



CITY OF DESTIN, FL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020



City of Destin, Florida

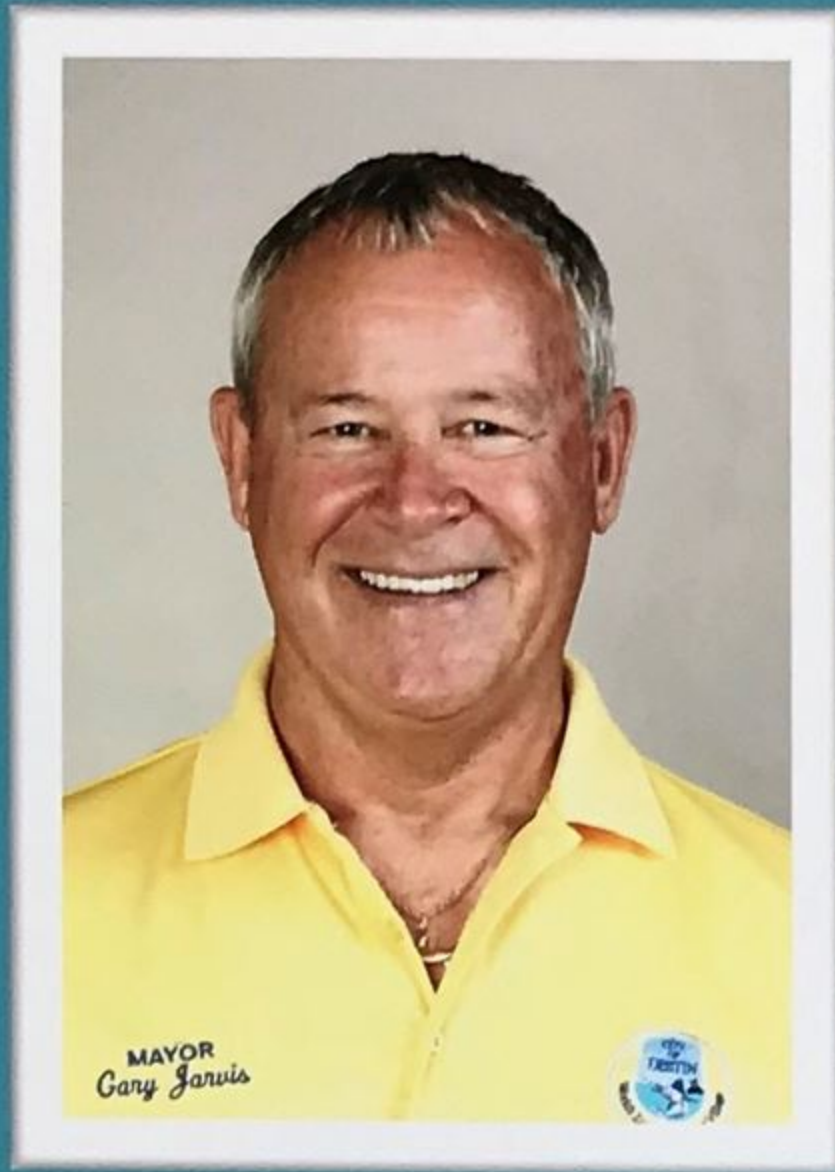
Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2020

*City of Destin, Florida
Finance Department
Krystal Strickland, Finance Director
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CityofDestin.com*



DESTIN CITY COUNCIL



GARY JARVIS
MAYOR



PREBBLE RAMSWELL
MAYOR PRO TEM/COUNCILMEMBER



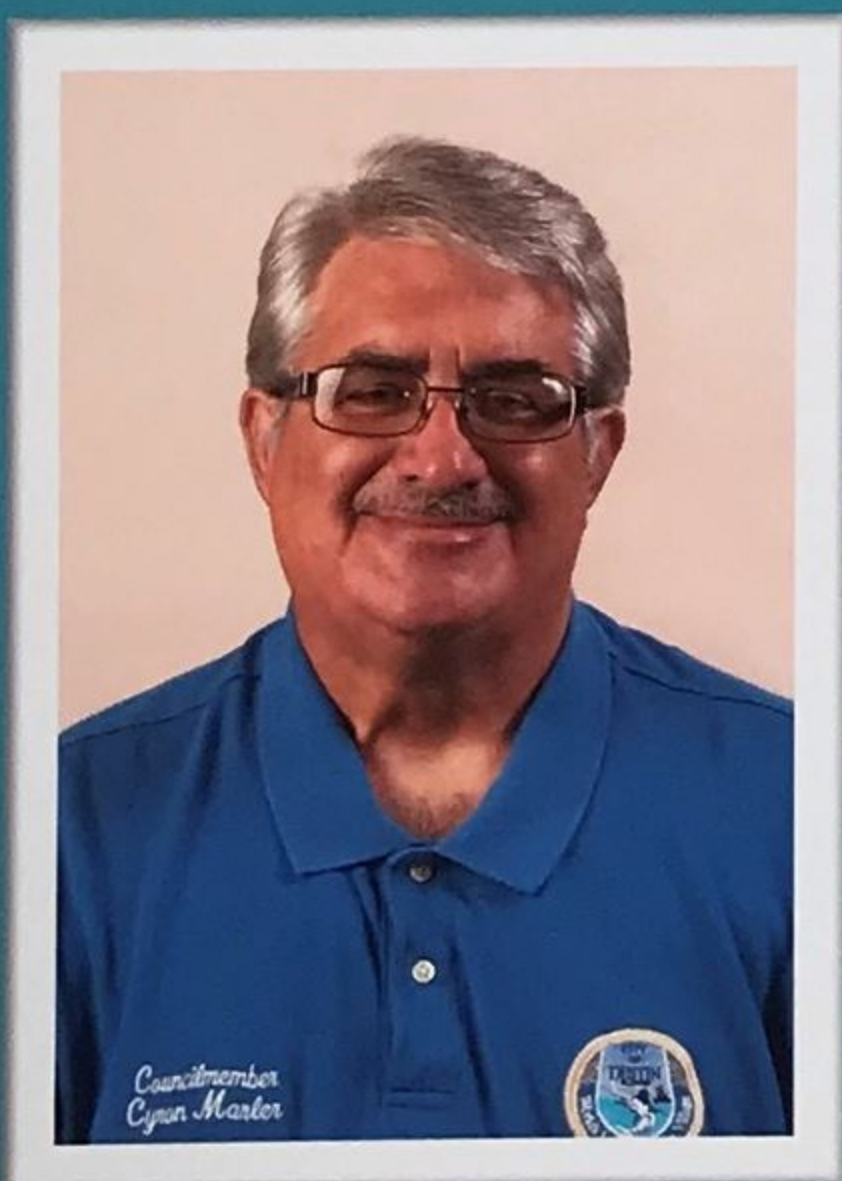
RODNEY BRADEN
COUNCILMEMBER



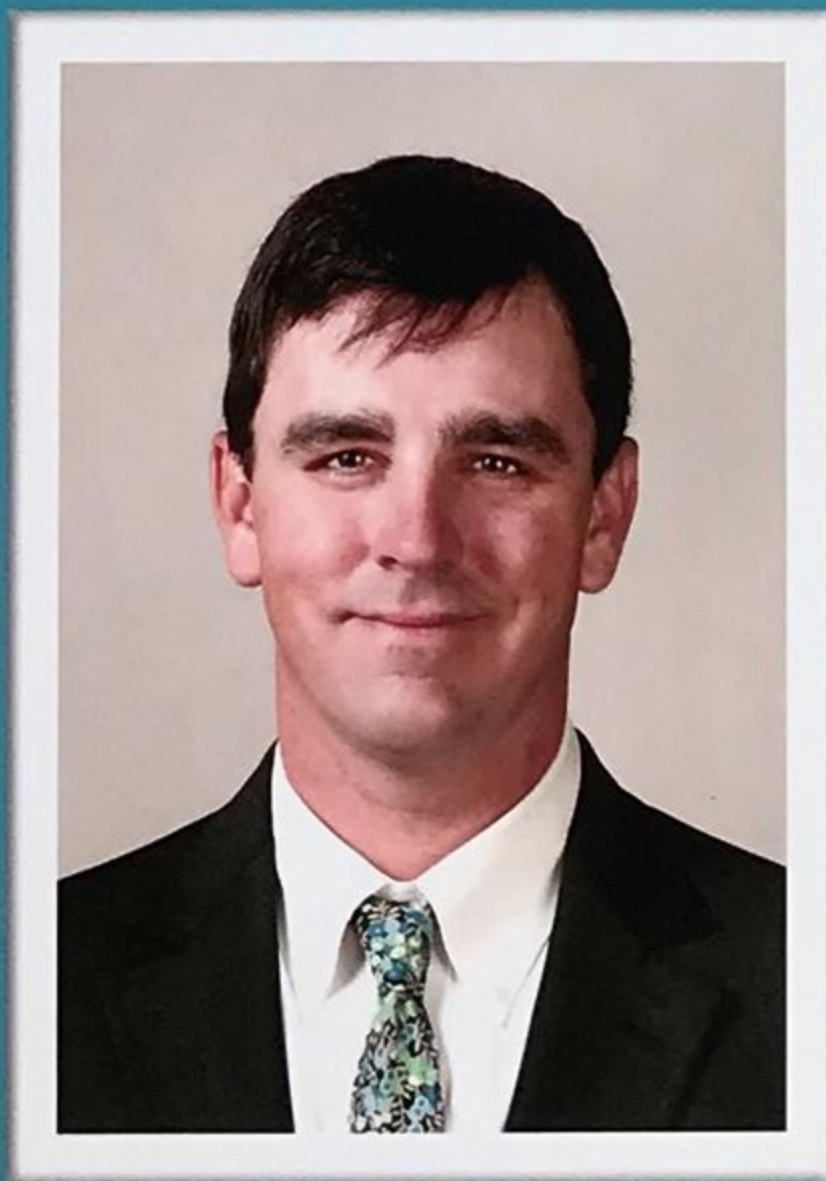
PARKER DESTIN
COUNCILMEMBER



STEVEN MENCHEL
COUNCILMEMBER



CYRON MARLER
COUNCILMEMBER



CHATHAM MORGAN
COUNCILMEMBER



SKIP OVERDIER
COUNCILMEMBER

CITY OF DESTIN, FLORIDA

Introductory Section

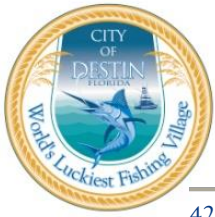
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City of Destin

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

March 1, 2021

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" or "Destin") for the fiscal year ended September 30, 2020. Chapter 218.39, Florida Statutes require that a complete set of financial statements be published within nine months 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. 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 has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

In compliance with the laws of the State of Florida, the City's financial statements have been audited by EFPR Group, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2020, 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 was part of a broader, state mandated "Single Audit" designed to meet the special needs of state and federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This was required for fiscal year ended (FY) 2020 and 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 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 November 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 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. The City also provides community planning and building code compliance services. Law enforcement is provided through a contractual arrangement with the Okaloosa County Sheriff's Office. Fire protection, as well as utilities, including water, are provided by other governmental agencies working in close cooperation with City management. Tourism is the major field of employment within the City. The City includes a planning area of 7.53 square miles and is located in Okaloosa County approximately 52 miles east of Pensacola, Florida, and 38 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 14,200 full-time residents with an estimated peak seasonal population of approximately 75,000. 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's financial planning and control. The City Manager starts each new calendar year with a Visioning Session where department directors, city council members, and the citizens of Destin discuss their long-term vision for the City and prioritize issues and projects. All departments of the City are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager evaluates these requests against the visioning session priorities and develops a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold public hearings 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 (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 operates.

Local economy: In FY2020, the City continued to experience an increase in tourist-related business and hotel and short-term rental occupancy. 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 offering an outstanding quality of life to residents and visitors alike. In an abundance of caution, the City and its neighbors temporarily closed access to beaches in the spring of 2020, to slow the spread of the coronavirus. Beaches and businesses were allowed to re-open after implementing Center for Disease Control (CDC) precautions. Tourism picked up substantially in July 2020, and many local businesses reported little overall effect on their regular seasonal income.

The City is centrally located in the panhandle of Florida. Destin is home to one of the largest and most elaborately equipped charter fishing fleets in the State of Florida. Known as the “World’s Luckiest Fishing Village,” the Destin Harbor lies closer to the 100 Fathom curve than any other harbor on Florida’s west and north coast, providing speedy deep-water access. In addition to fishing, recreational opportunities include golf, tennis, and water sports, including diving and snorkeling.

Besides tourism, Destin’s economic base was dependent on the real estate and construction industries in the past. Nowadays, the City is nearly “built-out” with very few vacant parcels still available for development, and therefore residential and commercial construction is minimal compared to the tourist-related economy. During FY2020, rising property values translated into higher ad valorem taxes. Ad valorem taxes are the City of Destin’s largest single source of revenue. By City Charter the maximum rate of levy is limited to 2.0 mills, or \$2 per \$1,000 in property value. The rate for FY2020 was set at 1.615 mills for the fourth consecutive year.

Major Initiatives – Current and Future

Beach Acquisition: Council’s top priority objective is to purchase beachfront property in order to preserve public access to Destin’s waterways and beaches. During the summer months, the City’s two small beach parks are regularly well beyond capacity with beachgoers. The highest percentage of complaints from citizens and visitors are concerns about the lack of access to the

Gulf waters and disputes with property owners and vendors. This initiative will restore developed areas of the beach to original natural beach and will provide additional public space for residents and visitors. The City has saved \$2 million to use as matching funds towards beach acquisition. In addition, City Council motioned to use 75% of the 10-year Okaloosa Half-Penny Local Discretionary surtax for beach acquisition. With administrative and financial assistance from the Trust for Public Lands (TPL) and the Okaloosa County Tourism Development Department (TDD), the City expects to close on three beach-front properties in early FY2021 (\$10.6 million) and has raised an additional \$11.4 million in grant funding to purchase more properties as they become available in future years.

Undergrounding Utilities: The second of City Council’s top priorities for the City is to underground utility lines. Undergrounding utilities is essential to hardening Destin’s infrastructure to improve business continuity and to decrease recovery time in post-disaster scenarios. This is also a beautification initiative expected to increase property values and to enhance economic development opportunities. In late FY2020, the City began negotiations with a Project Management company to manage our ambitious utility undergrounding project. The Project Management company will first be tasked with defining cost estimates and optimal timing so that Finance can secure the right funding. The City is working to finalize a franchise and undergrounding agreement with Gulf Power (a subsidiary of Nextera Energy) and is researching additional financing options.

Roadway and Pedestrian Improvements: The Transportation Element of the Comprehensive Plan guides the City’s regulations regarding street improvements for both motor vehicle and pedestrian needs. The City’s plan is aimed at enhancing an efficient and high-quality multi-modal transportation system that balances community circulation needs with regional travel demand.

The adopted five-year capital improvement plan for FY2020-2024 includes several pathway projects that will connect the Harbor Boardwalk with additional parking and will connect the library, community center, fishing museum, and three city parks.

Cross-Town Connector: The Cross-town Connector project continues to be one of Council’s top three priority projects. For many years, the City has worked towards establishing a secondary main road for residents to get from the East side of town to the West side of town that would avoid the congestion of Highway 98. Florida Department of Transportation (FDOT) has awarded the City a grant to complete the purchase of property to construct the roadway. Okaloosa County has awarded the City a grant to complete the roadway construction. The City has purchased some properties for right-of-way and has relocated some of the residents affected by the project. An engineering firm is currently adjusting the design, and construction is anticipated to begin by the Spring of 2022.

Purchase and Installation of Municipal Management

Software: A top priority for the organization is to implement a comprehensive software package that will automate and centrally connect critical processes, including permitting, planning, regulatory management, inspections, and code compliance, into one easily accessible system for our customers. In 2019, the City purchased Tyler Technology’s Energov product and branded it with the name COMPASS (COMmunity Permit And Support System). City and Energov staff have been working diligently on this monumental City project and have an estimated “go-live” date of April 2021. This new software will streamline communication



amongst City staff and customers, and productivity should increase at both the office and field levels.

Airport Road Safety Improvements: In FY2019, FDOT has agreed to take on the responsibility of designing and constructing safety improvements on the curve on Airport Road. These improvements will improve safety of both lane-sets to help vehicles negotiate the curve. FDOT anticipates construction to begin in Spring 2021.

Norriego Point Stabilization and Recreational Amenities: This has been a high priority project for the Destin community. Due to the complex dynamics of the Destin East Pass, in FY2011 the 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 the Florida Department of Environmental Protection (FDEP) was awarded a National Resource Damage Assessment (NRDA) grant to construct this project. In FY2014 city staff began working with the State to implement this project. The project began in the fall of FY2017 with the stabilization phase. FDEP continues to manage the design and construction of improvements to Norriego Point. We anticipate the construction of recreation amenities to begin in 2021. The hardening efforts on Norriego Point will provide storm protection for the Destin Harbor and help preserve the point for the future.

Stormwater Drainage and Water Quality Improvements: In FY2015 the City was fortunate to receive a \$3.6 million grant from the National Fish and Wildlife Foundation's Gulf Environmental Benefit Fund to complete its six remaining storm water projects identified in Destin's FY2002 Stormwater Master Plan. The City's matching requirement was \$50,000. All six projects were designed in FY2016. Construction of all six projects were completed in 2017. Additional projects were added which will be completed in FY2021.

Joe's Bayou Renovation: A waterfront parcel became available for sale in late 2013 that has long been desired by the City to complete its plans for the Joe's Bayou Recreation Area which will combine four properties into one recreational park. Staff worked diligently for over two years to negotiate its purchase and was successful in 2016. City Council appropriated \$2 million from fund balance to complete the purchase and ensure this premium piece of bay/bayou-front property remains in the public domain in perpetuity. FDEP is managing the funding, design and construction of a bayfront park. Construction is anticipated to start in FY2022.

Captain Leonard Destin Park: In late 2014/2015 the City was notified that we would be receiving a \$9,700,000 grant from BP's Early Restoration Funds. This grant, administered through The Trust for Public Land acquired a 3-acre parcel on the Choctawhatchee Bay and constructed a new park with a splash pad and playground. The park also received an operating grant from FDEP for maintenance and operations for a ten-year period beginning at conveyance of the park to the City. The fully constructed park was conveyed to the City at the end of FY2020.

Community Redevelopment Agencies. The Community Redevelopment Agency is responsible for developing and implementing the Community Redevelopment Plan that addresses the unique needs of the targeted area. The plan includes the overall goals for redevelopment in the area, as well as identifying the types of projects planned for the area. The City of Destin continues to focus on redevelopment opportunities. The establishment of two Community Redevelopment Agency (CRA) districts help focus planning efforts for 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 area.

The first three major projects of the Harbor District CRA were completed in FY2011-FY2013:

- a) The reconstruction of Mountain Drive into a multi-modal roadway
- b) The construction of the first phase of the Harbor Boardwalk
- c) The construction of a long-term surface parking lot on Harbor Boulevard with appropriate lighting, landscaping, and stormwater improvements

In FY2014 focus was placed on safe pedestrian mobility in the Harbor District and along US 98. The City worked with the FDOT to conduct a Pedestrian Safety Assessment analysis of Hwy 98 from Marler Bridge to Airport Road. In the spring of FY2016, FDOT installed five (5) signalized pedestrian crossings on Harbor Blvd/Highway 98.

Furthermore, the City is in the process of undertaking two major development efforts aimed at enhancing the festive atmosphere and experience of our redevelopment areas.

Captain Royal Melvin Heritage Park and Plaza: The City acquired a 0.77 acre harbor-front property for a park with support from the Trust for Public Land and additional funding provided by the Florida Community Trust. Located in the center of the Harbor District CRA, Captain Royal Melvin Park will serve as a gateway to the Destin Harbor District featuring an observation platform, resource center, educational signage, kayak/canoe launch, walkways, and a plaza with picnic tables, playground equipment and restrooms. The construction of the park is expected to begin in early FY2021 and to be completed by the Summer of 2021. This construction is primarily funded by a Restore Act grant from the US Treasury, being administered by Okaloosa County.

Gulf Power Easement/Linear Park: One key project aimed at redeveloping the Town Center District CRA is the proposed Linear Park. An objective outlined in the Town Center CRA plan is to improve non-vehicular pathways between Main Street and Airport Road. This linear park and multi-use pathway will connect portions of the Gulf Power easement. The project will provide a safe area for walking, jogging, biking and exercise. In addition, it will provide alternate access for residential areas off Airport Road to shops, restaurants and other amenities in the Town Center.

Additional Financial Policies that Affect the Financial Position

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.

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.

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 FY 2020. 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. The City continues to prioritize debt service and operations first in budgeting. Most projects are funded by grant revenues and impact fees.

Statement of Philosophy. In 2018, the Mayor and City Council adopted a new vision statement: *"Destin is a family oriented beach and fishing community where people want to live, work & play and where guests are welcomed to respectfully enjoy our community and its resources."* 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.

Plans articulated in the FY 2021 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. The Finance Department's management role is to maintain and enhance financial plan elements and ensure continued financial stability for the City.

Budget Planning: The City 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 costs. 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 averages about \$30,000 based on an average interest rate of 3.0 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, half-cent sales taxes, communication service taxes, and CRA tax increment funding (TIF). Annual requirements and debt transactions are reflected in the notes to the financial statements. The Tax Increment Financing (TIF) revenues are calculated using the growth of property values above the base year property values within each CRA district.

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 post-employment benefits and pension arrangements can be found in Notes 11 and 12 in the financial statements.

Financial Information

MD&A (starting on page 4) summarizes the Statement of Net Position 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 4).

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, 2019. 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 twenty-fifth 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.

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 EFPR Group, Certified Public Accountants 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,

Lance Johnson

Krystal Strickland

Lance Johnson
City Manager

Krystal Strickland, CPA, CGFO
Finance Director

CITY OF DESTIN

EXECUTIVE DIRECTORY

City Council

- Gary Jarvis, Mayor
- Prebble Ramswell, Mayor Pro Tem/Council
- Rodney Braden, Council
- Steven Menchel, Council
- Skip Overdier, Council
- Cyron Marler, Council
- Parker Destin, Council
- Chatham Morgan, Council

City Manager

Lance Johnson

Finance/Budget Director

Krystal Strickland

Deputy City Manager

Webb Warren

City Attorney

Kyle Bauman
Anchors, Smith,
Grimsley, PLC

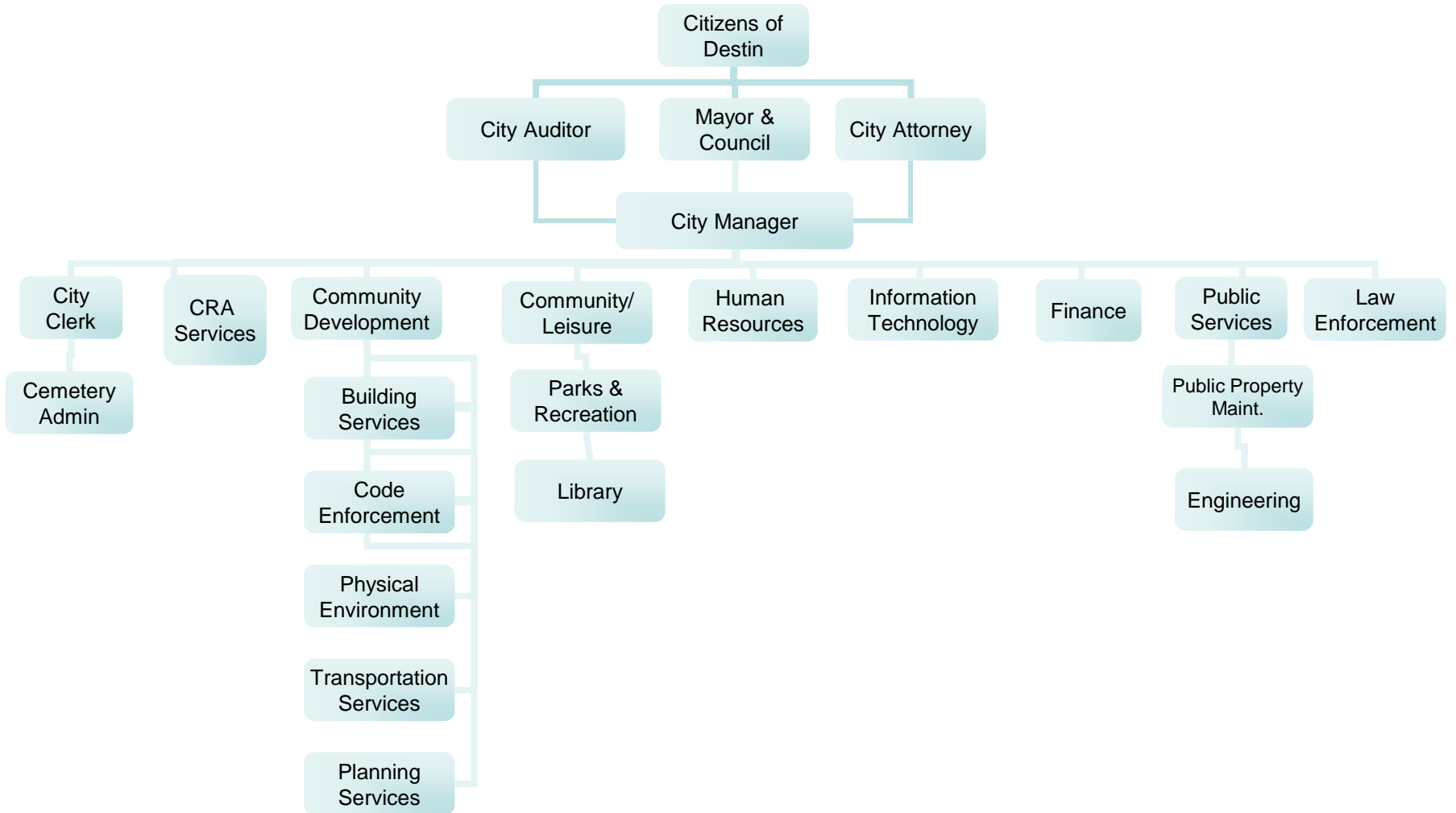
City Clerk

Rey Bailey

City Land Use Attorney

Kimberly Kopp
Romano Kopp Law, P.A.

City of Destin Organizational Chart





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, 2019

Christopher P. Morrill

Executive Director/CEO

Financial Section

- Independent Auditors' 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 Nonmajor Fund Financial Statements

INDEPENDENT AUDITORS' 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, the fiduciary fund and the aggregate remaining fund information of the City of Destin, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 City'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 City'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, the fiduciary fund and the aggregate remaining fund information of the City of Destin, Florida, as of September 30, 2020, and the respective changes in financial position, and, where applicable, the respective budgetary comparisons for the General Fund, and the Community Redevelopment Agency - Town Center Special Revenue Fund, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and the schedules of revenue, expenditures and changes in fund balance - budget to actual, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedules of revenue, expenditures and changes in fund balance - budget to actual and the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2021, 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 solely 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 the effectiveness of the City's 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.

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Destin, Florida (the "City") we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$120,323,279 (net position) and represent an increase of \$7,442,269 or 6.6%, from prior year. Of this amount, \$91,184,514 represents the net investment in capital assets (e.g. land, infrastructure, building, machinery, and equipment), \$3,891,401 is restricted for future obligations, and \$25,247,364 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental net position increased by \$7,442,269 compared to the prior year's increase of \$3,350,478. Fiscal year 2020 was the first full year to receive the Okaloosa Half-Penny Infrastructure Surtax. In addition, the City earned significantly more grant revenues, and also benefited from an increase in tax revenues, as property values increased from 2019.

The City's governmental funds reported a combined ending fund balance of \$29,821,539, an increase of \$5,228,594. The fund balance increase was the result of an increase in tax revenue.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,449,613, or 103% 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 has only 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, deferred outflows, liabilities, and deferred inflows 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash 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 City does not have any business-type activities. The governmental activities of the City include general government (city clerk, city council, city manager, human resources, finance, fleet maintenance, city planning, facility maintenance and non-departmental expenses), public safety (code compliance and building department services), physical environment (cemetery and stormwater), transportation (public works, streets, sidewalks, streetlights, engineering, traffic signage, median and right-of-way maintenance), economic development (community redevelopment agencies), human services (animal control 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 revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund and CRA Town Center Special Revenue Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 normally report business-type activities and provide the same type of information as the government-wide financial statements, only in more detail. The City has no business-type activities 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, 2020, total assets were stated at \$6,080,096, an increase of \$495,477 compared to the September 30, 2019, stated value of \$5,584,619. Allocations of investments were represented as 96.2% mutual funds and 3.8% 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 nonmajor governmental funds, are presented immediately following the required supplementary information. The combining and individual nonmajor fund financial statements are found on pages 57 - 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as an indicator of a government's financial position. The City's assets and deferred outflows, exceeded liabilities and deferred inflows by \$120,323,279 (net position) for the fiscal year ended September 30, 2020, as reported in Table 1.

The largest portion of the City's net position, \$91,184,514 (75.8%), 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, \$3,891,401 (3.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$25,247,364 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 | | |
|-----------------------------------|-------------------------|----------------|--------------|
| | 2020 | 2019 | Change |
| Current and other assets | \$ 30,994,154 | \$ 25,562,083 | \$ 5,432,071 |
| Capital assets | 113,690,820 | 112,969,019 | 721,801 |
| Total assets | 144,684,974 | 138,531,102 | 6,153,872 |
| Deferred outflows | 73,147 | 79,770 | (6,623) |
| Current liabilities | 919,586 | 774,413 | 145,173 |
| Long-term liabilities outstanding | 23,053,574 | 24,551,824 | (1,498,250) |
| Total liabilities | 23,973,160 | 25,326,237 | (1,353,077) |
| Deferred inflows | 461,682 | 403,625 | 58,057 |
| Net position: | | | |
| Net investment in capital assets | 91,184,514 | 88,840,831 | 2,343,683 |
| Restricted | 3,891,401 | 2,661,941 | 1,229,460 |
| Unrestricted | 25,247,364 | 21,378,238 | 3,869,126 |
| Total net position | \$ 120,323,279 | \$ 112,881,010 | \$ 7,442,269 |

The overall increase in the City's net position was \$7,442,269 (6.6%) during fiscal year 2020. Key elements of this increase are described in the following table.

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

| | Governmental Activities | | |
|------------------------------------|-------------------------|-----------------------|---------------------|
| | 2020 | 2019 | Change |
| Revenue: | | | |
| Program revenues: | | | |
| Charges for services: | | | |
| General government | \$ 601 | \$ 2,457,688 | \$ (2,457,087) |
| Public safety | 1,555,942 | 614,412 | 941,530 |
| Physical environment | 23,443 | 20,800 | 2,643 |
| Transportation | 178,174 | 140,017 | 38,157 |
| Culture and recreation | 331,925 | 401,939 | (70,014) |
| Operating grants and contributions | 2,082,880 | 734,898 | 1,347,982 |
| Capital grants and contributions | 197,999 | 43,520 | 154,479 |
| Property taxes | 9,374,391 | 8,764,290 | 610,101 |
| Other taxes | 2,895,623 | 1,636,565 | 1,259,058 |
| Other revenue | 6,660,928 | 3,417,096 | 3,243,832 |
| Total revenue | 23,301,906 | 18,231,225 | 5,070,681 |
| Expenses: | | | |
| General government | 4,028,182 | 3,695,191 | 332,991 |
| Public safety | 3,623,935 | 3,292,103 | 331,832 |
| Physical environment | 670,079 | 319,713 | 350,366 |
| Transportation | 2,866,166 | 3,252,517 | (386,351) |
| Economic environment | 1,152,796 | 1,146,463 | 6,333 |
| Human services | 63,494 | 62,808 | 686 |
| Culture and recreation | 2,702,912 | 2,323,177 | 379,735 |
| Debt service-interest | 752,073 | 788,775 | (36,702) |
| Total expenses | 15,859,637 | 14,880,747 | 978,890 |
| Change in net position | 7,442,269 | 3,350,478 | 4,091,791 |
| Beginning net position | 112,881,010 | 109,530,532 | 3,350,478 |
| Ending net position | \$ 120,323,279 | \$ 112,881,010 | \$ 7,442,269 |

The City reclassified revenues during the year ended September 30, 2020.

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 authority to impose and periodically adjust rates (franchise fees, 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.
- Salary Adjustments - The ability to attract and retain human resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation - While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil, and parts. Some fluctuations may experience commodity-specific increases.

Current Year Impact – Governmental Activities

- Ad valorem property taxes increased \$610,101 (7%), which was caused by the increase of property values within the City.
- Millage rate maintained at 1.615 for each of the last four fiscal years.

- Grants and contributions increased \$1,502,461 (193%), which was primarily attributable to the CARES Act which funded the City’s law enforcement (first responders) work to enforce State and Local regulations related to corona virus response.
- Other taxes increased by \$1,259,058 (77%), primarily attributed to receiving our first full year of Okaloosa Half Penny local discretionary infrastructure surtax.
- Total City expenses increased \$978,890 (7%), which was attributable to the CARES Act grant-related expenditures.

Chart 1: Expenses and Program Revenue – Governmental Activities

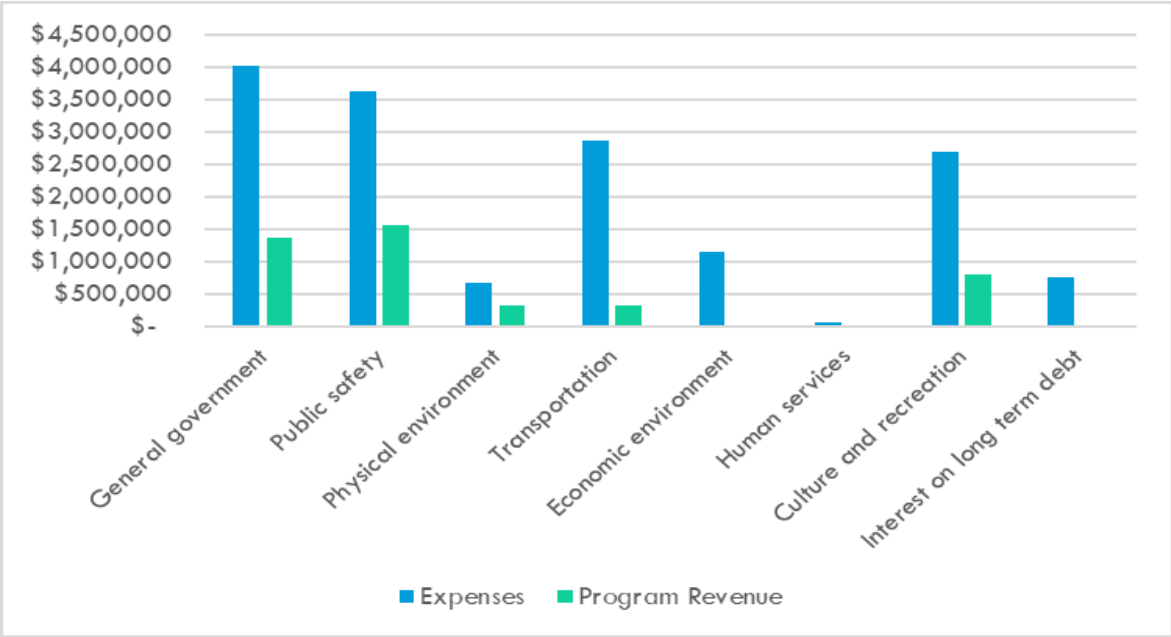
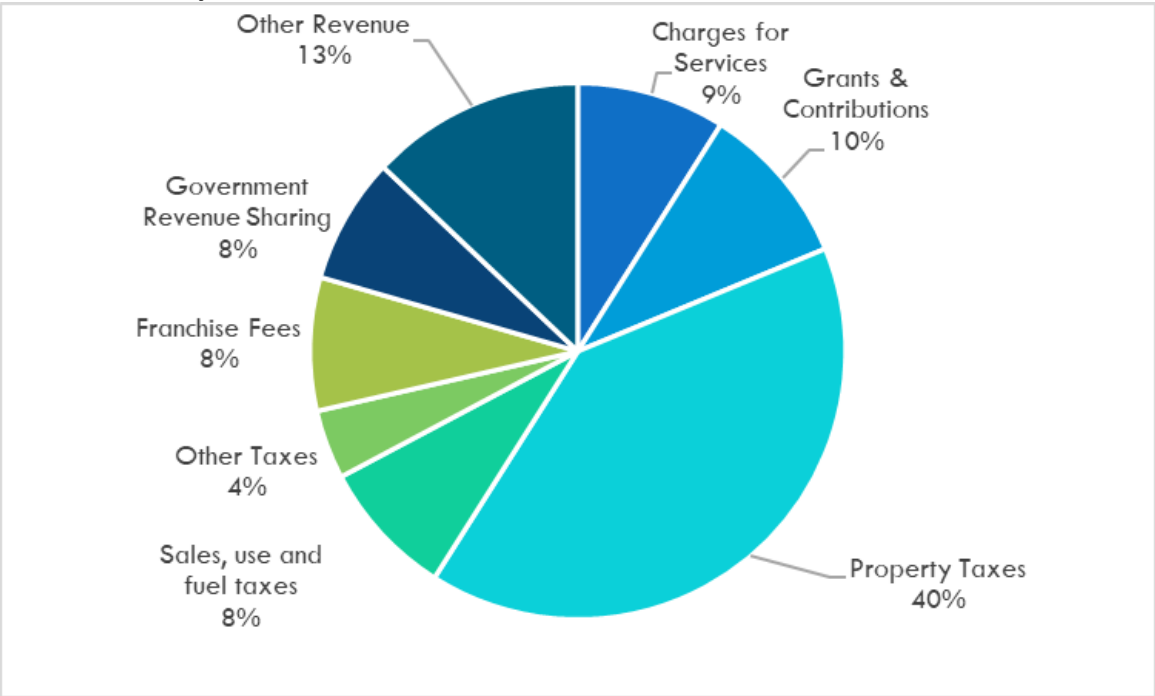


Chart 2: Revenue by Source – Governmental Activities



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, 2020, the City’s governmental funds reported combined ending fund balance of \$29,821,539, an increase of \$5,228,594 compared to prior year.

The general fund is the chief operating fund of the City. At September 30, 2020, unassigned fund balance was \$14,449,613, while total fund balance increased to \$31,523,985. 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 103% of total general fund expenditures (\$14,084,293), while total fund balance represents 224% of that same amount.

The fund balance of the City’s general fund increased \$5,107,520 during the current fiscal year. The increase is primarily due to increases in revenue. See previous section on “Current Year Impact - Governmental Activities” for details regarding the increase.

The CRA Town Center Special Revenue fund balance decreased \$159,367 due to \$242,061 in additional transfers to the CRA Town Center’s debt service fund to set proper balances in accordance with the debt covenants.

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

The Employee Thrift Plan had restricted net position at September 30, 2020 of \$6,080,096. The total increase in net position was \$495,477.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal 2020, the original expenditure budget was increased \$3,387,210 when capital grant agreements were signed, in anticipation of successfully procuring contractors and encumbering the funds for certain capital projects. Contract executions were delayed by coronavirus and hurricane activity in the area, leaving actual expenditures lower than budgeted. Revenue actual results were far higher than original budgeted primarily due to CARES Act operational grant funds, generously shared by Okaloosa County in the amount of \$1,369,794.

The following expenditures are of interest in the fiscal year 2020 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.

Capital Outlay: The City Council approved a capital improvement plan for the fiscal year 2020 budget that reflects the immediate needs of the City. These projects include the continued work on a five year street resurfacing plan and a five year plan for sidewalk replacement.

Beach Safety Patrol: For the fifteenth year, the Council approved funding (\$100,000 in 2020) 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, 2020, was \$113,690,820 (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 \$721,801 or 0.6% overall, and is summarized as follows:

Table 3
Capital Assets
(net of accumulated depreciation)

| | Governmental Activities | | |
|-----------------------------------|-------------------------|-----------------------|-------------------|
| | 2020 | 2019 | Change |
| Land | \$ 27,619,563 | \$ 25,542,171 | \$ 2,077,392 |
| Buildings | 7,000,676 | 7,304,104 | (303,428) |
| Improvements other than buildings | 16,811,905 | 16,531,554 | 280,351 |
| Infrastructure | 57,433,865 | 59,112,043 | (1,678,178) |
| Machinery and equipment | 1,819,659 | 1,152,125 | 667,534 |
| Equipment under capital lease | 282,020 | 463,018 | (180,998) |
| Library, media and art | 93,892 | 118,940 | (25,048) |
| Construction in progress | 2,629,240 | 2,745,064 | (115,824) |
| Total | \$ 113,690,820 | \$ 112,969,019 | \$ 721,801 |

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

- Culture and Recreation: During fiscal year 2020, the Captain Leonard Destin Park was donated to the City of Destin, valued over \$2 million.
- Transportation: During fiscal year 2020, the City’s road milling, resurfacing, and restriping program continued, and over \$700 thousand dollars of improvements started in previous years were completed and added to the fixed asset ledger. These renewals and improvements were funded by local gas taxes.
- Investments in replacement equipment came to over \$700 thousand, to replace aged city work trucks, park field maintenance tractors and accessories.

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

LONG TERM DEBT

At September 30, 2020, the City had total revenue notes payable of \$22,456,819. The majority of the City’s debt represents notes secured solely by specified revenue sources (i.e. revenue notes). The City has no general obligation or special assessment debt. For general obligation debt greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt.

**Table 4
Outstanding Debt
Promissory Notes and Capital Leases**

| | Governmental Activities | | |
|----------------|-------------------------|----------------------|-----------------------|
| | 2020 | 2019 | Change |
| Revenue notes | \$ 22,456,819 | \$ 24,032,798 | \$ (1,575,979) |
| Capital leases | 166,965 | 175,160 | (8,195) |
| Total | \$ 22,623,784 | \$ 24,207,958 | \$ (1,584,174) |

The City is repaying its outstanding obligations. During 2020, the City’s repayments totaled \$1,622,596 offset by issuance of a new capital lease of \$38,422.

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 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) and fees (franchise, business license, permits) 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 certain governmental activities (permitting, recreational programs) the user pays a related fee or charge associated with the service.

The City revenue forecast can be categorized into three major categories. The first category is recurring tax revenues, such as ad valorem and sales and use taxes. While the City's ad valorem revenues have been increasing this past three years at 5-7% a year, the sales and use taxes have been slightly declining the past few years. The net effect is an estimated increase of 1% (\$108,431).

The second category is grants (recurring and non-recurring). The City has a strong base of approximately \$3 million/year in recurring operating grants for parks, the library, and transportation (median and streetlight maintenance). For fiscal year 2021, the City will be investing an additional \$8 million in non-recurring grants from Federal, State, and County sources. These additional one-time grants are responsible for 99% of the increase to the FY2021 Revenue forecast.

The third category includes mostly non-recurring miscellaneous revenues, such as impact fees, permits, charges for services and investment income. Some of these non-recurring miscellaneous revenues tend to be fairly stable year over year, such as charges for services and license and permit fees. Some of these non-recurring miscellaneous revenues are very unpredictable as they depend upon development and national interest rates. The level of 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.

On the expenditure forecast side, the primary driver for increased expenditures is the grant-funded capital outlays. Capital outlays are expected to increase to \$19.8 million, which is \$17.9 million more than the \$1.9 million expended in FY2020. Over \$10.6 million will be spent on beach property acquisitions, which is our City Council's number one priority. Just over \$2.9 million is budgeted for traffic and transportation issues, such as intersection safety and relieving traffic congestion by creating alternate pathways. There are two parks that will be renovated with grant funds of over \$2 million. Last, \$2.5 million has been allocated to a Renewal and Replacement program, to renew and replace major components of City infrastructure and facilities.

The operating expenditure forecast will experience a very slight increase over previous years. The largest operating expenditure is for personnel. The City budget includes a 2% cost of living allowance (COLA) and a 2% MERIT increase based on performance evaluations. No new full-time positions are anticipated for FY2021. Health benefit costs are increasing at only 3% for FY 2021, as opposed to 5-7% of prior years. Park management expenditures are anticipated to be \$900 thousand higher than in previous years as FY2021 will be the first year of full operations of the new Captain Leonard Destin park and splashpad. More than 90% of this cost is covered by a park operating grant through the fiscal year ending September 30, 2029.

Regional economic indicators were also considered in preparing the 2020-2021 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.

City of Destin, Florida

Statement of Net Position

| <i>September 30,</i> | 2020 |
|---|------------------------------------|
| | Governmental Activities |
| Assets | |
| Cash and cash equivalents | \$ 15,275,948 |
| Investments | 9,182,469 |
| Restricted cash and cash equivalents | 4,340,855 |
| Accounts receivable | 367,280 |
| Due from other governments | 1,825,089 |
| Prepaid expenses | 2,513 |
| Capital assets, not being depreciated | 30,248,803 |
| Capital assets, net of accumulated depreciation | 83,442,017 |
| Total assets | 144,684,974 |
| Deferred outflows of resources | |
| Deferred charge on refunding | 73,147 |
| Total deferred outflows of resources | 73,147 |
| Liabilities | |
| Accounts payable | 504,283 |
| Accrued interest | 208,653 |
| Accrued payroll | 206,650 |
| Noncurrent liabilities: | |
| Due within one year | 1,857,392 |
| Due in more than one year | 21,196,182 |
| Total liabilities | 23,973,160 |
| Deferred inflows of resources | |
| Deferred revenue | 461,682 |
| Total deferred inflows of resources | 461,682 |
| Net position | |
| Net investment in capital assets | 91,184,514 |
| Restricted: | |
| Park | 406,261 |
| Traffic | 1,949,352 |
| Police | 8,521 |
| Library | 159,994 |
| NPEB | 270,710 |
| Multimodal transportation | 344,780 |
| Stormwater | 108,041 |
| Debt service | 476,618 |
| Community Redevelopment | 167,124 |
| Unrestricted | 25,247,364 |
| Total net position | \$ 120,323,279 |

The accompanying notes are an integral part of these financial statements.

City of Destin, Florida

Statement of Activities

Year ended September 30,

2020

| Function/Program | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 4,028,182 | \$ 601 | \$ 1,369,794 | \$ - | \$ (2,657,787) |
| Public safety | 3,623,935 | 1,555,942 | - | - | (2,067,993) |
| Physical environment | 670,079 | 23,443 | 150,060 | 147,882 | (348,694) |
| Transportation | 2,866,166 | 178,174 | 150,842 | - | (2,537,150) |
| Economic environment | 1,152,796 | - | - | - | (1,152,796) |
| Human services | 63,494 | - | - | - | (63,494) |
| Culture and recreation | 2,702,912 | 331,925 | 412,184 | 50,117 | (1,908,686) |
| Interest on long term debt | 752,073 | - | - | - | (752,073) |
| Total governmental activities | \$ 15,859,637 | \$ 2,090,085 | \$ 2,082,880 | \$ 197,999 | (11,488,673) |

General revenues:

Taxes:

| | |
|------------------------------|-----------|
| Property taxes | 9,374,391 |
| Sales, use, and fuel taxes | 1,925,790 |
| Communication services taxes | 837,184 |
| Other general taxes | 132,649 |
| Franchise fees | 1,872,393 |
| Government revenue sharing | 1,771,657 |
| Impact fees | 456,051 |
| Investment income | 471,977 |
| Miscellaneous income | 2,088,850 |

Total general revenues 18,930,942

Change in net position 7,442,269

Net position, beginning of year 112,881,010

Net position, end of year \$ 120,323,279

The accompanying notes are an integral part of these financial statements.

City of Destin, Florida

Balance Sheet - Governmental Funds

September 30,

2020

| | General Fund | CRA Town Center Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 15,275,948 | \$ - | \$ - | \$ 15,275,948 |
| Investments | 9,182,469 | - | - | 9,182,469 |
| Due from other funds | - | - | 122 | 122 |
| Due from other governments | 1,825,089 | - | - | 1,825,089 |
| Advance to other funds | 2,448,824 | - | - | 2,448,824 |
| Accounts receivable - other | 367,280 | - | - | 367,280 |
| Prepaid expenditures | 2,513 | - | - | 2,513 |
| Restricted cash and cash equivalents | 3,592,582 | 58,677 | 689,596 | 4,340,855 |
| Total assets | \$ 32,694,705 | \$ 58,677 | \$ 689,718 | \$ 33,443,100 |
| Liabilities, deferred inflows of resources and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 502,266 | \$ 373 | \$ 1,644 | \$ 504,283 |
| Accrued payroll | 206,650 | - | - | 206,650 |
| Due to other funds | 122 | - | - | 122 |
| Advance from other funds | - | 2,448,824 | - | 2,448,824 |
| Total liabilities | 709,038 | 2,449,197 | 1,644 | 3,159,879 |
| Deferred inflows of resources: | | | | |
| Deferred revenue | 461,682 | - | - | 461,682 |
| Total deferred inflows of resources | 461,682 | - | - | 461,682 |
| Fund balances: | | | | |
| Nonspendable | 2,451,337 | - | - | 2,451,337 |
| Restricted | 3,247,659 | - | 643,742 | 3,891,401 |
| Committed | 8,411,205 | - | - | 8,411,205 |
| Assigned | 2,964,171 | - | 44,332 | 3,008,503 |
| Unassigned | 14,449,613 | (2,390,520) | - | 12,059,093 |
| Total fund balances (deficit) | 31,523,985 | (2,390,520) | 688,074 | 29,821,539 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 32,694,705 | \$ 58,677 | \$ 689,718 | \$ 33,443,100 |

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

| <u>September 30,</u> | <u>2020</u> |
|---|---------------------------------|
| Total fund balance - governmental funds | \$ 29,821,539 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | |
| Governmental non-depreciable assets | \$ 30,248,803 |
| Governmental depreciable assets | 141,527,477 |
| Less accumulated depreciation | <u>(58,085,460)</u> 113,690,820 |
| <p>Deferred amounts on refunding are not financial resources and, therefore are not reported as assets or liabilities in governmental funds. The Statement of Net Position includes these charges, net of amortization.</p> | |
| Deferred outflow, net of amortization | 73,147 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p> | |
| Notes payable | (22,456,819) |
| Capital lease payable | (166,965) |
| Accrued interest | (208,653) |
| Compensated absences | (252,746) |
| Total OPEB liability | <u>(177,044)</u> (23,262,227) |
| <u>Total net position - governmental activities</u> | <u>\$ 120,323,279</u> |

The accompanying notes are an integral part of these financial statements.

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

Year ended September 30,

2020

| | General Fund | CRA Town Center Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 10,778,809 | \$ 857,383 | \$ 633,822 | \$ 12,270,014 |
| Licenses and permits | 3,342,590 | - | - | 3,342,590 |
| Impact fees | 456,051 | - | - | 456,051 |
| Intergovernmental | 4,050,502 | - | - | 4,050,502 |
| Charges for services | 513,137 | - | - | 513,137 |
| Fines and forfeitures | 106,750 | - | - | 106,750 |
| Investment income | 466,696 | 1,359 | 3,922 | 471,977 |
| Contributions | 4,435 | - | - | 4,435 |
| Miscellaneous income | 9,058 | - | - | 9,058 |
| Total revenues | 19,728,028 | 858,742 | 637,744 | 21,224,514 |
| Expenditures | | | | |
| General government | 3,935,334 | - | - | 3,935,334 |
| Public safety | 3,408,341 | - | - | 3,408,341 |
| Physical environment | 27,374 | - | - | 27,374 |
| Transportation | 1,925,723 | - | - | 1,925,723 |
| Economic environment | 51,209 | 45,108 | 33,856 | 130,173 |
| Human services | 63,494 | - | - | 63,494 |
| Culture and recreation | 2,237,953 | - | - | 2,237,953 |
| Capital outlay | 1,925,222 | - | 12,435 | 1,937,657 |
| Debt service: | | | | |
| Principal | 390,617 | - | 1,231,979 | 1,622,596 |
| Interest | 119,026 | - | 626,671 | 745,697 |
| Total expenditures | 14,084,293 | 45,108 | 1,904,941 | 16,034,342 |
| Excess (deficiency) of revenues over expenditures | 5,643,735 | 813,634 | (1,267,197) | 5,190,172 |
| Other financing sources (uses) | | | | |
| Proceeds from issuance of capital lease | 38,422 | - | - | 38,422 |
| Transfers in | - | - | 2,255,374 | 2,255,374 |
| Transfers out | (574,637) | (973,001) | (707,736) | (2,255,374) |
| Total other financing sources (uses) | (536,215) | (973,001) | 1,547,638 | 38,422 |
| Net change in fund balances | 5,107,520 | (159,367) | 280,441 | 5,228,594 |
| Fund balances (deficit), beginning of year | 26,416,465 | (2,231,153) | 407,633 | 24,592,945 |
| Fund balances (deficit), end of year | \$ 31,523,985 | \$ (2,390,520) | \$ 688,074 | \$ 29,821,539 |

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund
Balances - Governmental Funds to the Statement of Activities**

| <i>Year ended September 30,</i> | 2020 |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 5,228,594 |
| Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position. | 1,995,063 |
| Donated capital assets are reported as miscellaneous revenue in the Statement of Activities. | 2,077,392 |
| The net effect of miscellaneous transactions involving capital assets (i.e. adjustments and disposals) is to decrease capital assets. | (11,067) |
| Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities. | (3,339,587) |
| Capital lease proceeds provide current financial resources to governmental funds, by issuing debt increases long-term liabilities in the Statement of Net Position. | (38,422) |
| 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 | \$ 1,622,596 |
| Amortization of bond premium | (6,623) |
| Change in compensated absences | (65,227) |
| Change in total OPEB liability | (20,697) |
| Change in accrued interest on long-term debt | 247 |
| | 1,530,296 |
| Change in net position - governmental activities | \$ 7,442,269 |

The accompanying notes are an integral part of these financial statements.

**Statement of Revenue, Expenditures, and Changes in Fund Balance -
Budget to Actual - General Fund**

Year ended September 30,

2020

| | Budgeted Amounts | | | Variance with |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 9,232,737 | \$ 10,414,151 | \$ 10,778,809 | \$ 364,658 |
| Licenses and permits | 2,685,625 | 2,809,925 | 3,342,590 | 532,665 |
| Impact fees | 487,200 | 385,000 | 456,051 | 71,051 |
| Intergovernmental | 2,144,000 | 4,858,225 | 4,050,502 | (807,723) |
| Charges for services | 503,760 | 391,260 | 513,137 | 121,877 |
| Fines and forfeitures | 50,000 | 50,000 | 106,750 | 56,750 |
| Investment income | - | 11,500 | 466,696 | 455,196 |
| Contributions | - | 4,200 | 4,435 | 235 |
| Miscellaneous income | 290,700 | 265,000 | 9,058 | (255,942) |
| Total revenues | 15,394,022 | 19,189,261 | 19,728,028 | 538,767 |
| Expenditures | | | | |
| General government | 4,578,972 | 4,396,735 | 3,935,334 | 461,401 |
| Public safety | 3,445,809 | 3,581,031 | 3,408,341 | 172,690 |
| Physical environment | 28,350 | 39,410 | 27,374 | 12,036 |
| Transportation | 2,294,624 | 2,273,016 | 1,925,723 | 347,293 |
| Economic environment | - | 116,500 | 51,209 | 65,291 |
| Human services | 85,520 | 85,520 | 63,494 | 22,026 |
| Culture and recreation | 3,346,475 | 2,939,112 | 2,237,953 | 701,159 |
| Capital outlay | 2,096,136 | 5,831,772 | 1,925,222 | 3,906,550 |
| Debt service: | | | | |
| Principal | 413,788 | 413,788 | 390,617 | 23,171 |
| Interest | 121,790 | 121,790 | 119,026 | 2,764 |
| Total expenditures | 16,411,464 | 19,798,674 | 14,084,293 | 5,714,381 |
| Excess (deficiency) of revenues over expenditures | (1,017,442) | (609,413) | 5,643,735 | 6,253,148 |
| Other financing sources (uses) | | | | |
| Proceeds from issuance of capital lease | - | - | 38,422 | 38,422 |
| Transfers in | 1,689,646 | - | - | - |
| Transfers out | (140,000) | (2,317,170) | (574,637) | 1,742,533 |
| Net other financing sources (uses) | 1,549,646 | (2,317,170) | (536,215) | 1,780,955 |
| Net change in fund balance | 532,204 | (2,926,583) | 5,107,520 | 8,034,103 |
| Fund balance, beginning of year | 26,416,465 | 26,416,465 | 26,416,465 | - |
| Fund balance, end of year | \$ 26,948,669 | \$ 23,489,882 | \$ 31,523,985 | \$ 8,034,103 |

The accompanying notes are an integral part of these financial statements.

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

| | 2020 | | | |
|--|-------------------------|-----------------------|-----------------------|---|
| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | |
| Revenues | | | | |
| Taxes | \$ 867,632 | \$ 867,632 | \$ 857,383 | \$ (10,249) |
| Investment income | 150 | 150 | 1,359 | 1,209 |
| Total revenues | 867,782 | 867,782 | 858,742 | (9,040) |
| Expenditures | | | | |
| Economic environment | 102,583 | 102,583 | 45,108 | 57,475 |
| Total expenditures | 102,583 | 102,583 | 45,108 | 57,475 |
| Excess of revenues over expenditures | 765,199 | 765,199 | 813,634 | 48,435 |
| Other financing uses | | | | |
| Transfers out | - | (731,013) | (973,001) | (241,988) |
| Total other financing uses | - | (731,013) | (973,001) | (241,988) |
| Net change in fund balance | 765,199 | 34,186 | (159,367) | (193,553) |
| Fund balance (deficit), beginning of year | (2,231,153) | (2,231,153) | (2,231,153) | - |
| Fund balance (deficit), end of year | \$ (1,465,954) | \$ (2,196,967) | \$ (2,390,520) | \$ (193,553) |

The accompanying notes are an integral part of these financial statements.

Statement of Plan Net Position - Pension Trust Fund

| <i>September 30,</i> | 2020 |
|----------------------------|--------------|
| Assets | |
| Cash and cash equivalents | \$ 231,279 |
| Investments, at fair value | |
| Mutual funds | 5,848,817 |
| <hr/> | |
| Total assets | \$ 6,080,096 |
| <hr/> <hr/> | |
| Net position | |
| Restricted for pensions | \$ 6,080,096 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Plan Net Position - Pension Trust Fund

| <i>Year ended September 30,</i> | 2020 |
|---------------------------------|--------------|
| Additions | |
| Employer contributions | \$ 396,735 |
| Net investment income | 559,467 |
| <hr/> | |
| Total additions | 956,202 |
| <hr/> | |
| Deductions | |
| Administrative expenses | 6,210 |
| Benefits and other withdrawals | 454,515 |
| <hr/> | |
| Total deductions | 460,725 |
| <hr/> | |
| Change in net position | 495,477 |
| Net position, beginning of year | 5,584,619 |
| <hr/> | |
| Net position, end of year | \$ 6,080,096 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these 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 Special Revenue Fund 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 Special Revenue Fund 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 (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. However, interfund services provided and used are not eliminated in the process of consolidation.

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.

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.

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.

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.

Community Redevelopment Agency - 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 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)

Cash and Cash Equivalents

For financial statement purposes, the City considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

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. U.S. Treasury notes and U.S. agency and instrumentalities obligations are valued at quoted market prices.

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

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

Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements and Disclosures (Continued)

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at September 30, 2020.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and equities - Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate and government bonds - Valued at the closing price reported on the active markets in which the individual securities are traded.

Common trust funds - Valued at the net asset value (NAV) of shares held at year end or as determined by the investment managers.

Alternative investments - Valued at the NAV of shares held at year end or as determined by the investment managers.

Certificates of Deposit - Valued at fair value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements and Disclosures (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

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, 2020, 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 1st, they are not due and payable until after the close of the current fiscal year. The following is the current property tax calendar:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Property Taxes (Continued)***

| | |
|------------------|------------------|
| Lien date | January 1, 2019 |
| Levy date | November 1, 2019 |
| Due date | March 31, 2020 |
| Delinquency date | April 1, 2020 |

Discounts of 1% for each month taxes are paid prior to March 2020 are granted. Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

Capital Assets

Expenditures for capital assets acquired or constructed for general City purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets acquired are reported at cost in the government-wide statement of net position 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 acquisition value at the date of donation. Donated capital assets received in a service concession arrangement are reported at acquisition value.

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Compensated Absences

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

Sick Leave

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

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

Vacation Leave

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

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Compensated Absences (Continued)*****Vacation Leave (Continued)**

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. At September 30, 2020, the City had \$226,008 recorded as accumulated vacation leave.

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. All compensatory leave is liquidated in the General Fund. At September 30, 2020, the City had \$26,738 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenses.

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

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

Other Benefits

The Postemployment Healthcare Benefits Plan (Plan) is a single employer deferred benefit plan administered by the City. Former employees who retire from the City, and eligible dependents, may continue to participate in the City's plan for medical, and prescription drug coverage. Retirees are allowed to elect to continue with the Plan and are required to contribute their premiums in full.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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, 2020, the City had \$73,147 recorded as deferred charge on refunding.

In addition to liabilities, the statement of net position reports 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, 2020, the City had recorded as deferred revenue, \$199,392 of payments received prior to September 30, 2020 for 2021 business licenses as well as \$262,290 of payments received prior to September 30, 2020 for sidewalk infrastructure costs not yet incurred.

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 and advances to other funds, 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.

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

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. At the end of each fiscal period the Council commits an amount of fund balance for encumbrances which represent outstanding purchase orders intended to be fulfilled.

Unassigned - The residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned also contains deficit fund balances for government funds other than the general fund. Unassigned amounts are technically available for any other 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 position restricted by external parties, constitutional provisions or enabling legislation.

Use of Estimates

The preparation of financial statements in accordance 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, 2020, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

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

1. Prior to September 1st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. 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 1st, 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. Budgetary control (the level which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year.
5. Budgeted amounts reflected in the financial statements are originally adopted amounts as amended by the City Council or by City Manager in accordance with applicable City ordinances.
6. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are included in the reported components of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

NOTE 3: INVESTMENTS

The City's investments at September 30, 2020, consist of the following:

| Investments - Governmental Funds | Maturity | Rating | Fair Value |
|---|-------------------|---------------|---------------------|
| US Treasuries | 04/15/22-11/15/29 | | \$ 658,485 |
| Mortgage and Asset backed securities | 10/30/20-12/01/42 | AAA | 4,921,874 |
| Investment grade corporate bonds | 09/16/21-12/15/30 | BBB-AAA | 1,609,110 |
| FDIC Insured certificates of deposit | 11/16/20-01/30/23 | | 1,993,000 |
| Total investments - governmental funds | | | \$ 9,182,469 |

| Investments - Pension Funds | Fair Value |
|--|---------------------|
| AMCAP Fund, Class A shares | \$ 516,323 |
| The Bond Fund of America, Class A shares | 539,777 |
| Capital Income Buildinger Fund, Class A shares | 1,124,256 |
| Europacific Growth Fund, Class A shares | 1,002,752 |
| Intermediate Bond Fund of America, Class A | 530,017 |
| The Investment Company of America, Class A | 1,875,267 |
| Short-term Bond Fund of America, Class A | 260,425 |
| Total investments - pension fund | \$ 5,848,817 |

These investments are classified as Level 1.

Credit Risk

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

Interest Rate Risk

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

NOTE 3: INVESTMENTS (Continued)***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, 2020, 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, 2020, the City held 17%, 14% and 7% of its investment balance in Freddie Mac, Fannie Mae, and U.S. Treasury notes, respectively.

NOTE 4: RECEIVABLES

Receivables at September 30, 2020, were composed of the following:

| | General Fund | |
|----------------|--------------|---------|
| Franchise Fees | \$ | 201,576 |
| Other | | 165,704 |
| | \$ | 367,280 |

NOTE 5: DUE FROM OTHER GOVERNMENTS

The amount due from other governments at September 30, 2020, were composed of the following:

| | General Fund |
|--|---------------------|
| Federal | |
| CARES Act | \$ 1,369,794 |
| State of Florida: | |
| Florida 1/2 cent sales tax | 128,043 |
| Okaloos Half Penny Sales tax | 114,848 |
| FDOT Traffic Signals & Lighting | 47,200 |
| FDOT/Ferrovial Median beautification and maintenance | 3,529 |
| Okaloosa County: | |
| East pass dredge BOCC | 150,060 |
| Tourist Development Council - Beach Operations | 11,615 |
| | \$ 1,825,089 |

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

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

| | Receivable | Payable |
|-----------------------|-------------------|----------------|
| General Fund | \$ - | 122 |
| Capital Projects Fund | 122 | - |
| | \$ 122 | 122 |

The general fund advanced funds to the CRA Town Center Special Revenue Fund in order to pay for debt.

| | Advance To | Advance From |
|--------------------------------------|---------------------|---------------------|
| General Fund | \$ 2,448,824 | - |
| CRA Town Center Special Revenue Fund | - | 2,448,824 |
| | \$ 2,448,824 | 2,448,824 |

All transfers are routine and are consistent with the activities of the funds making the transfer. The following presents the interfund transfers for the year ended September 30, 2020:

Notes to Financial Statements

| | Transfers in | Transfers out |
|------------------------------------|---------------------|------------------|
| General Fund (1) | \$ - | 574,637 |
| CRA Town Center (2) | - | 973,001 |
| Other Governmental Funds (1, 2, 3) | 2,255,374 | 707,736 |
| | <u>\$ 2,255,374</u> | <u>2,255,374</u> |

- (1) The General Fund transferred \$574,637 to the 2013 Revenue Refunding Note Services Debt Service Fund to meet annual debt service requirements.
- (2) The CRA Town Center Special Revenue Fund transferred \$973,001 to the 2014 Revenue Refunding Note Debt Service Fund to meet debt service requirements.
- (3) The CRA Harbor Special Revenue Fund transferred \$707,736 to the 2009 Revenue Note Debt Service fund to meet annual debt service requirements.

NOTE 7: CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2020 are shown below:

| | Balance 09/30/19 | Additions | Deletions/ Reclassifications | Balance 09/30/20 |
|--|---------------------|--------------------|---------------------------------|---------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 25,542,171 | \$ 2,077,392 | \$ - | \$ 27,619,563 |
| Construction in progress | 2,745,064 | 1,995,063 | (2,110,887) | 2,629,240 |
| Total capital assets, not being depreciated | 28,287,235 | 4,072,455 | (2,110,887) | 30,248,803 |
| Capital assets, being depreciated | | | | |
| Buildings | 12,796,435 | - | 20,832 | 12,817,267 |
| Improvements other than Buildings | 37,299,437 | - | 1,313,414 | 38,612,851 |
| Infrastructure | 84,186,845 | - | (20,000) | 84,166,845 |
| Machinery , equipment and vehicles | 3,899,189 | - | 799,354 | 4,698,543 |
| Leased equipment and machinery | 500,353 | - | (107,817) | 392,536 |
| Library, media and art | 779,164 | - | 60,271 | 839,435 |
| Total capital assets, being depreciated | 139,461,423 | - | 2,066,054 | 141,527,477 |
| Less accumulated depreciation for: | | | | |
| Buildings | (5,492,331) | (324,260) | - | (5,816,591) |
| Improvements other than Buildings | (20,767,883) | (1,033,063) | - | (21,800,946) |
| Infrastructure | (25,074,802) | (1,658,177) | (1) | (26,732,980) |
| Machinery , equipment and vehicles | (2,747,064) | (276,104) | 144,284 | (2,878,884) |
| Leased equipment and machinery | (37,335) | (45,092) | (28,089) | (110,516) |
| Library, media and art | (660,224) | (2,891) | (82,428) | (745,543) |
| Total accumulated depreciation | (54,779,639) | (3,339,587) | 33,766 | (58,085,460) |
| Total capital assets, being depreciated, net | 84,681,784 | (3,339,587) | 2,099,820 | 83,442,017 |
| Governmental-Type activities capital assets, net | \$ 112,969,019 | \$ 732,868 | \$ (11,067) | \$ 113,690,820 |

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, 2020, totaled \$3,339,587 for governmental activities. Depreciation expense was allocated to specific functions as follows:

| Function | Depreciation |
|------------------------|---------------------|
| General government | \$ 109,807 |
| Public safety | 201,280 |
| Physical environment | 642,705 |
| Transportation | 926,378 |
| Economic environment | 1,022,207 |
| Culture and recreation | 437,210 |
| Total | \$ 3,339,587 |

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, 2020:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Harbor CRA Second Replacement Series 2009 Note As Restructured | \$ 4,429,808 | - | (442,981) | 3,986,827 | 442,981 |
| Capital Improvement Refunding Revenue Note, Series 2013 | 5,485,711 | - | (390,061) | 5,095,650 | 401,139 |
| Town Center Area Redevelopment Refunding Revenue Note, Series 2014 | 9,738,279 | - | (398,937) | 9,339,342 | 412,740 |
| Refunding Revenue Note, Series 2015A | 4,379,000 | - | (344,000) | 4,035,000 | 358,000 |
| Capital Leases | 175,160 | 38,422 | (46,617) | 166,965 | 85,228 |
| | \$ 24,207,958 | 38,422 | (1,622,596) | 22,623,784 | 1,700,088 |
| Compensated absences, net | 187,519 | 262,075 | (196,848) | 252,746 | 157,304 |
| Other post employment benefits payable | 156,347 | 47,698 | (27,001) | 177,044 | - |
| | \$ 343,866 | 309,773 | (223,849) | 429,790 | 157,304 |
| | \$ 24,551,824 | 348,195 | (1,846,445) | 23,053,574 | 1,857,392 |

NOTE 8: CHANGES IN LONG-TERM DEBT (Continued)

*Compensated absences and other postemployment benefits payable are liquidated from the general fund which pays over 95% of personnel expenditures. Capital leases and Note Series 2015A are paid out of the general fund, Revenue Note Series 2009 is paid out of the 2009 Revenue Note Series fund, Revenue Note Series 2013 is paid out of the 2013 Revenue Refunding Note Series fund and the Notes Series 2014 is paid out of the 2014 Revenue Refunding Note Series fund.

NOTE 9: NOTES PAYABLE

Harbor CRA Second Replacement, Series 2009 Note, As Restructured September 18, 2015

On 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. On August 18, 2015, the City elected to restructure the note a second time in order to avoid the adjustment in interest rate from 4.2% to the market rate in fiscal year 2014. The interest rate is set at 2.84%, upon restructuring the remaining balance of \$5,709,446. The final payment is due on July 31, 2029.

The net proceeds of the Series 2009 revenue note were deposited to a construction account to fund the City's five year improvement plan. This plan includes construction and reconstruction of Mountain Drive, related storm water drainage; installation and construction of multi-modal sidewalks; a boardwalk along the Harbor; a parking facility within the Harbor Community Redevelopment Area; the construction of Heritage Park; and any other projects as may be identified by the Council in accordance with the Redevelopment Plan.

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

A. Establishment and maintenance of various funds -

- Capital Improvement Revenue Note Series 2009 Special Revenue Fund records pledged revenues consisting of the ad-valorem tax increment revenue;
- Capital Improvement Revenue Note Series 2009 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.

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

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

NOTE 9: NOTES PAYABLE (Continued)Capital Improvement Refunding Revenue Note, Series 2013

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

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

A. Establishment and maintenance of various funds -

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

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

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

Town Center Area Redevelopment Refunding Revenue Note, Series 2014

Effective March 11, 2014, the City closed on a \$11,871,000 note payable issued for the purpose of refunding certain outstanding debt of the City. Interest payments are due semiannually on June 1 and December 1 with the principal payments due on June 1. The note carries an interest rate of 3.41%. In the current fiscal year, the City reissued the bonds to extend the repayment period by ten years. The final payment is now due on June 1, 2037. The net proceeds of the Series 2014 revenue note were used to refund the Capital Improvement Revenue Bonds, Series 2005.

A. The Town Center Area Redevelopment Refunding Revenue Note, Series 2014 ordinance provides for: A. Establishment and maintenance of various funds -

- Town Center Area Redevelopment Revenue Special Revenue Fund records pledged revenues consisting of the ad-valorem tax increment revenue;

Notes to Financial Statements

NOTE 9: NOTES PAYABLE (Continued)

- Town Center Area Redevelopment Revenue Note Series 2014 Debt Service Fund records all the debt service requirements of the issue which includes the principal, interest and reserve requirements.
- B. Restrictions on the use of cash accumulated in the Town Center Area Redevelopment Revenue Note, Series 2014, Special Revenue Fund, in order of priority, are as follows:
- Deposits to the Sinking Fund accounts are to be used to pay debt service on the 2014 Note and will be spent within a 12-month period beginning on the date of deposits. Moneys in the Sinking Fund will be depleted at least once a year except for a reasonable carryover amount not in excess of and one-twelfth (1/12) of the annual debt service on the 2014 Note for the preceding year.

Refunding Revenue Note, Series 2015A

Effective September 18, 2015, the City closed on a \$5,427,000 note payable issued for the purpose of refunding certain outstanding debt of the City. Interest payments are due semiannually on May 1 and November 1 with the principal payments due on November 1. The note carries an interest rate of 2.71%. The final payment is due on November 1, 2029. The net proceeds of the Series 2015 revenue note were used to refund the Florida Municipal Loan Revenue Bonds, Series 2005B.

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.

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

| Year ending September 30, | | | |
|---|------------------|-----------------|--------------|
| <i>Capital Improvement Revenue Note, Series 2009, As Restructured</i> | | | |
| | Principal | Interest | Total |
| 2021 | \$ 442,981 | 114,798 | 557,779 |
| 2022 | 442,981 | 102,043 | 545,024 |
| 2023 | 442,981 | 89,288 | 532,269 |
| 2024 | 442,981 | 76,742 | 519,723 |
| 2025 | 442,981 | 63,777 | 506,758 |
| 2026-2030 | 1,771,922 | 127,624 | 1,899,546 |
| Subtotal | \$ 3,986,827 | 574,272 | 4,561,099 |

NOTE 9: NOTES PAYABLE (Continued)

| Year ending September 30, | | | |
|--|---------------------|-----------------|------------------|
| <i>Capital Improvement Refunding Revenue Note, Series 2013</i> | | | |
| | Principal | Interest | Total |
| 2021 | \$ 401,139 | 154,908 | 556,047 |
| 2022 | 412,531 | 142,713 | 555,244 |
| 2023 | 424,247 | 130,172 | 554,419 |
| 2024 | 436,296 | 117,275 | 553,571 |
| 2025 | 448,687 | 104,012 | 552,699 |
| 2026-2030 | 2,441,969 | 307,543 | 2,749,512 |
| 2031-2035 | 530,781 | 16,136 | 546,917 |
| Subtotal | \$ 5,095,650 | 972,759 | 6,068,409 |

| Year ending September 30, | | | |
|---|---------------------|------------------|-------------------|
| <i>Town Center Area Redevelopment Refunding Revenue Note, Series 2014</i> | | | |
| | Principal | Interest | Total |
| 2021 | \$ 412,740 | 318,472 | 731,212 |
| 2022 | 427,021 | 304,397 | 731,418 |
| 2023 | 441,795 | 289,836 | 731,631 |
| 2024 | 457,081 | 274,771 | 731,852 |
| 2025 | 472,896 | 259,184 | 732,080 |
| 2026-2030 | 2,621,529 | 1,042,581 | 3,664,110 |
| 2031-2035 | 3,107,533 | 563,592 | 3,671,125 |
| 2036-2037 | 1,398,747 | 71,951 | 1,470,698 |
| Subtotal | \$ 9,339,342 | 3,124,784 | 12,464,126 |

| Year ending September 30, | | | |
|---|---------------------|-----------------|------------------|
| <i>Refunding Revenue Note, Series 2015A</i> | | | |
| | Principal | Interest | Total |
| 2021 | \$ 358,000 | 109,349 | 467,349 |
| 2022 | 366,000 | 99,647 | 465,647 |
| 2023 | 374,000 | 89,728 | 463,728 |
| 2024 | 386,000 | 79,593 | 465,593 |
| 2025 | 392,000 | 69,132 | 461,132 |
| 2026-2030 | 2,159,000 | 178,914 | 2,337,914 |
| Subtotal | \$ 4,035,000 | 626,363 | 4,661,363 |

NOTE 9: NOTES PAYABLE (Continued)

| GRAND TOTAL | | | |
|--------------------|------------------|-----------------|--------------|
| | Principal | Interest | Total |
| 2021 | \$ 1,614,860 | 697,527 | 2,312,387 |
| 2022 | 1,648,533 | 648,800 | 2,297,333 |
| 2023 | 1,683,023 | 599,024 | 2,282,047 |
| 2024 | 1,722,358 | 548,381 | 2,270,739 |
| 2025 | 1,756,564 | 496,105 | 2,252,669 |
| 2026-2030 | 8,994,420 | 1,656,662 | 10,651,082 |
| 2031-2035 | 3,638,314 | 579,728 | 4,218,042 |
| 2036-2037 | 1,398,747 | 71,951 | 1,470,698 |
| Subtotal | \$ 22,456,819 | 5,298,178 | 27,754,997 |

NOTE 10: CAPITAL LEASE

In August 2014, the City entered into a lease agreement as lessee for financing the acquisition of a utility truck. The lease agreement qualifies as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease term; therefore, it was recorded at present value of the future minimum lease payments, \$119,220, as of the inception date.

In April 2017, the City entered into a lease agreement as lessee for financing the acquisition of a Pipehunter Combination Jetter. The lease agreement qualified as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease term; therefore, it was recorded at present value of the future minimum lease payments, \$165,472, as of the inception date.

In June 2017, the City entered into a lease agreement as lessee for financing the acquisition of a 410L Loader Backhoe. The lease agreement qualified as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease term; therefore, it was recorded at present value of the future minimum lease payments, \$138,519, as of the inception date.

In July 2018, the City entered into a lease agreement as lessee for financing the acquisition of a lawn mower. The lease agreement qualified as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease term; therefore, it was recorded at present value of the future minimum lease payments, \$50,188, as of the inception date.

In January 2020, the City entered into a lease agreement as a lessee for financing the acquisition of copiers. The lease agreement qualified as a capital lease for accounting purposes as a result of the transfer of title at the end of the leasing term; therefore, it was recorded at present value of the future minimum lease payments, \$38,422, as of the inception date.

Accumulated depreciation on the leased assets through September 30, 2020 was \$110,516. The future minimum lease obligations as of September 30, 2020 are as follows:

NOTE 10: CAPITAL LEASE (Continued)

| Year ending September 30, | Principal | Interest | Total |
|---------------------------|-------------------|--------------|----------------|
| 2021 | \$ 85,228 | 5,737 | 90,965 |
| 2022 | 78,403 | 2,511 | 80,914 |
| 2023 | 3,334 | 17 | 3,351 |
| Total | \$ 166,965 | 8,265 | 175,230 |

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The 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 from primarily the general fund. For the 2019-2020 fiscal year, no retirees received postemployment health care benefits.

Employees covered by benefit terms

At September 30, 2020, the following employees were covered by the benefit terms:

| | |
|------------------|-----------|
| Current retirees | - |
| Active employees | <u>74</u> |
| | <u>74</u> |

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)***Total OPEB Liability***

The City's total OPEB liability of \$177,044 was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Salary increases | 2.50% |
| Discount rate | 2.14% based on S&P Municipal Bond 20 year high grade rate index |
| Inflation | 2.50% |
| Healthcare cost trend rates | 7.50% for 2020, decreasing to an ultimate trend rate of 4.00% for 2075 |

Mortality rates were based on the PubG-2010 Mortality Tables projected to the valuation date using Scale MP-2019.

Changes in the Total OPEB Liability

| | |
|--|-------------------|
| Total OPEB liability as of October 1, 2019 | \$ <u>156,347</u> |
| Changes for the year: | |
| Service cost | 20,778 |
| Interest | 6,900 |
| Differences between expected and actual experience | 20,020 |
| Changes of assumptions | (18,085) |
| Benefit payments | <u>(8,916)</u> |
| Total changes | <u>20,697</u> |
| Total OPEB liability as of September 30, 2020 | \$ <u>177,044</u> |

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.14%) or 1-percentage-point higher (3.14%) than the current discount rate:

| | 1% Decrease (1.14%) | Current Discount Rate (2.14%) | 1% Increase (3.14%) |
|----------------------|---------------------------|--|---------------------------|
| Total OPEB liability | \$ <u>196,037</u> | <u>177,044</u> | <u>160,990</u> |

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.00% - 6.50%) or 1-percentage point higher (5.00% - 8.50%) than the current trend rate:

| | 1% Decrease (3.00% - 6.50%) | Current Trend Rate (4.00% - 7.50%) | 1% Increase (5.00% - 8.50%) |
|----------------------|-----------------------------------|---|-----------------------------------|
| Total OPEB liability | \$ <u>158,110</u> | <u>177,044</u> | <u>199,744</u> |

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$32,913. At September 30, 2020, the City did not report deferred outflows of resources or deferred inflows of resources related to OPEB due to using the alternative measurement method. Additionally, since the measurement date was the same as the City’s fiscal year, there are no contributions subsequent to the measurement date to report.

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

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 \$396,735 during the fiscal year ended September 30, 2020. The contributions represent 10.19% of current year covered and total payroll of \$3,894,343.

NOTE 13: 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 currently defending a substantial caseload of Bert J. Harris, Jr. Private Property Rights Protection Act proceedings and has determined that any financial impact to the City would be minimal.

The City is also 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, workers' compensation, automobile, personal property, marine equipment and crime/fidelity risks. The City's liability and workers' 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.

Remedies for Default

As part of notes payable and capital leases there are terms in such agreements that state if the City were to default on such agreements that all payments are to become current and equipment from capital leases are to be returned to the lessor.

Notes to Financial Statements

NOTE 14: FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the Balance Sheet - Governmental Funds are detailed according to balance classification and fund as follows:

| Description | Major Funds | | | Total Governmental Funds |
|--|----------------------|--|--------------------------------|--------------------------------|
| | General Fund | CRA Town Center Special Revenue Fund | Other Governmental Funds | |
| Fund Balance | | | | |
| <i>Nonspendable:</i> | | | | |
| Interfund Advance | \$ 2,448,824 | - | - | 2,448,824 |
| Prepaid expenditures | 2,513 | - | - | 2,513 |
| <i>Restricted for:</i> | | | | |
| Impact fees: park, traffic, library, and police | 3,247,659 | - | - | 3,247,659 |
| Debt service | - | - | 476,618 | 476,618 |
| Special revenue | - | - | 167,124 | 167,124 |
| <i>Committed for:</i> | | | | |
| Emergency operations | 3,655,122 | - | - | 3,655,122 |
| Debt service | 1,100,960 | - | - | 1,100,960 |
| Emergency maintenance | 3,655,123 | - | - | 3,655,123 |
| <i>Assigned for:</i> | | | | |
| Encumbrances | 1,016,824 | - | - | 1,016,824 |
| Capital Projects | 1,947,347 | - | 44,332 | 1,991,679 |
| <i>Unassigned:</i> | 14,449,613 | (2,390,520) | - | 12,059,093 |
| Total Fund Balance | \$ 31,523,985 | (2,390,520) | 688,074 | 29,821,539 |

Deficit fund balances totaling \$2,390,520 exist in the CRA Town Center Special Revenue Fund. The deficit in the CRA Town Center Special Revenue Fund results from transfers to the 2014 Revenue Refunding Note Series Fund for debt service payments in prior years.

NOTE 14: FUND BALANCE CONSTRAINTS (Continued)***Encumbrances:***

Funds have been encumbered in the general fund at September 30, 2020, were composed of the following:

| | |
|------------------------|--------------|
| General government | \$ 52,662 |
| Transportation | 511,249 |
| Culture and recreation | 64,772 |
| Capital outlay | 388,141 |
| <hr/> | |
| Total | \$ 1,016,824 |

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, 2020, were composed of the following:

| Project | Balance Committed |
|---------------------------------------|------------------------------|
| Gulf Environmental Stormwater Project | \$ 290,800 |
| Stormwater Masterplan Update | 68,041 |
| COMPASS | 53,620 |
| <hr/> | |
| Total | \$ 412,461 |

NOTE 16: SUBSEQUENT EVENT

The City has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the City and its future results and financial position is not presently determinable.

NOTE 17: ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. Effective for fiscal years beginning after December 15, 2019.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

Required Supplementary Information
(Other Than MD&A)

City of Destin, Florida

**Schedule of Changes in the City's
Total OPEB Liability and Related Ratios**

| <i>Year ended September 30,</i> | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Total OPEB liability | | | |
| Service cost | \$ 20,778 | \$ 15,893 | \$ 16,440 |
| Interest | 6,900 | 6,085 | 5,024 |
| Differences between expected and actual experience | 20,020 | - | - |
| Changes of assumptions | (18,085) | 8,106 | (6,810) |
| Benefit payments | (8,916) | (6,805) | (6,272) |
| Net change in total OPEB liability | 20,697 | 23,279 | 8,382 |
| Total OPEB liability - beginning | 156,347 | 133,068 | 124,686 |
| Total OPEB liability- ending | \$ 177,044 | \$ 156,347 | \$ 133,068 |
| Covered payroll | \$ 2,828,403 | \$ 2,873,422 | \$ 2,803,339 |
| Total OPEB liability as a percentage of covered payroll | 6.26% | 5.44% | 4.75% |

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------|-------------|-------------|
| 2.14% | 3.58% | 4.18% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

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. The budgetary level of control is at the fund level.

Nonmajor Governmental Funds

SPECIAL REVENUE FUND

The special revenue fund is 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.

2009 Revenue Note Series Debt Service Capital Improvement Fund

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

2013 Revenue Refunding Note Series Debt Service Capital Improvement Fund

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

2014 Revenue Refunding Note Series Debt Service Fund

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

CAPITAL PROJECTS FUND

The capital project funds are used to account for financial resources to be used for the acquisition or construction of major projects relating to the 2002 Series Bond and the 2009 Series Revenue Note.

City of Destin, Florida

Nonmajor Governmental Funds
Combining Balance Sheet

September 30,

2020

| | Special Revenue Fund | | Debt Service Funds | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|----------------------|--------------------------|------------------------------------|------------------------------------|------------------|-----------------------|-----------------------------------|
| | CRA Harbor | 2009 Revenue Note Series | 2013 Revenue Refunding Note Series | 2014 Revenue Refunding Note Series | | | |
| Assets | | | | | | | |
| Due from other funds | \$ - | \$ - | \$ - | \$ - | \$ 122 | \$ 122 | |
| Restricted cash and cash | 168,768 | 139,467 | 92,757 | 244,394 | 44,210 | 689,596 | |
| Total assets | 168,768 | 139,467 | 92,757 | 244,394 | 44,332 | 689,718 | |
| Liabilities and fund balances | | | | | | | |
| Liabilities - accounts payable | 1,644 | - | - | - | - | 1,644 | |
| Fund balances: | | | | | | | |
| Restricted | 167,124 | 139,467 | 92,757 | 244,394 | - | 643,742 | |
| Assigned | - | - | - | - | 44,332 | 44,332 | |
| Total fund balances | 167,124 | 139,467 | 92,757 | 244,394 | 44,332 | 688,074 | |
| Total liabilities and fund balances | \$ 168,768 | \$ 139,467 | \$ 92,757 | \$ 244,394 | \$ 44,332 | \$ 689,718 | |

City of Destin, Florida

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

Year ended September 30,

2020

| | Special Revenue Fund | Debt Service Funds | | | Capital Projects Fund | Nonmajor Governmental Funds |
|---|----------------------------|-----------------------------|--|--|-----------------------------|-----------------------------------|
| | | 2009 Revenue Note Series | 2013 Revenue Refunding Note Series | 2014 Revenue Refunding Note Series | | |
| | CRA Harbor | | | | | |
| Revenue | | | | | | |
| Taxes | \$ 633,822 | \$ - | \$ - | \$ - | \$ - | \$ 633,822 |
| Investment income | 1,466 | 403 | 1,149 | 657 | 247 | 3,922 |
| Total revenue | 635,288 | 403 | 1,149 | 657 | 247 | 637,744 |
| Expenditures | | | | | | |
| Economic environment | 33,856 | - | - | - | - | 33,856 |
| Capital outlay | - | - | - | - | 12,435 | 12,435 |
| Debt service: | | | | | | |
| Principal | - | 442,981 | 390,061 | 398,937 | - | 1,231,979 |
| Interest | - | 127,903 | 166,766 | 332,002 | - | 626,671 |
| Total expenditures | 33,856 | 570,884 | 556,827 | 730,939 | 12,435 | 1,904,941 |
| Excess (deficiency) of revenue over expenditures | 601,432 | (570,481) | (555,678) | (730,282) | (12,188) | (1,267,197) |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | 707,736 | 574,637 | 973,001 | - | 2,255,374 |
| Transfers out | (707,736) | - | - | - | - | (707,736) |
| Total other financing sources (uses) | (707,736) | 707,736 | 574,637 | 973,001 | - | 1,547,638 |
| Net change in fund balances | (106,304) | 137,255 | 18,959 | 242,719 | (12,188) | 280,441 |
| Fund balances, beginning of year | 273,428 | 2,212 | 73,798 | 1,675 | 56,520 | 407,633 |
| Fund balances, end of year | \$ 167,124 | \$ 139,467 | \$ 92,757 | \$ 244,394 | \$ 44,332 | \$ 688,074 |

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

| <i>Year ended September 30,</i> | 2020 | | | |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | |
| Revenue | | | | |
| Taxes | \$ 638,348 | \$ 638,348 | \$ 633,822 | \$ (4,526) |
| Investment income | 200 | 200 | 1,466 | 1,266 |
| Total revenue | 638,548 | 638,548 | 635,288 | (3,260) |
| Expenditures | | | | |
| Economic environment | 118,439 | 118,439 | 33,856 | 84,583 |
| Total expenditures | 118,439 | 118,439 | 33,856 | 84,583 |
| Excess of revenue over expenditures | 520,109 | 520,109 | 601,432 | 81,323 |
| Other financing uses | | | | |
| Transfers out | - | (568,788) | (707,736) | (138,948) |
| Total other financing uses | - | (568,788) | (707,736) | (138,948) |
| Net change in fund balance | 520,109 | (48,679) | (106,304) | (57,625) |
| Fund balance, beginning of year | 273,428 | 273,428 | 273,428 | - |
| Fund balance, end of year | \$ 793,537 | \$ 224,749 | \$ 167,124 | \$ (57,625) |

**Schedule of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual
2009 Revenue Note Series Debt Service Fund**

| <i>Year ended September 30,</i> | 2020 | | | |
|--|-------------------------|-----------------|-------------------|---|
| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | |
| Revenue | | | | |
| Investment income | \$ - | \$ - | \$ 403 | \$ 403 |
| Total revenue | - | - | 403 | 403 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 442,981 | 442,981 | 442,981 | - |
| Interest | 125,806 | 125,807 | 127,903 | (2,096) |
| Total expenditures | 568,787 | 568,788 | 570,884 | (2,096) |
| Excess of expenditures over revenue | (568,787) | (568,788) | (570,481) | (1,693) |
| Other financing sources | | | | |
| Transfers in | - | 568,788 | 707,736 | 138,948 |
| Total other financing sources | - | 568,788 | 707,736 | 138,948 |
| Net change in fund balance | (568,787) | - | 137,255 | 137,255 |
| Fund balance, beginning of year | 2,212 | 2,212 | 2,212 | - |
| Fund balance, end of year | \$ (566,575) | \$ 2,212 | \$ 139,467 | \$ 137,255 |

**Schedule of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual
2013 Revenue Refunding Note Series Debt Service Fund**

| <i>Year ended September 30,</i> | 2020 | | | |
|--|-------------------------|------------------|------------------|---|
| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | |
| Revenue | | | | |
| Investment income | \$ - | \$ - | \$ 1,149 | \$ 1,149 |
| Total revenue | - | - | 1,149 | 1,149 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 390,061 | 390,061 | 390,061 | - |
| Interest | 166,766 | 166,766 | 166,766 | - |
| Total expenditures | 556,827 | 556,827 | 556,827 | - |
| Excess (deficiency) of revenue expenditures | (556,827) | (556,827) | (555,678) | 1,149 |
| Other financing sources | | | | |
| Transfers in | - | 556,827 | 574,637 | 17,810 |
| Total other financing sources | - | 556,827 | 574,637 | 17,810 |
| Net change in fund balance | (556,827) | - | 18,959 | 18,959 |
| Fund balance, beginning of year | 73,798 | 73,798 | 73,798 | - |
| Fund balance, end of year | \$ (483,029) | \$ 73,798 | \$ 92,757 | \$ 18,959 |

**Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual
2014 Revenue Refunding Note Series Debt Service Fund**

| | 2020 | | | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Revenue | | | | |
| Investment income | \$ - | \$ - | \$ 657 | \$ 657 |
| Total revenue | - | - | 657 | 657 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 398,937 | 398,937 | 398,937 | - |
| Interest | 332,075 | 332,076 | 332,002 | 74 |
| Total expenditures | 731,012 | 731,013 | 730,939 | 74 |
| Excess (deficiency) of revenue over expenditures | (731,012) | (731,013) | (730,282) | 731 |
| Other financing sources | | | | |
| Transfers in | - | 731,013 | 973,001 | 241,988 |
| Total other financing sources | - | 731,013 | 973,001 | 241,988 |
| Net change in fund balance | (731,012) | - | 242,719 | 242,719 |
| Fund balance, beginning of year | 1,675 | 1,675 | 1,675 | - |
| Fund balance, end of year | \$ (729,337) | \$ 1,675 | \$ 244,394 | \$ 242,719 |

**Schedule of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund**

Year ended September 30,

2020

| | <u>Budgeted Amounts</u> | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenue | | | | |
| Investment income | \$ - | \$ 4,282 | \$ 247 | \$ (4,035) |
| Total revenue | - | 4,282 | 247 | (4,035) |
| Expenditures | | | | |
| Capital outlay | 45,517 | 45,517 | 12,435 | 33,082 |
| Total expenditures | 45,517 | 45,517 | 12,435 | 33,082 |
| Excess (deficiency) of revenue over expenditures | (45,517) | (41,235) | (12,188) | 29,047 |
| Net change in fund balance | (45,517) | (41,235) | (12,188) | 29,047 |
| Fund balance, beginning of year | 56,520 | 56,520 | 56,520 | - |
| Fund balance, end of year | \$ 11,003 | \$ 15,285 | \$ 44,332 | \$ 29,047 |

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.

City of Destin, Florida

Net Position by Component-Last Ten Years
(Unaudited)

| Fiscal Year | Net investment in Capital Assets | Restricted | Unrestricted | Total Net Position |
|--------------------|---|-------------------|---------------------|---------------------------|
| 2020 | 91,184,514 | 3,891,401 | 25,247,364 | 120,323,279 |
| 2019 | 88,840,831 | 2,661,941 | 21,378,238 | 112,881,010 |
| 2018 | 89,128,737 | 2,570,097 | 17,831,698 | 109,530,532 |
| 2017 | 90,119,716 | 2,075,871 | 14,559,323 | 106,754,910 |
| 2016 | 88,760,939 | 1,488,351 | 14,101,586 | 104,350,876 |
| 2015 | 88,804,998 | 735,737 | 13,208,165 | 102,748,900 |
| 2014 | 90,108,379 | 43,399 | 13,331,610 | 103,483,388 |
| 2013 | 91,599,506 | 43,355 | 15,163,303 | 106,806,164 |
| 2012 | 85,440,401 | 86,133 | 15,923,523 | 101,450,057 |
| 2011 | 86,323,618 | 145,924 | 16,122,768 | 102,592,310 |

Source: City Finance Department

City of Destin, Florida

Changes in Net Position-Last Ten Years
(Unaudited)

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Expenses | | | | | |
| General government | \$ 4,028,182 | \$ 3,695,191 | \$ 3,532,139 | \$ 2,981,384 | \$ 2,889,172 |
| Public safety | 3,623,935 | 3,292,103 | 3,908,737 | 4,011,135 | 3,535,716 |
| Physical environment | 670,079 | 1,146,463 | 432,132 | 433,283 | 491,154 |
| Transportation | 2,866,166 | 319,713 | 3,053,455 | 3,141,933 | 2,842,564 |
| Economic environment | 1,152,796 | 3,252,517 | 1,209,950 | 1,274,262 | 1,289,854 |
| Human services | 63,494 | 62,808 | 55,220 | 107,287 | 54,394 |
| Culture and recreation | 2,702,912 | 2,323,177 | 2,274,564 | 2,242,446 | 2,340,627 |
| Debt service interest | 752,073 | 788,775 | 806,526 | 888,752 | 873,117 |
| Total expenses | 15,859,637 | 14,880,747 | 15,272,723 | 15,080,482 | 14,316,598 |
| Program revenue | | | | | |
| Charges for services | | | | | |
| General government | 601 | 2,457,688 | 2,495,996 | 2,223,122 | 2,317,742 |
| Public safety | 1,555,942 | 614,412 | 847,202 | 940,221 | 898,725 |
| Physical environment | 23,443 | 20,800 | 46,495 | 79,821 | 14,660 |
| Transportation | 178,174 | 140,017 | 119,218 | 60,534 | 49,514 |
| Culture and recreation | 331,925 | 401,939 | 406,050 | 402,708 | 456,828 |
| Operating grants and contributions | 2,082,880 | 734,898 | 1,407,851 | 2,450,238 | 1,727,351 |
| Capital grants and contributions | 197,999 | 43,520 | 30,544 | 70,120 | 42,081 |
| Total program revenue | 4,370,964 | 4,413,274 | 5,353,356 | 6,226,764 | 5,506,901 |
| Net expense | (11,488,673) | (10,467,473) | (9,919,367) | (8,853,718) | (8,809,697) |
| General revenue and other changes in net position | | | | | |
| Property taxes | 9,374,391 | 8,764,290 | 8,179,225 | 7,761,152 | 6,844,994 |
| Other taxes | 2,895,623 | 1,636,565 | 1,669,159 | 1,623,261 | 1,583,815 |
| Other revenue | 6,660,928 | 3,417,096 | 1,907,549 | 1,873,339 | 1,982,864 |
| Special items | - | - | - | - | - |
| Total general revenue | 18,930,942 | 13,817,951 | 11,755,933 | 11,257,752 | 10,411,673 |
| Change in net position | 7,442,269 | 3,350,478 | 1,836,566 | 2,404,034 | 1,601,976 |
| Net position, beginning | 112,881,010 | 109,530,532 | 106,754,910 | 104,350,876 | 102,748,900 |
| Cumulative effect of change in accounting principle | - | - | 939,056 | - | - |
| Prior period adjustment | - | - | - | - | - |
| Net position, ending | \$ 120,323,279 | \$ 112,881,010 | \$ 109,530,532 | \$ 106,754,910 | \$ 104,350,876 |

Source: City Finance Department

City of Destin, Florida

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

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Expenses | | | | | |
| General government | \$ 3,330,320 | \$ 3,135,252 | \$ 2,847,225 | \$ 3,100,230 | \$ 3,083,995 |
| Public safety | 3,080,103 | 2,721,873 | 2,633,697 | 2,656,076 | 2,783,021 |
| Physical environment | 591,383 | 710,134 | 647,709 | 798,777 | 757,543 |
| Transportation | 2,582,807 | 2,661,304 | 2,525,995 | 2,579,572 | 387,128 |
| Economic environment | 1,326,255 | 1,387,855 | 1,103,214 | 820,654 | 2,604,558 |
| Human services | 58,975 | 59,650 | 60,250 | 58,600 | 59,425 |
| Culture and recreation | 2,239,857 | 2,277,720 | 2,163,148 | 2,077,254 | 2,249,778 |
| Debt service interest | 1,132,842 | 1,366,317 | 1,662,880 | 1,712,494 | 1,783,709 |
| Total expenses | 14,342,542 | 14,320,105 | 13,644,118 | 13,803,657 | 13,709,157 |
| Program revenue | | | | | |
| Charges for services | | | | | |
| General government | 2,214,652 | 2,099,136 | 1,835,784 | 1,908,566 | 2,003,295 |
| Public safety | 697,452 | 553,710 | 644,091 | 601,592 | 295,471 |
| Physical environment | 21,503 | 7,463 | 51,686 | 71,600 | 24,188 |
| Transportation | 115,970 | 47,642 | 41,810 | 37,477 | 41,712 |
| Culture and recreation | 421,704 | 337,804 | 290,158 | 294,040 | 275,151 |
| Operating grants and contributions | 197,614 | 373,317 | 189,862 | 152,660 | 187,627 |
| Capital grants and contributions | 203,334 | 126,767 | 7,888,961 | 249,075 | 248,607 |
| Total program revenue | 3,872,229 | 3,545,839 | 10,942,352 | 3,315,010 | 3,076,051 |
| Net expense | (10,470,313) | (10,774,266) | (2,701,766) | (10,488,647) | (10,633,106) |
| General revenue and other changes in net position | | | | | |
| Property taxes | 6,443,596 | 6,090,326 | 5,841,191 | 6,253,055 | 6,800,611 |
| Other taxes | 1,530,492 | 1,537,513 | 1,533,833 | 1,607,807 | 1,586,464 |
| Other revenue | 1,761,737 | 1,573,651 | 1,274,760 | 1,485,532 | 1,404,105 |
| Special items | - | (1,750,000) | - | - | - |
| Total general revenue | 9,735,825 | 7,451,490 | 8,649,784 | 9,346,394 | 9,791,180 |
| Change in net position | (734,488) | (3,322,776) | 5,948,018 | (1,142,253) | (841,926) |
| Net position, beginning | 103,483,388 | 106,806,164 | 101,450,057 | 102,592,310 | 103,434,236 |
| Prior period adjustment | - | - | (591,911) | - | - |
| Net position, ending | \$ 102,748,900 | \$ 103,483,388 | \$ 106,806,164 | \$ 101,450,057 | \$ 102,592,310 |

**Fund Balances Governmental Funds - Last Ten Years
(Unaudited)**

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| General Fund | | | | | |
| Nonspendable | \$ 2,451,337 | \$ 2,448,824 | \$ 2,469,019 | \$ 2,999,624 | \$ 2,802,335 |
| Restricted | 3,247,659 | 2,584,256 | 2,480,877 | 1,977,027 | 1,373,526 |
| Committed | 8,411,205 | 10,129,498 | 9,657,663 | 9,674,570 | 10,340,837 |
| Assigned | 2,964,171 | 1,213,592 | 672,226 | 1,625,986 | 1,118,384 |
| Unassigned | 14,449,613 | 10,040,295 | 7,526,416 | 3,626,528 | 2,905,348 |
| Total | \$ 31,523,985 | \$ 26,416,465 | \$ 22,806,201 | \$ 19,903,735 | \$ 18,540,430 |
| All other governmental funds | | | | | |
| Nonspendable | \$ - | \$ - | \$ 88 | \$ - | \$ - |
| Restricted | 643,742 | 77,685 | 89,220 | 98,844 | 114,825 |
| Committed | - | - | - | - | - |
| Assigned | 44,332 | 329,948 | 279,391 | 255,797 | 276,444 |
| Unassigned | (2,390,520) | (2,231,153) | (2,240,233) | (2,142,360) | (1,979,433) |
| Total all other governmental funds | \$ (1,702,446) | \$ (1,823,520) | \$ (1,871,534) | \$ (1,787,719) | \$ (1,588,164) |

Source: City Finance Department

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

| | Fiscal Year | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| General Fund | | | | | |
| Nonspendable | \$ 1,980,893 | \$ 1,879,620 | \$ 1,324,569 | \$ 749,569 | \$ - |
| Restricted | 1,216,046 | 1,098,945 | 1,152,307 | 1,584,691 | 2,045,893 |
| Committed | 11,071,545 | 10,276,708 | 10,418,492 | 843,061 | 285,911 |
| Assigned | 328,889 | 684,591 | 730,267 | 1,460,679 | 265,430 |
| Unassigned | 1,848,403 | 1,743,576 | 2,657,863 | 10,488,610 | 10,596,954 |
| Total | \$ 16,445,776 | \$ 15,683,440 | \$ 16,283,498 | \$ 15,126,610 | \$ 13,194,188 |
| All other governmental funds | | | | | |
| Nonspendable | \$ 68 | \$ - | \$ - | \$ - | \$ - |
| Restricted | 884,473 | 151,914 | 1,524,027 | 1,726,853 | 1,750,981 |
| Committed | - | 74,256 | 95,853 | 196,393 | 203,614 |
| Assigned | 345,855 | 633,953 | 1,109,529 | 1,303,787 | 5,190,139 |
| Unassigned | (2,462,082) | (1,835,073) | (1,010,642) | (329,808) | - |
| Total all other governmental funds | \$ (1,231,686) | \$ (974,950) | \$ 1,718,767 | \$ 2,897,225 | \$ 7,144,734 |

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

| | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Revenue | | | | | |
| Taxes | \$ 12,270,014 | \$ 12,309,961 | \$ 11,766,912 | \$ 11,192,022 | \$ 10,316,957 |
| Licenses and permits | 3,342,590 | 1,079,465 | 1,008,548 | 930,187 | 885,870 |
| Impact fees | 106,750 | 160,720 | 671,922 | 801,424 | 446,936 |
| Intergovernmental | 4,050,502 | 3,494,078 | 2,889,811 | 3,734,054 | 3,232,561 |
| Charges for services | 513,137 | 512,089 | 568,635 | 525,860 | 568,018 |
| Fines and forfeits | 456,051 | 28,981 | 44,278 | 46,812 | 47,238 |
| Investment income | 471,977 | 506,164 | 20,654 | 59,756 | 256,010 |
| Contributions | 4,435 | 6,871 | 8,608 | 24,772 | 22,848 |
| Miscellaneous income | 9,058 | 132,896 | 131,376 | 169,629 | 142,136 |
| Total revenue | 21,224,514 | 18,231,225 | 17,110,744 | 17,484,516 | 15,918,574 |
| Expenditures | | | | | |
| General government | 3,935,334 | 3,542,238 | 3,398,890 | 2,853,328 | 2,747,954 |
| Public safety | 3,408,341 | 3,061,601 | 2,779,558 | 2,610,831 | 2,410,183 |
| Physical environment | 27,374 | 31,346 | 88,226 | 90,710 | 148,581 |
| Transportation | 1,925,723 | 1,924,802 | 1,824,192 | 1,885,837 | 1,681,535 |
| Economic environment | 130,173 | 105,720 | 123,024 | 163,637 | 176,210 |
| Human services | 63,494 | 62,808 | 55,220 | 107,287 | 54,394 |
| Culture and recreation | 2,237,953 | 1,909,794 | 1,872,829 | 1,858,739 | 1,976,500 |
| Capital outlay | 1,937,657 | 1,607,301 | 1,877,832 | 4,762,510 | 3,075,354 |
| Debt service | | | | | |
| Principal | 1,622,596 | 1,533,487 | 1,485,956 | 1,417,449 | 1,087,340 |
| Interest | 745,697 | 793,850 | 836,554 | 874,429 | 822,369 |
| Investment loss | - | - | - | - | - |
| Total expenditures | 16,034,342 | 14,572,947 | 14,342,281 | 16,624,757 | 14,180,420 |
| Excess (deficiency) of revenue over expenditures | 5,190,172 | 3,658,278 | 2,768,463 | 859,759 | 1,738,154 |
| Other financing sources (uses) | | | | | |
| Transfers in | 2,255,374 | 4,171,759 | 6,343,303 | 3,907,488 | 2,971,389 |
| Transfers out | (2,255,734) | (4,171,759) | (6,343,303) | (3,907,488) | (2,971,389) |
| Issuance of debt | - | - | 50,188 | 303,991 | - |
| Proceeds of refunding | - | - | - | - | - |
| Debt service principal | - | - | - | - | - |
| Lease proceeds | 38,422 | - | - | - | - |
| Total other financing sources (uses) | 38,062 | - | 50,188 | 303,991 | - |
| Special item - Settlement | - | - | - | - | - |
| Net change in fund balance | \$ 5,228,234 | \$ 3,658,278 | \$ 2,818,651 | \$ 1,163,750 | \$ 1,738,154 |
| Debt service as a percentage of noncapital expenditures | 16.8% | 18.0% | 18.6% | 19.3% | 17.2% |

Source: City Finance Department

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

| | Fiscal Year | | | | |
|--|-------------------|-----------------------|--------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Revenue | | | | | |
| Taxes | \$ 9,891,235 | \$ 9,429,663 | \$ 8,951,113 | \$ 9,515,410 | \$ 10,156,136 |
| Licenses and permits | 674,131 | 597,505 | 846,549 | 674,302 | 431,642 |
| Impact fees | 280,494 | 268,840 | 144,678 | 9,298 | 46,455 |
| Intergovernmental | 1,819,128 | 1,674,915 | 9,294,741 | 1,567,009 | 1,570,516 |
| Charges for services | 509,159 | 462,224 | 366,618 | 355,199 | 333,667 |
| Fines and forfeits | 114,111 | 49,229 | 43,404 | 38,678 | 44,928 |
| Investment income | 222,593 | - | - | - | - |
| Contributions | 34,839 | 99,975 | 20,292 | 316,151 | 212,142 |
| Miscellaneous income | 62,364 | 166,802 | 36,132 | 185,357 | 71,745 |
| Total revenue | 13,608,054 | 12,749,153 | 19,703,527 | 12,661,404 | 12,795,486 |
| Expenditures | | | | | |
| General government | 3,489,939 | 2,951,776 | 2,713,560 | 2,661,534 | 2,616,589 |
| Public safety | 2,107,835 | 1,768,098 | 1,661,520 | 1,701,869 | 1,745,789 |
| Physical environment | 248,810 | 379,218 | 287,702 | 464,567 | 56,173 |
| Transportation | 1,472,935 | 1,544,311 | 1,295,486 | 1,247,816 | 1,294,605 |
| Economic environment | 216,503 | 209,632 | 185,215 | 146,377 | 127,647 |
| Human services | 58,975 | 59,650 | 60,250 | 58,600 | 59,425 |
| Culture and recreation | 1,927,771 | 1,949,815 | 1,772,495 | 1,744,325 | 1,900,024 |
| Capital outlay | 1,642,819 | 1,581,816 | 8,697,826 | 4,037,950 | 2,174,904 |
| Debt service | | | | | |
| Principal | 901,028 | 1,374,432 | 1,243,032 | 1,191,883 | 3,252,384 |
| Interest | 1,083,667 | 1,562,813 | 1,697,345 | 1,721,570 | 1,790,259 |
| Investment loss | - | 1,824 | 110,438 | - | - |
| Total expenditures | 13,150,282 | 13,383,385 | 19,724,869 | 14,976,491 | 15,017,799 |
| Excess (deficiency) of revenue over expenditures | 457,772 | (634,232) | (21,342) | (2,315,087) | (2,222,313) |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,563,616 | 3,730,001 | 2,206,101 | 5,037,324 | 7,118,394 |
| Transfers out | (1,563,616) | (3,730,001) | (2,206,101) | (5,037,324) | (7,118,394) |
| Non-operating loss | - | 119,229 | - | - | - |
| Lease proceeds | 5,427,000 | 11,871,000 | 7,610,000 | - | - |
| Issuance of debt | (5,379,150) | (12,900,000) | (7,610,000) | - | - |
| Total other financing sources (uses) | 47,850 | (909,771) | - | - | - |
| Special item - Settlement | - | (1,750,000) | - | - | - |
| Net change in fund balance | \$ 505,622 | \$ (3,294,003) | \$ (21,342) | \$ (2,315,087) | \$ (2,222,313) |
| Debt service as a percentage of noncapital expenditures | 17.2% | 24.9% | 26.7% | 26.6% | 39.3% |

City of Destin, Florida

Revenue Base - Last Ten Years
(Unaudited)

| Fiscal Year | Real Property | Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate | 95% Budgeted for Operations |
|--------------------|----------------------|--------------------------|-------------------------------------|------------------------------|------------------------------------|
| 2020 | 5,291,435,849 | 100,875,258 | 5,392,311,107 | 1.6150 | 8,273,153 |
| 2019 | 4,940,251,366 | 96,041,092 | 5,036,292,458 | 1.6150 | 7,726,932 |
| 2018 | 4,631,906,780 | 94,406,296 | 4,726,313,076 | 1.6150 | 7,251,346 |
| 2017 | 4,422,070,531 | 88,815,805 | 4,510,886,336 | 1.6150 | 6,920,827 |
| 2016 | 4,202,250,899 | 83,206,674 | 4,285,457,573 | 1.6150 | 6,574,963 |
| 2015 | 3,953,775,213 | 77,212,445 | 4,030,987,658 | 1.5000 | 5,744,157 |
| 2014 | 3,738,671,838 | 78,140,476 | 3,816,812,314 | 1.5000 | 5,438,958 |
| 2013 | 3,692,698,542 | 74,840,249 | 3,767,538,791 | 1.5000 | 5,368,743 |
| 2012 | 3,864,421,197 | 79,244,532 | 3,943,665,729 | 1.4550 | 5,451,132 |
| 2011 | 4,198,597,937 | 88,099,052 | 4,286,696,989 | 1.4550 | 5,925,287 |

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 | Total Direct & Overlapping Rates |
|-------------|----------------|----------------------|-----------------|-----------------------|----------------------------------|-----------|-------------------------|----------------------------------|
| | City of Destin | Destin Fire District | Okaloosa County | Okaloosa School Board | Northwest Florida Water District | | | |
| 2020 | 1.615000 | 1.000000 | 3.830800 | 6.035000 | 0.031100 | 10.896900 | 12.511900 | |
| 2019 | 1.615000 | 1.000000 | 3.830800 | 6.206000 | 0.032700 | 11.069500 | 12.684500 | |
| 2018 | 1.615000 | 1.000000 | 3.830800 | 6.361000 | 0.033800 | 11.225600 | 12.840600 | |
| 2017 | 1.615000 | 1.000000 | 3.830800 | 6.588000 | 0.035300 | 11.454100 | 13.069100 | |
| 2016 | 1.615000 | 1.000000 | 3.430800 | 6.907000 | 0.036600 | 11.374400 | 12.989400 | |
| 2015 | 1.500000 | 1.000000 | 3.430800 | 7.551000 | 0.040000 | 12.021800 | 13.521800 | |
| 2014 | 1.500000 | 1.000000 | 3.430800 | 7.441000 | 0.039000 | 11.910800 | 13.410800 | |
| 2013 | 1.500000 | 1.000000 | 3.430800 | 7.551000 | 0.040000 | 12.021800 | 13.521800 | |
| 2012 | 1.455000 | 1.000000 | 3.289900 | 7.476000 | 0.040000 | 11.805900 | 13.260900 | |
| 2011 | 1.455000 | 1.000000 | 3.289900 | 7.769000 | 0.045000 | 12.103900 | 13.558900 | |

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, 2020 | | | September 30, 2011 | | |
|-------------------------------------|-------------------------|------|---------------------------------------|-------------------------|------|---------------------------------------|
| | Taxable Assessed Value | Rank | Percent of City's Total Taxable Value | Taxable Assessed Value | Rank | Percent of City's Total Taxable Value |
| PASSCO Sea Glass DST | \$ 51,518,051 | 1 | 0.84% | | | 0.00% |
| Emerald Grande, LLC | 51,211,280 | 2 | 0.84% | 56,198,960 | 1 | 1.30% |
| BR Henderson Beach, LLC | 36,045,601 | 3 | 0.59% | - | | 0.00% |
| Henderson Beach Resort Holding | 35,993,491 | 5 | 0.59% | - | | 0.00% |
| Gulf Power Company | 32,138,921 | 4 | 0.52% | - | | 0.00% |
| Henderson Beach Partners LLC | 24,420,888 | 6 | 0.40% | - | | 0.00% |
| Paradise Isle Destin, LLC | 15,795,650 | 7 | 0.26% | - | | 0.00% |
| Key Destin Ownerd, LLC | 15,514,770 | 8 | 0.25% | - | | 0.00% |
| Wyndham Vacation Resorts Inc. | 11,294,000 | 9 | 0.18% | | | 0.00% |
| CM Destin LLC | 9,104,124 | 10 | 0.15% | - | | 0.00% |
| AHB Apartments LLC | - | | 0.00% | 21,814,041 | 2 | 0.51% |
| TBH Corporation | - | | 0.00% | 14,557,015 | 3 | 0.34% |
| DRB Development, LLC | - | | 0.00% | 13,458,000 | 4 | 0.31% |
| WRI-SRP Paradise Isle, LLC | - | | 0.00% | 11,351,539 | 5 | 0.26% |
| Dunavant Gulf, LLC | - | | 0.00% | 8,683,774 | 6 | 0.20% |
| Shanri Holdings Corp. | - | | 0.00% | 8,500,997 | 7 | 0.20% |
| Crystal Beach Plaza | | | 0.00% | 7,569,129 | 8 | 0.18% |
| Harbor Lights of Destin | - | | 0.00% | 7,528,000 | 9 | 0.17% |
| Trustmark Bank | - | | 0.00% | 7,426,301 | 10 | 0.17% |
| Total Principal Taxpayers | \$ 283,036,776 | | 4.62% | \$ 157,087,756 | | 3.65% |
| Total Tax Value of Other | \$ 5,844,530,781 | | 95.38% | \$ 4,152,263,827 | | 96.35% |
| Total Taxable Assessed Value | \$ 6,127,567,557 | | 100.00% | \$ 4,309,351,583 | | 100.00% |

Source: Okaloosa County Property Appraiser

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 |
| 2020 | \$ 8,273,153 | \$ 8,430,713 | 101.90% | \$ 3,561 | \$ 8,441,681 | 102.04% |
| 2019 | 8,132,530 | 7,879,410 | 96.89% | 4,613 | 7,884,023 | 96.94% |
| 2018 | 7,632,996 | 7,405,759 | 97.02% | 1,809 | 7,407,568 | 97.05% |
| 2017 | 7,280,770 | 7,031,699 | 96.58% | 4,122 | 7,035,821 | 96.64% |
| 2016 | 6,425,090 | 6,211,296 | 96.67% | 3,797 | 6,215,093 | 96.73% |
| 2015 | 6,045,953 | 5,842,418 | 96.63% | 10,172 | 5,852,590 | 96.80% |
| 2014 | 5,737,736 | 5,530,911 | 96.40% | 54,974 | 5,585,885 | 97.35% |
| 2013 | 5,202,450 | 5,294,736 | 101.77% | 29,787 | 5,202,450 | 100.00% |
| 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% |

*Includes discount taken for early payment of taxes (maximum of 5%)

Source: Okaloosa County Tax Collector

City of Destin, Florida

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

| Fiscal Year Ended September 30, | 2002 Capital Improvement Revenue Bonds | 2005B Florida Municipal Loan Council Revenue Bonds | 2005 CRA Town Center Revenue Bonds | 2013 Capital Improvement Revenue Note | 2014 Revenue Refunding Note Series |
|---------------------------------------|--|--|---|---|--|
| 2020 | - | - | - | 5,095,650 | 9,339,342 |
| 2019 | - | - | - | 5,485,711 | 9,738,279 |
| 2018 | - | - | - | 5,865,001 | 10,123,875 |
| 2017 | - | - | - | 6,233,816 | 10,496,575 |
| 2016 | - | - | - | 6,592,446 | 10,856,811 |
| 2015 | - | - | - | 6,941,172 | 11,205,000 |
| 2014 | - | 5,800,000 | - | 7,280,268 | 11,205,000 |
| 2013 | - | 6,040,000 | 12,900,000 | 7,610,000 | - |
| 2012 | 7,870,000 | 6,275,000 | 13,515,000 | - | - |
| 2011 | 8,125,000 | 6,500,000 | 14,100,000 | - | - |

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

City of Destin, Florida

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

| Fiscal Year Ended September 30, | 2009 CRA Harbor Revenue Note (Restructured 2015) | 2015 Revenue Refunding Note Series | Capital Leases | Total Revenue Bonds and Notes and Capital Leases | Per Capita |
|---------------------------------------|--|--|-------------------|---|---------------|
| 2020 | 3,986,827 | 4,035,000 | 166,965 | 22,623,784 | 1,588 |
| 2019 | 4,429,808 | 4,379,000 | 175,160 | 24,207,958 | 1,825 |
| 2018 | 4,770,168 | 4,714,000 | 268,401 | 25,741,445 | 1,941 |
| 2017 | 5,096,625 | 5,039,000 | 311,197 | 27,177,213 | 2,049 |
| 2016 | 5,409,749 | 5,359,000 | 72,665 | 28,290,671 | 2,133 |
| 2015 | 5,709,446 | 5,427,000 | 95,393 | 29,378,011 | 2,208 |
| 2014 | 5,997,542 | - | 119,229 | 30,402,039 | 2,302 |
| 2013 | 6,136,242 | - | - | 32,686,242 | 2,379 |
| 2012 | 6,269,274 | - | - | 33,929,274 | 2,590 |
| 2011 | 6,396,157 | - | - | 35,121,157 | 2,681 |

City of Destin, Florida

Demographics
(Unaudited)

| | | |
|-------------------------------------|----|--------|
| Land area (miles) | | |
| Square miles incorporated | | 7.53 |
| Land | | 6.78 |
| Water | | 0.75 |
| Gulf-front | | 6.60 |
| Bay-front | | 5.81 |
| City maintained streets | | 69.10 |
| Paved | | 69.10 |
| Unpaved | | 0.00 |
| Estimated population | | |
| Year-round | | 14,247 |
| Seasonal-peak | | 75,000 |
| Gender composition | | |
| Female | | 50.5% |
| Male | | 49.5% |
| Racial composition | | |
| White | | 86.7% |
| Hispanic | | 9.5% |
| Black | | 2.6% |
| American Indian | | 40.0% |
| Asian | | 1.9% |
| Other | | 2.9% |
| Median household income | \$ | 79,000 |
| Personal income | \$ | 45,324 |
| Number of households | | 13,672 |
| Households with homestead exemption | | 5,885 |
| Unemployment rate | | 2.80% |

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 and Ten Years Ago
(Unaudited)

| Employer | September 30, 2020 | | | | September 30, 2011 | | |
|--------------------------------------|---|------|--|--------------------------------------|---|------|--|
| | Approximate Range of Numbers of Employees | Rank | Percent of City's Estimated Population | | Approximate Range of Numbers of Employees | Rank | Percent of City's Estimated Population |
| ResortQuest International, Inc. | 1000+ | 1 | 10.0% | ResortQuest International, Inc | 1000-1300 | 1 | 10.0% |
| Henderson Beach Resort | 500+ | 2 | 1.00% | A J's Seafood and Oyster House | 100-249 | 2 | 1.00% |
| Keller Williams Realty | 400 | 3 | 1.00% | Crab Trap | 100-249 | 3 | 1.00% |
| Big Kahuna's Waterpark | 300 | 4 | 1.00% | Cracker Barrel | 100-249 | 4 | 1.00% |
| McGuire's Irish Pub | 200 | 5 | 1.00% | Destin Healthcare and Rehabilitation | 100-249 | 5 | 1.00% |
| First Florida Bank | 200 | 6 | 1.00% | Harbor Docks | 100-249 | 6 | 1.00% |
| Destin Healthcare and Rehabilitation | 160 | 7 | 1.00% | Hey Baby Charter Boat | 100-249 | 7 | 1.00% |
| AJ's | 150 | 8 | 1.00% | Holiday Inn | 100-249 | 8 | 1.00% |
| Target | 150 | 9 | 1.00% | Lucky Snapper Grill & Bar | 100-249 | 9 | 1.00% |
| Olive Garden Italian Kitchen | 120 | 10 | 1.00% | Track Recreation Center | 100-249 | 10 | 1.00% |
| Total | | | <u>19.00%</u> | Total | | | <u>19.00%</u> |

City of Destin, Florida

City Employees - Last Five Years
(Unaudited)

| | Fiscal Year | | | | |
|--|-------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| City Manager's Office | | | | | |
| City Manager | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 1 | 1 | 1 | 1 | 1 |
| Deputy City Manager | 1 | 1 | 1 | 0 | 0 |
| Public Information Manager | 1 | 1 | 1 | 1 | 1 |
| Grants Projects Manager | 1 | 0 | 0 | 1 | 1 |
| Development/Re-Development Manager | 0 | 0 | 0 | 1 | 1 |
| Geographic Information Systems Manager | 1 | 1 | 1 | 1 | 1 |
| IT Manager | 1 | 1 | 1 | 1 | 1 |
| Systems Network Specialist | 1 | 1 | 1 | 1 | 0 |
| Help Desk Technician | 1 | 0 | 0 | 0 | 0 |
| Receptionist 2-PT (FTE) | 1 | 1 | 1 | 1 | 1 |
| Subtotal | 10 | 8 | 8 | 9 | 8 |
| Public Safety | | | | | |
| Crossing Guards (2 PT Seasonal) | 1 | 1 | 1 | 1 | 1 |
| Human Resources | | | | | |
| HR/Risk Manager | 1 | 1 | 1 | 1 | 1 |
| HR Coordinator | 0.5 | 0.5 | 0.5 | 0.5 | 1.0 |
| Intern (PT) | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 1.5 | 1.5 | 1.5 | 1.5 | 2.0 |
| City Clerk's Office | | | | | |
| City Clerk | 1 | 1 | 1 | 1 | 1 |
| Deputy City Clerk | 1 | 1 | 1 | 1 | 1 |
| Deputy City Clerk | 0 | 0 | 0 | 0 | 0 |
| Records Clerk (PT) | 1 | 1 | 1 | 1 | 1 |
| Subtotal | 3 | 3 | 3 | 3 | 3 |
| Finance Director's Office | | | | | |
| Finance Director | 1 | 1 | 1 | 1 | 1 |
| Accountant | 1 | 1 | 1 | 1 | 1 |
| Accounting Clerk | 1 | 1 | 1 | 0 | 0 |
| Payroll Accounting Clerk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| AP Administrative Clerk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Subtotal | 3.5 | 3.5 | 3.5 | 2.5 | 2.5 |
| Community Development Office | | | | | |
| Community Development Director | 1 | 1 | 1 | 1 | 1 |
| Comprehensive Planning Manager | 0 | 0 | 1 | 1 | 1 |
| Current Planning Manager | 1 | 1 | 0 | 0 | 0 |
| Transportation Manager | 0 | 0 | 0 | 0 | 0 |
| Administrative Assistant | 1 | 1 | 1 | 1 | 1 |
| Engineering Assistant II | 0 | 0 | 0 | 0 | 0 |
| Stormwater Management Specialist | 0 | 0 | 1 | 0 | 0 |
| Planner | 4 | 2 | 2 | 1 | 1 |
| Subtotal | 7 | 5 | 6 | 4 | 4 |

City of Destin, Florida

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

| | Fiscal Year | | | | |
|--|-------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Building Inspections | | | | | |
| Building Official | 1 | 1 | 1 | 1 | 1 |
| Deputy Building Official | 1 | 1 | 1 | 1 | 1 |
| Building Inspector | 1 | 1 | 1 | 1 | 1 |
| Permit & Licensing Administrator | 1 | 1 | 1 | 1 | 1 |
| Permit & Licensing Clerk | 1 | 1.5 | 1.5 | 2 | 1.5 |
| Subtotal | 5 | 5.5 | 5.5 | 6 | 5.5 |
| Environmental Code Enforcement | | | | | |
| Code Compliance Manager | 1 | 1 | 1 | 0.5 | 0.5 |
| Code Compliance Officer (Harbor) | 1 | 1 | 0 | 0.5 | 0.5 |
| Code Enforcement Officer | 4.5 | 3 | 3 | 3 | 3 |
| Code Enforcement Clerk | 1 | 1 | 1 | 0 | 0 |
| Subtotal | 7.5 | 6 | 5 | 4 | 4 |
| Public Services Department | | | | | |
| Public Services Director | 1 | 1 | 1 | 1 | 1 |
| Deputy Public Services Director | 1 | 1 | 1 | 1 | 1 |
| Operations & Maintenance Manager | 0 | 0 | 0 | 0 | 0 |
| Repair & Maintenance Supervisor | 0 | 0 | 0 | 0 | 0 |
| Field Crew Supervisor | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 1 | 1 | 1 | 1 | 1 |
| Mechanic | 1 | 1 | 1 | 1 | 1 |
| Maintenance Technician-General Maintenance | 2 | 2 | 2 | 2 | 3 |
| Equipment Operator | 1 | 1 | 1 | 1 | 1 |
| Maintenance Technician/Mechanic | 1 | 1 | 0 | 0 | 0 |
| Subtotal | 9 | 9 | 8 | 8 | 9 |
| Facilities | | | | | |
| Maintenance Technician - Facilities | 2 | 2 | 2 | 2 | 2 |
| Maintenance Technician - Custodian | 2 | 2 | 1 | 0 | 0 |
| Subtotal | 4 | 4 | 3 | 2 | 2 |
| Cemetery | | | | | |
| Maintenance Technician | 0 | 0 | 0 | 0 | 0 |
| Parks | | | | | |
| Maintenance Technician | 5.5 | 5.5 | 5.5 | 5.5 | 4.5 |
| Groundskeeper | 1 | 1 | 1 | 1 | 0 |
| Subtotal | 6.5 | 6.5 | 6.5 | 6.5 | 4.5 |

City of Destin, Florida

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

| | Fiscal Year | | | | |
|--|-------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| City Engineer's Department | | | | | |
| City Engineer | 1 | 1 | 0 | 0 | 0 |
| Engineering Assistant II | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 0 | 0 | 0 | 0 | 0 |
| Drafting Cad Technician | 1 | 1 | 1 | 1 | 1 |
| Stormwater Program Coordinator | 1 | 1 | 1 | 1 | 0.5 |
| Subtotal | 4 | 4 | 3 | 3 | 2.5 |
| Library | | | | | |
| Library Director | 1 | 1 | 1 | 1 | 1 |
| Technical Services (Cataloger) | 1 | 1 | 1 | 1 | 1 |
| Circulation Desk | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 1 | 1 | 1 | 1 | 1 |
| Youth Services & Reference Librarian | 1 | 1 | 1 | 1 | 1 |
| Technology Specialist | 1 | 0 | 0 | 0 | 0 |
| Custodian | 0 | 0 | 0 | 0.5 | 0.5 |
| Library Assistant - (6 x .5) PT | 3.0 | 3.0 | 2.5 | 2.5 | 2.5 |
| Subtotal | 9 | 8 | 7.5 | 8 | 8 |
| Morgan Sports Complex | | | | | |
| Recreation Program Coordinator (50% Outdoor Rec) | 1 | 1 | 2 | 2 | 2 |
| Recreation Assistant I | 3 | 3 | 2 | 2 | 1 |
| Field Maintenance Supervisor | 0 | 0 | 1 | 1 | 1 |
| Field Maintenance Technician | 3 | 5 | 3 | 3 | 4 |
| Field Maintenance Tech/Mechanic | 0 | 0 | 0 | 0 | 0 |
| Recreation Assistant | 1.5 | 2 | 2 | 2 | 1.5 |
| Scorekeepers (PT) | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Subtotal | 10 | 12.5 | 11.5 | 11.5 | 11 |
| Outdoor Recreation | | | | | |
| Park Supervisor | 1 | 1 | 1 | 1 | 1 |
| Park Attendant (PT) | 0 | 0 | 0 | 0 | 0 |
| Joe's Bayou Attendant | 3 | 3 | 3 | 3 | 3 |
| Recreation Program Coordinator | 1 | 1 | 1 | 1 | 1 |
| Subtotal | 5 | 5 | 5 | 5 | 5 |
| Community Center | | | | | |
| Deputy Park and Rec Director | 1 | 1 | 1 | 1 | 1 |
| Recreation Supervisor | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 1 | 1 | 1 | 1 | 1 |
| Clerk/Receptionist | 1 | 1 | 1 | 1 | 1 |
| Recreation Assistant II | 2 | 2 | 1 | 1 | 1 |
| Recreation Assistant | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Custodian | 2 | 2 | 2 | 2 | 1.5 |
| Camp Counselors (3 x .5 PT) | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 12.5 | 12.5 | 11.5 | 11.5 | 11 |

City of Destin, Florida

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

| | Fiscal Year | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Community Redevelopment Agency | | | | | |
| CRA Manager (Town Center) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| CRA Manager (Harbor) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Program Manager (FT) (thru March 09) (Harbor) | 0 | 0 | 0 | 0 | 0 |
| Maintenance Technician | 0 | 1.5 | 1.5 | 1.5 | 1.5 |
| 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 | 1 | 2.5 | 2.5 | 2.5 | 2.5 |
| Total all positions | 99.50 | 97.50 | 92.00 | 89.00 | 85.50 |

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

Source: City Human Resources Manager

Compliance Section

- Government Auditing Standards Report
- Uniform Guidance Report
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Status of Prior Year Findings
- Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill
- Independent Auditors' Report on Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill
- CRA Examination Report
- Investment Examination Report
- Management Letter

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

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, the fiduciary fund and the aggregate remaining fund information of the City of Destin, Florida, (the City), as of and for the year ended September 30, 2020, and the related notes to the City's basic financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Destin, Florida's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Destin, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

CITY OF DESTIN, FLORIDA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2020

| <u>Federal Grantor/Pass-through Grantor Program Title</u> | <u>CFDA Number</u> | <u>Agency or pass-through number</u> | <u>Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|---|------------------------|--|---------------------|--|
| <u>U.S. Department of Treasury:</u> | | | | |
| Passed-through Okaloosa County, Florida - | | | | |
| Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economics of the Gulf Coast States | 21.015 | 1RDCGR180102-01-00 | \$ 975 | - |
| Coronavirus Relief Fund | 21.019 | Y2276 | <u>1,369,794</u> | <u>-</u> |
| Total U.S. Department of Treasury | | | <u>1,370,769</u> | <u>-</u> |
| <u>U.S. Department of Homeland Security:</u> | | | | |
| Passed-through Florida Division of Emergency Management - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | |
| | 97.036 | Z0999/Z1782 | <u>129,571</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,500,340</u> | <u>-</u> |

See accompanying notes to schedule of expenditures of federal awards.

CITY OF DESTIN, FLORIDA

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2020

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the City, which is described in note 1 to the City's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of the Uniform Guidance.

Matching costs (the City's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in the schedule of expenditures of federal awards are prepared from records maintained for each program, which are reconciled with the City's financial reporting system.

(2) Indirect Costs

Indirect costs are included in the reported expenditures to the extent that such costs are included in the Federal financial reports used as the source for the data presented. The City did not use indirect costs and therefore did not elect to use the 10% de minimis election.

(3) Donated Personal Protective Equipment (PPE) - Unaudited

During the year ended September 30, 2020, the City received donated personal protective equipment. Management has determined that the fair market value of the donated personal protective equipment was immaterial. The value of any donated personal protective equipment is not required to be included on the schedule of expenditures of federal awards.

CITY OF DESTIN, FLORIDA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2020

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- | | |
|---|----------------------------------|
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

Internal control over major programs:

- | | |
|---|----------------------------------|
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |

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

- | | |
|---|-----------------------|
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)? | ___ Yes <u> x </u> No |
|---|-----------------------|

7. The City's major program audited was:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|--------------------------------|--------------------|
| Coronavirus Relief Fund | 21.019 |

- | | |
|---|-----------------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | ___ Yes <u> x </u> No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding.

CITY OF DESTIN, FLORIDA
Status of Prior Year Audit Findings
Year ended September 30, 2020

There were no audit findings in the prior year financial statements (September 30, 2019).

CITY OF DESTIN, FLORIDA
 Schedule of Receipts and Expenditures of Funds
 Related to the Deepwater Horizon Oil Spill
 Year ended September 30, 2020

| | Amounts Received in the 2019-2020 <u>Fiscal Year</u> | Amounts Expended in the 2019-2020 <u>Fiscal Year</u> |
|---------------------------------------|---|---|
| Source: | | |
| Gulf Environmental Benefit Fund | | |
| National Fish and Wildlife Foundation | \$ <u>32,869</u> | <u>32,869</u> |

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

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

We have audited the financial statements of the City of Destin, Florida (the City) as of and for the year ended September 30, 2020, and have issued our report thereon dated March 1, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill on page 95 is presented for the purpose of additional analysis as required by Chapter 288.8018, Florida Statutes, and the Chapter 10.557(3)(f), Rules of the Auditor General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Destin, Florida's (the City) compliance with the requirements of Section 163.387(6) and 163.387(7), Florida Statutes, Redevelopment Trust Fund, for the year ended September 30, 2020. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

Our examination disclosed that the City's Community Redevelopment Agency Fund's expenditures were in excess of budgeted amounts.

In our opinion, except for the deviation of overspending the budget described in the preceding paragraph, the City complied, in all material respects, with the State of Florida Statutes 163.387(6) and 163.387(7) for the year ended September 30, 2020.

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined City of Destin, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, for the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the State of Florida Statute 218.415 for the year ended September 30, 2020.

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Destin, Florida's (the City) compliance with the requirements of Section 288.8018, Florida Statute, Gulf Coast Audits, for the year ended September 30, 2020. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the State of Florida Statute 288.8018 for the year ended September 30, 2020.

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
April 23, 2021

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 (the City), as of and for the year ended September 30, 2020, and have issued our report thereon dated March 1, 2021.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in this report, which is dated March 1, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were recommendations made in the preceding annual audit report. See management's responses to prior year observations and recommendations on pages 97.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity to be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2020, 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, 2020. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted certain matters, as reported in Appendix A attached hereto. Included in our observations are management's responses, which we did not audit and, accordingly, we express no opinion on them.

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

Purpose of this Letter

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

EFPR Group, CPAs, PLLC

Jupiter, Florida
March 1, 2021

Prior Year Observations, Recommendations and
Management Responses

2019-01 Fund Balance Policy (Also reported as 2018-02 in the September 30, 2018 report, as 2017-04 in the September 30, 2017 report and as 2017-04 in the September 2016 report.)

Observation:

Previously management stated that the City had not adopted a formal fund balance policy.

Criteria:

A fund balance policy is important to comply with GASB Statement No. 54, as well as to establish minimum fund balance benchmarks to provide a stable tax levy for future budgeting purposes.

Recommendation:

We recommended that the City adopt a fund balance policy to comply with GASB Statement No. 54 and which also states a benchmark for unassigned fund balance for future budgeting purposes.

Management's Response:

New management discovered that there was a fund balance policy which was approved by the City Council. Therefore, this recommendation is considered resolved.