



CITY OF DESTIN, FL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2022

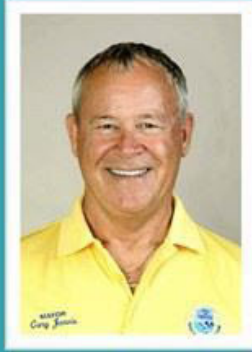


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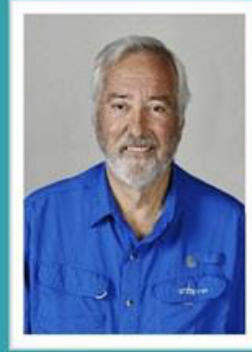
PREPARED BY:
CITY OF DESTIN FINANCE DEPARTMENT



DESTIN CITY COUNCIL



GARY JARVIS
MAYOR



DEWEY DESTIN
MAYOR PRO TEM/COUNCILMEMBER



JIM BAGBY
COUNCILMEMBER



RODNEY BRADEN
COUNCILMEMBER



TERESA HEBERT
COUNCILMEMBER



JOHNNY KING
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BOBBY WAGNER
COUNCILMEMBER



KEVIN SCHMIDT
COUNCILMEMBER

CITY OF DESTIN, FLORIDA

CITY OF DESTIN, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
SEPTEMBER 30, 2022

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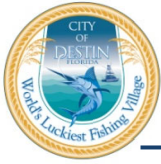
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City of Destin

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

March 15, 2023

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

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the City of Destin, Florida (the “City”) for the fiscal year ended September 30, 2022. 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 of Destin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Destin has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Destin’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Destin’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

In compliance with the laws of the State of Florida, the City’s financial statements have been audited by Mauldin and Jenkins, LLC, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Destin for the fiscal year ended September 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Destin’s financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Destin was part of a broader, state mandated “Single Audit” designed to meet the special needs of state 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. GAAP requires that management provide a

narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Destin's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Destin incorporated and adopted the Council-Manager form of government in 1984. The City Council is composed of seven voting members with the Mayor casting tie-breaking votes only. The Mayor and Council, elected in 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 of Destin provides a range of services that include the construction and maintenance of highways, streets, sidewalks, stormwater 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 Sheriff's Office. Water and wastewater utilities and fire protection and lifeguard services are provided by other governmental agencies working in close cooperation with City management. Tourism is the major field of employment within the City of Destin. The City of Destin includes a planning area of 7.53 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 13,905 full-time residents with an estimated peak seasonal population of approximately 100,000. One of the City's most significant on-going challenges is to provide infrastructure and services to accommodate the seasonal population.

Budgetary Control: The annual budget serves as the foundation for the City of Destin's financial planning and control. The City Manager starts each new calendar year with a Strategic Planning Session where department directors, city council members, and the citizens of Destin discuss their long-term vision for the City and strategically prioritize issues and projects. All departments of the City of Destin are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager evaluates these requests against the strategic planning 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 53 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 54.

Factors Affecting Financial Condition

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

Local Economy: In FY 2022, 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. The Okaloosa Tourist Development Council reported that FY 2022 bed tax collections and visitor estimates were higher than pre-pandemic figures.

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 FY 2022, 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 FY2022 was set at 1.615 mills for the sixth consecutive year.

Major Initiatives - Current and Future

Livable Wages and Benefits: Council's top priority objective for FY 2022 was to offer livable wages and benefits to attract and maintain high caliber, qualified staff. Like many of the businesses in Destin, the City has found it difficult to maintain full staffing levels. The budget adopted for FY 2022 assumed 8% increased personnel costs and adopted funding to achieve and implement a compensation study. A cost of living (COLA) of 5% was immediately granted to employees upon adoption of the new budget, and a longevity award was given based upon years of employment with the City.

Cross-Town Connector: The Cross-town Connector project was recognized as Council's second top priority for FY 2022. For many years, the City of Destin 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. FDOT has awarded the City a grant to complete the purchase of property to construct the roadway, and in FY 2022 three of nine needed parcels were purchased. Okaloosa County has projected funding in future budget years to contribute towards the construction phase of this project. Additional funding will also be needed. The City has purchased some properties for right-of-way and has relocated some of the residents affected by the project. An engineering firm has recently completed the design, construction will begin after the necessary right-of-way has been secured and sufficient funding is in place to complete the project.

Beach Acquisition: Council's third 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. City Council signed a revised interlocal agreement with and the Okaloosa County Tourism Development Council (TDC) to continue beachfront park development of the properties purchased in FY 2021 and to acquire an additional 340+ feet of beachfront properties in early FY 2023. Administrative and financial assistance for these purchases is provided by the Trust for Public Lands (TPL).

Undergrounding Utilities: The fourth of City Council's top priorities for the City of Destin is to underground overhead 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 FY 2021, the City hired a Project Management company to manage our ambitious utility undergrounding project. The Project Management company has completed a report that outlines the optimal phasing for the project and also provided an opinion of probable cost for the first phase. The Project Manager is coordinating closely with FDOT and local utility providers. In early 2022, the City finalized a new franchise undergrounding agreement with FPL (formerly Gulf Power, a subsidiary of Nextera Energy) and received an opinion of probable cost. This opinion will allow for the consideration of financing options and a potential start to the project in late FY 2023.

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 FY 2022-2026 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. The City is working closely with a rate analyst to establish developer mobility fees to help the City fund the greater multi-modal mobility plan.

Purchase and Installation of Municipal Management Software: A top priority for the organization was to implement a comprehensive software package that would 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 worked diligently on this monumental City project and this new e-government system went live in June 2021. This new software streamlined communication amongst City staff and customers, and productivity has markedly increased at both the office and field levels. The COMPASS portal enables residents, developers, contractors, and business owners to easily apply for their building permit, development, business tax receipts and engineering applications from their computer in the comfort of their home or office. They can submit necessary documents, track the progress, pay invoices, and receive final documentation via the COMPASS portal without calling or making a trip to City Hall Annex. Furthermore, the average turnaround time between application submittal and permit issuance for permits and business tax receipts has improved by 80%. In FY 2023, the System will be upgraded to a SaaS system which will further improve reliability and performance.

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 FY 2011 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 FY 2013, 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 FY 2014 city staff began working with the State to implement this project. The project began in the fall of 2017 with the stabilization phase. In the fall of 2021, the City signed an agreement with a developer who will work with the City to extend the road and add parking for access to the park that FDEP has worked to design. FDEP continues to manage the design and construction of improvements to Norriego Point. We anticipate the construction of recreation amenities to begin in early FY 2024. The hardening efforts on Norriego Point provide storm protection for the Destin Harbor and will help preserve the point for the future.

Joe's Bayou Renovation: In 2016, the City purchased a parcel of waterfront property that has long been desired by the City of Destin to complete its plans for the Joe's Bayou Recreation Area which will combine four properties into one recreational park. FDEP is managing the funding, design and construction of a bayfront park. Design is underway in FY 2022 and construction is anticipated to start in late FY 2023 or early FY 2024.

Community Redevelopment Agency: The Community Redevelopment Agency (CRA) 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 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 Master Plans for the two CRA districts are under review and revised master plans should be published by the end of FY 2023. During FY 2022, both CRA districts pledged funding towards the utility undergrounding project that will start in their geographic areas in FY 2023.

Town Center CRA District

Major projects in the Town Center district of the CRA valued at over \$18 million were accomplished between 2005-2009 included:

- Construction of the Main Street and Legion Drive widening, stormwater management improvements, and multi-modal landscaping enhancements
- Undergrounding of overhead utilities on Main Street
- Airport Road widening, including stormwater management improvements and multi-modal amenities

These projects were accomplished through a combination of grants and tax increment financing (TIF) revenue bonds.

Gulf Power Easement/Linear Park: One key project aimed at redeveloping the Town Center District 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.

Harbor CRA District

The major projects of the Harbor District CRA were mostly completed in 2009-2013:

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

In 2014, focus was placed on safe pedestrian mobility in the Harbor District and along US 98. The City worked with the State of Florida Department of Transportation (FDOT) to conduct a Pedestrian Safety Assessment analysis of Hwy 98 from Marler Bridge to Airport Road. In the spring of FY 2016, 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, walkways, and a plaza with picnic tables, playground equipment and restrooms. The construction of the park began in early 2021 and is expected to be substantially completed by the Spring of 2023. This construction is primarily funded by a Restore Act grant from the US Treasury, being administered by Okaloosa County.

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 fiscal year 2022. 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 capital projects are funded by grant revenues and impact fees.

Statement of Philosophy: In 2021, 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 visitors 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 established strategic goals of:

- 1) Financially sound City providing service excellence
- 2) A green and sustainable environment
- 3) Improve mobility and connectivity
- 4) Enhanced quality of life and safety for families
- 5) Economic development and revitalization
- 6) Effective, efficient and aesthetically pleasing infrastructure

Plans articulated in the fiscal year 2022 Adopted Budget and Capital Improvement Plan continue to support basic governmental services (roads, 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 of Destin.

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

Capital Improvement Program: Destin's Capital Improvement Program projects are planned for five years and evaluated based on project totals of over \$25,000, a useful life of five years or more; and costs that do not reoccur annually, unless the project has multi-year elements. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. Expending the pay-go funding sources can appear as an appropriation of fund balance in years when construction occurs after years of saving up for a project. 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 percent. 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's commitment to budget and appropriate, sales taxes, communication service taxes, Okaloosa Half-Penny Infrastructure Surtax, and CRA tax increment funding (TIF). The Tax Increment Financing (TIF) revenues are calculated using the growth of property values above the base year property values within each CRA district. Annual requirements and debt transactions are reflected in the notes to the financial statements.

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 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

Management's Discussion and Analysis (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 21 and 22 and are intended to present the City in a manner similar to private-sector businesses.

Additionally, the Fund Financial Statements (starting on page 23) 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 6).

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 Annual Comprehensive Financial Report (ACFR) for the year ended September 30, 2021. 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-sixth 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 ACFR. 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 Mauldin and Jenkins, LLC, 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
City Manager



Krystal Strickland, CPA, CGFO
Finance Director

**CITY OF DESTIN
EXECUTIVE DIRECTORY**

City Council

**Gary Jarvis, Mayor
Dewey Destin, Mayor Pro Tem/Council
Rodney Braden, Council
Terésa Herbert, Council
Johnny King, Council
Kevin Schmidt, Council
Jim Bagby, Council
Bobby Wagner, Council**

City Manager

Lance Johnson

Finance/Budget Director

Krystal Strickland

Deputy City Manager

Webb Warren

City Attorney

**Kyle Bauman
Anchors, Smith,
Grimsley, PLC**

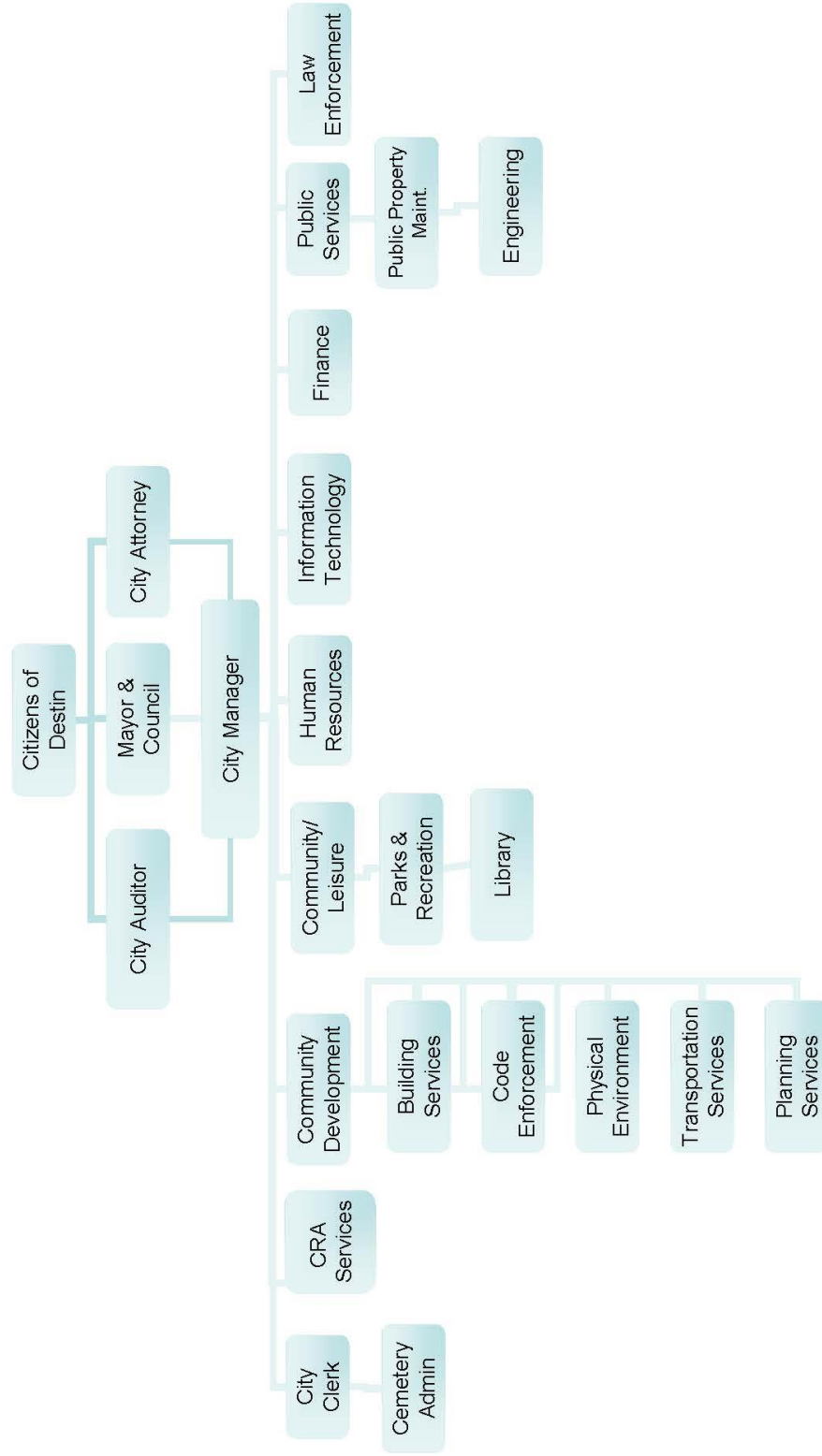
City Clerk

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Destin, Florida** (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the CRA Town Center Fund, and the Okaloosa Half-Penny Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 20 and the schedule of changes in the City's total OPEB liability and related ratios on page 50 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.

Supplementary 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 combining and individual nonmajor fund statements and schedules 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 and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General of the State of Florida and is also not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

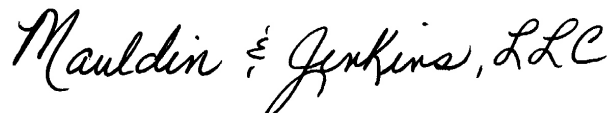
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, 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.



Bradenton, Florida
March 15, 2023

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CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

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, 2022. The City's Management Discussion and Analysis (MD&A) is designed to: (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the City's financial activities, (c) identify changes in financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify any individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- Assets plus deferred outflows of resources of the City of Destin exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$139,489,950 (net position). Of this amount, \$100,905,387 represents the net investment in capital assets (e.g. land, infrastructure, building, machinery, and equipment) \$5,073,775 million is restricted for use by regulatory agencies, grantors and debt covenants, and \$33,510,788 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position of increased by \$8,284,655 during the current fiscal year. The majority of this increase is from collections of Okaloosa Half Penny Infrastructure Surtax and Electric Franchise Fees which the City is collecting to invest in capital projects such as Undergrounding of overhead utilities and acquisition and development of land for parks scheduled for fiscal year 2023 through fiscal year 2026. In addition, property tax and sales and use taxes were up again this year, continuing to be fueled by high demand for properties in our beach town and continued high levels of tourism.
- Governmental Activities generated \$6,465,725 in program revenues (\$2.1 million less than in the prior fiscal year). Capital grants were nearly \$2.7 million lower in fiscal year 2022 than fiscal year 2021, while charges for services were \$432 thousand higher due to programs returning to more typical levels post-pandemic. Operating grants were \$128 thousand higher than in fiscal year 2021. Expenditures increased nearly \$1.2 million to support the renewed vigor in our programs (\$600 thousand for culture and recreation; \$600 thousand for transportation related activities including repaving and restriping of roads).
- At the close of the current fiscal year, the City of Destin's governmental funds reported combined ending fund balances of \$38,771,830, an increase of \$5,255,915, or 13.6% over the prior year. Of this amount, \$2,581,252 is Nonspendable, \$5,073,775 is restricted, \$20,423,327 is committed, \$857,077 is assigned, and \$9,836,399 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,500,107, or 95% of the total General Fund operating expenditures.
- During fiscal year 2022, the City extended the life of a land lease for the Morgans Sports Center grounds resulting in proceeds from issuance of debt in the amount of \$24,021.
- During this fiscal year, the City invested over \$4.3 million into new and replacement capital assets and infrastructure. Grant funding covered nearly \$2.4 million of these investments into new parks and road infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section, Financial Section, Statistical Section, and the Compliance Section*. Within the Financial Section, there is the *Independent Auditors' Report*, this *Management's Discussion and Analysis*, the *Basic Financial Statements*, *Required Supplementary Information* and an additional section that presents *Combining Statements* for non-major governmental funds.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

The basic financial statements include two kinds of statements that present different views of the City:

Government-wide – The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.

Fund Financial Statements – The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. These fund financial statements focus on the short-term cashflows, and exclude long-term items such as capital assets and long-term liabilities.

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.

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 of Destin 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 of Destin 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, city planning, facility and fleet maintenance and non-departmental expenses), public safety (code compliance, law enforcement, 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 (library, parks, athletic fields, and community center) and debt service.

The government-wide financial statements are found on pages 21 and 22 of this report.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

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. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. The City of Destin's funds can be divided into two categories: governmental and fiduciary funds. Our City does not currently have any proprietary (business-like) 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 23 through 28 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 for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 11 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 four of the 11 funds considered to be major funds. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements and can be found on pages 51 through 63 of this report.

Major Governmental Funds:

General Fund
CRA Town Center Fund
Capital Projects Fund
Okaloosa Half-Penny Fund

Non-Major Governmental Funds:

CRA Harbor Fund
Florida Building Code Fund
Parking Fund
Technology Fund
2013 Refunding Revenue Note Series Fund
2014 Refunding Revenue Note Series Fund
2021 Refunding Revenue Note Series Fund

The City of Destin adopts annual appropriated budgets for all of the governmental funds. A budgetary comparison statement is presented within this report for each of those funds to demonstrate budgetary compliance.

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 of Destin has no business-type activities that meet the definition of this fund category.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

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, 2022, total assets were stated at \$4,821,060, a decrease of \$2,314,139 compared to the September 30, 2021 stated value of \$7,135,199. The decrease in assets was due to withdrawals by former employees and retirees (\$1.7 million) and the remaining difference is related to an unrealized loss in value. Allocations of investments were represented as 98% mutual funds and 2% cash and cash equivalents.

The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are found on pages 27 and 28 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 29 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 51 through 63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of net position. As noted earlier, over time net position may serve as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the statement of net position summary presentation as reflected below:

- 1) **Net results of activities** will impact (increase/decrease) current assets and unrestricted net position.
- 2) **Borrowing for capital** items will increase current assets and long-term debt.
- 3) **Spending borrowed proceeds on new capital** items will reduce current assets and increase capital assets. Additionally, an increase in investments in capital assets plus an increase in related debt will not change the net investment in capital assets.
- 4) **Spending of non-borrowed current assets on new capital** items will reduce current assets, increase capital assets, reduce unrestricted net position, and increase net investment in capital assets.
- 5) **Principal payment on debt** will reduce current assets, reduce long-term debt, decrease unrestricted net position, and increase net investment in capital assets.
- 6) **Reduction of capital assets through depreciation** will reduce capital assets and net investment in capital assets.

CITY OF DESTIN, FLORIDA

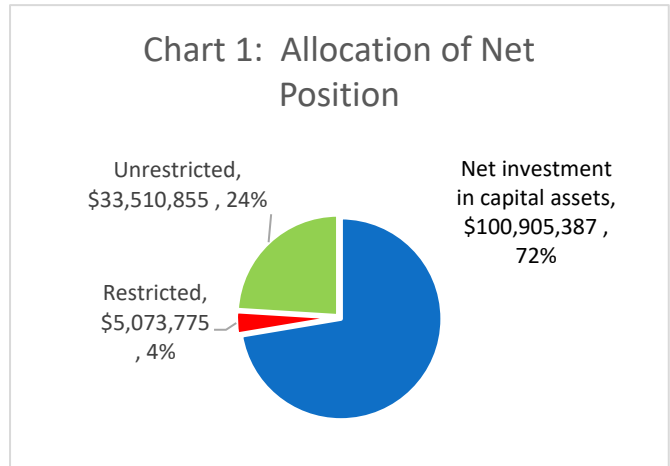
**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

In the case of the City of Destin, combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$139,489,950 at the close of fiscal year 2022. (See Table 1 below.)

**Table 1
Statement of Net Position
As of September 30, 2022**

	Governmental Activities			
	2022	2021	\$ Change	% Change
Current and other assets	\$ 41,409,176	\$ 35,681,914	\$ 5,727,262	16%
Capital assets	122,321,856	121,522,085	799,771	1%
Total assets	<u>163,731,032</u>	<u>157,203,999</u>	<u>6,527,033</u>	<u>4%</u>
Deferred outflows	<u>59,898</u>	<u>66,524</u>	<u>(6,626)</u>	<u>-10%</u>
Other liabilities	4,854,976	3,334,156	1,520,820	46%
Long-term liabilities	19,446,004	21,649,241	(2,203,237)	-10%
Total liabilities	<u>24,300,980</u>	<u>24,983,397</u>	<u>(682,417)</u>	<u>-3%</u>
Deferred inflows	<u>-</u>	<u>1,081,831</u>	<u>(1,081,831)</u>	<u>-100%</u>
Net position:				
Net investment in capital assets	100,905,387	98,289,498	2,615,889	3%
Restricted	5,073,775	3,852,330	1,221,445	32%
Unrestricted	33,510,788	29,063,467	4,447,321	15%
Total net position	<u>\$ 139,489,950</u>	<u>\$ 131,205,295</u>	<u>\$ 8,284,655</u>	<u>6%</u>

The largest portion of the City's net position, \$100,905,387 (72% of total net position), reflects the 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. An additional portion of the City's net position, \$5,073,775 (4% of total) represents resources that are subject to external restrictions. The remaining balance is considered unrestricted \$33,510,788 (24% of total) may be used to meet the City's ongoing obligations to citizens and creditors.



The City's current and other assets increased \$5,727,262 (16%). Much of this increase is revenues that are being saved to apply towards major capital projects that are identified in the 5-year capital project plan. Capital assets net of depreciation increased \$799,771 (1%). Our largest addition to capital assets during FY 2022 was the acquisition of three parcels of land on Sandalwood Drive which were purchased towards completion of an alternate route for citizens to travel between West Destin and East Destin. This alternate route is referred to as the Cross-Town Connector in the City's five-year capital improvement plan. More details on the changes in capital assets can be found in Note 7 of the financial statements found on page 41.

The City's total liabilities decreased nearly \$700 thousand (3%), as the City paid down debt. More details regarding the changes in long-term liabilities can be found in Note 8 and Note 9 to the financial statements found in pages 42 through 45.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Deferred inflows decreased \$1,081,831 (100%). This decrease is related to American Rescue Plan Act (ARPA) grant funds that were advanced to the City, which are classified as unearned revenues (a liability). Unearned revenue is cash advances from grantors that has not yet been "earned". It shows as a liability because we have to return these funds if they are not expended on an eligible project within the agreed upon timeframe. Unearned revenue increased to \$1.7 million, and primarily represents American Rescue Plan Act (ARPA) funds. The City's deferred inflows represent revenue not yet earned. GASB states that revenues can be recognized when the funds have been earned *and* are reasonably available to pay current obligations. Reasonably available means the funds are received within 60 days of the end of the period.

Summary of changes in net position. The following information is presented to assist the reader in understanding the different types of basic impacts that can affect revenues:

- 1) **Economic Condition** can reflect a declining, stable, or growing environment and has an impact on property taxes, sales, gas, or other tax revenues as well as consumer spending habits as it relates to building permits, user fees, and other consumption revenues.
- 2) The City Council has authority to set **increases or decreases in City rates** (permitting, impact fees, user fees, parking fees, etc.).
- 3) **Changing patterns in intergovernmental and grant revenues** (both recurring and non-recurring) can change and impact the annual comparisons.
- 4) **Market impacts on investment income** may cause investment revenues to fluctuate from the prior year.

Basic impacts that can affect expenses:

- 1) **Introduction or elimination of programs** and facilities can have an impact on staffing levels, operating costs, and capital outlay costs.
- 2) **Changes in service levels** can cause the City to increase or decrease expenses. The City of Destin outsources many activities, such as law enforcement, legal services, median maintenance, and engineering services. Personnel and contractual services for operating service levels account for over 60% of the City's operating costs.
- 3) **Salary increases** such as cost of living, performance increase, and pension contributions can impact personnel costs. Staffing costs (salary and related benefits) represent approximately 38% of the City's operating costs.
- 4) **Inflation** continues to edge upwards, therefore increasing the price of goods and services purchased by the City. The City is also a major consumer of certain commodities such as fuel, chemicals, supplies, parts, and construction materials to maintain our facilities which have experienced unusual commodity specific increases. In addition, the City has various contracts with built-in annual increases.

The City's net position increased by \$8,284,655 (6%) during the fiscal year 2022. The increase in net position was primarily a result of increased revenues. Much of this increase of the net position is planned as we are saving certain revenues (franchise fees and government revenue sharing) to invest in significant projects in the City's 5-year Capital Improvement Plan.

More detailed information regarding the changes in governmental revenues and expenses can be found following Table 2 on the following page, which is a summary of the change in net position for governmental activities.

CITY OF DESTIN, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**Table 2
Statement of Activities
For the Year Ended September 30, 2022**

Governmental Activities				
	2022	2021	\$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 3,193,879	\$ 2,761,617	\$ 432,262	16%
Operating grants and contributions	775,474	646,998	128,476	20%
Capital grants and contributions	2,496,372	5,192,296	(2,695,924)	-52%
General revenues:				
Property taxes	10,794,578	9,892,776	901,802	9%
Other taxes	3,496,780	3,480,413	16,367	0%
Franchise fees	3,159,650	2,034,776	1,124,874	55%
Government revenue sharing	2,491,312	2,258,270	233,042	10%
Impact fees	132,605	590,174	(457,569)	-78%
Investment income (loss)	(1,078,214)	19,983	(1,098,197)	-5496%
Miscellaneous	36,503	50,972	(14,469)	-28%
Total revenues	25,498,939	26,928,275	(1,429,336)	-5%
Operating expenses:				
General government	3,882,608	3,583,345	299,263	8%
Public safety	3,960,949	3,756,665	204,284	5%
Physical environment	1,180,082	646,171	533,911	83%
Transportation	3,377,216	2,739,207	638,009	23%
Economic environment	129,780	1,141,935	(1,012,155)	-89%
Human services	51,604	64,531	(12,927)	-20%
Culture and recreation	4,081,335	3,476,834	604,501	17%
Interest	550,710	637,571	(86,861)	-14%
Total operating expenses	17,214,284	16,046,259	1,168,025	7%
Change in net position	8,284,655	10,882,016	(2,597,361)	-24%
Net position, beginning	131,205,295	120,323,279	10,882,016	9%
Net position, ending	\$ 139,489,950	\$ 131,205,295	\$ 8,284,655	6%

Current Year Impact – Governmental Activities

- Ad valorem property taxes increased \$901,802 (9%) due to the increase of property values within the City. The millage rate has been maintained at 1.615 for each of the last six fiscal years (since fiscal year 2017). Upon incorporation in 1984, the City of Destin adopted a millage rate cap of 2 mills.
- Grants and contributions decreased nearly \$2.6 million (52%). Fiscal year 2021 was an exceptional year when we received a significant grant from the Okaloosa Tourist Development council to acquire land to expand beach access.
- Investment income decreased over \$1 million. Investment income includes unrealized gains and losses. The City's conservative investment policies result in fiscal year investing in U.S. treasuries and U.S. agency bonds which did not realize losses, but the mark to market rule requires us to record and report the unrealized loss. As interest rates rose significantly during the last half of 2022, the City's holdings of bonds lost market value.
- Franchise fee collections increased over \$1.1 million (55%) because we increased the electric franchise fee 33% from 4% to 6%. This new increment of 2% is restricted to undergrounding of overhead utilities, scheduled to start in the fall of 2023.
- Charges for services increased \$432,262 (16%). This is mainly attributed to faster turn-around to issue building permits and also to resuming normal operations at our recreation facilities. Many programs were cancelled in fiscal year 2020 and fiscal year 2021 due to COVID-19.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

- Government revenue sharing includes taxes collected by the State of Florida which are shared with municipalities. Government revenue sharing increased \$233,042 (10%).
- Total City expenses increased \$1,168,025 (7%), as the cost of personnel increased. A 5% cost of living was granted to all employees on the first day of fiscal year 2022 and approximately 70% of the staff received wage increases based upon results of a compensation study.

Chart 2 compares governmental revenues from fiscal year 2022 to fiscal year 2021 by major revenue category:

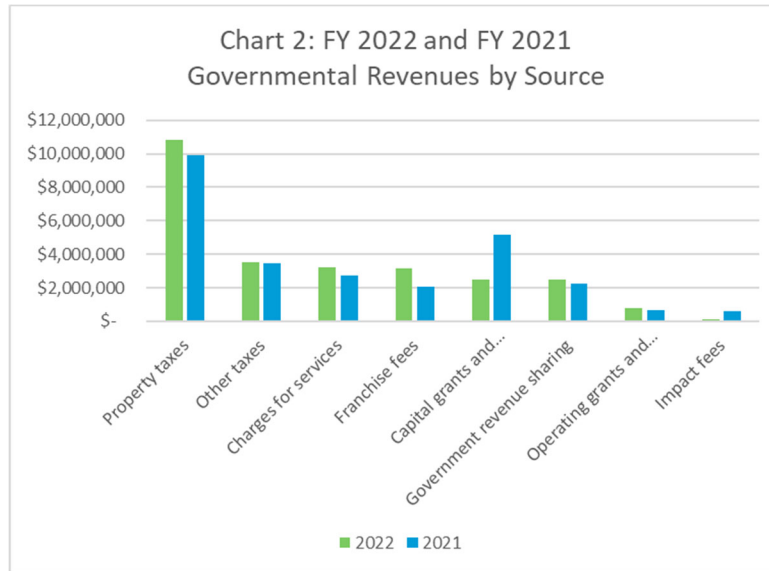
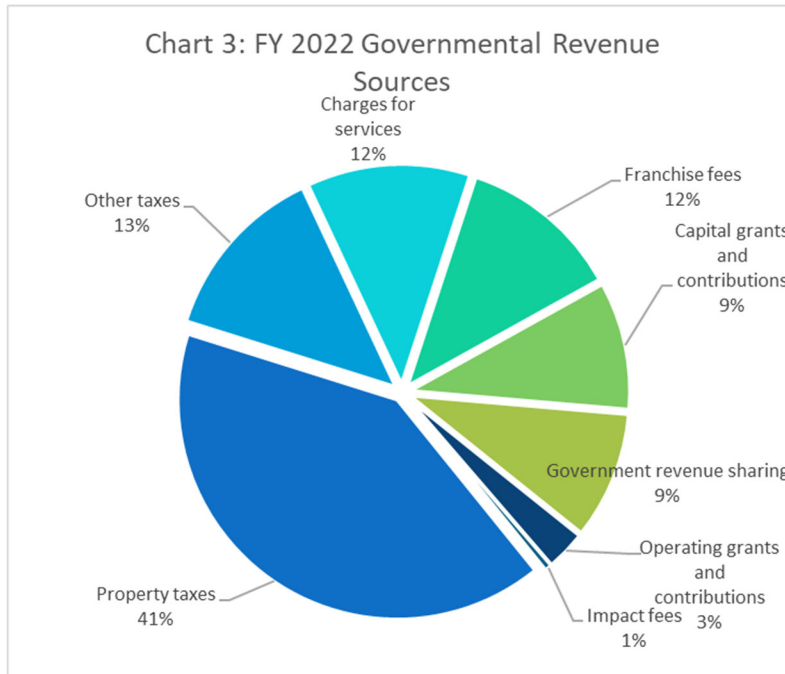


Chart 3 provides an overall view of the various governmental revenue sources:

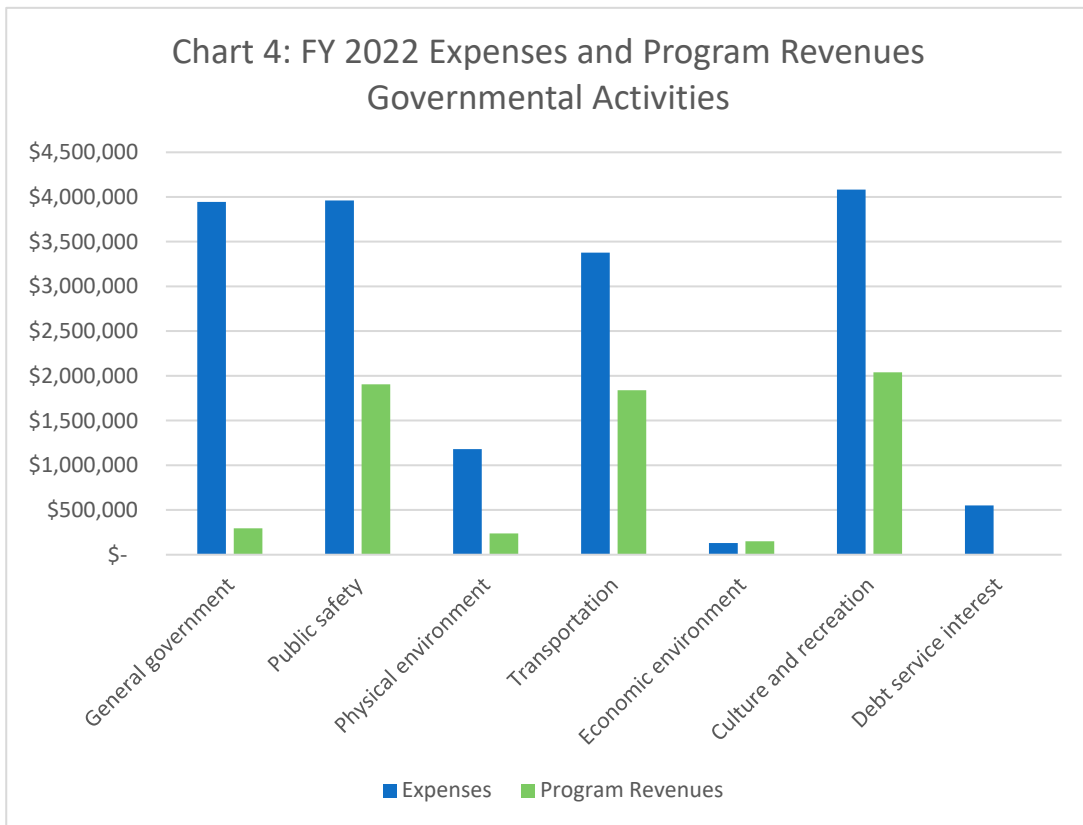


CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Chart 4 compares program revenues to program expenses for each category of governmental activity. Program revenues include charges for services and grants. The cost of all governmental activities this year was \$17,214,284. This cost was financed by:

- Those who directly benefit from the programs through charges for services \$3,193,876 (19% of total program expenses).
- Other governments and organizations that subsidized certain programs through operating and capital grants and contributions \$3,271,847 (19% of total program expenses).
- The remaining \$10,748,559 “public benefit” portion of governmental activities was financed with property taxes.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of 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, 2022, the City's governmental funds reported combined ending fund balance of \$38,771,830, an increase of \$5,255,915 as compared to the prior year.

CITY OF DESTIN, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**Table 3
Governmental Funds - Fund Balance
As of September 30,**

Fund Balance	Governmental Activities		\$ Change	% Change
	2022	2021		
<i>Nonspendable:</i>				
Interfund advance	\$ 2,448,824	\$ 2,448,824	\$ -	0%
Prepays and deposits	132,428	113,017	19,411	17%
<i>Restricted for:</i>				
Impact fees (park, traffic, library and police)	2,017,332	2,108,263	(90,931)	-4%
Other agreements (NPEB, Stormwater, Morgans Grant, Gas Tax#2)	1,853,387	817,875	1,035,512	127%
Debt service	340,053	339,200	853	0%
CRA Harbor	418,169	276,243	141,926	51%
Florida Building Code	444,834	310,750	134,084	43%
<i>Committed for:</i>				
Emergency operations	5,039,397	3,707,539	1,331,858	36%
Debt service	3,605,098	2,669,656	935,442	35%
Emergency maintenance	5,039,396	3,707,539	1,331,857	36%
Infrastructure surtax	4,486,150	3,408,363	1,077,787	32%
Renewal and replacement	1,554,316	1,045,290	509,026	49%
Parking	347,845	-	347,845	
Technology	351,125	201,406	149,719	74%
<i>Assigned for:</i>				
Encumbrances	857,077	2,912,191	(2,055,114)	-71%
<i>Unassigned</i>				
	9,836,399	9,449,759	386,640	4%
Total Fund Balance	\$ 38,771,830	\$ 33,515,915	\$ 5,255,915	16%

Fund balance of governmental funds consists of the following classifications (see table 3):

Nonspendable Fund Balance: \$2,581,252 is classified as *nonspendable*, which indicates these amounts are not available to pay near-term obligations. Our current nonspendable balance includes prepaids and deposits (\$132,428) and an interfund advance from the General Fund to the CRA Town Center fund (\$2,448,824).

Restricted Fund Balance: \$5,073,775 is classified as restricted. External entities, such as the State of Florida, lenders and grantors placed restrictions on the use of these funds. \$2,017,332 is impact fees which are restricted for expenditure upon "growth necessitated capital expenditures" and cannot be used to pay for operating expenses. \$1,853,387 has been restricted by grant and interlocal agreements. \$340,053 is in debt service accounts to be expended as per debt covenants. \$418,169 is restricted by State Statute for expenditure within the Community Redevelopment Agency districts, and \$444,834 is restricted for expenditures related to enforcing Florida Building Code as per state statutes.

Committed Fund Balance: \$20,423,327 is classified as committed, to indicate amounts constrained to purposes by City Council through Ordinance or Resolution. City resolution 12-20 commits the equivalent of three months operating costs to be placed into the Emergency Operations reserve (\$5,039,397), one year's worth of debt service (\$3,605,098) is in a debt service reserve, and an equivalent to three months of operating costs is in an emergency maintenance reserve (\$5,039,397). Council has chosen to commit the Okaloosa Half Penny Local Infrastructure Surtax to specific capital projects (current fund balance of \$4,486,150). \$1,554,316 has been committed to renew and replace certain infrastructure, capital components of facilities, and to replace capital machinery. The balance of the Parking Fund \$347,845 is committed to maintaining parking areas and to address parking issues. The \$351,125 balance in the Technology Fund is to be used for hardware and software to process permits and licenses issued by the Building, Code Compliance, and Community Development departments.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Assigned Fund Balance: \$857,077 is classified as assigned to indicate the City's intent to use for a specific purpose. Our assigned fund balance is the current balance of encumbrances made in the form of purchase orders and/or contracts for goods and services ordered.

Unassigned Fund Balance: \$9,836,399 is classified as unassigned which identifies net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance totaled \$28,088,861, of which \$11,500,107 is unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 95%, or approximately 11 months of the General Fund's total operating expenditures.

The fund balance of the City's General Fund increased \$1,769,425 during the current fiscal year from \$26,319,436 to \$28,088,861. State shared revenues such as the state-wide half cent sales tax and the municipal sharing tax (intergovernmental revenue) were \$700k higher than anticipated, and expenditures for personnel and contract services were over \$1 million lower than anticipated due to labor shortages.

The total revenues of the General Fund decreased \$6,873,837 from \$23,752,773 in fiscal year 2021 to \$16,878,935 in fiscal year 2022. This is primarily due an accounting practice, to record revenues restricted or committed to capital projects directly in the capital projects fund instead of passing them through the General Fund first. Revenues restricted and committed to capital projects include intergovernmental revenues from Federal, State, and local government agencies, amounted to nearly \$2.1 million in fiscal year 2022. In fiscal year 2021 the City was granted an extraordinary award of \$4,054,946 from the Okaloosa Tourist Development Council towards purchases of land to expand beach access. In addition, a Parking Special Revenue Fund was established and started in fiscal year 2022 and accounts for over \$400 thousand in revenues that are no longer recorded in the General Fund. Lastly, the investment portfolio, which is primarily bonds and U.S. treasuries, experienced an unrealized loss in value of \$1 million during fiscal year 2022.

The total expenditures of the General Fund decreased \$3,450,814. Operating and personnel expenditures were \$700 thousand higher in fiscal year 2022 than in fiscal year 2021. Debt Service was \$4.1 million lower in fiscal year 2022. In fiscal year 2021, the City refinanced \$4 million of debt to lower interest costs. Government fund accounting categorizes principal payments as a debt service expenditure.

CRA Town Center Special Revenue Fund

The CRA Town Center Special Revenue fund is the second largest governmental fund. The CRA Town Center Special Revenue fund balance increased \$552,686. Ad valorem tax and tax incremental financing revenues increased \$388,213 nearly 40% from \$971,820 collected in FY 2021 to \$1,360,169 in FY 2022 because taxable property values in this area increased in this primarily commercial area. Expenditures increased \$9,444, primarily for median maintenance and the power bill for streetlights within the town center CRA district. We are currently updating the CRA master plan.

Okaloosa Half Penny Fund

The third major governmental fund this year is the Okaloosa Half Penny fund. The residents of Okaloosa County voted in a half-penny infrastructure surtax for the ten-year period beginning January 2019. Council has committed these funds to be expended on beach park acquisition and development, undergrounding overhead utilities, renewing stormwater infrastructure, and to address traffic safety issues. During fiscal year 2022, the Okaloosa Half Penny fund balance increased \$1,062,985. The City received 1% less (\$23,854) of this sales tax in fiscal year 2022 than fiscal year 2021. Expenditures were \$2.6 million lower in fiscal year 2022 than fiscal year 2021. In fiscal year 2021, the City used \$2.9 million for the beach park initiative. In fiscal year 2022, the City expended less of these funds to grow a balance to be encumbered in the fall of 2023 when the utility undergrounding project begins.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Capital Projects Fund

The fourth major governmental fund is the Capital Projects fund. This fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The fund balance increased 22% (\$1,043,784) from a balance of \$4,705,813 at the end of fiscal year 2021 to \$5,749,597 at the end of fiscal year 2022. Most of the fund balance (\$3,870,719) is restricted by state statutes. Due to a change in city practices, the revenues for the capital project fund have increased significantly. Instead of recording revenues first in the General Fund then "transferring in", these restricted revenues are now recorded directly in the Capital Projects Fund (i.e. Gas Tax #2, restricted franchise fee, grant reimbursements). Capital outlays were 51% lower in fiscal year 2022 (\$3.8 million) as compared to fiscal year 2021 (\$7.8 million). In fiscal year 2021, over \$3.9 million was expended on land acquisition for beach parks.

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 a restricted net position at September 30, 2022 of \$4,821,060. The total decrease in net position was \$2,314,139. Half of this decrease was from withdrawals by former employees, and half of this decrease is related to an unrealized market value change.

GENERAL FUND BUDGETARY HIGHLIGHTS

The significant variances between the adopted General Fund budget and the final General Fund budget are as follows:

- The adopted budget for revenue was adjusted during FY 2022 to account for a change in accounting practice. The Intergovernmental revenue category had the largest budgetary change in the revenue section, as \$8.7 million of the intergovernmental revenues are restricted for capital projects. The second largest category in revenue that was revised is taxes. We decreased tax revenue from the General Fund to record the Okaloosa Half Penny infrastructure sales tax directly in its own special revenue fund, and we reclassified the Local Option Gas Tax #2 to record it directly in the capital project fund.
- The final expenditure budget for the General Fund was nearly \$456 thousand higher than the adopted budget. Over 83% (\$376 thousand) was from prior year encumbrances that rolled forward. An additional \$75 thousand (16%) was a transfer requested by Council to move \$75,000 of General Fund money earmarked for a City Center project from the Capital Projects Fund into Council Contingency.

The significant variances between the final budget and the year-end actual results are as follows:

Revenues

The General Fund actual revenue results were \$645,451 (4%) higher in total than budgeted, primarily attributed to the following reasons:

- License and permit fee collections were \$411 thousand (15%) higher than budgeted, mostly in the subcategories of franchise fees (electric, natural gas, and solid waste). The franchise fees are a set percentage of revenues, and the franchisees did better than anticipated. Rental registration fees also accounted for \$77 thousand of the total license and permit fee increase. During fiscal year 2022, the demand for short-term rental (vacation rentals) in our beach-side town increased significantly.
- During fiscal year 2022, the City received approximately \$500 thousand of unanticipated intergovernmental revenues (Municipal Sharing Tax and State Half-Cent Sales Tax). The City budgets these revenues as they are published by the State of Florida Office of Economic and Demographic Research. In addition, the City was granted \$200 thousand in operating grants in the later half of the year that were also unanticipated.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

- The City made very conservative estimates for charges for services when adopting the fiscal year 2022 budget, in anticipation of further closures related to COVID-19. More fees were collected than anticipated because programs were not shut down as anticipated.

Expenditures

The General Fund actual expenditure results were \$1.5 million lower in total than budgeted primarily for the following reasons:

- General Government expenditures were \$782 thousand (18%) lower than anticipated. Approximately \$300 thousand is related to labor shortages, and an additional \$300 thousand was budgeted for professional services that were not encumbered. Council chose not to expend their council contingency this year (\$110 thousand). The remaining \$70 thousand is primarily related to repair and maintenance projects that were not accomplished on our facilities, again, mainly due to labor shortages in our area.
- Culture and Recreation expenditures were \$432 thousand (12%) lower than anticipated, mostly due to labor shortages (\$300k). In addition, some funds budgeted for special events were not fully expended, for example, they City used old Christmas displays instead of renting new items.
- Transportation expenditures were \$259 thousand lower than anticipated (14%). This is also primarily due to labor shortages in Public Works and Engineering. In addition, some repairs to roads and sidewalks were not completed because of shortages of asphalt and our concrete services provider was also experiencing labor shortages.

Additional items of interest related to the City of Destin's budgeted expenditures:

- 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 Outlays: The City Council approved a capital improvement plan for the fiscal year 2022 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. The majority of capital outlays are tracked in the Capital Projects fund.
- Beach Safety Patrol: For the seventeenth year, the Council approved funding (\$100,000 in 2022) to support the beach safety patrol operated by the Destin Fire Control District. The funding supports the labor, equipment and operational needs of the patrol activities. Okaloosa County and the Okaloosa County Tourist Development Council significantly support the beach and water safety through the Destin Fire Control District.

CITY OF DESTIN, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2022, was \$122,321,856 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and sidewalks, and stormwater infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$799,771 or 1% overall, and is summarized as follows:

**Table 4
Capital Assets
(net of accumulated depreciation)**

	Governmental Activities			
	2022	2021	\$ Change	% Change
Land	\$ 35,304,994	\$ 34,345,352	\$ 959,642	3%
Buildings	6,535,992	6,809,499	(273,507)	-4%
Improvements other than buildings	15,970,158	16,437,591	(467,433)	-3%
Infrastructure	56,167,575	57,550,862	(1,383,287)	-2%
Machinery and equipment	2,909,262	2,535,418	373,844	15%
Library, media and art	130,651	132,285	(1,634)	-1%
Construction in progress	5,303,224	3,711,078	1,592,146	43%
Total capital assets	<u>\$ 122,321,856</u>	<u>\$ 121,522,085</u>	<u>\$ 799,771</u>	<u>1%</u>

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

- The Florida Department of Transportation helped the City purchase nearly \$1 million of land that will become part of a local roadway connecting West Destin to East Destin as an alternative to highway 98 (cross-town connector).
- In partnership with the Okaloosa Tourism Development Council, the Parks and Recreation department invested over \$375 million to renew the Harbor Boardwalk, replacing worn-out boards.
- The Harbor Pump which helps circulate water between the Gulf and the stagnant end of the harbor was rebuilt, including motor and housing unit for approximately \$188 thousand.
- The City accomplished over \$140 thousand in stormwater infrastructure improvements during fiscal year 2022.
- The City replaced an old backhoe (\$139 thousand).
- Construction in progress realized a net increase of \$1.6 million. Most of this is related to continued construction of the Captain Royal Melvin Park and Heritage Plaza, the cross-town connector, park improvements at Crystal Beach and engineering and design to underground overhead utilities.

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

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

LONG-TERM DEBT

At September 30, 2022, the City had total revenue notes payable of \$21,093,561. 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.

**Table 5
Outstanding Debt**

	Governmental Activities			
	2022	2021	\$ Change	% Change
Revenue notes	\$ 21,093,561	\$ 23,133,113	\$ (2,039,552)	-9%
Financed purchases	106,708	165,932	(59,224)	-36%
Total debt	<u>\$ 21,200,269</u>	<u>\$ 23,299,045</u>	<u>\$ (2,098,776)</u>	<u>-9%</u>

During 2022, the City did not add any new revenue notes. The decrease was due to scheduled debt service payments. 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. The City's ad valorem revenues have been increasing this past four years at 5-7% a year. The tax levy for fiscal year 2023 is estimated to be over 13% higher than fiscal year 2022. Sales and use taxes were also increasing at an average of 5% per year with the exception of fiscal year 2020, which was down because of COVID-19 travel restrictions and supply chain disruptions. In fiscal year 2022, sales taxes were 4.69% higher than fiscal year 2021, and it is projected the City will receive 5% more in fiscal year 2023. The fuel taxes also were increasing an average of 3% a year with the exception of fiscal year 2020. During fiscal year 2021, the sales and fuel taxes rebounded back up to the trend line, fiscal year 2022 collections were same as fiscal year 2021. The Florida Department of Revenue's Office of Tax Research estimates fiscal year 2023 fuel tax collections will be 5% lower than fiscal year 2022.

The second category is grants (recurring and non-recurring). The City has a strong base of approximately \$750 thousand per year in recurring operating grants for parks, the library, and transportation (median and streetlight maintenance). Capital grants are generally non-recurring. For fiscal year 2023, the City will be investing \$23 million into parks, roadways and stormwater infrastructure from non-recurring grants from federal, state, and county sources. These additional one-time grants account for 32% of the adopted fiscal year 2023 expenditure budget of \$73 million.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

The third category includes miscellaneous revenues, such as charges for services, impact fees, permits, and fines. Some of these miscellaneous revenues tend to be fairly stable year over year, such as charges for services and licenses. Some of these miscellaneous revenues are very unpredictable as they depend upon development (building permits and impact fees) and national interest rates (investment income). 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.

The City began investing heavily in new technology to expand e-government services even before the COVID-19 pandemic. In June 2021, our e-government software "COMPASS" went live. Since offering our citizens and developers ways to attain permits and licenses online, we have cut processing time significantly. Items that previous took 40+ days to accomplish are now commonly being accomplished in 10-15 days. With faster transaction times, we are able to issue more permits and revenues are increasing. During fiscal year 2023, the City plans to continue upgrading this technology and working with software consultants to streamline these processes.

In the fall of 2022, the City of Destin again renegotiated an interlocal agreement with the Okaloosa County Tourist Development Council (TDC) for beach park expansion. Under this new agreement, the TDC committed an additional \$8 million to develop a new park at Tarpon Beach. In addition, beginning in the fall of 2022, the TDC has dedicated \$1.5 million per year for the City of Destin for the next 20 years. These funds are restricted to developing tourism and must be applied for with an approved plan and then received on a cost reimbursement basis. Unused funds from any year can be "banked" for use in a later year.

Unrestricted net position for the City totals \$33.5 million. In the fall of 2022, the City accepted an advance of \$7 million from the Okaloosa Tourism Development Council (TDC) towards the purchase of land at Tarpon Beach. This \$7 million advance will be returned to the (TDC) at \$1 million per year. The source of the repayment is tourist tax dollars (bed taxes) that are collected by the TDC but promised to the City of Destin through our interlocal agreement.

On the expenditure forecast side, the primary driver for increased expenditures is the capital outlays. Capital outlays are expected to increase to \$52.8 million, which is \$48.5 million more than the \$4.3 million expended in fiscal year 2022. Over \$23 million (50%) of the capital expenditures are covered by grant agreements. Over \$7 million is covered by an advanced funding agreement (0% for five years) with the Okaloosa Tourism Development Council. The remaining \$22.6 million will be covered by a combination of restricted and committed funds on hand plus new debt.

The operating expenditure forecast for fiscal year 2023 is estimated to be \$16.5 million. As mentioned previously, the actual operating expenditures came in lower the past few years because of difficulty attaining and retaining full staffing levels. The largest operating expenditure is for personnel. For fiscal year 2023 we anticipate personnel costs to be 29% higher (\$1.9 million) than anticipated for fiscal year 2022. After a compensation study was completed during the spring of 2022, Council adopted the study results and approved raises for 70% of the entry-level to mid-level positions. Council will address compensation for the senior level positions in fiscal year 2023. Council granted a 2% cost of living (COLA) increase effective October 1, 2022, and the FY 2023 budget assumes up to a 4% MERIT increase based on performance evaluations. Two new full-time positions and two summer intern positions were adopted for fiscal year 2023. Health benefit costs increased 23% for fiscal year 2023, as opposed to 5-7% of prior years. Contractual service is the second largest operating expenditure category, which we expect to increase by 3%.

Regional economic indicators were also considered in preparing the 2023 budget.

CITY OF DESTIN, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF DESTIN, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,547,337
Investments	16,018,640
Restricted asset, cash and cash equivalents	8,017,241
Accounts receivable	309,104
Due from other governments	2,384,426
Prepaid items	131,508
Deposits	920
Capital assets	
Non-depreciable	40,608,218
Depreciable, net	81,713,638
Total assets	163,731,032
Deferred outflows of resources	
Deferred charge on refunding	59,898
Total deferred outflows of resources	59,898
Liabilities	
Accounts payable	536,926
Unearned revenue	1,782,295
Accrued liabilities	179,399
Accrued interest	122,430
Noncurrent liabilities	
Due within one year	2,233,926
Due in more than one year	19,446,004
Total liabilities	24,300,980
Net position	
Net investment in capital assets	100,905,387
Restricted for	
Capital improvements	3,870,719
Debt service	340,053
Florida Building Code enforcement	444,834
Community redevelopment	418,169
Unrestricted	33,510,788
Total net position	\$ 139,489,950

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					Governmental Activities
General government	\$ 3,882,608	\$ 295,011	\$ 79	\$ -	\$ (3,587,518)
Public safety	3,960,949	1,904,763	-	-	(2,056,186)
Physical environment	1,180,082	27,474	-	209,811	(942,797)
Transportation	3,377,216	500,972	185,985	1,151,362	(1,538,897)
Economic environment	129,780	-	-	150,786	21,006
Human services	51,604	-	-	-	(51,604)
Culture/recreation	4,081,335	465,659	589,410	984,413	(2,041,853)
Interest on long-term debt	550,710	-	-	-	(550,710)
Total governmental activities	<u>\$ 17,214,284</u>	<u>\$ 3,193,879</u>	<u>\$ 775,474</u>	<u>\$ 2,496,372</u>	<u>(10,748,559)</u>
General revenues					
Property taxes					
					10,794,578
Sales, use and fuel taxes					
					2,511,423
Communication services taxes					
					885,325
Other general taxes					
					100,032
Franchise taxes					
					3,159,650
Unrestricted state revenue sharing					
					2,491,312
Impact fees					
					132,605
Investment losses					
					(1,078,214)
Miscellaneous income					
					36,503
Total general revenues and transfers					
					<u>19,033,214</u>
Change in net position					
					8,284,655
Net position, beginning of year					
					131,205,295
Net position, end of year					
					<u>\$ 139,489,950</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Special Revenue					Total Governmental Funds
	General Fund	CRA Town Center Fund	Okaloosa Half-Penny Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Assets						
Cash and cash equivalents	\$ 8,044,770	\$ -	\$ 4,479,319	\$ 1,324,278	\$ 698,970	\$ 14,547,337
Investments	16,018,640	-	-	-	-	16,018,640
Due from other funds	1,497,927	-	-	16,138	-	1,514,065
Due from other governments	486,064	-	186,339	1,712,023	-	2,384,426
Accounts receivable	204,263	-	-	102,417	2,424	309,104
Advance to other funds	2,448,824	-	-	-	-	2,448,824
Prepaid items	131,508	-	-	-	-	131,508
Deposits	920	-	-	-	-	920
Restricted cash and cash equivalents	-	791,675	-	5,962,563	1,263,003	8,017,241
Total assets	<u>\$ 28,832,916</u>	<u>\$ 791,675</u>	<u>\$ 4,665,658</u>	<u>\$ 9,117,419</u>	<u>\$ 1,964,397</u>	<u>\$ 45,372,065</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 222,371	\$ 6,559	\$ 23,212	\$ 276,164	\$ 8,620	\$ 536,926
Accrued liabilities	179,399	-	-	-	-	179,399
Unearned revenue	327,290	-	-	1,455,005	-	1,782,295
Due to other funds	14,995	-	-	1,497,927	1,143	1,514,065
Advance from other funds	-	2,448,824	-	-	-	2,448,824
Total liabilities	<u>744,055</u>	<u>2,455,383</u>	<u>23,212</u>	<u>3,229,096</u>	<u>9,763</u>	<u>6,461,509</u>
Deferred inflows of resources						
Unavailable revenue	-	-	-	138,726	-	138,726
Fund balances						
Nonspendable	2,581,252	-	-	-	-	2,581,252
Restricted	-	-	-	3,870,719	1,203,056	5,073,775
Committed	13,683,891	-	4,486,150	1,554,316	698,970	20,423,327
Assigned	323,611	-	156,296	324,562	52,608	857,077
Unassigned	11,500,107	(1,663,708)	-	-	-	9,836,399
Total fund balances	<u>28,088,861</u>	<u>(1,663,708)</u>	<u>4,642,446</u>	<u>5,749,597</u>	<u>1,954,634</u>	<u>38,771,830</u>
Total liabilities and fund balances	<u>\$ 28,832,916</u>	<u>\$ 791,675</u>	<u>\$ 4,665,658</u>	<u>\$ 9,117,419</u>	<u>\$ 1,964,397</u>	<u>\$ 45,372,065</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		\$ 38,771,830
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental non-depreciable assets	\$ 40,608,218	
Governmental depreciable assets	146,697,692	
Accumulated depreciation	<u>(64,984,054)</u>	122,321,856
Deferred amounts on refunding are not financial resources but are reported as a liability in the statement of net position includes these charges, net of amortization.		
		59,898
Revenues not available to pay current period expenditures are reported as unavailable revenue in the governmental funds.		
		138,726
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.		
Notes payable	(21,200,269)	
Accrued interest payable	(122,430)	
Compensated absences	(302,046)	
Total OPEB Liability	<u>(177,615)</u>	<u>(21,802,360)</u>
Net position of governmental activities		<u><u>\$ 139,489,950</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	CRA Town Center Fund	Okaloosa Half-Penny Fund			
Revenues						
Taxes	\$ 10,266,872	\$ 1,360,169	\$ 1,704,800	\$ 247,687	\$ 711,831	\$ 14,291,359
Licenses and permits	3,238,420	-	-	793,559	976,330	5,008,309
Impact fees	-	-	-	132,605	-	132,605
Intergovernmental revenues	3,504,973	-	-	2,081,982	-	5,586,955
Charges for services	863,412	-	-	-	425,670	1,289,082
Fines and forfeitures	56,135	-	-	-	-	56,135
Investment income (loss)	(1,090,599)	868	4,085	5,830	1,602	(1,078,214)
Contributions	8,794	-	-	28,685	-	37,479
Miscellaneous revenues	30,928	-	-	5,575	-	36,503
Total revenues	<u>16,878,935</u>	<u>1,361,037</u>	<u>1,708,885</u>	<u>3,295,923</u>	<u>2,115,433</u>	<u>25,360,213</u>
Expenditures						
Current						
General government	3,562,984	-	-	-	77,900	3,640,884
Public safety	3,146,309	-	-	-	778,412	3,924,721
Physical environment	169,711	-	-	282,500	-	452,211
Transportation	1,589,395	-	-	-	-	1,589,395
Economic development	14,452	76,862	-	-	38,467	129,781
Human services	51,604	-	-	-	-	51,604
Culture and recreation	3,292,184	-	-	-	-	3,292,184
Capital outlay	203,723	-	292,816	3,872,728	-	4,369,267
Debt service						
Principal retirement	83,311	-	-	-	2,039,552	2,122,863
Interest	6,222	-	-	-	549,187	555,409
Total expenditures	<u>12,119,895</u>	<u>76,862</u>	<u>292,816</u>	<u>4,155,228</u>	<u>3,483,518</u>	<u>20,128,319</u>
Excess of revenues over expenditures	<u>4,759,040</u>	<u>1,284,175</u>	<u>1,416,069</u>	<u>(859,305)</u>	<u>(1,368,085)</u>	<u>5,231,894</u>
Other financing sources (uses)						
Issuance of debt	24,021	-	-	-	-	24,021
Transfers in	-	-	-	1,903,089	2,773,261	4,676,350
Transfers out	(3,013,636)	(731,489)	(353,084)	-	(578,141)	(4,676,350)
Total other financing sources, net	<u>(2,989,615)</u>	<u>(731,489)</u>	<u>(353,084)</u>	<u>1,903,089</u>	<u>2,195,120</u>	<u>24,021</u>
Change in fund balances	1,769,425	552,686	1,062,985	1,043,784	827,035	5,255,915
Fund balances (deficit), beginning of year	26,319,436	(2,216,394)	3,579,461	4,705,813	1,127,599	33,515,915
Fund balances (deficit), end of year	<u>\$ 28,088,861</u>	<u>\$ (1,663,708)</u>	<u>\$ 4,642,446</u>	<u>\$ 5,749,597</u>	<u>\$ 1,954,634</u>	<u>\$ 38,771,830</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balances – total governmental funds		\$ 5,255,915
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Capital outlay	\$ 4,369,266	
Less current year depreciation	<u>(3,569,495)</u>	799,771
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal repayment of long-term debt		2,122,863
Issuance of new debt		<u>(24,021)</u>
<p>Revenues that are reported in the statement of activities that do not create current financial resources are not reported as revenues in governmental funds.</p>		
		138,726
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	(16,929)	
Amortization of bond premium	(6,626)	
Change in accrued interest	4,699	
OPEB expense	<u>10,257</u>	<u>(8,599)</u>
Change in net position of governmental activities		\$ <u>8,284,655</u>

CITY OF DESTIN, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,810,765	\$ 10,188,604	\$ 10,266,872	\$ 78,268
Licenses and permits	2,826,871	2,826,871	3,238,420	411,549
Intergovernmental revenues	11,483,372	2,763,870	3,504,973	741,103
Charges for services	331,398	331,398	863,412	532,014
Fines and forfeitures	59,957	59,957	56,135	(3,822)
Investment income (loss)	58,084	58,084	(1,090,599)	(1,148,683)
Contributions	2,500	2,500	8,794	6,294
Miscellaneous revenues	2,201	2,201	30,928	28,727
Total revenues	<u>26,575,148</u>	<u>16,233,485</u>	<u>16,878,935</u>	<u>645,450</u>
Expenditures				
Current				
General government	3,911,828	4,345,736	3,562,984	(782,752)
Public safety	3,247,402	3,251,454	3,146,309	(105,145)
Physical environment	196,421	199,073	169,711	(29,362)
Transportation	1,849,512	1,849,128	1,589,395	(259,733)
Economic environment	14,200	14,200	14,452	252
Human services	101,254	101,254	51,604	(49,650)
Culture/recreation	3,708,739	3,724,499	3,292,184	(432,315)
Capital outlay	109,250	109,250	203,723	94,473
Debt service				
Principal retirement	78,405	78,405	83,311	4,906
Interest	2,511	2,511	6,222	3,711
Total expenditures	<u>13,219,522</u>	<u>13,675,510</u>	<u>12,119,895</u>	<u>(1,555,615)</u>
Excess of revenues over expenditures	<u>13,355,626</u>	<u>2,557,975</u>	<u>4,759,040</u>	<u>(910,165)</u>
Other financing sources (uses)				
Issuance of debt	-	-	24,021	24,021
Transfers out	(14,386,636)	(4,522,085)	(3,013,636)	1,508,449
Total other financing sources (uses)	<u>(14,386,636)</u>	<u>(4,522,085)</u>	<u>(2,989,615)</u>	<u>1,532,470</u>
Change in fund balance	(1,031,010)	(1,964,110)	1,769,425	622,305
Fund balance, beginning of year	26,319,436	26,319,436	26,319,436	-
Fund balance, end of year	<u>\$ 25,288,426</u>	<u>\$ 24,355,326</u>	<u>\$ 28,088,861</u>	<u>\$ 622,305</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CRA TOWN CENTER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,357,072	\$ 1,357,072	\$ 1,360,169	\$ 3,097
Investment earnings	1,301	1,301	868	(433)
Total revenues	<u>1,358,373</u>	<u>1,358,373</u>	<u>1,361,037</u>	<u>2,664</u>
Expenditures				
Current				
Economic development	151,257	153,257	76,862	76,395
Total expenditures	<u>151,257</u>	<u>153,257</u>	<u>76,862</u>	<u>76,395</u>
Excess of revenues over expenditures	<u>1,207,116</u>	<u>1,205,116</u>	<u>1,284,175</u>	<u>79,059</u>
Other financing (uses)				
Transfers out	(731,418)	(731,418)	(731,489)	(71)
Total other financing (uses)	<u>(731,418)</u>	<u>(731,418)</u>	<u>(731,489)</u>	<u>(71)</u>
Change in fund balance	475,698	473,698	552,686	78,988
Fund balance (deficit), beginning of year	(2,216,394)	(2,216,394)	(2,216,394)	-
Fund balance (deficit), end of year	<u>\$ (1,740,696)</u>	<u>\$ (1,742,696)</u>	<u>\$ (1,663,708)</u>	<u>\$ 78,988</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
OKALOOSA HALF PENNY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ 1,390,761	\$ 1,704,800	\$ 314,039
Investment earnings	150	150	4,085	3,935
Total revenues	<u>150</u>	<u>1,390,911</u>	<u>1,708,885</u>	<u>317,974</u>
Expenditures				
Capital outlay	2,949,850	3,308,479	292,816	(3,015,663)
Total expenditures	<u>2,949,850</u>	<u>3,308,479</u>	<u>292,816</u>	<u>(3,015,663)</u>
Excess of revenues over expenditures	<u>(2,949,700)</u>	<u>(1,917,568)</u>	<u>1,416,069</u>	<u>(2,697,689)</u>
Other financing sources (uses)				
Transfers in	1,390,760	-	-	-
Transfers out	(353,084)	(353,084)	(353,084)	-
Total other financing sources (uses)	<u>1,037,676</u>	<u>(353,084)</u>	<u>(353,084)</u>	<u>-</u>
Change in fund balance	(1,912,024)	(2,270,652)	1,062,985	(2,697,689)
Fund balance, beginning of year	3,579,461	3,579,461	3,579,461	-
Fund balance, end of year	<u>\$ 1,667,437</u>	<u>\$ 1,308,809</u>	<u>\$ 4,642,446</u>	<u>\$ (2,697,689)</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

STATEMENT OF NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2022

Assets

Cash and cash equivalents	\$ 111,192
Investments	<u>4,709,868</u>
Total assets	<u>\$ 4,821,060</u>

Net Position

Restricted for pension benefits	\$ 4,821,060
Total fund balances	<u>4,821,060</u>
 Total liabilities and fund balances	 <u>\$ 4,821,060</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DESTIN, FLORIDA

STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2022

Additions	
Employer contributions	\$ 506,664
Net investment loss	<u>(1,092,984)</u>
Total additions	<u>(586,320)</u>
Deductions	
Administration expenses	6,540
Benefits and other withdrawals	<u>1,721,279</u>
Total deductions	<u>1,727,819</u>
Change in net position	<u>(2,314,139)</u>
Fund balances, beginning of year	<u>7,135,199</u>
Fund balances, end of year	<u>\$ 4,821,060</u>

The accompanying notes to financial statements are an integral part of this statement.

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CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ORGANIZATION AND 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 (CRA) – 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 (CRA) – 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.

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 function for which the related asset is primarily 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 non-cash costs, 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 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 restricted, committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the City's policy to use restricted resources first, followed by committed, then assigned, and then unassigned resources as they are needed. Resources may be restricted by regulations (i.e. statutes and ordinances), or by covenants and agreements with external agencies such as lenders and grantors. Resources may be committed by Council resolution or motion. Resources become assigned through purchasing agreements and contracts with vendors.

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 or committed by law or by 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Okaloosa Half Penny Fund – This fund is used to account for proceeds of the Okaloosa Half Penny Infrastructure Surtax. This surtax was voted in by Okaloosa County residents for the ten year period beginning January 2019. In May 2022, Council revised the committed use of these funds towards the following capital projects: 25% for land acquisition; 60% to underground overhead utilities; 10% for stormwater infrastructure; and 5% to be programmed into capital projects by the transportation and safety committee.

Capital Projects Fund – The majority of funds that are restricted or committed to capital projects are accounted for in the Capital Projects Fund. This includes impact fees restricted to growth-necessitated capital improvements, capital project grants, and funds committed for City's annual renewal and replacement program.

Fiduciary Funds

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.

Cash and Cash Equivalents

Each fund's cash on hand, demand deposits, and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid debt instruments (including restricted assets), with a maturity of three months or less when purchased, are considered 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 the fair value on the financial statement date. 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 by resolution adopting an investment policy. The portfolio of investments is maintained by an investment advisory firm as overseen by the Finance Director who provides a portfolio report quarterly to Council. 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- 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, 2022.

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.

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 assesses 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are not eliminated in the process of consolidation.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that 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. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. All proprietary fund receivables are shown net of an allowance for uncollectibles. The City's allowance estimate is based on historical collection experience and a review of the current status of accounts receivable.

At September 30, 2022, 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:

Lien date	January 1, 2021
Levy date	November 1, 2021
Due date	March 31, 2022
Delinquency date	April 1, 2022

Discounts of 1% for each month taxes are paid prior to March 2022 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

<u>Assets</u>	<u>Years</u>
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 November 2, 2020, 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 240 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation leave is earned as follows:

<u>Years of Employment</u>	<u>Days Accrued per Year</u>
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, 2022, the City had \$286,933 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, 2022, the City had \$15,113 recorded as accumulated compensatory leave.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds 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 expensed as incurred.

The difference between the reacquisition price (new debt) and the net carrying value of the old debt creates a deferred gain/loss from advance refunding of debt. This difference is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

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

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Benefits

The Post-Employment Healthcare Benefits 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 Healthcare Benefits 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. At September 30, 2022, the City had \$55,898 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2022, the City had recorded as deferred revenue \$1,782,295 of payments received prior to September 30, 2022 for fiscal year 2023. This amount includes \$65,000 for fiscal year 2023 business licenses, \$262,290 for sidewalk infrastructure costs not yet incurred, and \$1,455,005 for the American Rescue Plan Act's State and Local Fiscal Recovery Funds received but not yet expended. In addition, the City has earned \$138,726 of cost reimbursement grant funds. As these earned revenues were not received from the grantors within 60 days of the fiscal year end, they are classified under deferred inflows of resources as unavailable revenue.

Fund Balance

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.

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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Estimates

The preparation of financial statements in conformity with GAAP 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, 2022, annual appropriated budgets were adopted by ordinance for all governmental funds. All appropriations lapse at year-end except for appropriations encumbered by purchase orders.

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 millage rate, 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS

The City's investments at September 30, 2022 consist of the following:

Investments - Governmental Funds	Maturity	Rating	Fair Value
U.S. Treasuries	11/30/22-11/15/31	U.S.	\$ 4,294,266
Mortgage and asset backed securities	10/05/22-09/01/51	AA+ to AAA	9,045,911
Investment grade corporate bonds	10/01/22-04/01/30	BBB+ to AA+	963,797
FDIC Insured certificates of deposit	10/31/22-04/13/26		1,714,666
Total investments - governmental funds			<u>\$ 16,018,640</u>

Investments - Pension Funds	Fair Value
American AMCAP Fund, Class A	\$ 362,999
American Bond Fund of America, Class A	509,955
American Capital Income Building Fund Class A	964,867
Europacific Growth Fund Class A	690,259
American Intermediate Bond Fund of America Class A	522,166
American Investment Company of America Class A	1,391,576
American Short-Term Bond Fund of America Class A	268,047
Total investments - pension fund	<u>\$ 4,709,868</u>

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.

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, 2022, 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022, the City held 30%, 16% and 16% of its investment balance in U.S. Treasury notes, Freddie Mac, and Fannie Mae respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2022 were as follows:

	Governmental Activities
Developer fee	\$ 1,425
Electric franchise fee	201,985
Electric franchise fee (restricted)	100,992
Other	4,702
	<u>\$ 309,104</u>

NOTE 5 – DUE FROM OTHER GOVERNMENTS

The amount due from other governments at September 30, 2022, were composed of the following:

	Governmental Activities
RESTORE Captain Royal Melvin Park Capital Grant (via Okaloosa County)	\$ 510,544
CARES Act Library Grant (via Institute of Museum and Library Services IMLS)	3,020
State of Florida:	
State Shared Taxes (1/2 Cent Sales Tax)	216,864
FDOT TRIP Capital Grant for Cross-Town Connector	1,029,428
FDEP Operating Grant Leonard Destin Park	39,704
FDOT Operating Grant for Median Maintenance via Ferrovial	3,301
Okaloosa County:	
Tourist Development Council - Beach Operations	226,195
Tourist Development Council - Interlocal Agreement (capital project grants)	169,031
Okaloosa Half Penny Surtax (shared tax)	186,339
	<u>\$ 2,384,426</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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	\$ 1,497,927	\$ 14,995
Florida Building Fund	-	1,143
Capital Project Fund	16,138	1,497,927
	<u>\$ 1,514,065</u>	<u>\$ 1,514,065</u>

The General Fund advanced funds to the CRA Town Center Special Revenue Fund to make debt service payments.

	Advance From	Advance To
General Fund	\$ 2,448,824	\$ -
CRA Town Center Special Revenue Fund	-	2,448,824
	<u>\$ 2,448,824</u>	<u>\$ 2,448,824</u>

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, 2022:

	Transfers In	Transfer Out
General Fund ⁽¹⁾	\$ -	\$ 3,013,636
CRA Town Center ⁽²⁾	-	731,489
CRA Harbor ⁽³⁾	-	481,057
Florida Building Code ⁽⁴⁾	-	97,084
Other Special Revenue Funds ⁽⁵⁾	184,317	353,084
2013 Debt Service Fund ⁽⁶⁾	555,378	-
2014 Debt Service Fund ⁽⁷⁾	731,489	-
2021 Debt Service Fund ⁽⁸⁾	1,302,077	-
Capital Project Funds ⁽⁹⁾	1,903,089	-
	<u>\$ 4,676,350</u>	<u>\$ 4,676,350</u>

- (1) The General Fund transferred \$1,903,089 to the Capital Project Funds, \$555,378 to the 2013 Debt Service fund, \$467,936 to the 2021 Debt Service Fund, and \$87,233 to the Technology Special Revenue Fund.
- (2) The CRA Town Center Special Revenue Fund transferred \$731,489 to the 2014 Debt Service Fund to meet debt service requirements.
- (3) The CRA Harbor Special Revenue Fund transferred \$481,057 to the 2021 Debt Service Fund to meet debt service requirements.
- (4) The Florida Building Code Fund transferred 10% of building permit revenue (\$97,084) to the Technology Special Revenue Fund.
- (5) The Okaloosa Half Penny Special Revenue Fund transferred \$353,084 to the 2021 Debt Service Fund to meet debt service requirements. The Technology Special Revenue Fund received \$97,084 from the Florida Building Code Fund and \$87,233 from the General Fund (10% of permit and license revenues).
- (6) The 2013 Debt Service Fund received \$555,378 from the General Fund to meet debt service requirements.
- (7) The 2014 Debt Service Fund received \$731,489 from the CRA Town Center Special Revenue Fund to meet debt service requirements.
- (8) The 2021 Debt Service Fund received \$1,302,077 from the General Fund (\$467,936), the Okaloosa Half Penny Special Revenue Fund (\$353,084), and the CRA Harbor Special Revenue (\$481,057) Fund to meet debt service requirements.
- (9) The Capital Projects Fund received \$1,903,089 from the General Fund for capital projects.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7 – CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2022 were as follows:

	Balance 09/30/2021	Additions	Deletions/ Reclassifications	Balance 09/30/2022
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 34,345,353	\$ 959,641	\$ -	\$ 35,304,994
Construction in progress	3,711,078	1,899,195	(307,049)	5,303,224
Total capital assets, not being depreciated	<u>38,056,431</u>	<u>2,858,836</u>	<u>(307,049)</u>	<u>40,608,218</u>
Capital assets, being depreciated				
Buildings	12,955,769	62,261	-	13,018,030
Improvements other than buildings	39,148,405	442,398	-	39,590,803
Infrastructure	85,983,502	474,073	-	86,457,575
Machinery, equipment, vehicles	5,902,556	789,045	-	6,691,601
Library media and art	889,981	49,702	-	939,683
Total capital assets, being depreciated	<u>144,880,213</u>	<u>1,817,479</u>	<u>-</u>	<u>146,697,692</u>
Less accumulated depreciation for:				
Buildings	(6,146,270)	(335,768)	-	(6,482,038)
Improvements other than buildings	(22,710,813)	(909,832)	-	(23,620,645)
Infrastructure	(28,432,640)	(1,857,360)	-	(30,290,000)
Machinery, equipment, vehicles	(3,367,139)	(415,200)	-	(3,782,339)
Library media and art	(757,697)	(51,335)	-	(809,032)
Total accumulated depreciation	<u>(61,414,559)</u>	<u>(3,569,495)</u>	<u>-</u>	<u>(64,984,054)</u>
Total capital assets, being depreciated, net	<u>83,465,654</u>	<u>(1,752,016)</u>	<u>-</u>	<u>81,713,638</u>
Governmental-type activities capital assets, net	<u>\$ 121,522,085</u>	<u>\$ 1,106,820</u>	<u>\$ (307,049)</u>	<u>\$ 122,321,856</u>

Depreciation expense for the year ended September 30, 2022 totaled \$3,569,495 for governmental activities and was allocated to specific functions as follows:

FUNCTION	DEPRECIATION
General government	\$ 327,905
Public safety	43,340
Physical environment	728,963
Transportation	1,704,269
Culture and recreation	765,018
Total	<u>\$ 3,569,495</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital improvement refunding revenue note, series 2013	\$ 4,694,511	\$ -	\$ (412,531)	\$ 4,281,980	\$ 424,247
Town center area redevelopment refunding revenue note, series 2014	8,926,602	-	(427,021)	8,499,581	441,795
Refunding revenue note, series 2021	9,512,000	-	(1,200,000)	8,312,000	1,208,000
Financed purchases	165,998	24,021	(83,311)	106,708	7,082
	<u>23,299,111</u>	<u>24,021</u>	<u>(2,122,863)</u>	<u>21,200,269</u>	<u>2,081,124</u>
Compensated absences	285,117	19,699	(2,769)	302,046	152,802
Other post-employment benefits liability	187,872	27,002	(37,259)	177,615	-
	<u>472,989</u>	<u>46,701</u>	<u>(40,028)</u>	<u>479,661</u>	<u>152,802</u>
	<u>\$ 23,772,100</u>	<u>\$ 70,722</u>	<u>\$ (2,162,891)</u>	<u>\$ 21,679,930</u>	<u>\$ 2,233,926</u>

Compensated absences and the other postemployment benefits liability are liquidated from the General Fund which pays over 95% of personnel expenditures. Financed purchases are paid out of the General Fund, Revenue Note Series 2013 is paid out of the 2013 Revenue Refunding Note Series Fund, the Notes Series 2014 is paid out of the 2014 Revenue Refunding Note Series Fund and the Note Series 2021 is paid out of the 2021 Revenue Refunding Note Series Fund.

NOTE 9 – NOTES PAYABLE

Capital Improvement Refunding Revenue Note, Series 2013

Effective August 26, 2013, the City closed on a \$7,610,000 note payable with STI Institutional & Government, Inc. Interest payments are due semiannually on February 1 and August 1. The note carries an interest rate of 3.04%. The final payment is due on August 1, 2031.

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

- A. Refunding certain outstanding debt of the City
The net proceeds of the Series 2013 revenue note were used to refund the Capital Improvement Revenue Bonds, Series 2002.
- B. Pledging the pledged funds to secure payment
The communication service tax and the half-cent sales tax were both pledged to secure payment of the principal and interest.
- C. Making certain other covenants and agreements in connection therewith
The City pledged to appropriate and budget adequate funds each year to make agreed-upon payments to the lender. The City deposits one-sixth (1/6) of interest coming due and one-twelfth (1/12) of principal coming due in a debt service fund bank account. The City covenants that in the case additional parity obligations are issued, the amount of pledged revenues will not be less than 1.4 of the maximum bond service requirements coming due. This ratio was 4.8 as of September 30, 2022.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – NOTES PAYABLE (CONTINUED)

Town Center Area Redevelopment Refunding Revenue Note, Series 2014

Effective March 11, 2014, the City closed on a \$11,871,000 note payable with Compass Mortgage Corporation (BBVA). BBVA was acquired by PNC Bank in 2021. Interest payments are due semiannually on December 1 and June 1 with principal payments due on June 1. The note carries an interest rate of 3.41%. In June 2015, the note was refinanced to extend the repayment period by ten years. The final payment is due on June 1, 2037.

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

- A. Refunding certain outstanding obligations of the Community Redevelopment Agency of the City of Destin
The net proceeds of the Series 2014 revenue note were used to refund the Town Center Area Redevelopment Revenue Bonds Series 2005.
- B. Pledging the pledged funds to secure payment
The City covenants to budget and appropriate non-ad valorem revenues to pay principal and interest. Although non-ad valorem revenues are pledged, the City is using the Town Center CRA's ad valorem tax increment revenues to make the actual payments.

Non-Ad Valorem Refunding Revenue Note, Series 2021

Effective May 21, 2021, the City closed on a \$9,905,000 note payable with Key Government Finance, Inc. Interest and principal payments are made monthly. The note carries an interest rate of 1.139% and the final payment is due March 15, 2029.

The Non-Ad Valorem Refunding Revenue Note Series 2021 ordinance provides for:

- A. Financing the Acquisition of Certain Real Property within the City to be Used to Expand Public Beach Access
The 2021 series included \$2,819,000 of new debt to assist in the acquisition of two parcels of land in the Crystal Beach area that will be used to expand public beach access. Council has committed Okaloosa Half Penny local discretionary infrastructure surtax funds to increasing public beach access, and these funds will be used to repay this portion of the debt.
- B. Refunding certain debt obligations
The 2021 series refunded the Non-Ad Valorem Refunding Revenue Note, Series 2015A which was paying 2.71% and was scheduled to mature November 1, 2029 (\$3,489,000), and the Harbor CRA Second Replacement, Series 2009 Note, As Restructured September 19, 2015 which was paying 2.84% and was scheduled to mature July 31, 2029 (\$3,597,000).
- C. Pledging certain funds to secure payment
This note is secured by the City's covenant to budget and appropriate Non-Ad Valorem Revenues and is subject to an anti-dilution test. The anti-dilution test states that net available non-ad valorem revenues should be maintained at 1.25 or higher of maximum annual debt service. This ratio was 6.8 as of September 30, 2022.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – NOTES PAYABLE (CONTINUED)

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

Year ending September 30,			
<i>Non-Ad Valorem Refunding Revenue Note, Series 2021</i>			
	Principal	Interest	Total
2023	\$ 1,208,000	\$ 289,836	\$ 1,497,836
2024	1,232,000	274,771	1,506,771
2025	1,236,000	259,184	1,495,184
2026	1,259,000	243,058	1,502,058
2027	1,267,000	226,375	1,493,375
2028-2032	2,110,000	400,369	2,510,369
2033-2037	-	-	-
Subtotal	<u>\$ 8,312,000</u>	<u>\$ 1,693,592</u>	<u>\$ 10,005,592</u>

Year ending September 30,			
<i>Town Center Redevelopment Refunding Revenue Note, Series 2014</i>			
	Principal	Interest	Total
2023	\$ 441,795	\$ 289,836	\$ 731,631
2024	457,081	274,771	731,852
2025	472,896	259,184	732,080
2026	489,258	243,058	732,316
2027	506,186	226,375	732,561
2028-2032	2,806,074	860,700	3,666,774
2033-2037	3,326,291	347,992	3,674,283
Subtotal	<u>\$ 8,499,581</u>	<u>\$ 2,501,915</u>	<u>\$ 11,001,496</u>

Year ending September 30,			
<i>Capital Improvement Refunding Revenue Note, Series 2013</i>			
	Principal	Interest	Total
2023	\$ 424,247	\$ 130,172	\$ 554,420
2024	436,296	117,275	553,571
2025	448,687	104,012	552,698
2026	461,429	90,372	551,801
2027	474,534	76,344	550,878
2028-2032	2,036,786	156,963	2,193,749
2033-2037	-	-	-
Subtotal	<u>\$ 4,281,980</u>	<u>\$ 675,137</u>	<u>\$ 4,957,117</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – NOTES PAYABLE (CONTINUED)

GRAND TOTAL			
	Principal	Interest	Total
2023	\$ 2,074,042	\$ 709,844	\$ 2,783,886
2024	2,125,377	666,816	2,792,193
2025	2,157,583	622,380	2,779,963
2026	2,209,687	576,488	2,786,176
2027	2,247,720	529,093	2,776,813
2028-2032	6,952,860	1,418,032	8,370,892
2033-2037	3,326,291	347,992	3,674,283
Subtotal	<u>\$ 21,093,561</u>	<u>\$ 4,870,645</u>	<u>\$ 25,964,205</u>

NOTE 10 – FINANCED PURCHASE AGREEMENTS

In January 2020, the City entered into an agreement for the purchase of seven copy machines over 36 months January 14, 2020 to December 14, 2022. The agreement was recorded at present value of the future minimum payments \$40,282, as of the inception date. As there is no explicit rate in the contract, the present value was calculated using City's Weighted Average Cost of Capital (WACC) of 3.08%.

In July 2021, the City entered into an agreement for land adjacent to City Hall as sporting fields (Morgans Sports Center). In August 2022, the agreement was extended to September 2042 and the annual payments were decreased. The present value of the future minimum payments amount was revised to \$103,376. As there is no explicit rate in the contract, the present value was calculated using the City's WACC of 3.08%. The current agreement has a termination date of September 30, 2042.

Principal and interest amounts due on are as follows:

Year ending September 30,			
	Principal	Interest	Total
2023	\$ 7,082	\$ 3,201	\$ 10,283
2024	3,934	3,066	7,000
2025	4,055	2,945	7,000
2026	4,180	2,820	7,000
2027	4,308	2,692	7,000
2028-2032	23,616	11,384	35,000
2033-2037	27,548	6,352	33,900
2038-2042	31,985	3,015	35,000
Total	<u>\$ 106,708</u>	<u>\$ 35,475</u>	<u>\$ 142,183</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – OTHER POST-EMPLOYMENT 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 Post-Employment 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 fiscal year ended September 30, 2022, no retirees received post-employment health care benefits.

Employees covered by benefit terms

At September 30, 2022, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	-
Inactive Plan Members or Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	85
	85
	85

Total OPEB Liability

The City's total OPEB liability of \$177,615 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, updated to September 30, 2022, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Discount rate	4.77%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	53

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

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

Total OPEB liability as of September 20, 2021	\$ 187,872
Changes for the year:	
Service cost	22,546
interest	4,456
Differences between expected and actual experience	(22,688)
Changes of assumptions	(5,775)
Benefit payments	(8,796)
Total changes	<u>(10,257)</u>
Total OPEB liability as of September 20, 2022	<u>\$ 177,615</u>

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 or 1- percentage-point higher than the current discount rate:

	<u>1% Decrease (3.77%)</u>	<u>Current Discount Rate (4.77%)</u>	<u>1% Increase (5.77%)</u>
Total OPEB liability	<u>\$ 194,881</u>	<u>\$ 177,615</u>	<u>\$ 162,721</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 healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (3.00% - 6.50%)</u>	<u>Current Discount Rate (4.00% - 7.50%)</u>	<u>1% Increase (5.00% - 8.50%)</u>
Total OPEB liability	<u>\$ 159,565</u>	<u>\$ 177,615</u>	<u>\$ 199,054</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$2,289. At September 30, 2022, 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 12 – RETIREMENT PLANS (CONTINUED)

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 \$506,664 during the fiscal year ended September 30, 2022. The contributions represent 10.43% of current year covered employee payroll of \$4,855,693.

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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences a national, regional and local level are unknown, but have 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 14 – FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the balance sheet for governmental funds are detailed according to balance classification and fund as follows:

Fund Balance	General Fund	CRA Town Center	Okaloosa Half-Penny	Capital Project Fund	CRA Harbor District	Florida Building Code	Parking	Technology	2013 Refunding Revenue Note	2014 Refunding Revenue Note	2021 Refunding Revenue Note	Total Governmental Funds
<i>Nonspendable:</i>												
Interfund advance	\$ 2,448,824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,448,824
Prepays and deposits	132,428	-	-	-	-	-	-	-	-	-	-	132,428
<i>Restricted for:</i>												
Impact fees: park, traffic, library, and police	-	-	-	2,017,332	-	-	-	-	-	-	-	2,017,332
Other agreements: NPEB, stormwater, morgans grant, undergrounding, gas tax#2	-	-	-	1,853,387	-	-	-	-	-	-	-	1,853,387
Debt service	-	-	-	-	-	-	-	-	93,504	245,971	578	340,053
CRA Harbor	-	-	-	-	418,169	-	-	-	-	-	-	418,169
Florida building code enforcement	-	-	-	-	-	444,834	-	-	-	-	-	444,834
<i>Committed for:</i>												
Emergency operations	5,039,397	-	-	-	-	-	-	-	-	-	-	5,039,397
Debt service	3,605,098	-	-	-	-	-	-	-	-	-	-	3,605,098
Emergency maintenance	5,039,396	-	-	-	-	-	-	-	-	-	-	5,039,396
Infrastructure surtax	-	-	4,486,150	-	-	-	-	-	-	-	-	4,486,150
Renewal and replacement	-	-	-	1,554,316	-	-	-	-	-	-	-	1,554,316
Parking	-	-	-	-	-	-	347,845	-	-	-	-	347,845
Technology	-	-	-	-	-	-	-	351,125	-	-	-	351,125
<i>Assigned for:</i>												
Encumbrances	323,611	-	156,296	324,562	50,948	1,660	-	-	-	-	-	857,077
<i>Unassigned:</i>	11,500,107	(1,663,708)	-	-	-	-	-	-	-	-	-	9,836,399
Total fund balance	\$ 28,088,861	\$ (1,663,708)	\$ 4,642,446	\$ 5,749,597	\$ 469,117	\$ 446,494	\$ 347,845	\$ 351,125	\$ 93,504	\$ 245,971	\$ 578	\$ 38,771,830

NOTE 15 – SUBSEQUENT EVENT

The City has evaluated all subsequent events through March 15, 2023 the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DESTIN, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS**

Reporting period ending	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Service cost	\$ 22,546	\$ 19,941	\$ 20,778	\$ 15,893	\$ 16,440
Interest	4,456	4,130	6,900	6,085	5,024
Differences between expected and actual experience	(22,688)	-	20,020	-	-
Changes of assumptions	(5,775)	(5,158)	(18,085)	8,106	(6,810)
Benefit payments	<u>(8,796)</u>	<u>(8,085)</u>	<u>(8,916)</u>	<u>(6,805)</u>	<u>(6,272)</u>
Net change in total OPEB liability	(10,257)	10,828	20,697	23,279	8,382
Total OPEB liability - beginning	<u>187,872</u>	<u>177,044</u>	<u>156,347</u>	<u>133,068</u>	<u>124,686</u>
Total OPEB liability - ending	<u><u>\$ 177,615</u></u>	<u><u>\$ 187,872</u></u>	<u><u>\$ 177,044</u></u>	<u><u>\$ 156,347</u></u>	<u><u>\$ 133,068</u></u>
Covered payroll	\$ 4,529,881	\$ 2,899,114	\$ 2,828,403	\$ 2,873,422	\$ 2,803,339
Total OPEB liability as a percentage of covered payroll	3.92%	6.48%	6.26%	5.44%	4.75%

Notes to the Schedule:

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

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
4.77%	2.43%	2.14%	3.58%	4.18%

The schedule will present 10 years of information once it is accumulated.

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**COMBINING AND INDIVIDUAL NONMAJOR FUND
FINANCIAL STATEMENTS**

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CITY OF DESTIN, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	CRA Harbor Fund	Florida Building Code Fund	Technology Fund	Parking Fund	2013 Revenue Refunding Note Series Fund	2014 Revenue Refunding Note Series Fund	2021 Revenue Refunding Note Series Fund	
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 351,125	\$ 347,845	\$ -	\$ -	\$ -	\$ 698,970
Restricted cash and cash equivalents	476,261	446,689	-	-	93,504	245,971	578	1,263,003
Accounts receivable	-	2,424	-	-	-	-	-	2,424
Total assets	<u>\$ 476,261</u>	<u>\$ 449,113</u>	<u>\$ 351,125</u>	<u>\$ 347,845</u>	<u>\$ 93,504</u>	<u>\$ 245,971</u>	<u>\$ 578</u>	<u>\$ 1,964,397</u>
Liabilities and fund balances								
Liabilities								
Accounts payable	\$ 7,144	\$ 1,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,620
Due to other funds	-	1,143	-	-	-	-	-	1,143
Total liabilities	<u>7,144</u>	<u>2,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,763</u>
Fund balances								
Restricted	418,169	444,834	-	-	93,504	245,971	578	1,203,056
Committed	-	-	351,125	347,845	-	-	-	698,970
Assigned	50,948	1,660	-	-	-	-	-	52,608
Total fund balances	<u>469,117</u>	<u>446,494</u>	<u>351,125</u>	<u>347,845</u>	<u>93,504</u>	<u>245,971</u>	<u>578</u>	<u>1,954,634</u>
Total liabilities and fund balances	<u>\$ 476,261</u>	<u>\$ 449,113</u>	<u>\$ 351,125</u>	<u>\$ 347,845</u>	<u>\$ 93,504</u>	<u>\$ 245,971</u>	<u>\$ 578</u>	<u>\$ 1,964,397</u>

CITY OF DESTIN, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	CRA Harbor Fund	Florida Building Code Fund	Technology Fund	Parking Fund	2013 Revenue Refunding Note Series Fund	2014 Revenue Refunding Note Series Fund	2021 Revenue Refunding Note Series Fund	
Revenues								
Taxes	\$ 711,831	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,831
Licenses and permits	-	976,330	-	-	-	-	-	976,330
Charges for services	-	-	-	425,670	-	-	-	425,670
Investment income	568	50	261	75	273	334	41	1,602
Total revenues	<u>712,399</u>	<u>976,380</u>	<u>261</u>	<u>425,745</u>	<u>273</u>	<u>334</u>	<u>41</u>	<u>2,115,433</u>
Expenditures								
Current								
General government	-	-	-	77,900	-	-	-	77,900
Public safety	-	743,552	34,860	-	-	-	-	778,412
Economic environment	38,467	-	-	-	-	-	-	38,467
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service								
Principal retirement	-	-	-	-	412,531	427,021	1,200,000	2,039,552
Interest	-	-	-	-	142,713	304,397	102,077	549,187
Total expenditures	<u>38,467</u>	<u>743,552</u>	<u>34,860</u>	<u>77,900</u>	<u>555,244</u>	<u>731,418</u>	<u>1,302,077</u>	<u>3,483,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>673,932</u>	<u>232,828</u>	<u>(34,599)</u>	<u>347,845</u>	<u>(554,971)</u>	<u>(731,084)</u>	<u>(1,302,036)</u>	<u>(1,368,085)</u>
Other Financing Sources (Uses)								
Transfers in	-	-	184,317	-	555,378	731,489	1,302,077	2,773,261
Transfers out	(481,057)	(97,084)	-	-	-	-	-	(578,141)
Total other financing sources (uses)	<u>(481,057)</u>	<u>(97,084)</u>	<u>184,317</u>	<u>-</u>	<u>555,378</u>	<u>731,489</u>	<u>1,302,077</u>	<u>2,195,120</u>
Net change in fund balance	192,875	135,744	149,718	347,845	407	405	41	827,035
Fund balances, beginning	<u>276,242</u>	<u>310,750</u>	<u>201,407</u>	<u>-</u>	<u>93,097</u>	<u>245,566</u>	<u>537</u>	<u>1,127,599</u>
Fund balances, ending	<u>\$ 469,117</u>	<u>\$ 446,494</u>	<u>\$ 351,125</u>	<u>\$ 347,845</u>	<u>\$ 93,504</u>	<u>\$ 245,971</u>	<u>\$ 578</u>	<u>\$ 1,954,634</u>

CITY OF DESTIN, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CRA HARBOR FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 712,618	\$ 712,618	\$ 711,831	\$ (787)
Investment earnings	300	300	568	268
Total revenues	<u>712,918</u>	<u>712,918</u>	<u>712,399</u>	<u>(519)</u>
Expenditures				
Current				
Economic environment	<u>158,179</u>	<u>158,179</u>	<u>38,467</u>	<u>(119,712)</u>
Total expenditures	<u>158,179</u>	<u>158,179</u>	<u>38,467</u>	<u>(119,712)</u>
Excess of revenues over expenditures	<u>554,739</u>	<u>554,739</u>	<u>673,932</u>	<u>(120,231)</u>
Other financing (uses)				
Transfers out	<u>(481,057)</u>	<u>(481,057)</u>	<u>(481,057)</u>	<u>-</u>
Total other financing (uses)	<u>(481,057)</u>	<u>(481,057)</u>	<u>(481,057)</u>	<u>-</u>
Change in fund balance	73,682	73,682	192,875	(120,231)
Fund balance, beginning of year	310,750	310,750	276,242	-
Fund balance, end of year	<u>\$ 384,432</u>	<u>\$ 384,432</u>	<u>\$ 469,117</u>	<u>\$ (120,231)</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FLORIDA BUILDING CODE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 636,608	\$ 636,608	\$ 976,330	\$ 339,722
Investment earnings	60	60	50	(10)
Total revenues	<u>636,668</u>	<u>636,668</u>	<u>976,380</u>	<u>339,712</u>
Expenditures				
Current				
Public safety	<u>1,152,362</u>	<u>1,153,178</u>	<u>743,552</u>	<u>(409,626)</u>
Total expenditures	<u>1,152,362</u>	<u>1,153,178</u>	<u>743,552</u>	<u>(409,626)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(515,694)</u>	<u>(516,510)</u>	<u>232,828</u>	<u>(69,914)</u>
Other financing sources (uses)				
Transfers in	328,507	328,507	-	(328,507)
Transfers out	<u>(63,210)</u>	<u>(63,210)</u>	<u>(97,084)</u>	<u>(33,874)</u>
Total other financing sources (uses)	<u>265,297</u>	<u>265,297</u>	<u>(97,084)</u>	<u>(362,381)</u>
Change in fund balance	<u>(250,397)</u>	<u>(251,213)</u>	<u>135,744</u>	<u>(432,295)</u>
Fund balance, beginning of year	<u>310,750</u>	<u>310,750</u>	<u>310,750</u>	<u>-</u>
Fund balance, end of year	<u>\$ 60,353</u>	<u>\$ 59,537</u>	<u>\$ 446,494</u>	<u>\$ (432,295)</u>

CITY OF DESTIN, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 TECHNOLOGY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 261	\$ 261
Total revenues	<u>-</u>	<u>-</u>	<u>261</u>	<u>261</u>
Expenditures				
Current				
Public safety	127,500	127,500	34,860	92,640
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>34,860</u>	<u>92,640</u>
Deficiency of revenues under expenditures	<u>(127,500)</u>	<u>(127,500)</u>	<u>(34,599)</u>	<u>92,901</u>
Other financing sources				
Transfers in	139,982	139,982	184,317	44,335
Total other financing sources	<u>139,982</u>	<u>139,982</u>	<u>184,317</u>	<u>44,335</u>
Change in fund balance	12,482	12,482	149,718	137,236
Fund balance, beginning of year	201,407	201,407	201,407	-
Fund balance, end of year	<u>\$ 213,889</u>	<u>\$ 213,889</u>	<u>\$ 351,125</u>	<u>\$ 137,236</u>

CITY OF DESTIN, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 PARKING FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 418,500	\$ 418,500	\$ 425,670	\$ 7,170
Investment earnings	25	25	75	50
Total revenues	<u>418,525</u>	<u>418,525</u>	<u>425,745</u>	<u>7,220</u>
Expenditures				
Current				
General government	85,700	85,700	77,900	7,800
Capital outlay	<u>126,000</u>	<u>126,000</u>	-	<u>126,000</u>
Total expenditures	<u>211,700</u>	<u>211,700</u>	<u>77,900</u>	<u>133,800</u>
Change in fund balance	206,825	206,825	347,845	141,020
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 206,825</u>	<u>\$ 206,825</u>	<u>\$ 347,845</u>	<u>\$ 141,020</u>

CITY OF DESTIN, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 2013 REVENUE REFUNDING NOTE SERIES FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 273	\$ 173
Total revenues	<u>100</u>	<u>100</u>	<u>273</u>	<u>173</u>
Expenditures				
Debt service				
Principal retirement	412,531	412,531	412,531	-
Interest	<u>142,713</u>	<u>142,713</u>	<u>142,713</u>	<u>-</u>
Total expenditures	<u>555,244</u>	<u>555,244</u>	<u>555,244</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(555,144)</u>	<u>(555,144)</u>	<u>(554,971)</u>	<u>173</u>
Other financing sources				
Transfers in	<u>555,245</u>	<u>555,245</u>	<u>555,378</u>	<u>133</u>
Total other financing sources	<u>555,245</u>	<u>555,245</u>	<u>555,378</u>	<u>133</u>
Change in fund balance	101	101	407	306
Fund balance, beginning of year	93,097	93,097	93,097	-
Fund balance, end of year	<u>\$ 93,198</u>	<u>\$ 93,198</u>	<u>\$ 93,504</u>	<u>\$ 306</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
2014 REVENUE REFUNDING NOTE SERIES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 334	\$ 234
Total revenues	<u>100</u>	<u>100</u>	<u>334</u>	<u>234</u>
Expenditures				
Debt service				
Principal retirement	427,021	427,021	427,021	-
Interest	<u>304,397</u>	<u>304,397</u>	<u>304,397</u>	<u>-</u>
Total expenditures	<u>731,418</u>	<u>731,418</u>	<u>731,418</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(731,318)</u>	<u>(731,318)</u>	<u>(731,084)</u>	<u>234</u>
Other financing sources				
Transfers in	<u>731,418</u>	<u>731,418</u>	<u>731,489</u>	<u>71</u>
Total other financing sources	<u>731,418</u>	<u>731,418</u>	<u>731,489</u>	<u>71</u>
Change in fund balance	100	100	405	305
Fund balance, beginning of year	245,566	245,566	245,566	-
Fund balance, end of year	<u>\$ 245,666</u>	<u>\$ 245,666</u>	<u>\$ 245,971</u>	<u>\$ 305</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
2021 REVENUE REFUNDING NOTE SERIES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 41	\$ 41
Total revenues	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
Expenditures				
Debt service				
Principal retirement	1,200,000	1,200,000	1,200,000	-
Interest	<u>102,077</u>	<u>102,077</u>	<u>102,077</u>	<u>-</u>
Total expenditures	<u>1,302,077</u>	<u>1,302,077</u>	<u>1,302,077</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(1,302,077)</u>	<u>(1,302,077)</u>	<u>(1,302,036)</u>	<u>41</u>
Other financing sources				
Transfers in	<u>1,302,077</u>	<u>1,302,077</u>	<u>1,302,077</u>	<u>-</u>
Total other financing sources	<u>1,302,077</u>	<u>1,302,077</u>	<u>1,302,077</u>	<u>-</u>
Change in fund balance	-	-	41	41
Fund balance, beginning of year	537	537	537	-
Fund balance, end of year	<u>\$ 537</u>	<u>\$ 537</u>	<u>\$ 578</u>	<u>\$ 41</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ 231,400	\$ 247,687	\$ 16,287
Licenses and permits	-	-	793,559	793,559
Impact fees	115,500	115,500	132,605	17,105
Intergovernmental revenues	-	8,400,330	2,081,982	(6,318,348)
Investment earnings	-	-	5,830	5,830
Contributions	-	30,000	28,685	(1,315)
Miscellaneous revenues	500	500	5,575	5,075
Total revenues	<u>116,000</u>	<u>8,777,730</u>	<u>3,295,923</u>	<u>(5,481,807)</u>
Expenditures				
Current				
Physical environment	-	282,500	282,500	-
Capital outlay	13,477,276	13,963,132	3,872,728	(10,090,404)
Total expenditures	<u>13,477,276</u>	<u>14,245,632</u>	<u>4,155,228</u>	<u>(10,090,404)</u>
Deficiency of revenues under expenditures	<u>(13,361,276)</u>	<u>(5,467,902)</u>	<u>(859,305)</u>	<u>(15,572,211)</u>
Other financing sources				
Transfers in	11,567,416	3,093,625	1,903,089	(1,190,536)
Total other financing sources	<u>11,567,416</u>	<u>3,093,625</u>	<u>1,903,089</u>	<u>(1,190,536)</u>
Change in fund balance	(1,793,860)	(2,374,277)	1,043,784	(16,762,747)
Fund balance, beginning of year	4,705,813	4,705,813	4,705,813	-
Fund balance, end of year	<u>\$ 2,911,953</u>	<u>\$ 2,331,536</u>	<u>\$ 5,749,597</u>	<u>\$ (16,762,747)</u>

STATISTICAL SECTION

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**Net Position by Component - Last Ten Years
(Unaudited)**

Fiscal Year	Net investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2022	\$ 100,905,387	\$ 5,073,775	\$ 33,510,788	\$ 139,489,950
2021	98,289,498	3,852,330	29,063,467	131,205,295
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

Source: City Finance Department.

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Expenses					
General government	\$ 3,882,608	\$ 3,583,345	\$ 4,028,182	\$ 3,695,191	\$ 3,532,139
Public safety	3,960,949	3,756,665	3,623,935	3,292,103	3,908,737
Physical environment	1,180,082	646,171	670,079	319,713	432,132
Transportation	3,377,216	2,739,207	2,866,166	3,252,517	3,053,455
Economic environment	129,780	1,141,935	1,152,796	1,146,463	1,209,950
Human services	51,604	64,531	63,494	62,808	55,220
Culture and recreation	4,081,335	3,476,834	2,702,912	2,323,177	2,274,564
Debt service interest	550,710	637,571	752,073	788,775	806,526
Total expenses	17,214,284	16,046,259	15,859,637	14,880,747	15,272,723
Program revenue					
Charges for services					
General government	295,011	64,090	601	2,457,688	2,495,996
Public safety	1,904,763	1,793,926	1,555,942	614,412	847,202
Physical environment	27,474	50,965	23,443	20,800	46,495
Transportation	500,972	505,182	178,174	140,017	119,218
Culture and recreation	465,659	347,454	331,925	401,939	406,050
Operating grants and contributions	775,474	646,998	2,082,880	734,898	1,407,851
Capital grants and contributions	2,496,372	5,192,296	197,999	43,520	30,544
Total program revenue	6,465,725	8,600,911	4,370,964	4,413,274	5,353,356
Net expense	(10,748,559)	(7,445,348)	(11,488,673)	(10,467,473)	(9,919,367)
General revenue and other changes in net position					
Property taxes	10,794,578	9,892,776	9,374,391	8,764,290	8,179,225
Other taxes	3,496,780	3,480,413	2,895,623	1,636,565	1,669,159
Other revenue	4,741,856	4,954,175	6,660,927	3,417,096	1,907,549
Special items	-	-	-	-	-
Total general revenue	19,033,214	18,327,364	18,930,941	13,817,951	11,755,933
Change in net position	8,284,655	10,882,016	7,442,268	3,350,478	1,836,566
Net position, beginning	131,205,295	120,323,279	112,881,010	109,530,532	106,754,910
Cumulative effect of change in accounting principle	-	-	-	-	939,056
Prior period adjustment	-	-	-	-	-
Net position, ending	\$ 139,489,950	\$ 131,205,295	\$ 120,323,279	\$ 112,881,010	\$ 109,530,532

Source: City Finance Department.

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Expenses					
General government	\$ 2,981,384	\$ 2,889,172	\$ 3,330,320	\$ 3,135,252	\$ 2,847,225
Public safety	4,011,135	3,535,716	3,080,103	2,721,873	2,633,697
Physical environment	433,283	491,154	591,383	710,134	647,709
Transportation	3,141,933	2,842,564	2,582,807	2,661,304	2,525,995
Economic environment	1,274,262	1,289,854	1,326,255	1,387,855	1,103,214
Human services	107,287	54,394	58,975	59,650	60,250
Culture and recreation	2,242,446	2,340,627	2,239,857	2,277,720	2,163,148
Debt service interest	888,752	873,117	1,132,842	1,366,317	1,662,880
Total expenses	15,080,482	14,316,598	14,342,542	14,320,105	13,644,118
Program revenue					
Charges for services					
General government	2,223,122	2,317,742	2,214,652	2,099,136	1,835,784
Public safety	940,221	898,725	697,452	553,710	644,091
Physical environment	79,821	14,660	21,503	7,463	51,686
Transportation	60,534	49,514	115,970	47,642	41,810
Culture and recreation	402,708	456,828	421,704	337,804	290,158
Operating grants and contributions	2,450,238	1,727,351	197,614	373,317	189,862
Capital grants and contributions	70,120	42,081	203,334	126,767	7,888,961
Total program revenue	6,226,764	5,506,901	3,872,229	3,545,839	10,942,352
Net expense	(8,853,718)	(8,809,697)	(10,470,313)	(10,774,266)	(2,701,766)
General revenue and other changes in net position					
Property taxes	7,761,152	6,844,994	6,443,596	6,090,326	5,841,191
Other taxes	1,623,261	1,583,815	1,530,492	1,537,513	1,533,833
Other revenue	1,873,339	1,982,864	1,761,737	1,573,651	1,274,760
Special items	-	-	-	(1,750,000)	-
Total general revenue	11,257,752	10,411,673	9,735,825	7,451,490	8,649,784
Change in net position	2,404,034	1,601,976	(734,488)	(3,322,776)	5,948,018
Net position, beginning	104,350,876	102,748,900	103,483,388	106,806,164	101,450,057
Cumulative effect of change in accounting principle	-	-	-	-	-
Prior period adjustment	-	-	-	-	(591,911)
Net position, ending	\$ 106,754,910	\$ 104,350,876	\$ 102,748,900	\$ 103,483,388	\$ 106,806,164

Source: City Finance Department.

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

	Fiscal Year				
	2022	2021	2020	2019	2018
General Fund					
Nonspendable	\$ 2,581,252	\$ 2,561,841	\$ 2,451,337	\$ 2,448,824	\$ 2,469,019
Restricted	-	-	3,247,659	2,584,256	2,480,877
Committed	13,683,891	10,084,733	8,411,205	10,129,498	9,657,663
Assigned	323,611	376,587	2,964,171	1,213,592	672,226
Unassigned	11,500,107	13,296,275	14,449,613	10,040,295	7,526,416
Total	\$ 28,088,861	\$ 26,319,436	\$ 31,523,985	\$ 26,416,465	\$ 22,806,201
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 88
Restricted	5,073,775	3,852,330	643,742	77,685	89,220
Committed	6,739,436	4,655,060	-	-	-
Assigned	533,466	2,535,604	44,332	329,948	279,391
Unassigned	(1,663,708)	(3,846,516)	(2,390,520)	(2,231,153)	(2,240,233)
Total all other governmental funds	\$ 10,682,969	\$ 7,196,478	\$ (1,702,446)	\$ (1,823,520)	\$ (1,871,534)

Source: City Finance Department.

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 2,999,624	\$ 2,802,335	\$ 1,980,893	\$ 1,879,620	\$ 1,324,569
Restricted	1,977,027	1,373,526	1,216,046	1,098,945	1,152,307
Committed	9,674,570	10,340,837	11,071,545	10,276,708	10,418,492
Assigned	1,625,986	1,118,384	328,889	684,591	730,267
Unassigned	3,626,528	2,905,348	1,848,403	1,743,576	2,657,863
Total	\$ 19,903,735	\$ 18,540,430	\$ 16,445,776	\$ 15,683,440	\$ 16,283,498
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ 68	\$ -	\$ -
Restricted	98,844	114,825	884,473	151,914	1,524,027
Committed	-	-	-	74,256	95,853
Assigned	255,797	276,444	345,855	633,953	1,109,529
Unassigned	(2,142,360)	(1,979,433)	(2,462,082)	(1,835,073)	(1,010,642)
Total all other governmental funds	\$ (1,787,719)	\$ (1,588,164)	\$ (1,231,686)	\$ (974,950)	\$ 1,718,767

Source: City Finance Department.

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenue					
Taxes	\$ 14,291,359	\$ 13,373,189	\$ 12,270,014	\$ 12,309,961	\$ 11,766,912
Licenses and permits	5,008,309	3,779,441	3,342,590	1,079,465	1,008,548
Impact fees	132,605	590,174	456,051	160,720	671,922
Intergovernmental	5,586,955	8,053,048	4,050,502	3,494,078	2,889,811
Charges for services	1,289,082	937,122	513,137	512,089	568,635
Fines and forfeitures	56,135	79,829	106,750	28,981	44,278
Investment income	(1,078,214)	19,983	471,977	506,164	20,654
Contributions	37,479	1,867	4,035	6,871	8,608
Miscellaneous income (loss)	36,503	50,972	9,058	132,896	131,376
Total revenue	25,360,213	26,885,625	21,224,114	18,231,225	17,110,744
Expenditures					
General government	3,640,884	3,403,184	3,935,334	3,542,238	3,398,890
Public safety	3,924,721	3,752,995	3,408,341	3,061,601	2,779,558
Physical environment	452,211	142,017	27,374	31,346	88,226
Transportation	1,589,395	1,663,328	1,925,723	1,924,802	1,824,192
Economic environment	129,781	107,900	130,173	105,720	123,024
Human services	51,604	64,531	63,494	62,808	55,220
Culture and recreation	3,292,184	2,854,316	2,237,953	1,909,794	1,872,829
Capital outlay	4,369,267	11,160,364	1,937,657	1,607,301	1,877,832
Debt service					
Principal	2,122,863	9,318,692	1,622,596	1,533,487	1,485,956
Interest	555,409	717,941	745,697	793,850	836,554
Investment loss	-	-	-	-	-
Total expenditures	20,128,319	33,185,268	16,034,342	14,572,947	14,342,281
Excess (deficiency) of revenue over expenditures	5,231,894	(6,299,643)	5,189,772	3,658,278	2,768,463
Other financing sources (uses)					
Transfers in	4,676,350	29,587,639	2,255,374	4,171,759	6,343,303
Transfers out	(4,676,350)	(29,587,639)	(2,255,374)	(4,171,759)	(6,343,303)
Issuance of debt	-	-	-	-	50,188
Proceeds of debt issuance	-	9,905,000	-	-	-
Debt service principal	-	-	-	-	-
Lease proceeds	24,021	89,019	38,422	-	-
Non-operating loss	-	-	-	-	-
Total other financing sources (uses)	24,021	9,994,019	38,422	-	50,188
Special item - Settlement	-	-	-	-	-
Net change in fund balance	\$ 5,255,915	\$ 3,694,376	\$ 5,228,194	\$ 3,658,278	\$ 2,818,651
Debt service as a percentage of noncapital expenditures	17.0%	45.6%	16.8%	18.0%	18.6%

Source: City Finance Department.

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenue					
Taxes	\$ 11,192,022	\$ 10,316,957	\$ 9,891,235	\$ 9,429,663	\$ 8,951,113
Licenses and permits	930,187	885,870	674,131	597,505	846,549
Impact fees	801,424	446,936	280,494	268,840	144,678
Intergovernmental	3,734,054	3,232,561	1,819,128	1,674,915	9,294,741
Charges for services	525,860	568,018	509,159	462,224	366,618
Fines and forfeitures	46,812	47,238	114,111	49,229	43,404
Investment income	59,756	256,010	222,593	-	-
Contributions	24,772	22,848	34,839	99,975	20,292
Miscellaneous income (loss)	169,629	142,136	62,364	166,802	36,132
Total revenue	17,484,516	15,918,574	13,608,054	12,749,153	19,703,527
Expenditures					
General government	2,853,328	2,747,954	3,489,939	2,951,776	2,713,560
Public safety	2,610,831	2,410,183	2,107,835	1,768,098	1,661,520
Physical environment	90,710	148,581	248,810	379,218	287,702
Transportation	1,885,837	1,681,535	1,472,935	1,544,311	1,295,486
Economic environment	163,637	176,210	216,503	209,632	185,215
Human services	107,287	54,394	58,975	59,650	60,250
Culture and recreation	1,858,739	1,976,500	1,927,771	1,949,815	1,772,495
Capital outlay	4,762,510	3,075,354	1,642,819	1,581,816	8,697,826
Debt service					
Principal	1,417,449	1,087,340	901,028	1,374,432	1,243,032
Interest	874,429	822,369	1,083,667	1,562,813	1,697,345
Investment loss	-	-	-	1,824	110,438
Total expenditures	16,624,757	14,180,420	13,150,282	13,383,385	19,724,869
Excess (deficiency) of revenue over expenditures	859,759	1,738,154	457,772	(634,232)	(21,342)
Other financing sources (uses)					
Transfers in	3,907,488	2,971,389	1,563,616	3,730,001	2,206,101
Transfers out	(3,907,488)	(2,971,389)	(1,563,616)	(3,730,001)	(2,206,101)
Issuance of debt	303,991	-	-	(12,900,000)	(7,610,000)
Proceeds of debt issuance	-	-	5,427,000	-	-
Debt service principal	-	-	(5,379,150)	-	-
Lease proceeds	-	-	-	11,871,000	7,610,000
Non-operating loss	-	-	-	119,229	-
Total other financing sources (uses)	303,991	-	47,850	(909,771)	-
Special item - Settlement	-	-	-	(1,750,000)	-
Net change in fund balance	\$ 1,163,750	\$ 1,738,154	\$ 505,622	\$ (3,294,003)	\$ (21,342)
Debt service as a percentage of noncapital expenditures	19.3%	17.2%	17.2%	24.9%	26.7%

Source: City Finance Department.

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
2022	\$ 5,980,379,074	\$ 102,386,732	\$ 6,082,765,806	1.6150	\$ 9,332,483
2021	5,586,981,183	99,760,236	5,686,741,419	1.6150	8,724,883
2020	5,289,909,655	100,875,258	5,390,784,913	1.6150	8,270,812
2019	4,940,251,366	96,041,092	5,036,292,458	1.6150	7,726,932
2018	4,637,572,095	94,406,296	4,731,978,391	1.6150	7,260,038
2017	4,419,401,166	88,815,805	4,508,216,971	1.6150	6,916,732
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

Source: Okaloosa County Property Appraiser DR-422 lines 1 and 2.

Adjusted when DR-403 Final Taxable Value is submitted to City by the Property Appraiser.

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 and Overlapping Rates
	City of Destin	Destin Fire District	Okaloosa County	Okaloosa School Board	Northwest Florida Water District		
2022	1.61500	1.00000	3.83080	5.57900	0.02610	10.43590	12.05090
2021	1.61500	1.00000	3.83080	5.94300	0.02940	10.80320	12.41820
2020	1.61500	1.00000	3.83080	6.03500	0.03110	10.89690	12.51190
2019	1.61500	1.00000	3.83080	6.20600	0.03270	11.06950	12.68450
2018	1.61500	1.00000	3.83080	6.36100	0.03380	11.22560	12.84060
2017	1.61500	1.00000	3.83080	6.58800	0.03530	11.45410	13.06910
2016	1.61500	1.00000	3.43080	6.90700	0.03660	11.37440	12.98940
2015	1.50000	1.00000	3.43080	7.55100	0.04000	12.02180	13.52180
2014	1.50000	1.00000	3.43080	7.44100	0.03900	11.91080	13.41080
2013	1.50000	1.00000	3.43080	7.55100	0.04000	12.02180	13.52180
2012	1.45500	1.00000	3.28990	7.47600	0.04000	11.80590	13.26090
2011	1.45500	1.00000	3.28990	7.76900	0.04500	12.10390	13.55890

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

Source: <https://okaloosapa.com/wp-content/uploads/sites/29/2021/10/2021-Final-Millage.pdf>

Principal Taxpayers - Current Year and Ten Years Ago
(Unaudited)

Taxpayer	September 30, 2022			Taxpayer	September 30, 2013		
	Taxable Assessed Value	Rank	Percent of City's Total Taxable Value		Taxable Assessed Value	Rank	Percent of City's Total Taxable Value
WCW OLYMPUS DESTIN LLC	\$ 59,745,558	1	0.98%	EMERALD GRANDE LLC	\$ 54,227,300	1	1.44%
PASSCO SEA GLASS DST	50,127,214	2	0.82%	AHB APARTMENTS LLC	21,252,705	2	0.56%
EMERALD GRANDE INC	49,676,280	3	0.82%	DRB DEVELOPMENT LLC	13,492,700	3	0.36%
BR HENDERSON BEACH LLC	39,418,625	5	0.65%	WRI-SRP PARADISE ISLE LLC	10,715,649	4	0.28%
FLORIDA POWER & LIGHT CO.	37,094,229	4	0.61%	DUNAVANT GULF LLC	10,498,995	5	0.28%
DRH HBR OWNER LLC	31,518,797	6	0.52%	BLASBICHLER H D AGREEMENT	7,594,714	6	0.20%
HENDERSON BEACH PARTNERS LLC	26,862,977	7	0.44%	WYNDHAM VACATION RESORTS	7,530,263	7	0.20%
PARADISE ISLE DESTIN LLC	15,709,350	8	0.26%	SHANRI HOLDINGS CORP	7,467,673	8	0.20%
KEY DESTIN OWNER LLC	13,573,460	9	0.22%	CRYSTAL BEACH PALZA LLC	7,060,621	9	0.19%
WYNDHAM VACATION RESORTS INC	10,029,000	10	0.16%	CLUB DESTIN RESORT	6,509,100	10	0.17%
Total Principal Taxpayers	<u>\$ 333,755,490</u>		<u>5.49%</u>		<u>\$ 146,349,720</u>		<u>3.88%</u>
Total Tax Value of Other	<u>\$ 5,746,370,680</u>		<u>94.51%</u>		<u>\$ 3,621,629,815</u>		<u>96.12%</u>
Total Taxable Assessed Value	<u>\$ 6,080,126,170</u>		<u>100.00%</u>		<u>\$ 3,767,979,535</u>		<u>100.00%</u>

Source: Okaloosa County Property Appraiser.

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
2022	\$ 9,332,483	\$ 9,482,098	101.60%	\$ -	\$ 9,482,098	101.60%
2021	8,724,883	8,827,350	101.17%	54,971	8,882,321	101.80%
2020	8,270,812	8,430,713	101.93%	3,561	8,434,274	101.98%
2019	7,726,932	7,879,410	101.97%	4,613	7,884,023	102.03%
2018	7,260,038	7,405,759	102.01%	1,809	7,407,568	102.03%
2017	6,916,732	7,031,699	101.66%	4,122	7,035,821	101.72%
2016	6,574,963	6,211,296	94.47%	3,797	6,215,093	94.53%
2015	5,744,157	5,842,418	101.71%	10,172	5,852,590	101.89%
2014	5,438,958	5,530,911	101.69%	54,974	5,585,885	102.70%
2013	5,368,743	5,294,736	98.62%	29,787	5,202,450	96.90%

*Assumes full discount taken for early payment of taxes (maximum of 5%).

Source: DR-422 forms certified by Okaloosa County Tax Collector.

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

Fiscal Year Ended September 30,	2005B Florida Municipal Loan Council Revenue Bonds	2005 CRA Town Center Revenue Bonds	2009 CRA Harbor Revenue Note (Restructured 2015)	2013 Capital Improvement Revenue Note	2014 CRA Town Center Revenue Refunding Note Series
2022	\$ -	\$ -	\$ -	4,281,980	\$ 8,499,581
2021	-	-	-	4,694,511	8,926,602
2020	-	-	3,986,827	5,095,650	9,339,342
2019	-	-	4,429,808	5,485,711	9,738,279
2018	-	-	4,770,168	5,865,001	10,123,875
2017	-	-	5,096,625	6,233,816	10,496,575
2016	-	-	5,409,749	6,592,446	10,856,811
2015	-	-	5,709,446	6,941,172	11,205,000
2014	5,800,000	-	5,997,542	7,280,268	11,205,000
2013	6,040,000	12,900,000	6,136,242	7,610,000	-

Note: Detail regarding the community redevelopment districts' outstanding debt can be found in the notes to the financial statements.

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

Fiscal Year Ended September 30,	2015 Revenue Refunding Note Series	2021 Revenue Refunding Note Series	Financed Purchases	Total Revenue Bonds and Notes and Capital Leases	Per Capita
2022	\$ -	\$ 8,312,000	\$ 106,708	\$ 21,200,269	1,465
2021	-	9,512,000	165,998	23,299,111	1,639
2020	4,035,000	-	166,965	22,623,784	1,624
2019	4,379,000	-	175,160	24,207,958	1,801
2018	4,714,000	-	268,401	25,741,445	1,937
2017	5,039,000	-	311,197	27,177,213	2,072
2016	5,359,000	-	72,665	28,290,671	2,193
2015	5,427,000	-	95,393	29,378,011	2,308
2014	-	-	119,229	30,402,039	2,424
2013	-	-	-	32,686,242	2,620

City of Destin, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2022
(Unaudited)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable to City of Destin ⁽¹⁾	Estimated Amount Applicable to City of Destin
Debt repaid with property taxes:			
Okaloosa County	\$ 93,846,414	29%	\$ 27,154,722
Okaloosa School Board ⁽²⁾	218,476,566	26%	56,439,287
Destin Fire District	-	84%	-
Northwest Florida Water District	-	29%	-
Subtotal, overlapping debt			<u>83,594,009</u>
City of Destin			<u>21,200,269</u>
Total direct and overlapping debt			<u><u>\$ 104,794,278</u></u>

⁽¹⁾ Based on ratio of assessed taxable value.

⁽²⁾ The Okaloosa School Board debt outstanding is as of June 30, 2022.

SOURCE: Okaloosa County, Florida Accounting Division and the School Board of Okaloosa County.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Destin. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account.

City of Destin, Florida

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Total Personal Income	Unemployment Rate ⁽³⁾
2022	14,472	\$53,557	\$ 775,081,969	3.00%
2021	14,217	\$51,007	\$ 725,166,519	2.90%
2020	13,931	\$49,909	\$ 695,282,279	2.80%
2019	13,441	\$45,324	\$ 609,199,884	2.30%
2018	13,289	\$43,086	\$ 572,569,854	2.40%
2017	13,116	\$40,465	\$ 530,738,940	3.80%
2016	12,898	\$40,065	\$ 516,758,370	4.50%
2015	12,730	\$38,450	\$ 489,468,500	4.50%
2014	12,541	\$39,252	\$ 492,259,332	4.50%
2013	12,474	\$37,138	\$ 463,259,412	4.50%

⁽¹⁾ Furnished by the Bureau of Economic and Business Research

⁽²⁾ Furnished by the U.S. Census Bureau - Quick Facts

⁽³⁾ Furnished by the Bureau of Labor Statistics

**Demographics
(Unaudited)**

2022

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	66.23
Paved	66.23
Unpaved	0.00
Estimated population	
Year-round	14,472
Seasonal-peak	100,000
Gender composition	
Female	50.5%
Male	49.5%
Racial composition	
White	81.2%
Hispanic	7.8%
Black	3.5%
American Indian	1.7%
Asian	2.3%
Other	3.4%
Median household income	\$81,827
Median earnings for full-time year-round workers	\$51,200
Number of households	6,377
Households with homestead exemption	3,626
Unemployment rate	2.90%

Source: City of Destin census FY2020, Bureau of Labor Statistics for Crestview-Fort Walton Beach-Destin, Destin Chamber of Commerce, and Okaloosa Tax Collector.

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

Principal Employers - Current Year
(Unaudited)

Employer	September 30, 2022				September 30, 2013		
	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
Keller Williams Realty	400	1	2.8%	ResortQuest International, Inc	1000-1300	1	9.4%
Big Kahuna's Waterpark	300	2	2.1%	A J's Seafood and Oyster House	100-249	2	1.43%
McGuire's Irish Pub	200	3	1.4%	Crab Trap	100-249	3	1.43%
Destin Healthcare and Rehabilitation	160	4	1.1%	Cracker Barrel	100-249	4	1.43%
AJ's	150	5	1.0%	Destin Healthcare and Rehabilitation	100-249	5	1.43%
Target	150	6	1.0%	Harbor Docks	100-249	6	1.43%
City of Destin FL	99-122	7	0.8%	Charter Boats	100-249	7	1.43%
Olive Garden Italian Kitchen	120	8	0.8%	Holiday Inn	100-249	8	1.43%
Harbor Docks Restaurant	120	9	0.8%	Lucky Snapper Grill & Bar	100-249	9	1.43%
Cracker Barrel Old Country Store	100	10	0.7%	Track Recreation Center	100-249	10	1.43%
Total			<u>12.51%</u>	Total			<u>22.23%</u>

SOURCE: Okaloosa County Economic Development Council (One Okaloosa)

City of Destin, Florida

City Employees - Last Five Years
(Unaudited)

1 FTE = 2080 hours/year

	Fiscal Year				
	2022	2021	2020	2019	2018
City Manager's Office					
City Manager	1.00	1.00	1.00	1.00	1.00
Deputy City Manager	1.00	1.00	1.00	1.00	1.00
Sr Administrative Professional	1.00	1.00	1.00	1.00	1.00
Public Information Manager	1.00	1.00	1.00	1.00	1.00
Grants Projects Manager	1.00	1.00	1.00	-	-
Receptionist (2 PT @29 hours/week)	1.45	1.45	1.45	1.45	1.45
Subtotal	6.45	6.45	6.45	5.45	5.45
City Clerk's Office					
City Clerk	1.00	1.00	1.00	1.00	1.00
Deputy City Clerk	1.00	1.00	1.00	1.00	1.00
Records Technician	1.00	1.00	1.00	1.00	1.00
Subtotal	3.00	3.00	3.00	3.00	3.00
Finance and Budget					
Finance Director	1.00	1.00	1.00	1.00	1.00
Accountant	1.00	1.00	1.00	1.00	1.00
Accounting Clerk (Payroll and AP)	1.00	1.00	0.50	0.50	-
Payroll Accounting Clerk	-	-	-	-	0.25
AP Administrative Clerk	-	-	-	-	0.25
Subtotal	3.00	3.00	2.50	2.50	2.50
Human Resources					
HR/Risk Manager	1.00	1.00	1.00	1.00	1.00
HR Coordinator	0.73	0.73	0.73	0.73	0.73
Subtotal	1.73	1.73	1.73	1.73	1.73
Facilities					
Maintenance Technician - Facilities	2.00	2.00	2.00	2.00	2.00
Maintenance Technician - Custodian	1.00	1.00	1.00	1.00	-
Subtotal	3.00	3.00	3.00	3.00	2.00
Community Development Office					
Community Development Director	0.67	0.67	1.00	1.00	1.00
Administrative Assistant	0.75	0.50	1.00	1.00	1.00
Principal Planner	1.00	1.00	1.00	1.00	1.00
Senior Planner	1.00	1.00	1.00	1.00	1.00
Planner	3.00	3.00	3.00	3.00	3.00
Business Tax License Clerk	1.00	1.00	-	-	-
Subtotal	7.42	7.17	7.00	7.00	7.00
Information Technology					
IT Director	1.00	1.00	1.00	1.00	1.00
Systems Network Specialist	1.00	1.00	1.00	1.00	1.00
Geographic Information Systems Manager	1.00	1.00	1.00	1.00	1.00
Help Desk Technician	1.00	1.00	1.00	-	-
Subtotal	4.00	4.00	4.00	3.00	3.00
SUBTOTAL GENERAL GOVERNMENT	28.59	28.34	27.68	25.68	24.68

(Continued)

City Employees - Last Five Years
(Unaudited)

1 FTE = 2080 hours/year

	Fiscal Year				
	2022	2021	2020	2019	2018
Public Safety					
Crossing Guards (3 PT Seasonal)	0.90	0.90	0.90	0.90	0.90
Subtotal	0.90	0.90	0.90	0.90	0.90
Code Compliance					
Code Compliance Director	0.90	0.90	1.00	1.00	1.00
Code Compliance Deputy Director	0.90	0.90	-	-	-
Harbor Compliance Officer	0.90	0.90	1.00	1.00	1.00
Code Compliance Officers (5 FT @90% plus 1 PT @90%)	5.15	3.61	5.50	5.00	3.00
Administrative assistant	0.90	0.90	1.00	1.00	1.00
Subtotal	8.75	7.21	8.50	8.00	6.00
Florida Building Code Enforcement (Building Inspections)					
Chief Building Official	-	1.00	1.00	1.00	1.00
Building Official	1.00	1.00	1.00	1.00	1.00
Building Inspector	2.00	2.00	1.00	1.00	1.00
Plans Examiner	1.00	1.00	1.00	1.73	1.73
Permit and License Tech	1.00	1.00	1.00	1.73	1.73
Permit and Licensing Administrator	1.00	1.00	1.00	1.00	1.00
Permit and Licensing Clerk	1.00	1.00	1.00	1.73	1.73
Code Compliance allocation (9.73@10%)	0.97	0.80	-	-	-
Engineering/Stormwater allocation (2@10%)	0.20	0.20	-	-	-
Com Dev Administrative allocation (1@25%; 1@33%)	0.58	0.83	-	-	-
Subtotal	8.76	9.83	7.00	9.18	9.18
SUBTOTAL PUBLIC SAFETY	18.41	17.95	16.40	18.08	16.08
Physical Environment					
Stormwater Management Specialist	1.00	1.00	1.00	1.00	1.00
Equipment Operator	1.00	1.00	-	-	-
Subtotal	2.00	2.00	1.00	1.00	1.00
SUBTOTAL PHYSICAL ENVIRONMENT	2.00	2.00	1.00	1.00	1.00
Public Works Department					
Public Works Director	1.00	1.00	1.00	1.00	1.00
Deputy Public Works Director	1.00	1.00	1.00	1.00	1.00
Field Crew Supervisor	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00
Mechanic	1.00	1.00	1.00	1.00	1.00
Maintenance Technician-General	4.00	4.00	2.00	2.00	2.00
Equipment Operator	-	-	1.00	1.00	1.00
Computer Aided Design Operator	1.00	1.00	1.00	1.00	1.00
Maintenance Technician/Mechanic	1.00	1.00	1.00	1.00	-
Subtotal	11.00	11.00	10.00	10.00	9.00
Engineering					
City Engineer (P.E.)	1.00	1.00	1.00	1.00	1.00
Engineer	1.00	1.00	1.00	1.00	1.00
Subtotal	2.00	2.00	2.00	2.00	2.00
SUBTOTAL TRANSPORTATION	13.00	13.00	12.00	12.00	11.00

(Continued)

City Employees - Last Five Years
(Unaudited)

1 FTE = 2080 hours/year

	Fiscal Year				
	2022	2021	2020	2019	2018
Community Redevelopment Agency					
CRA Manager (Town Center)	-	-	-	0.25	0.25
CRA Manager (Harbor)	-	-	-	0.25	0.25
Maintenance Technician	-	-	-	1.50	1.50
CRA Finance Administrative Clerk (Town Center)	-	-	0.25	0.25	0.25
CRA Finance Administrative Clerk (Harbor)	-	-	0.25	0.25	0.25
Subtotal	-	-	0.50	2.50	2.25
SUBTOTAL ECONOMIC DEVELOPMENT					
	-	-	0.50	2.50	2.25
Library					
Library Director	1.00	1.00	1.00	1.00	1.00
Technical Services (Cataloger)	1.00	1.00	1.00	1.00	1.00
Circulation Desk Supervisor	1.00	1.00	1.00	1.00	1.00
Circulation Desk	1.00	1.00	1.00	1.00	1.00
Youth Services Librarian	1.00	1.00	1.00	1.00	1.00
Technology Specialist	1.00	1.00	1.00	1.00	-
Library Assistant (4 PT at 29/40 hrs/week)	2.90	2.90	2.90	2.90	3.63
Subtotal	8.90	8.90	8.90	8.90	8.63
Parks (Includes TDC/Waterfront and FDEP/Leonard Destin)					
Parks and Recreation Director	1.00	1.00	1.00	1.00	1.00
Parks and Recreation Deputy Director	1.00	1.00	1.00	1.00	1.00
Park Supervisor	1.00	1.00	1.00	1.00	1.00
Assistant Park Supervisor	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00
Maintenance Technician	11.45	11.45	11.45	11.45	11.45
Joe's Bayou Attendant (3 PT at 29/40 hrs/week)	2.18	1.45	1.45	1.45	1.45
Subtotal	18.63	17.90	17.90	17.90	17.90
Morgan Sports Complex					
Recreation Program Coordinator	1.00	1.00	1.00	1.00	2.00
Recreation Assistant II	1.00	1.00	1.00	1.00	1.00
Recreation Assistant (2 PT at 29/40 hrs/week)	1.45	1.45	1.45	1.45	1.45
Field Maintenance Supervisor	-	-	-	-	1.00
Field Maintenance Technician	2.00	2.00	2.00	3.00	3.00
Groundskeeper	1.00	1.00	1.00	1.00	1.00
Scorekeepers (2 PT at 29/40 hrs/week)	1.45	1.45	1.45	1.45	1.45
Subtotal	7.90	7.90	7.90	8.90	10.90
Community Center					
Recreation Supervisor	1.00	1.00	1.00	1.00	1.00
Recreation Assistant II	1.00	1.00	1.00	1.00	1.00
Recreation Assistant (1 FT + 2 PT at 29/40)	2.45	2.45	2.45	2.45	2.45
Program Coordinator	1.00	1.00	1.00	1.00	1.00
Lead Program Coordinator	1.00	1.00	1.00	1.00	1.00
Maintenance Technician	2.00	2.00	2.00	2.00	2.00
Clerk/Receptionist	1.00	1.00	1.00	1.00	1.00
Camp Counselors (4 PT at 29/40 hrs/week)	2.90	2.90	2.90	2.90	2.90
Subtotal	12.35	12.35	12.35	12.35	12.35
SUBTOTAL CULTURE & RECREATION					
	47.78	47.05	47.05	48.05	49.78
Total budgeted FTEs					
	109.78	108.34	104.63	107.30	104.78
Total actual FTEs (labor hours/2080)					
		92.32	86.37	82.09	80.95

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

Source: Payroll

OTHER REPORTS

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

Honorable Mayor and Members of
the City Commission,
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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Destin, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2023.

Report on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

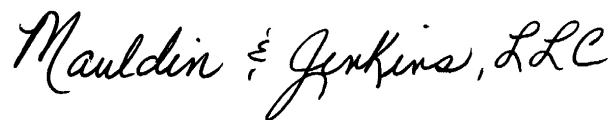
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is listed as item 2022-001 within the Schedule of Findings and Questioned Costs.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bradenton, Florida
March 15, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members of
the City Commission,
City of Destin, Florida

Report on Compliance For Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Destin, Florida's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2022. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Bradenton, Florida
March 15, 2023

Mauldin & Jenkins, LLC

CITY OF DESTIN, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

Federal Agency, Pass-Through Entity, Federal Program	AL No.	Grantors No.	Expenditures
Federal Awards:			
United States Department of the Treasury			
Passed through Florida Department of Environmental Protection Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies	21.015	2020-R14	\$ 586,620
Passed through Florida Department of Emergency Management American Rescue Plan Act	21.027	ARPA1	<u>126,093</u>
			<u>712,713</u>
United States Department of Homeland Security			
Passed through Florida Department of Emergency Management FEMA Grants - Hurricane Michael	97.044	Z0999	<u>37,011</u>
Total United States Department of Homeland Security			<u>37,011</u>
United States Institute of Museum and Library Services			
National Leadership Grant	45.312	CAGML-247804-OMLS-20	<u>22,266</u>
Total United States Department of Transportation			<u>22,266</u>
Total Expenditures of Federal Awards			<u>\$ 771,990</u>
State Agency, Pass-Through Entity, State Program	CFSA No.	Grantors No.	Expenditures
State Financial Assistance:			
Florida Department of Transportation			
Traffic Signal/HWY Light Maintenance	55.039	AQ982	\$ 146,367
Median Maintenance (via Ferrovial)	55.039	4600003522	39,618
Transportation Regional Incentive Program (TRIP)	55.026	G1U39	<u>1,122,678</u>
Total Florida Department of Transportation			<u>1,308,663</u>
Florida Emergency Management			
Hurricane Sally	31.066	160982, 160994, 161318, 161312, 131306	2,056
City of Destin Flood Management Project	31.077	7000.14.045909	<u>83,718</u>
Total Florida Emergency Management			<u>85,774</u>
Florida Department of Environmental Protection			
Operations Leonard Destin Park	37.085	OGC 112	<u>128,991</u>
Total Florida Department of Environmental Protection			<u>128,991</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,523,428</u>

CITY OF DESTIN, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Destin, Florida (the “City”), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, Rules of the Auditor General of the State of Florida. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City chose not to use the ten percent de minimis cost rate for the year ended September 30, 2022.

NOTE 3 – NON-CASH AWARDS

The City did not receive non-cash federal awards during the year ended September 30, 2022.

NOTE 4 – CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in disallowed expenditures under the terms of the grants. Based upon prior experience, the City does not believe that such disallowances, if any, would be material.

CITY OF DESTIN, FLORIDA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

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

Internal control over financial reporting:
Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered to be material weaknesses? ___ yes X no

Noncompliance material to financial statements noted? X yes ___ no

Federal Awards

Internal control over major federal programs:
Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
21.015	U.S. Department of the Treasury – Resource and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast State

Identification of major state financial assistance:

CSFA Number	Name of State Program
55.026	Transportation Regional Incentive Program (TRIP)

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Dollar threshold used to distinguish between Type A and Type B state programs: \$457,028

Auditee qualified as low-risk auditee? X yes ___ no

CITY OF DESTIN, FLORIDA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2022-001 – State of Florida Investment Compliance

Condition: During the 2022 fiscal year, the Finance Director (Acting as the Investment Officer) did not obtain the necessary eight hours of continuing professional education as required by Florida Statutes.

Criteria: Florida Statute 218.415 requires those responsible for overseeing investments of public funds to obtain annual education.

Cause: Staffing constraints and a cancelled conference caused the Finance Director to not be able to obtain and receive the necessary continuing education during 2022.

Effect: Not obtaining continuing education is a violation of the Florida State Statute

Recommendation: The City should ensure that the Finance Director receives the necessary continuing education, including arranging travel if continuing education cannot be obtained locally.

Response: The City agrees with the recommendation and the Finance Director did received the required continuing education in 2021 and does have plans to obtain it again in 2023.

SECTION III
FEDERAL AWARDS AND STATE PROJECT FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF DESTIN, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

None.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Destin, Florida (the "City"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated March 15, 2023.

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; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 15, 2023, 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 financial audit report. There were no findings or recommendations in the preceding annual financial report requiring correction.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

Bradenton, Florida
March 15, 2023

Mauldin & Jenkins, LLC



INDEPENDENT ACCOUNTANT'S REPORT

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 Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. Management of the City 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 judgement, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2022 except as noted in finding 2022-001.

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

Bradenton, Florida
March 15, 2023

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

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