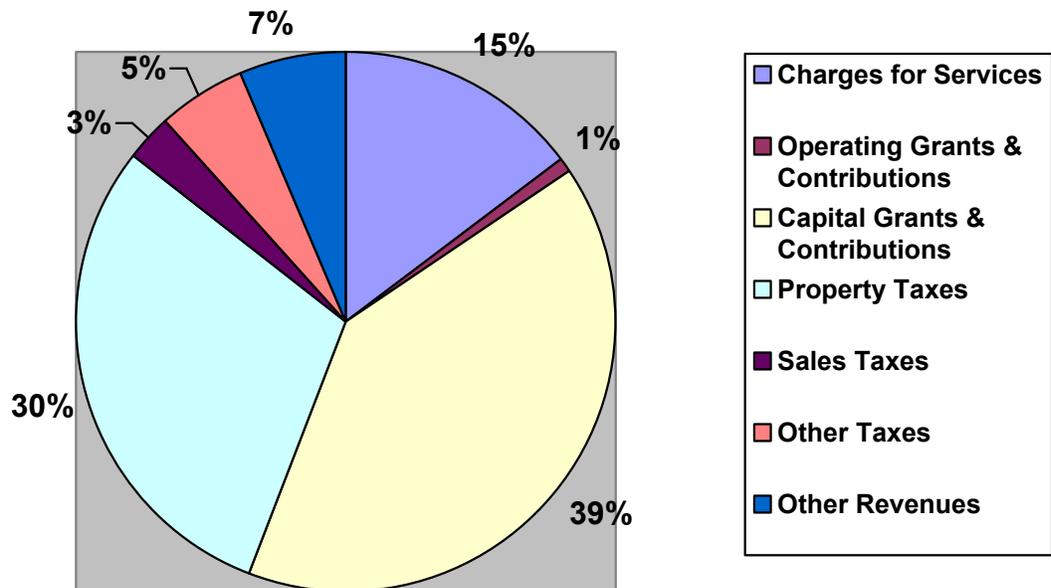
**Chart 1**

**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, 2013, the City's governmental funds reported combined ending fund balance of \$18,002,493, a decrease of \$21,342 compared to prior year. Approximately 9.15% of this total amount, \$1,647,335, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At September 30, 2013, unassigned fund balance was \$2,657,863, while total fund balance reached \$16,283,498. 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 15.68% of total general fund expenditures, while total fund balance represents 96.08% percent of that same amount.

The fund balance of the City's general fund increased by \$1,156,888 during the current fiscal year, which is comparable to the prior year.

The CRA Town Center Special Revenue fund balance decreased by \$657,571 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 assets at September 30, 2013 of \$4,382,399. The total increase in net position was \$700,001.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budget and the final amended budget of the General Fund was \$7,063,465. 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 2013 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 2013 budget is approximately the same as the prior year.

**Beach Safety Patrol:** For the ninth year, the Council approved funding (\$100,000 in 2013) 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, 2013, was \$122,997,596 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$4,916,269 or 4.16% overall, and is summarized as follows:

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

- **West Destin Beach Restoration Project:** The highlight project of 2013 is the long awaited restoration of Destin's westernmost beaches, paid in full by the Okaloosa County Tourist Development Council's bed tax dollars.

**Table 3**  
**City of Destin Capital Assets**  
(net accumulated of depreciation)

	Governmental Activities	
	2013	2012
Land	\$ 22,802,278	\$ 22,802,278
Buildings	8,614,285	8,839,856
Improvements other than buildings	14,433,823	14,221,233
Infrastructure	62,762,863	61,113,758
Machinery and equipment	674,993	710,946
Books, publications, and library materials	90,052	95,501
Construction in progress	13,619,302	10,297,755
<b>Total</b>	<b>\$ 122,997,596</b>	<b>\$ 118,081,327</b>

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

**LONG TERM DEBT**

At September 30, 2013, the City had total bonded debt outstanding of \$18,940,000 and notes payable of \$13,746,242. All 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**  
**City of Destin Outstanding Debt**  
**Revenue Bonds, Promissory Notes, and Capital Leases**

	Governmental Activities	
	2013	2012
Revenue bonds	\$ 18,940,000	\$ 27,660,000
Revenue notes	13,746,242	6,269,274
<b>Total</b>	<b>\$ 32,686,242</b>	<b>\$ 33,929,274</b>

The City is repaying its outstanding obligations. During 2013, the City's repayments totaled \$8,750,941 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 10 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 2013, 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 five 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.

Amounts available for appropriation in the general fund are \$12,369,493 compared to the final fiscal year 2013 budget of \$5,266,055.

If these estimates are realized, the City's budgetary general fund balance will remain stable by the close of 2014. 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 2013-2014 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](http://www.cityofdestin.com). Inquiries may also be sent via email to the Finance Department at [bfarmer@cityofdestin.com](mailto:bfarmer@cityofdestin.com).

City of Destin, Florida

Statement of Net Position

<i>September 30,</i>	<b>2013</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,126,103
Investments	9,487,172
Restricted	
Cash and cash equivalents	1,954,403
Investments	18,961
Accounts receivable	239,760
Due from other governments	757,878
Capital assets, not being depreciated	36,421,580
Capital assets, net of accumulated depreciation	86,576,016
<b>Total assets</b>	<b>141,581,873</b>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	114,051
<b>Total deferred outflows of resources</b>	<b>114,051</b>
<b>Liabilities</b>	
Accounts payable	197,775
Accrued interest - restricted	464,646
Customer deposits - restricted	3,769
Accrued payroll	93,745
Payroll liabilities	172,686
Noncurrent liabilities:	
Due within one year	1,358,432
Due in more than one year	32,484,898
<b>Total liabilities</b>	<b>34,775,951</b>
<b>Deferred inflows of resources</b>	
Deferred revenue	113,809
<b>Total deferred inflows of resources</b>	<b>113,809</b>
<b>Net position</b>	
Net investment in capital assets	91,599,506
Restricted for:	
Capital projects	43,355
Unrestricted	15,163,303
<b>Total net position</b>	<b>\$ 106,806,164</b>

See accompanying notes to financial statements.

City of Destin, Florida

Statement of Activities

Year ended September 30,

2013

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	\$ 2,847,225	\$ 1,835,784	\$ 19,576	\$ -	\$ (991,865)
Public safety	2,618,142	644,091	-	-	(1,974,051)
Economic environment	1,103,214	-	-	7,580,538	6,477,324
Physical environment	647,709	51,686	-	157,838	(438,185)
Transportation	2,541,550	41,810	66,828	150,585	(2,282,327)
Human services	60,250	-	-	-	(60,250)
Culture and recreation	2,163,148	290,158	103,458	-	(1,769,532)
Interest on long term debt	1,662,880	-	-	-	(1,662,880)
<b>Total governmental activities</b>	<b>\$ 13,644,118</b>	<b>\$ 2,863,529</b>	<b>\$ 189,862</b>	<b>\$ 7,888,961</b>	<b>(2,701,766)</b>

General revenues

Taxes:

Property taxes, levied for operational purposes	5,841,191
Sales, use, and fuel taxes	521,574
Utility service fees	1,012,259
Grants and contributions not restricted to specific programs	1,359,128
Investment loss	(87,675)
Miscellaneous	3,307

**Total general revenues** 8,649,784

Change in net position 5,948,018

**Net position, October 1, 2012 (as restated)** 100,858,146

**Net position, September 30, 2013** \$ 106,806,164

See accompanying notes to financial statements.

City of Destin, Florida

Balance Sheet - Governmental Funds

	2013				
	September 30,	General Fund*	CRA Town Center Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$	5,077,873	\$ 351,131	\$ 697,099	\$ 6,126,103
Investments		9,487,172	-	-	9,487,172
Due from other funds		69,523	-	-	69,523
Due from other governments		757,878	-	-	757,878
Advance to other fund		1,324,569	-	-	1,324,569
Accounts receivable - other		173,098	-	66,662	239,760
Restricted assets					
Cash and cash equivalents		-	-	1,954,403	1,954,403
Investments			-	18,961	18,961
<b>Total assets</b>	<b>\$</b>	<b>16,890,113</b>	<b>\$ 351,131</b>	<b>\$ 2,737,125</b>	<b>\$ 19,978,369</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
Liabilities:					
Accounts payable	\$	193,230	\$ 2,970	\$ 1,575	\$ 197,775
Accrued payroll		93,745	-	-	93,745
Customer deposits - restricted		3,769	-	-	3,769
Due to other funds		29,376	10,971	29,176	69,523
Advance from other fund		-	1,324,569	-	1,324,569
Payroll liabilities		172,686	-	-	172,686
<b>Total liabilities</b>		<b>492,806</b>	<b>1,338,510</b>	<b>30,751</b>	<b>1,862,067</b>
Deferred inflows of resources:					
Deferred revenue		113,809	-	-	113,809
<b>Total deferred inflows of resources</b>		<b>113,809</b>	<b>-</b>	<b>-</b>	<b>113,809</b>
Fund balances:					
Nonspendable		1,324,569	-	-	1,324,569
Restricted		1,152,307	-	1,524,027	2,676,334
Committed		10,418,492	-	95,853	10,514,345
Assigned		730,267	-	1,109,643	1,839,910
Unassigned		2,657,863	(987,379)	(23,149)	1,647,335
<b>Total fund balances (deficit)</b>		<b>16,283,498</b>	<b>(987,379)</b>	<b>2,706,374</b>	<b>18,002,493</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$</b>	<b>16,890,113</b>	<b>\$ 351,131</b>	<b>\$ 2,737,125</b>	<b>\$ 19,978,369</b>

\* 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 Balance Sheet to the Statement of Net Position

<u>September 30,</u>	<u>2013</u>	
Total fund balance - governmental funds		\$ 18,002,493
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental non-depreciable assets	\$ 36,421,580	
Governmental depreciable assets	117,239,506	
Less accumulated depreciation	<u>(30,663,490)</u>	122,997,596
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.		
		114,051
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds payable	(18,940,000)	
Notes payable	(13,746,242)	
Discount, net	5,602	
Bond premium, net	(157,056)	
Accrued interest	(464,646)	
Compensated absences	(157,614)	
OPEB liability	<u>(848,020)</u>	<u>(34,307,976)</u>
<b>Total net position - governmental activities</b>		<b>\$ 106,806,164</b>

See accompanying notes to financial statements.

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

Year ended September 30,

2013

	General Fund*	CRA Town Center Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 8,121,945	\$ 449,784	\$ 379,384	\$ 8,951,113
Licenses and permits	846,549	-	-	846,549
Intergovernmental	9,294,319	422	-	9,294,741
Charges for services	366,618	-	-	366,618
Contributions	20,292	-	-	20,292
Fines and forfeitures	43,404	-	-	43,404
Impact fees	144,678	-	-	144,678
Miscellaneous income	28,694	-	7,438	36,132
<b>Total revenues</b>	<b>18,866,499</b>	<b>450,206</b>	<b>386,822</b>	<b>19,703,527</b>
<b>Expenditures</b>				
General government	2,681,215	-	-	2,681,215
Economic environment	10,008	63,076	112,131	185,215
Physical environment	287,702	-	-	287,702
Public safety	1,661,520	-	-	1,661,520
Transportation	1,295,486	-	-	1,295,486
Human services	60,250	-	-	60,250
Culture and recreation	1,772,495	-	-	1,772,495
Capital outlay	8,530,855	-	166,971	8,697,826
Debt service				
Principal	235,000	-	1,008,032	1,243,032
Interest	296,295	-	1,401,050	1,697,345
Other	6,947	-	25,398	32,345
Investment loss	110,438	-	-	110,438
<b>Total expenditures</b>	<b>16,948,211</b>	<b>63,076</b>	<b>2,713,582</b>	<b>19,724,869</b>
Excess (deficiency) of revenues over expenditures	1,918,288	387,130	(2,326,760)	(21,342)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	2,206,101	2,206,101
Transfers out	(761,400)	(1,044,701)	(400,000)	(2,206,101)
Proceeds of refunding	-	-	7,610,000	7,610,000
Debt service - principal	-	-	(7,610,000)	(7,610,000)
<b>Total other financing sources (uses)</b>	<b>(761,400)</b>	<b>(1,044,701)</b>	<b>1,806,101</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,156,888</b>	<b>(657,571)</b>	<b>(520,659)</b>	<b>(21,342)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>15,126,610</b>	<b>(329,808)</b>	<b>3,227,033</b>	<b>18,023,835</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 16,283,498</b>	<b>\$ (987,379)</b>	<b>\$ 2,706,374</b>	<b>\$ 18,002,493</b>

\* 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

<u>Year ended September 30,</u>	<u>2013</u>
Net change in fund balances - total governmental funds	\$ (21,342)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	8,697,826
The net effect of miscellaneous transactions involving capital assets (i.e. adjustments and disposals) is to decrease capital assets.	(277,505)
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.	(3,654,756)
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	1,243,032
Amortization of bond discount	(6,434)
Amortization of bond premium	9,239
Change in compensated absences	(6,911)
Change in OPEB liability	(101,941)
Change in accrued interest on long-term debt	66,810
<u>Change in net position - governmental activities</u>	<u>\$ 5,948,018</u>

See accompanying notes to financial statements.

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

<i>Year ended September 30,</i>	<b>2013</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 8,160,748	\$ 8,160,748	\$ 5,724,628	\$ (2,436,120)
Licenses and permits	377,850	377,850	846,549	468,699
Intergovernmental	1,448,139	1,448,139	8,290,106	6,841,967
Charges for services	336,505	336,505	366,618	30,113
Contributions	186,000	186,000	20,292	(165,708)
Fines and forfeitures	47,500	47,500	43,404	(4,096)
Impact fees	120,600	120,600	144,678	24,078
Miscellaneous income	138,500	138,500	28,238	(110,262)
<b>Total revenues</b>	<b>10,815,842</b>	<b>10,815,842</b>	<b>15,464,513</b>	<b>4,648,671</b>
<b>Expenditures</b>				
General government	2,957,141	2,981,900	2,681,215	300,685
Economic environment	10,007	10,008	10,008	-
Physical environment	32,139	318,646	287,702	30,944
Public safety	1,718,496	1,722,806	1,661,520	61,286
Transportation	1,354,670	1,359,544	1,295,486	64,058
Human services	58,975	60,250	60,250	-
Culture and recreation	1,998,759	1,985,298	1,772,495	212,803
Capital outlay	1,883,245	10,162,852	8,530,855	1,631,997
Debt service	538,101	538,101	538,242	(141)
Investment loss	-	-	110,438	(110,438)
<b>Total expenditures</b>	<b>10,551,533</b>	<b>19,139,405</b>	<b>16,948,211</b>	<b>2,191,194</b>
Excess (deficiency) of revenues over expenditures	264,309	(8,323,563)	(1,483,698)	6,839,865
<b>Other financing sources (uses)</b>				
Transfers in	4,144,298	12,221,298	10,651,229	(1,570,069)
Transfers out	(5,238,978)	(12,782,077)	(11,412,629)	1,369,448
<b>Net other financing sources (uses)</b>	<b>(1,094,680)</b>	<b>(560,779)</b>	<b>(761,400)</b>	<b>(200,621)</b>
<b>Net change in fund balance</b>	<b>(830,371)</b>	<b>(8,884,342)</b>	<b>(2,245,098)</b>	<b>6,639,244</b>
<b>Fund balance, October 1, 2012</b>	<b>14,151,397</b>	<b>14,151,397</b>	<b>14,151,397</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 13,321,026</b>	<b>\$ 5,267,055</b>	<b>\$ 11,906,299</b>	<b>\$ 6,639,244</b>

See accompanying notes to financial statements.

City of Destin, Florida

Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
Community Redevelopment Agency - Town Center  
Special Revenue Fund

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 448,846	\$ 448,846	\$ 449,784	\$ 938
Miscellaneous income	1,000	1,000	422	(578)
<b>Total revenues</b>	<b>449,846</b>	<b>449,846</b>	<b>450,206</b>	<b>360</b>
<b>Expenditures</b>				
Economic environment	64,107	64,140	63,076	1,064
<b>Total expenditures</b>	<b>64,107</b>	<b>64,140</b>	<b>63,076</b>	<b>1,064</b>
Excess (deficiency) of revenues over expenditures	385,739	385,706	387,130	1,424
<b>Other financing sources (uses)</b>				
Transfers out	(1,327,193)	(1,327,193)	(1,044,701)	282,492
<b>Total other financing sources (uses)</b>	<b>(1,327,193)</b>	<b>(1,327,193)</b>	<b>(1,044,701)</b>	<b>282,492</b>
<b>Net change in fund balance</b>	<b>(941,454)</b>	<b>(941,487)</b>	<b>(657,571)</b>	<b>283,916</b>
<b>Fund balance, October 1, 2012</b>	<b>(329,808)</b>	<b>(329,808)</b>	<b>(329,808)</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ (1,271,262)</b>	<b>\$ (1,271,295)</b>	<b>\$ (987,379)</b>	<b>\$ 283,916</b>

See accompanying notes to the financial statements.

Statement of Plan Net Position - Pension Trust Fund

<i>September 30,</i>	<b>2013</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 200,905
Investments, at fair value	
Mutual funds	4,181,494
<b>Total assets</b>	<b>4,382,399</b>
<b>Liabilities</b>	
Interfund balance	-
<b>Total liabilities</b>	<b>-</b>
<b>Net position</b>	
Assets held in trust for pension benefits	<b>\$ 4,382,399</b>

See accompanying notes to financial statements.

Statement of Changes in Plan Net Position - Pension Trust Fund

<i>Year ended September 30,</i>	<b>2013</b>
<b>Additions</b>	
Employer contributions	\$ 307,141
Interest income	87,753
Net increase in fair value of investments	378,421
<b>Total additions</b>	<b>773,315</b>
<b>Deductions</b>	
Administrative expenses	6,005
Benefits and other withdrawals	67,309
<b>Total deductions</b>	<b>73,314</b>
Change in net position	700,001
Net position, October 1, 2012	3,682,398
Net position, September 30, 2013	<b>\$ 4,382,399</b>

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.

Investments also consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pools created by Section 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund ("Fund B").

At September 30, 2013, the City's investments in the Local Government Surplus Funds Trust Fund A ("Florida PRIME"), which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The City's investments in the Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.13262284 at September 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Florida PRIME.

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deposits and Investments (continued)***

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.

All receivables are shown net of an allowance for uncollectibles. At September 30, 2013, 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, 2013
Levy date	November 1, 2013
Due date	March 31, 2013
Delinquency date	April 1, 2013

Discounts of 1% for each month taxes are paid prior to March 2013 are granted.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Property Taxes (continued)***

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

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:

<b>Assets</b>	<b>Years</b>
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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Compensated Absences (continued)*****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, 2013, the City had \$8,602 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.

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, 2013, the City had \$114,051 recorded as deferred charge on refunding.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Deferred Outflows/Inflows of Resources (continued)***

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, 2013, the City had \$113,809 recorded as deferred revenue, which represents payments received prior to September 30, 2013 for 2014 business licenses.

***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.

*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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***Budgetary Information***

Budgets are adopted on a basis consistent with GAAP for the current fiscal year. For the year ended September 30, 2013, 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 2013 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.

## Notes to Financial Statements

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

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 reappropriated and honored during the subsequent year.

**NOTE 3 - INVESTMENTS**

The City's investments at September 30, 2013, consist of the following:

<b>Investments - Governmental Funds</b>	<b>Maturity</b>	<b>Rating</b>	<b>Fair Value</b>
U.S. Treasuries	10/15/15 - 08/15/23	AA	\$ 1,692,978
Government agency bonds	06/15/15 - 06/16/39	AA	903,467
Mortgage backed securities	01/15/18 - 12/17/47	A - AAA	3,195,295
Investment grade corporate bonds	02/06/14 - 12/15/22	BBB - AAA	2,544,258
Asset backed securities	05/15/15 - 05/01/23	AA - AAA	1,151,173
State Board of Administration:			
Florida PRIME	44 days	AAAm	331
Fund B	4.04 years	not rated	18,631
<b>Total investments - governmental funds</b>			<b>\$ 9,506,133</b>

<b>Investments - Pension Fund</b>	<b>Fair Value</b>
AMCAP Fund, Class A shares	\$ 365,598
Bond Fund of America, Class A shares	798,096
Euro Pacific Growth Fund, Class A shares	658,813
Capital Income Builder, Class A Shares	832,750
Short-term Bond Fund of America, Class A Shares	202,900
Investment Company of America Fund, Class A shares	1,323,337
<b>Total investments - pension fund</b>	<b>\$ 4,181,494</b>

**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 investing primarily in short-term securities.
- The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Florida PRIME is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of September 30, 2013.

***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's investment policy limits its investment choices to those listed above.

***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, 2013, 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, 2013, the City held 19.85% and 12.16% of its investment balance in Fannie Mae and Freddie Mac instruments, respectively. These percentages of total investments exclude treasury notes and SBA instruments.

## Notes to Financial Statements

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2013, were as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Franchise fees	\$ 164,625	\$ -	\$ 164,625
Business licenses	8,473	-	8,473
Other	-	66,662	66,662
	<b>\$ 173,098</b>	<b>\$ 66,662</b>	<b>\$ 239,760</b>

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

The amount due from other governments at September 30, 2013, is composed of the following:

	<b>General Fund</b>
State of Florida:	
Local option gas tax	\$ 41,614
Alcohol and beverage licenses	39,000
Median beautification and maintenance	105,282
1/2 cent sales tax	89,367
Communications services tax	80,485
Bike lanes	14,480
Okaloosa County:	
Beach restoration west	379,044
Tax collector	1,739
September traffic fines	2,728
Occupational licenses	4,139
	<b>\$ 757,878</b>

Notes to Financial Statements

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

The following is a summary of Interfund receivables and payables reported in the fund financial statements.

	<b>Receivable</b>	<b>Payable</b>
General Fund	\$ 69,523	\$ 29,376
CRA Town Center Special Revenue Fund	-	10,971
Other Governmental Funds	-	29,176
	<b>\$ 69,523</b>	<b>\$ 69,523</b>

General Fund receivables are the result of payments out of the General Fund for appropriate expenditures of the payable fund. All interfund activity presented as due to/from other funds is temporary in nature.

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

	<b>Advance to</b>	<b>Advance from</b>
General Fund	\$ 1,324,569	\$ -
CRA Town Center Special Revenue Fund	-	1,324,569
	<b>\$ 1,324,569</b>	<b>\$ 1,324,569</b>

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. Interest as of September 30, 2013, totals \$3,028 and is included in the total interfund advance amount.

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, 2013:

	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund (1)	\$ -	\$ 761,400
CRA Town Center Special Revenue Fund (2)	-	1,044,701
Other Governmental Funds (1) (2) (3)	2,206,101	400,000
<b>Total</b>	<b>\$ 2,206,101</b>	<b>\$ 2,206,101</b>

(1) The 2002 Series Capital Improvement Special Revenue Fund transferred \$761,400 to the 2002 Bond Series Debt Service Fund to meet annual debt service requirements.

(2) The Town Center CRA Special Revenue Fund transferred \$1,044,701 to the 2005 Bond Series Debt Service Fund 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.

## Notes to Financial Statements

**NOTE 7 - CHANGES IN CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2013 are shown below:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,802,278	\$ -	\$ -	\$ 22,802,278
Construction in progress	10,297,755	8,777,073	(5,455,526)	13,619,302
Total capital assets not being depreciated	33,100,033	8,777,073	(5,455,526)	36,421,580
<i>Capital assets being depreciated:</i>				
Buildings	12,210,391	-	53,537	12,263,928
Improvements other than buildings	21,447,170	4,061	1,991,161	23,442,392
Infrastructure	75,325,210	-	3,128,829	78,454,039
Machinery, equipment and vehicles	2,533,027	47,052	(12,550)	2,567,529
Books, publications, and library materials	474,230	37,388	-	511,618
Total capital assets being depreciated	111,990,028	88,501	5,160,977	117,239,506
<i>Less accumulated depreciation for:</i>				
Buildings	3,370,535	279,109	-	3,649,644
Improvements other than buildings	7,225,937	1,782,632	-	9,008,569
Infrastructure	14,211,452	1,479,724	-	15,691,176
Machinery, equipment and vehicles	1,822,081	70,454	-	1,892,535
Books, publications, and library materials	378,729	42,837	-	421,566
Total accumulated depreciation	27,008,734	3,654,756	-	30,663,490
Total capital assets being depreciated, net	84,981,294	(3,566,255)	5,160,977	86,576,016
<b>Governmental activities capital assets, net</b>	<b>\$ 118,081,327</b>	<b>\$ 5,210,818</b>	<b>\$ (294,549)</b>	<b>\$ 122,997,596</b>

## 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, 2013, totaled \$3,654,755 for governmental activities. Depreciation expense was allocated to specific functions as follows:

<b>Function</b>	<b>Depreciation</b>
General government	\$ 4,511
Public safety	972,565
Physical environment	360,007
Transportation	1,086,511
Economic environment	881,839
Culture and recreation	349,323
<b>Total</b>	<b>\$ 3,654,756</b>

**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, 2013:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Capital Improvement Revenue Bonds Series 2002	\$ 7,870,000	\$ -	\$ (7,870,000)	\$ -	\$ -
Less deferred amounts for issuance discount	(120,055)	-	120,055	-	-
Town Center Area Redevelopment Revenue Bonds Series 2005	13,515,000	-	(615,000)	12,900,000	650,000
Less deferred amounts for issuance discount	(6,033)	-	431	(5,602)	
Florida Municipal Loan Council Revenue Refunding Bonds Series 2005B	6,275,000	-	(235,000)	6,040,000	240,000
Plus deferred amounts for issuance premium	166,295	-	(9,239)	157,056	
Community Redevelopment Area Phase I Revenue Note Series 2009	-	-	(133,032)	-	138,700
	6,269,274			6,136,242	
Capital Improvement Refunding Revenue Note Series 2013	-	7,610,000	-	7,610,000	329,732
	-			-	
Compensated absences	150,703	16,067	(9,156)	157,614	-
Other post employment benefits payable	746,079	101,941	-	848,020	
	\$ 34,866,263	\$ 7,728,008	\$ (8,750,941)	\$ 33,843,330	\$ 1,358,432

**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 2002*

On March 28, 2002, the City issued \$9,950,000 in revenue bonds with interest rates ranging from 3.0% to 5.125%.

The net proceeds of the Series 2002 bonds were deposited to a construction account to fund the City's five year improvement plan. This plan included sidewalks; road improvements; the acquisition of land for recreation, cemetery and other public purposes; a community swimming pool; and the completion of a stormwater plan.

The Capital Improvement Revenue Bonds, Series 2002 ordinance provides for:

- A. Establishment and maintenance of various funds -
  - Capital Improvement Revenue Bond Series 2002 Special Revenue Fund records pledged revenues consisting of the ½ Cent Sales Tax, Electric Franchise Fees, Communications Services Taxes, and investment earnings;
  - Capital Improvement Revenue Bonds Series 2002 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 Bonds, Series 2002, Special Revenue Fund, in order of priority, are as follows:

**NOTE 9 - BONDS PAYABLE (CONTINUED)**

- 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;
- 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 August 2013.

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.

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

## Notes to Financial Statements

**NOTE 9 - BONDS PAYABLE (CONTINUED)**

- 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.

Principal and interest amounts required from September 30, 2013 to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
<i>Florida Municipal Loan Council - Series 2005B</i>			
2014	\$ 240,000	\$ 288,100	\$ 528,100
2015	250,000	279,400	529,400
2016	260,000	269,700	529,700
2017	270,000	264,500	534,500
2018	280,000	244,000	524,000
2019 - 2023	1,640,000	988,250	2,628,250
2024 - 2028	2,100,000	523,250	2,623,250
2029 - 2030	1,000,000	50,750	1,050,750
<b>Subtotal</b>	<b>\$ 6,040,000</b>	<b>\$ 2,907,950</b>	<b>\$ 8,947,950</b>
<i>Capital Improvement Revenue Bonds, Series 2005</i>			
2014	\$ 650,000	\$ 678,655	\$ 1,328,655
2015	680,000	644,530	1,324,530
2016	715,000	610,530	1,325,530
2017	750,000	574,780	1,324,780
2018	790,000	536,530	1,326,530
2019 - 2023	4,645,000	1,991,080	6,636,080
2024 - 2027	4,670,000	631,325	5,301,325
<b>Subtotal</b>	<b>\$ 12,900,000</b>	<b>\$ 5,667,430</b>	<b>\$ 18,567,430</b>
<b>Total</b>	<b>\$ 18,940,000</b>	<b>\$ 8,575,380</b>	<b>\$ 27,515,380</b>

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***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.

**NOTE 10 - NOTES PAYABLE (CONTINUED)**

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

*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;

## Notes to Financial Statements

**NOTE 10 - NOTES PAYABLE (CONTINUED)**

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.

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

Year ending September 30,	Principal	Interest	Total
<i>Capital Improvement Refunding Revenue Note, Series 2013</i>			
2014	\$ 329,732	\$ 261,300	\$ 591,032
2015	339,096	255,394	594,490
2016	348,726	243,793	592,519
2017	358,630	230,360	588,990
2018	368,815	223,645	592,460
2019 - 2023	2,007,269	835,706	2,842,975
2024 - 2027	2,308,957	372,104	2,681,061
2029 - 2031	1,548,775	18,605	1,567,380
<b>Subtotal</b>	<b>\$ 7,610,000</b>	<b>\$ 2,440,907</b>	<b>\$ 10,050,907</b>
<i>Capital Improvement Revenue Note, Series 2009</i>			
2014	\$ 138,700	\$ 261,300	\$ 400,000
2015	288,096	255,394	543,490
2016	299,697	243,793	543,490
2017	313,124	230,360	543,484
2018	326,457	223,645	550,102
2019 - 2023	2,112,283	835,706	2,947,989
2024 - 2028	2,214,904	372,104	2,587,008
2029	442,981	18,605	461,586
<b>Subtotal</b>	<b>\$ 6,136,242</b>	<b>\$ 2,440,907</b>	<b>\$ 8,577,149</b>
<b>Total</b>	<b>\$ 13,746,242</b>	<b>\$ 4,881,814</b>	<b>\$ 18,628,056</b>

**NOTE 11 - 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.

***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 2012-2013 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.

Notes to Financial Statements

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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:

<b><i>Year ended September 30,</i></b>	<b>2013</b>
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	746,079
Net OPEB Obligation, end of year	\$ 848,020

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, 2013 are as follows:

<b>Fiscal year Ending</b>	<b>Annual OPEB Cost</b>	<b>Amount Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2013	\$ 130,022	\$ 28,081	21.60%	\$ 848,020
9/30/2012	275,418	26,725	9.70%	746,079
9/30/2011	275,418	26,725	9.70%	497,386

***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 2012-2013 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 31.0%.

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***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.

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, 2013 and to estimate the City's 2012-2013 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, 2013, is 30 years.

**NOTE 12 - 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% after three years of continuous service and continue to vest at 20% per year until fully vested after 7 years of continuous service. The Plan does not issue separately audited financial statements.

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, 2013. The contributions represent 10.4% of current year covered and total payroll of \$2,950,599.

## Notes to Financial Statements

**NOTE 13 - 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	
<b>Fund Balance</b>				
<i>Nonspendable</i>	\$ 1,324,569	\$ -	\$ -	\$ 1,324,569
<i>Restricted for:</i>				
Impact fees: park, traffic, library, and police	1,152,307	-	-	1,152,307
Debt service	-	-	1,524,027	1,524,027
<i>Committed for:</i>				
Encumbrances	549,476	-	95,853	645,329
Emergency operations	1,997,331	-	-	1,997,331
Debt service	537,652	-	-	537,652
Emergency maintenance	2,096,122	-	-	2,096,122
Alternative investment	5,237,911	-	-	5,237,911
<i>Assigned for:</i>				
Special Revenue	715,798	-	683,872	1,399,670
Capital Projects	-	-	425,771	425,771
Software upgrades	14,469	-	-	14,469
<i>Unassigned:</i>	2,657,863	(987,379)	(23,149)	1,647,335
<b>Total Fund Balance</b>	<b>\$ 16,283,498</b>	<b>\$ (987,379)</b>	<b>\$ 2,706,374</b>	<b>\$ 18,002,493</b>

Deficit unassigned fund balances totaling \$987,493 and \$23,149 exist in the CRA Town Center Special Revenue Fund and 2013 Revenue Refunding Note Series Fund, respectively. The deficit in the CRA Town Center Special Revenue Fund results from transfers to the 2005 Bond Series Fund for debt service payments. The deficit in the 2013 Revenue Refunding Note Series Fund is a result of timing differences relating to the refunding and is expected to be remedied in 2014.

## Notes to Financial Statements

**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.

***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.

**NOTE 15 - 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, 2013, is as follows:

Project	Balance Committed
Walt/Destin Beach Restoration	\$ 203,218
Corridor Management Plan Section II, Legion Dr.	174,632
Harbor CRA - Harbor Boardwalk Promenade	73,276
Library Study Rooms	53,380
Citywide Street Reconstruction	35,709
Heritage Park and Plaza	23,550
Community Center Roof	22,577
Median Beautification	18,178
Fisherman's Wharf Outfall Drainage Project	1,300
Library Fiber Optics and Phone Integration	1,230
Total	\$ 607,050

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position and creates a new format for the statement of financial position that requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The City made the decision to implement these standards effective October 1, 2012.

As a result of implementation, government-wide net position at the beginning of the year ended September 30, 2013 has been restated. GASB statement No. 65 requires, among other things, that bond issue costs be shown as current-period outflows of resources (expenses) and not capitalized. Accordingly, prior year deferred charges have been removed from the current year financial statements. The restatement resulted in a decrease in the beginning net position of \$591,911.

Required Supplementary Information  
(Other Than MD&A)

City of Destin, Florida

Schedule of Funding Progress for Other Postemployment Benefits

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/1/12	\$ -	\$ 843,151	\$ 843,151	0.00%	\$ 2,723,799	30.95%
10/1/11	-	1,633,389	1,633,389	0.00%	2,629,995	62.11%
10/1/10	-	1,633,389	1,633,389	0.00%	2,628,669	62.14%

# 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 2009 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,

2013

	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 Revenue Refunding Note Series	2002 Capital Projects	2009 Capital Projects	
<b>Assets</b>								
Cash and cash equivalents	\$ 697,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697,099
Accounts receivable - other	66,662	-	-	-	-	-	-	66,662
Restricted:								
Cash and cash equivalents	-	169,252	1,347,779	4,932	-	389,085	43,355	1,954,403
Investments	-	2,064	-	-	-	16,897	-	18,961
<b>Total assets</b>	<b>\$ 763,761</b>	<b>\$ 171,316</b>	<b>\$ 1,347,779</b>	<b>\$ 4,932</b>	<b>\$ -</b>	<b>\$ 405,982</b>	<b>\$ 43,355</b>	<b>\$ 2,737,125</b>
<b>Liabilities and fund balances</b>								
Liabilities:								
Accounts payable	\$ 1,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,575
Due to other funds	5,038	-	-	-	23,149	989	-	29,176
<b>Total liabilities</b>	<b>6,613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,149</b>	<b>989</b>	<b>-</b>	<b>30,751</b>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	171,316	1,347,779	4,932	-	-	-	1,524,027
Committed	73,276	-	-	-	-	22,577	-	95,853
Assigned	683,872	-	-	-	-	382,416	43,355	1,109,643
Unassigned	-	-	-	-	(23,149)	-	-	(23,149)
<b>Total fund balances</b>	<b>757,148</b>	<b>171,316</b>	<b>1,347,779</b>	<b>4,932</b>	<b>(23,149)</b>	<b>404,993</b>	<b>43,355</b>	<b>2,706,374</b>
<b>Total liabilities and fund balances</b>	<b>\$ 763,761</b>	<b>\$ 171,316</b>	<b>\$ 1,347,779</b>	<b>\$ 4,932</b>	<b>\$ -</b>	<b>\$ 405,982</b>	<b>\$ 43,355</b>	<b>\$ 2,737,125</b>

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

Year ended September 30,

2013

	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 Revenue Refunding Note Series	2002 Capital Projects	2009 Capital Projects	
<b>Revenues</b>								
Taxes	\$ 379,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,384
Miscellaneous income	906	750	1,516	138	-	3,962	166	7,438
<b>Total revenues</b>	<b>380,290</b>	<b>750</b>	<b>1,516</b>	<b>138</b>	<b>-</b>	<b>3,962</b>	<b>166</b>	<b>386,822</b>
<b>Expenditures</b>								
Economic environment	112,131	-	-	-	-	-	-	112,131
Capital outlay	117,104	-	-	-	-	6,923	42,944	166,971
Debt service								
Principal	-	260,000	615,000	133,032	-	-	-	1,008,032
Interest	-	423,140	710,943	266,967	-	-	-	1,401,050
Other	-	1,000	1,249	-	23,149	-	-	25,398
<b>Total expenditures</b>	<b>229,235</b>	<b>684,140</b>	<b>1,327,192</b>	<b>399,999</b>	<b>23,149</b>	<b>6,923</b>	<b>42,944</b>	<b>2,713,582</b>
Excess (deficiency) of revenues over expenditures	151,055	(683,390)	(1,325,676)	(399,861)	(23,149)	(2,961)	(42,778)	(2,326,760)
<b>Other financing sources (uses)</b>								
Transfers in	-	761,400	1,044,701	400,000	-	-	-	2,206,101
Transfers out	(400,000)	-	-	-	-	-	-	(400,000)
Proceeds of refunding	-	-	-	-	7,610,000	-	-	7,610,000
Debt service - principal	-	-	-	-	(7,610,000)	-	-	(7,610,000)
<b>Total other financing sources and (uses)</b>	<b>(400,000)</b>	<b>761,400</b>	<b>1,044,701</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,806,101</b>
<b>Net change in fund balances</b>	<b>(248,945)</b>	<b>78,010</b>	<b>(280,975)</b>	<b>139</b>	<b>(23,149)</b>	<b>(2,961)</b>	<b>(42,778)</b>	<b>(520,659)</b>
<b>Fund balances, beginning of year</b>	<b>1,006,093</b>	<b>93,306</b>	<b>1,628,754</b>	<b>4,793</b>	<b>-</b>	<b>407,954</b>	<b>86,133</b>	<b>3,227,033</b>
<b>Fund balances, end of year</b>	<b>\$ 757,148</b>	<b>\$ 171,316</b>	<b>\$ 1,347,779</b>	<b>\$ 4,932</b>	<b>\$ (23,149)</b>	<b>\$ 404,993</b>	<b>\$ 43,355</b>	<b>\$ 2,706,374</b>

Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
2002 Series Capital Improvement Special Revenue Fund

	2013			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 2,530,000	\$ 2,530,000	\$ 2,397,317	\$ (132,683)
Intergovernmental	951,188	951,188	1,004,213	53,025
Miscellaneous income	10,000	10,000	456	(9,544)
<b>Total revenues</b>	<b>3,491,188</b>	<b>3,491,188</b>	<b>3,401,986</b>	<b>(89,202)</b>
<b>Expenditures</b>				
Excess (deficiency) of revenues over expenditures	3,491,188	3,491,188	3,401,986	89,202
<b>Other financing sources (uses)</b>				
Transfers out	(3,483,968)	(3,661,400)	(3,661,400)	-
<b>Total other financing sources (uses)</b>	<b>(3,483,968)</b>	<b>(3,661,400)</b>	<b>(3,661,400)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>7,220</b>	<b>(170,212)</b>	<b>(259,414)</b>	<b>(89,202)</b>
<b>Fund balance, October 1, 2012</b>	<b>975,213</b>	<b>975,213</b>	<b>975,213</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 982,433</b>	<b>\$ 805,001</b>	<b>\$ 715,799</b>	<b>\$ (89,202)</b>

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

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 379,384	\$ 379,384	\$ 379,384	\$ -
Miscellaneous income	9,019	9,019	906	(8,113)
<b>Total revenues</b>	<b>388,403</b>	<b>388,403</b>	<b>380,290</b>	<b>(8,113)</b>
<b>Expenditures</b>				
Economic environment	127,254	131,428	112,131	19,297
Capital outlay	-	190,381	117,104	73,277
<b>Total expenditures</b>	<b>127,254</b>	<b>321,809</b>	<b>229,235</b>	<b>92,574</b>
Excess (deficiency) of revenues over expenditures	261,149	66,594	151,055	84,461
<b>Other financing sources (uses)</b>				
Transfers out	(400,000)	(400,000)	(400,000)	-
<b>Total other financing sources (uses)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(138,851)</b>	<b>(333,406)</b>	<b>(248,945)</b>	<b>84,461</b>
<b>Fund balance, October 1, 2012</b>	<b>1,006,093</b>	<b>1,006,093</b>	<b>1,006,093</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 867,242</b>	<b>\$ 672,687</b>	<b>\$ 757,148</b>	<b>\$ 84,461</b>

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

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous income	\$ 3,100	\$ 3,100	\$ 750	\$ (2,350)
<b>Total revenues</b>	<b>3,100</b>	<b>3,100</b>	<b>750</b>	<b>(2,350)</b>
<b>Expenditures</b>				
Debt service				
Principal	260,000	260,000	260,000	-
Interest	391,491	423,117	423,140	(23)
Other	1,024	1,024	1,000	24
<b>Total expenditures</b>	<b>652,515</b>	<b>684,141</b>	<b>684,140</b>	<b>1</b>
Excess (deficiency) of revenues over expenditures	(649,415)	(681,041)	(683,390)	(2,349)
<b>Other financing sources (uses)</b>				
Transfers in	652,515	652,515	761,400	108,885
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>652,515</b>	<b>652,515</b>	<b>761,400</b>	<b>108,885</b>
<b>Net change in fund balance</b>	<b>3,100</b>	<b>(28,526)</b>	<b>78,010</b>	<b>106,536</b>
<b>Fund balance, October 1, 2012</b>	<b>93,306</b>	<b>93,306</b>	<b>93,306</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 96,406</b>	<b>\$ 64,780</b>	<b>\$ 171,316</b>	<b>\$ 106,536</b>

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

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous income	\$ 14,000	\$ 14,000	\$ 1,516	\$ (12,484)
<b>Total revenues</b>	<b>14,000</b>	<b>14,000</b>	<b>1,516</b>	<b>(12,484)</b>
<b>Expenditures</b>				
Debt service:				
Principal	615,000	615,000	615,000	-
Interest	717,763	717,763	710,943	6,820
Other	1,250	1,250	1,249	1
<b>Total expenditures</b>	<b>1,334,013</b>	<b>1,334,013</b>	<b>1,327,192</b>	<b>6,821</b>
Excess (deficiency) of revenues over expenditures	(1,320,013)	(1,320,013)	(1,325,676)	(5,663)
Other financing sources (uses)				
Transfers in	1,327,193	1,327,193	1,044,701	(282,492)
<b>Total other financing sources (uses)</b>	<b>1,327,193</b>	<b>1,327,193</b>	<b>1,044,701</b>	<b>(282,492)</b>
<b>Net change in fund balance</b>	<b>7,180</b>	<b>7,180</b>	<b>(280,975)</b>	<b>(288,155)</b>
<b>Fund balance, October 1, 2012</b>	<b>1,628,754</b>	<b>1,628,754</b>	<b>1,628,754</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 1,635,934</b>	<b>\$ 1,635,934</b>	<b>\$ 1,347,779</b>	<b>\$ (288,155)</b>

City of Destin, Florida

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

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous income	\$ 750	\$ 750	\$ 138	\$ (612)
<b>Total revenues</b>	<b>750</b>	<b>750</b>	<b>138</b>	<b>(612)</b>
<b>Expenditures</b>				
Debt service:				
Principal	133,032	133,032	133,032	-
Interest	266,968	266,968	266,967	1
Other	-	-	-	-
<b>Total expenditures</b>	<b>400,000</b>	<b>400,000</b>	<b>399,999</b>	<b>1</b>
Excess (deficiency) of revenues expenditures	(399,250)	(399,250)	(399,861)	(611)
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
<b>Total other financing sources (uses)</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>750</b>	<b>750</b>	<b>139</b>	<b>(611)</b>
<b>Fund balance, October 1, 2012</b>	<b>4,793</b>	<b>4,793</b>	<b>4,793</b>	<b>-</b>
<b>Fund balance, September 30, 2013</b>	<b>\$ 5,543</b>	<b>\$ 5,543</b>	<b>\$ 4,932</b>	<b>\$ (611)</b>

City of Destin, Florida

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

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous income	\$ -	\$ -	\$ 3,962	\$ 3,962
<b>Total revenues</b>	-	-	3,962	3,962
<b>Expenditures</b>				
Capital outlay	389,463	389,463	6,923	382,540
<b>Total expenditures</b>	389,463	389,463	6,923	382,540
<b>Net change in fund balance</b>	(389,463)	(389,463)	(2,961)	386,502
<b>Fund balance, October 1, 2012</b>	396,958	396,958	407,954	(10,996)
<b>Fund balance, September 30, 2013</b>	\$ 7,495	\$ 7,495	\$ 404,993	\$ 375,506

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
2009 Revenue Note Series Harbor CRA  
Capital Projects Fund

<i>Year ended September 30,</i>	<b>2013</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous income	\$ -	\$ -	166	\$ 166
<b>Total revenues</b>	-	-	166	166
<b>Expenditures</b>				
Capital outlay	8,418,068	6,240,757	42,944	6,197,813
Debt service:				
Other	81,000	81,000	-	81,000
<b>Total expenditures</b>	8,499,068	6,321,757	42,944	6,278,813
Excess (deficiency) of revenues over expenditures	(8,499,068)	(6,321,757)	(42,778)	6,278,979
<b>Other financing sources (uses)</b>				
Revenue notes issued	8,500,000	8,500,000	-	(8,500,000)
Transfers out	(337,167)	(2,337,168)	-	2,337,168
<b>Total other financing sources (uses)</b>	8,162,833	6,162,832	-	(6,162,832)
<b>Net change in fund balance</b>	(336,235)	(158,925)	(42,778)	116,147
<b>Fund balance, October 1, 2012</b>	86,133	86,133	86,133	-
<b>Fund balance, September 30, 2013</b>	\$ (250,102)	\$ (72,792)	\$ 43,355	\$ 116,147

## 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)

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<b>Fiscal Year</b>	<b>Net investment in Capital Assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total Net Poition</b>
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
2004	49,580,937	3,230,960	9,183,819	61,995,716

Source: City Finance Department

## Changes in Net Position-Last Ten Years (Unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
General government	\$ 2,847,225	\$ 3,100,230	\$ 3,083,995	\$ 3,114,648	\$ 3,284,631	\$ 4,276,964	\$ 4,830,321	\$ 3,631,258	\$ 3,379,079	\$ 2,742,309
Public safety	2,633,697	2,656,076	2,783,021	2,864,322	2,834,815	1,964,477	1,932,899	1,929,134	1,717,633	1,585,036
Physical environment	647,709	798,777	757,543	802,320	618,908	146,686	161,287	765,894	215,410	481,033
Transportation	2,525,995	2,579,572	387,128	421,724	2,516,483	2,351,522	2,417,783	2,369,001	2,342,332	1,336,727
Economic environment	1,103,214	820,654	2,604,558	2,734,425	570,639	489,185	228,042	149,008	2,728,065	249,473
Human services	60,250	58,600	59,425	59,800	74,606	73,475	60,339	59,749	71,471	67,157
Culture and recreation	2,163,148	2,077,254	2,249,778	2,139,381	2,275,566	2,208,858	2,097,804	2,229,826	2,270,656	1,609,198
Debt service interest	1,662,880	1,712,494	1,783,709	1,915,233	1,794,965	1,651,645	1,771,600	2,018,880	1,135,924	1,156,335
Unallocated depreciation	-	-	-	-	-	-	30,237	-	-	1,017,984
<b>Total expenses</b>	<b>13,644,118</b>	<b>13,803,657</b>	<b>13,709,157</b>	<b>14,051,853</b>	<b>13,970,613</b>	<b>13,162,812</b>	<b>13,530,312</b>	<b>13,152,750</b>	<b>13,860,570</b>	<b>10,245,252</b>
<b>Program revenues</b>										
<b>Charges for services</b>										
General government	1,835,784	1,908,566	2,003,295	2,030,784	1,912,784	1,775,153	1,723,608	1,655,047	2,547,896	1,475,365
Public safety	644,091	601,592	295,471	263,785	366,463	847,249	1,242,861	824,126	1,202,789	479,852
Physical environment	51,686	71,600	24,188	19,525	26,055	23,880	9,418	22,478	65,005	11,258
Transportation	41,810	37,477	41,712	78,697	77,134	71,466	109,036	65,889	110,587	35,874
Culture and recreation	290,158	294,040	275,151	290,821	308,221	325,378	424,325	468,384	548,695	393,179
<b>Operating grants and contributions</b>										
	189,862	152,660	187,627	249,738	349,894	397,354	517,271	266,669	175,269	138,143
<b>Capital grants and contributions</b>										
	7,888,961	249,075	248,607	4,716,739	3,430,177	4,558,576	5,335,958	4,910,731	2,488,748	1,370,983
<b>Total program revenues</b>	<b>10,942,352</b>	<b>3,315,010</b>	<b>3,076,051</b>	<b>7,650,089</b>	<b>6,470,728</b>	<b>7,999,056</b>	<b>9,362,477</b>	<b>8,213,324</b>	<b>7,138,989</b>	<b>3,904,654</b>
<b>Net (expense) revenue</b>	<b>(2,701,766)</b>	<b>(10,488,647)</b>	<b>(10,633,106)</b>	<b>(6,401,764)</b>	<b>(7,499,885)</b>	<b>(5,163,756)</b>	<b>(4,167,835)</b>	<b>(4,939,426)</b>	<b>(6,721,581)</b>	<b>(6,340,598)</b>
<b>General revenues and other changes in net assets</b>										
Property taxes	5,841,191	6,253,055	6,800,611	8,135,754	9,049,685	9,822,437	10,155,767	8,788,746	6,079,827	5,289,406
Other taxes	1,533,833	1,607,807	1,586,464	1,614,889	1,768,834	1,724,292	1,882,666	1,866,046	1,783,331	2,800,444
Other revenue	1,274,760	1,485,532	1,404,105	1,556,630	1,566,506	1,978,943	2,802,004	2,667,776	1,968,860	1,409,120
<b>Total general revenues</b>	<b>8,649,784</b>	<b>9,346,394</b>	<b>9,791,180</b>	<b>11,307,273</b>	<b>12,385,025</b>	<b>13,525,672</b>	<b>14,840,437</b>	<b>13,322,568</b>	<b>9,832,018</b>	<b>9,498,970</b>
<b>Change in net assets</b>	<b>5,948,018</b>	<b>(1,142,253)</b>	<b>(841,926)</b>	<b>4,905,509</b>	<b>4,885,140</b>	<b>8,361,916</b>	<b>10,672,602</b>	<b>8,383,142</b>	<b>3,110,437</b>	<b>3,158,372</b>
<b>Net position, beginning</b>	<b>101,450,057</b>	<b>102,592,310</b>	<b>103,434,236</b>	<b>98,295,587</b>	<b>93,410,447</b>	<b>85,048,531</b>	<b>74,375,929</b>	<b>66,343,405</b>	<b>63,232,968</b>	<b>58,837,344</b>
<b>Prior period adjustment</b>	<b>(591,911)</b>	<b>-</b>	<b>-</b>	<b>233,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(350,618)</b>	<b>-</b>	<b>1,237,252</b>
<b>Net position, ending</b>	<b>\$ 106,806,164</b>	<b>\$ 101,450,057</b>	<b>\$ 102,592,310</b>	<b>\$ 103,434,236</b>	<b>\$ 98,295,587</b>	<b>\$ 93,410,447</b>	<b>\$ 85,048,531</b>	<b>\$ 74,375,929</b>	<b>\$ 66,343,405</b>	<b>\$ 63,232,968</b>

Fund Balances Governmental Funds-Last Ten Years  
(Unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Fund</b>										
Nonspendable	\$ 1,324,569	\$ 749,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,152,307	1,584,691	2,045,893	-	-	-	-	-	-	-
Committed	10,418,492	843,061	285,911	-	-	-	-	-	-	-
Assigned	730,267	1,460,679	265,430	-	-	-	-	-	-	-
Unassigned	2,657,863	10,488,610	10,596,954	-	-	-	-	-	-	-
Reserved	-	-	-	625,065	9,246,802	6,785,829	5,267,231	7,112,155	1,458,684	976,081
Unreserved:										
Designated	-	-	-	2,082,539	1,913,377	2,108,523	2,335,228	3,085,120	4,412,077	4,996,083
Undesignated	-	-	-	8,365,993	2,264,893	6,374,479	7,179,497	4,937,548	3,600,515	-
<b>Total</b>	<b>\$ 16,283,498</b>	<b>\$ 15,126,610</b>	<b>\$ 13,194,188</b>	<b>\$ 11,073,597</b>	<b>\$ 13,425,072</b>	<b>\$ 15,268,831</b>	<b>\$ 14,781,956</b>	<b>\$ 15,134,823</b>	<b>\$ 9,471,276</b>	<b>\$ 5,972,164</b>
<b>All other governmental funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,524,027	1,726,853	1,750,981	-	-	-	-	-	-	-
Committed	95,853	196,393	203,614	-	-	-	-	-	-	-
Assigned	1,109,529	1,303,787	5,190,139	-	-	-	-	-	-	-
Unassigned	(1,010,642)	(329,808)	-	-	-	-	-	-	-	-
Reserved	-	-	-	1,799,359	2,604,767	2,496,589	6,184,571	7,297,285	390,626	2,254,879
Unreserved, designated:										
Capital projects funds	-	-	-	-	-	-	-	-	14,885,498	4,514,185
Debt service funds	-	-	-	-	-	-	-	-	2,970,603	-
Unreserved, undesignated reported in:										
Special revenue funds	-	-	-	2,971,640	3,060,515	2,221,073	1,176,607	3,807,214	2,208,229	752,336
Capital projects funds	-	-	-	6,644,894	8,145,177	710,068	1,737,212	5,633,749	-	-
<b>Total all other governmental funds</b>	<b>\$ 1,718,767</b>	<b>\$ 2,897,225</b>	<b>\$ 7,144,734</b>	<b>\$ 11,415,893</b>	<b>\$ 13,810,459</b>	<b>\$ 5,427,730</b>	<b>\$ 9,098,390</b>	<b>\$ 16,738,248</b>	<b>\$ 20,454,956</b>	<b>\$ 7,521,400</b>

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.

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

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Revenues</b>					
Taxes	\$ 8,951,113	\$ 9,515,410	\$ 10,156,136	\$ 11,555,256	\$ 12,526,902
Licenses and permits	846,549	674,302	431,642	397,118	398,866
Intergovernmental	9,294,741	1,567,009	1,570,516	4,608,547	4,809,899
Charges for services	366,618	355,199	333,667	1,753,389	334,377
Impact fees	144,678	9,298	46,455	71,389	245,529
Fines and forfeits	43,404	38,678	44,928	99,098	70,741
Miscellaneous income (loss)	36,132	185,357	71,745	461,293	452,107
Contributions	20,292	316,151	212,142	10,251	17,331
<b>Total revenues</b>	<b>19,703,527</b>	<b>12,661,404</b>	<b>12,867,231</b>	<b>18,956,341</b>	<b>18,855,752</b>
<b>Expenditures</b>					
General government	2,681,215	2,651,905	2,600,234	2,655,748	3,073,083
Economic environment	185,215	146,377	127,647	119,400	121,392
Physical environment	287,702	464,567	56,173	162,923	446,653
Public safety	1,661,520	1,701,869	1,745,789	1,952,136	1,924,118
Transportation	1,295,486	1,247,816	1,294,605	1,475,520	1,466,452
Human services	60,250	58,600	59,425	59,800	74,606
Culture and recreation	1,772,495	1,744,325	1,900,024	1,799,523	1,959,459
Capital outlay	8,697,826	4,037,950	2,174,904	9,029,171	9,056,468
Debt service					
Principal	1,243,032	1,191,883	3,252,384	4,518,620	867,302
Interest	1,697,345	1,721,570	1,790,259	1,919,650	1,735,804
Other	32,345	9,629	16,355	9,891	91,445
Investment loss	110,438	-	-	-	-
<b>Total expenditures</b>	<b>19,724,869</b>	<b>14,976,491</b>	<b>15,017,799</b>	<b>23,702,382</b>	<b>20,816,782</b>
Excess (deficiency) of revenues over expenditures	(21,342)	(2,315,087)	(2,150,568)	(4,746,041)	(1,961,030)
<b>Other financing sources (uses)</b>					
Transfers in	2,206,101	5,037,324	7,118,394	5,469,743	4,244,855
Transfers out	(2,206,101)	(5,037,324)	(7,118,394)	(5,469,743)	(4,244,855)
Issuance of debt	-	-	-	-	8,500,000
Proceeds of refunding	7,610,000	-	-	-	-
Debt service principal	(7,610,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,500,000</b>
<b>Net change in fund balance</b>	<b>\$ (21,342)</b>	<b>\$ (2,315,087)</b>	<b>\$ (2,150,568)</b>	<b>\$ (4,746,041)</b>	<b>\$ 6,538,970</b>
Debt service as a percentage of noncapital expenditures	27.0%	26.7%	39.4%	43.9%	22.9%
<b>Footnote on capital assets</b>					
Capital outlay	\$ 8,697,826	\$ 4,037,950	\$ 2,174,904	\$ 9,029,171	\$ 12,100,629
Construction transfer	-	-	-	-	-
<b>Net capitalized</b>	<b>\$ 8,697,826</b>	<b>\$ 4,037,950</b>	<b>\$ 2,174,904</b>	<b>\$ 9,029,171</b>	<b>\$ 12,100,629</b>

Source: City Finance Department

City of Destin, Florida

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

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Revenues</b>					
Taxes	\$ 9,143,410	\$ 13,549,598	\$ 12,048,962	\$ 9,143,410	\$ 8,089,850
Licenses and permits	1,006,151	386,281	802,406	1,006,151	745,990
Intergovernmental	4,061,085	6,902,173	6,533,419	4,061,085	2,755,353
Charges for services	520,043	465,373	495,054	520,043	435,966
Impact fees	1,514,872	1,098,555	287,913	1,514,872	1,107,798
Fines and forfeits	140,854	61,140	73,758	140,854	91,394
Miscellaneous income (loss)	573,696	1,460,582	1,252,791	573,696	177,273
Contributions	10,899	279,216	42,589	10,899	-
<b>Total revenues</b>	<b>16,971,010</b>	<b>24,202,918</b>	<b>21,536,892</b>	<b>16,971,010</b>	<b>13,403,624</b>
<b>Expenditures</b>					
General government	3,024,975	4,572,199	3,473,849	3,024,975	2,742,309
Economic environment	2,728,065	219,327	149,008	2,728,065	249,473
Physical environment	93,206	122,765	716,624	93,206	481,033
Public safety	1,702,588	1,917,095	1,917,301	1,702,588	1,585,036
Transportation	1,427,373	1,774,546	1,396,121	1,427,373	1,336,727
Human services	71,471	60,339	59,749	71,471	67,157
Culture and recreation	1,656,406	1,746,922	1,902,830	1,656,406	1,609,198
Capital outlay	3,516,220	22,742,144	9,514,553	3,516,220	3,297,101
Debt service					
Principal	451,224	693,942	590,466	451,224	1,319,003
Interest	888,874	1,766,130	1,354,068	888,874	-
Other	372,909	30,235	13,968	372,909	-
<b>Total expenditures</b>	<b>15,933,311</b>	<b>35,645,644</b>	<b>21,088,537</b>	<b>15,933,311</b>	<b>12,687,037</b>
Excess (deficiency) of revenues over expenditures	1,037,699	(11,442,726)	448,355	1,037,699	716,587
<b>Other financing sources (uses)</b>					
Transfers in	7,477,038	5,625,139	3,698,506	7,477,038	6,060,831
Transfers out	(7,477,038)	(5,625,139)	(3,698,506)	(7,477,038)	(6,060,831)
Non-operating loss	-	-	98,489	-	-
Lease proceeds	200,230	-	-	200,230	-
Issuance of debt	15,000,000	3,450,000	1,400,000	15,000,000	-
<b>Total other financing sources (uses)</b>	<b>15,200,230</b>	<b>3,450,000</b>	<b>1,498,489</b>	<b>15,200,230</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 16,237,929</b>	<b>\$ (7,992,726)</b>	<b>\$ 1,946,844</b>	<b>\$ 16,237,929</b>	<b>\$ 716,587</b>
Debt service as a percentage of noncapital expenditures	13.8%	19.3%	16.9%	13.8%	14.0%
<b>Footnote on capital assets</b>					
Capital outlay	\$ 3,516,220	\$ 22,742,144	\$ 9,514,553	\$ 3,516,220	\$ 3,297,101
Construction transfer	(4,882,770)	(2,954,154)	(2,486,034)	(4,882,770)	(314)
<b>Net capitalized</b>	<b>\$ (1,366,550)</b>	<b>\$ 19,787,990</b>	<b>\$ 7,028,519</b>	<b>\$ (1,366,550)</b>	<b>\$ 3,296,787</b>

City of Destin, Florida

Revenue Base - Last Ten Years  
(Unaudited)

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Taxable Assessed Value</b>	<b>Net New Taxable Value</b>	<b>Total Direct Tax Rate</b>
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
2004	2,787,832,998	99,735,714	2,887,568,712	41,101,816	1.800000

Source: Okaloosa County Tax Collector

City of Destin, Florida

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

Fiscal Year	Direct Rate		Indirect Rate				Total Overlapping Rates
	City of Destin	Destin Fire District	Okaloosa County	Okaloosa Co. School Board	Northwest Florida Water District		
2013	1.500000	1.000000	3.430800	7.551000	0.040000	12.020800	
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	
2004	1.800000	0.860000	4.250000	8.294000	0.050000	13.454000	

As of levy date, November 1 of each year listed

Source: Okaloosa County Tax Collector

City of Destin, Florida

Principal Tax Payers - Current Year and Ten Years Ago  
(Unaudited)

Taxpayer	September 30, 2013			September 30, 2003		
	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	\$ 54,227,300	1	1.44%	\$ -		0.00%
AHB Apartments, LLC	21,252,705	2	0.56%	-		0.00%
DRB Development, LLC	13,492,700	3	0.36%	-		0.00%
WRI-SRP Paradise Isle, LLC	10,715,649	4	0.28%	-		0.00%
Dunavant Gulf, LLC	10,498,995	5	0.28%	-		0.00%
Blasbichler H D Agreement	7,594,714	6	0.20%	-		0.00%
Wyndham Vacation Resorts Inc.	7,530,263	7	0.20%	-		0.00%
Shanri Holdings Corp	7,467,673	8	0.20%	-		0.00%
Crystal Beach Plaza, LLC	7,060,621	9	0.19%	5,804,037	6	0.20%
Club Destin Resort	6,509,100	10	0.17%	9,724,000	4	0.34%
Resort Development of Destin	-		0.00%	5,138,000	10	0.18%
Holiday Inn Beach Resort	-		0.00%	12,253,700	2	0.42%
98 Palms LTD	-		0.00%	11,093,028	3	0.38%
Bell Lloyd F. Jr. and Ann W.	-		0.00%	6,165,516	5	0.21%
Kelly Boat Services	-		0.00%	5,514,376	7	0.19%
Holiday Beach Resort Assoc.	-		0.00%	12,583,100	1	0.44%
Oak Harbor Development	-		0.00%	5,337,530	8	0.19%
Sugarloaf Rentals, Inc./Apts	-		0.00%	5,267,729	9	0.18%
Total Principal Taxpayers	<u>\$ 146,349,720</u>		<u>3.88%</u>	<u>\$ 78,881,016</u>		<u>2.73%</u>
Total Tax Value of Other	<u>\$3,621,329,815</u>		<u>96.12%</u>	<u>\$2,805,351,355</u>		<u>97.27%</u>
Total Taxable Assessed Value	<u>\$3,767,679,535</u>		<u>100.00%</u>	<u>\$2,884,232,371</u>		<u>100.00%</u>

City of Destin, Florida

Property Tax Levies and Collections-Last Ten Years  
(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
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%
2004	4,937,745	5,118,357	103.66%	29,305	5,147,662	104.25%

\*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	2013 Capital Improvement Revenue Note	Total Revenue Bonds	Resources Restricted to Pay Principal	Net General Bonded Debt	Net General Bonded Debt as Percentage of Taxable Value	Per Capita
2013	\$ -	\$ -	\$ -	\$ 6,040,000	\$ 12,900,000	\$ -	\$ -	\$ 6,136,242	\$ 7,610,000	\$ 32,686,242	\$ 3,401,985	\$ 29,284,257	0.1041%	\$ 2,379
2012	-	-	7,870,000	6,275,000	13,515,000	-	-	6,269,274	-	33,929,274	3,500,829	30,428,445	0.1032%	2,590
2011	-	-	8,125,000	6,500,000	14,100,000	-	-	6,396,157	-	35,121,157	3,565,528	31,555,629	0.1015%	2,681
2010	-	-	8,370,000	6,720,000	14,600,000	183,541	-	8,500,000	-	38,373,541	3,526,485	34,847,056	0.0919%	3,013
2009	-	175,000	8,605,000	6,755,000	14,900,000	492,715	3,450,000	8,500,000	-	42,877,715	2,453,321	40,424,394	0.0572%	3,367
2008	-	340,000	8,825,000	6,785,000	15,000,000	792,788	3,450,000	-	-	35,192,788	3,448,464	31,744,324	0.0980%	2,763
2007	-	500,000	9,040,000	6,815,000	15,000,000	1,214,057	3,450,000	-	-	36,019,057	3,687,266	32,331,791	0.1024%	2,958
2006	120,000	650,000	9,240,000	6,845,000	15,000,000	1,334,858	-	-	-	33,189,858	3,555,816	29,634,042	0.1071%	2,738
2005	175,000	795,000	9,435,000	6,875,000	15,000,000	-	-	-	-	32,280,000	3,372,459	28,907,541	0.1045%	2,715
2004	230,000	7,380,000	9,615,000	-	15,000,000	-	-	-	-	32,225,000	3,046,563	29,178,437	0.0945%	2,757

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

Capital Leases  
(Unaudited)

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<b>Fiscal year ended September 30,</b>	<b>Capital Leases</b>	<b>Leases as a Percentage of Taxable value</b>
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%
2004	-	0.000%

# City of Destin, Florida

## Demographics (Unaudited)

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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, 2013		
	Approximate Range of Numbers of Employees	Rank	Percent of City's Estimated Population
ResortQuest International, Inc.	1000-1300	1	0.10%
A J's Seafood and Oyster House	100-249	2	0.01%
Crab Trap	100-249	3	0.01%
Cracker Barrel	100-249	4	0.01%
Destin Healthcare and Rehabilitation	100-249	5	0.01%
Harbor Docks	100-249	6	0.01%
Charter Boat's	100-249	7	0.01%
Holiday Inn	100-249	8	0.01%
Lucky Snapper Grill & Bar	100-249	9	0.01%
Track Recreation Center	100-249	10	0.01%
Total			<u>0.19%</u>

Source: Okaloosa County Tax Collector

City of Destin, Florida

City Employees-Last Five Years  
(Unaudited)

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>City Manager's Office</b>					
City Manager	1	1	1	1	1
Administrative Assistant	1	1	1	1	1
Deputy City Manager	0	0	0	0	0.5
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	0.25
Geographic Information Systems Manager	1	1	1	1	1
IT Manager	1	1	1	1	1
Systems Network Specialist	0	0	0	0	1
Receptionist 2-PT (FTE)	1	1	1	1	1
Subtotal	7	7	7	7	8.75
<b>Public Safety</b>					
Crossing Guards (2 PT Seasonal)	1	1	1	1	1
<b>Human Resources</b>					
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
<b>City Clerk's Office</b>					
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
<b>Finance Director's Office</b>					
Finance Director	1	1	1	1	1
Accountant	1	1	1	1	1
Accounting Clerk	0	0	0	0	1
Payroll 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	3.5
<b>Community Development Office</b>					
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
Stormwater Management Specialist	1	1	1	1	1
Planner	1	1	1	1	1
Subtotal	5	5	5	5	5

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

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Building Inspections</b>					
Building Official	1	1	1	1	1
Deputy Building Official	0	0	0	0	0
Building Inspector	1	1	1	2	2
Permit & Licensing Administrator	1	1	1	1	1
Permit & Licensing Clerk	1	1	1	1	1
<b>Subtotal</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>
<b>Environmental Code Enforcement</b>					
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
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Public Services Department</b>					
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	1	1	1
Field Crew Supervisor	0	0	1	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
<b>Subtotal</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Facilities</b>					
Maintenance Technician - Facilities	2	2	2	2	2
Maintenance Technician - Custodian	1	1	1	1	1
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Cemetery</b>					
Maintenance Technician	0	0	0	0.5	0.5
<b>Parks</b>					
Maintenance Technician	6	5	5	4.5	4.5
Groundskeeper	0	1	1	1	1
<b>Subtotal</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>5.5</b>	<b>5.5</b>

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

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>City Engineer's Department</b>					
City Engineer	0	0	0	0	0
Engineering Assistant II	1	1	1	1	1
Administrative Assistant	0	0	0	1	0
Drafting Cad Technician	1	1	1	1	1
Stormwater Program Coordinator	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>Library</b>					
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	3	3
<b>Subtotal</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>8</b>	<b>8</b>
<b>Morgan Sports Complex</b>					
Recreation Program Coordinator (50% Outdoor Rec)	1	1	0.5	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	4.5	3.5	3.5
Field Maintenance Tech/Mechanic	0	0	1	1	1
Recreation Assistant	1.5	1.5	1	1	1
Scorekeepers (PT)	1.5	1.5	1.5	1.5	1.5
<b>Subtotal</b>	<b>9.5</b>	<b>9.5</b>	<b>10.5</b>	<b>9.5</b>	<b>9.5</b>
<b>Outdoor Recreation</b>					
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	0.5	0.5	0.5
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Community Center</b>					
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
<b>Subtotal</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>

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

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Community Redevelopment Agency</b>					
CRA Manager (Town Center)	0.25	0	0	0	0.25
CRA Manager (Harbor)	0.25	0	0	0	0.25
Program Manager (FT) (thru March 09) (Harbor)	0	0.25	0.25	0.25	0.25
Maintenance Technician	1.5	0	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	0.75	0.75	0.75	1.25
<b>Total all positions</b>	<b>77.50</b>	<b>75.75</b>	<b>79.25</b>	<b>80.75</b>	<b>83.00</b>

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

**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, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2014.

**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, 2014

## 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, 2013, and have issued our report thereon dated March 1, 2014.

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. 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*. Disclosures in this report, which is dated March 1, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., 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)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)6.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, 2013.

Section 10.554(1)(i)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), 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.

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.

*Carly Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
March 1, 2014