

City of



Destin, Florida

**Annual Comprehensive
Financial Report
For Fiscal Year Ended
September 30, 2025**

CITY OF DESTIN, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025

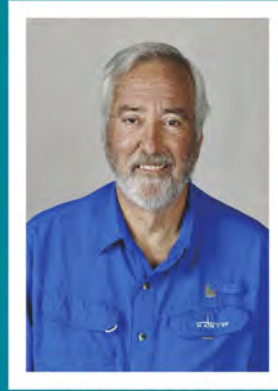
PREPARED BY:
CITY OF DESTIN FINANCE DEPARTMENT



DESTIN CITY COUNCIL



BOBBY WAGNER
MAYOR



DEWEY DESTIN
COUNCILMAN



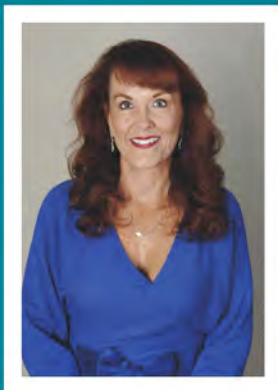
JIM BAGBY
COUNCILMAN



RODNEY BRADEN
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TOREY GEILE
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TERÉSA HEBERT
COUNCILWOMAN



KEVIN SCHMIDT
COUNCILMAN



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COUNCILWOMAN

CITY OF DESTIN, FLORIDA

CITY OF DESTIN, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
SEPTEMBER 30, 2025

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INTRODUCTORY SECTION

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Office of the City Manager

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

March 2, 2026

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, 2025. 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, 2025, 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, 2025, 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. This was not required for the fiscal year ended September 30, 2025. 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 operations of cultural and recreational facilities and events, and the construction and maintenance of highways, streets, sidewalks, stormwater and other infrastructure. The City also provides community planning and Florida 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 non-profit and 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 14,640 full-time residents with an

estimated peak seasonal population of approximately 200,000. 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 Visioning and 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 29 as part of the basic financial statements for the government funds. For governmental funds, other than the General Fund and major special revenue funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 30. The City of Destin has no proprietary funds and no business-like activities.

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: 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. After a long hot stretch of tourism activity spurred on by COVID in 2020, the area finally experienced a cooling effect in FY 2024. Occupancy of hotels and short-term rentals was nearly equal in FY 2023 through FY 2025. Although a bit slower than the prior year, the Okaloosa Tourist Development Council reported that FY 2025 bed tax collections and visitor estimates continue to be 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 2025, 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 FY 2026 was set at 1.615 mills for the eleventh consecutive year.

Major Initiatives - Current and Future

Undergrounding Utilities: 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 groups sections of the City into phases that have similar cost. The Project Manager has coordinated closely with FDOT and local utility providers. In late 2023, the City executed a binding cost estimate and a conversion agreement with FPL (formerly Gulf Power, a subsidiary of Nextera Energy) to convert overhead utilities to underground. A contractor was hired in the summer of 2024 through the City's transparent purchasing processes. Drilling conduit pathways began in the fall of 2024. This first phase along US Highway 98 from the Marler Bridge to Airport Road should be completed by the fall of 2026. This is the first area of seven identified.

Cross-Town Connector: 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. The final parcel required for this roadway was purchased in FY 2024. An engineering firm completed the design, funding was assembled and construction began in FY 2025. This section of roadway should be completed by July 2027.

Beach Acquisition: The purchase and development of beachfront property continues to be one of City Council's top objectives 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 between property owners, vendors, and visitors. 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 Department (TDD) to continue beachfront park development of the properties purchased in FY 2021 and to

acquire an additional 320+ feet of beachfront properties in early FY 2023. Administrative and financial assistance for these purchases is provided by the Trust for Public Lands (TPL). The land purchased at Tarpon Beach has completed the design phase and contractor solicitation in process. Construction began in 2025. The land purchased at the Shores of Crystal Beach is still in the design phase.

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, a developer worked with the City to extend the road and add parking for access to the park that FDEP has designed. FDEP is now managing the construction phase for the improvements to Norriego Point. The construction of recreation amenities began late in FY 2024 and was completed in the first quarter of FY 2026. Amenities include bathrooms, boardwalk, and hardening of the point. The hardening efforts on Norriego Point provide storm protection for the Destin Harbor and will help preserve the point for the future.

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 2026-2030 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 worked closely with a rate analyst to write a mobility project plan which was adopted by Council in FY 2025. The new mobility fees went into effect at the end of FY 2025, which should help raise funds for additional transportation infrastructure.

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 was completed early in FY 2025 and construction is anticipated to start in FY 2026.

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 districts within the Destin CRA help focus planning efforts for major capital improvements. One district is intent upon maintaining the vitality and heritage of our harbor district. The second district is to reinvigorate the vitality of a centralized downtown and town center area. There are also plans to improve connectivity throughout both districts.

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. With the assistance of a grant from the Florida Department of Transportation, an engineering design is nearly complete. There are a few easements to be attained to reach the 100% complete design. Upon completion, the City will approach donors to attain financing support before putting the construction out for bid.

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. The City continues to work with engineers and FDOT to improve mobility and pedestrian safety in these areas. Towards this end, in FY 2024, the City purchased five parcels at the foot of the Marler Bridge.

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.

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 2025. 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. All levels of staff are encouraged to recommend cost saving ideas. We estimate cost savings from the FY 2025 efficiency efforts to be over \$400 thousand. Management requested that Council consider applying these savings to allowing staff to participate in the Florida Retirement System (FRS), which we believe will improve staff retention.

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) Enhanced quality of life and safety for families.
- 3) Economic development and revitalization.
- 4) Effective, efficient and aesthetically pleasing infrastructure.
- 5) Improve mobility and connectivity.
- 6) A green and sustainable environment.
- 7) Offer livable wages & benefits to attract & maintain a high caliber, qualified staff.

Plans articulated in the fiscal year 2026 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. Amendments made by motion and resolution during the year are consolidated into Ordinance before the close of the fiscal year.

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 \$35,000 based on an average interest rate of 3.5 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, 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's contributes 7.5% of the employee's annual earnings to the retirement program and will match the first 5% of the employee's contribution to their 457 retirement program. Additional information on the City's pension arrangements and post-employment benefits can be found in 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 23 through 28 and are intended to present the City in a manner similar to private-sector businesses.

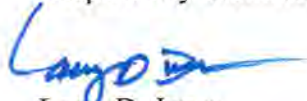
Additionally, the Fund Financial Statements (starting on page 29) are designed to address the Major (or more significant) individual funds by category. An explanation of these complementary presentations can be found in the MD&A (starting on page 6).

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, 2024. 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-eighth 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,



Larry D. Jones
City Manager



Krystal Strickland, CPA, CGFO
Finance Director

CITY OF DESTIN EXECUTIVE

DIRECTORY

City Council

Bobby Wagner, Mayor
Dewey Destin, Mayor Pro Tem/Council
Torey Geile, Council
Terésa Herbert, Council
Sandy Trammell, Council
Kevin Schmidt, Council
Jim Bagby, Council
Rodney Braden, Council

City Manager

Larry Jones

Finance/Budget Director

Krystal Strickland

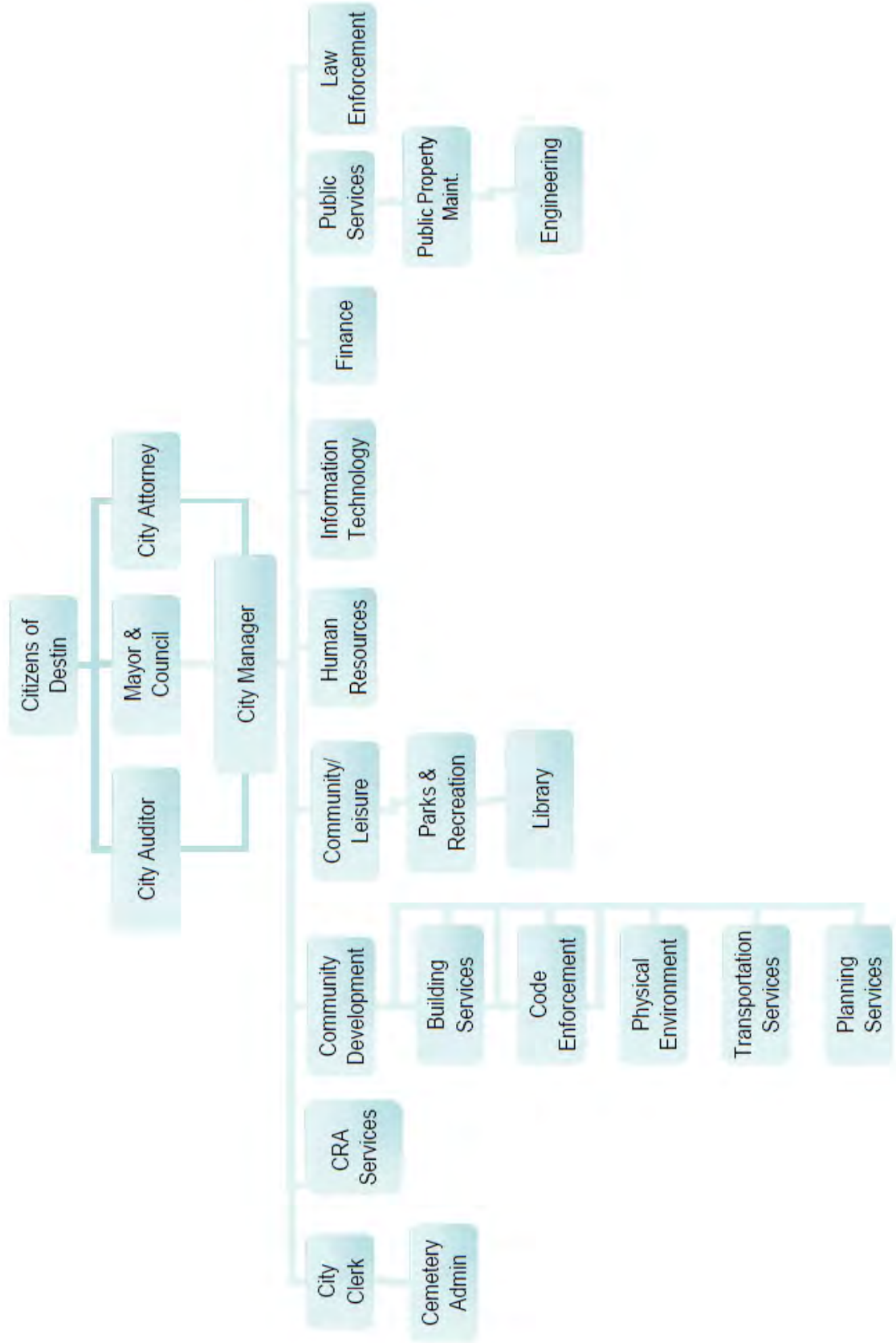
City Clerk

Rey Bailey

City 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, 2024

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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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, 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, 2025, 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2025, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the CRA Town Center Fund, the Okaloosa Half-Penny Fund, and CRA Harbor 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 twelve 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 22 and the schedule of changes in the City's total OPEB liability and related ratios on page 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

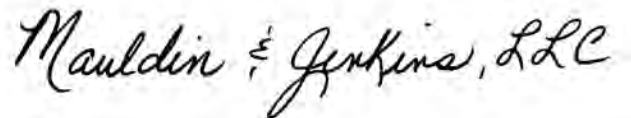
Other Information

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 February 20, 2026, 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
February 20, 2026

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CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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, 2025. 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 \$166 million (net position). Of this amount, \$95.7 million represents the net investment in capital assets (e.g. land, infrastructure, building, machinery, and equipment), \$19.6 million is restricted for use by regulatory agencies, grantors and debt covenants, and \$50.7 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$7.4 million during the current fiscal year. This decrease is primarily related to depreciation adjustments to capital assets. During the FY 2025 accounting software implementation, all older infrastructure and landscape improvement programs were deeply scrutinized resulting in change of useful lives and higher depreciation than in prior years (\$22 million vs usual \$4 million).
- Governmental Activities generated \$6.9 million in program revenues (\$737 thousand more than in the prior fiscal year). Capital grants were \$426 thousand higher in FY 2025 than FY 2024. Charges for services were \$124 thousand higher primarily due to one-time bond release administrative fees. Operating expenses increased \$22 million. Transportation, physical environment, and culture and recreation increased the most, all due to additional depreciation expense. An in-depth review of all assets resulted in shortening the useful life of many major land improvements and infrastructure and depreciation was adjusted accordingly. Personnel costs decreased slightly (\$80 thousand) and base operations increased \$900 thousand. Nearly half of the increase was for public safety (sheriff and lifeguard contracts), and there was an increase of approximately \$300 thousand for contracted professional services for general government activities.
- At the close of the current fiscal year, the City of Destin's governmental funds reported combined ending fund balances of \$69.7 million, an increase of \$25 million or 56% over the prior year. At the beginning of FY 2025, the City borrowed \$25 million for: (1) reimbursement for the purchase of 1 Harbor Blvd, (2) undergrounding of overhead utilities, and (3) to complete construction of the cross-town connector roadway. The governmental fund balance includes \$1.4 million Nonspendable fund balance, \$19.6 million is restricted by Florida statutes, grant agreements and debt service covenants, \$30.6 million has been committed by council resolutions and contracts, and \$18.1 million is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18.1 million, or 110% of the total General Fund operating expenditures.
- During fiscal year 2025, the City initiated \$51.7 thousand in copy machine financed purchases.
- During this fiscal year, the City invested \$13.8 million into capital assets such as undergrounding overhead utilities (\$8.3 million), roadway construction (\$3.8 million), renewing roadways and sidewalks (\$2.9 million), and replacing amenities at the Morgan Sports Center, like the playground, athletic field lighting, and the batting cage.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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. 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), culture and recreation (library, parks, athletic fields, and community center) and debt service.

The government-wide financial statements are found on pages 23 and 24 of this report.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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 25 through 34 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 thirteen 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 thirteen 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 58 through 65 of this report.

Major Governmental Funds:

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

Non-major Governmental Funds:

Florida Building Code Fund
Parking Fund
Technology Fund
Water Quality Fund
Debt Service 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, 2025

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, 2025, total assets were stated at \$8.3 million, an increase of \$808 thousand as compared to the September 30, 2024 stated value of \$7.5 million. The increase in assets was due to realized and unrealized increases in value of \$1.7 million minus contributions net of withdrawals of \$205 thousand. Allocations of investments were represented as 99% mutual funds and 1% in 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 33 and 34 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 35 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 58 through 65 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

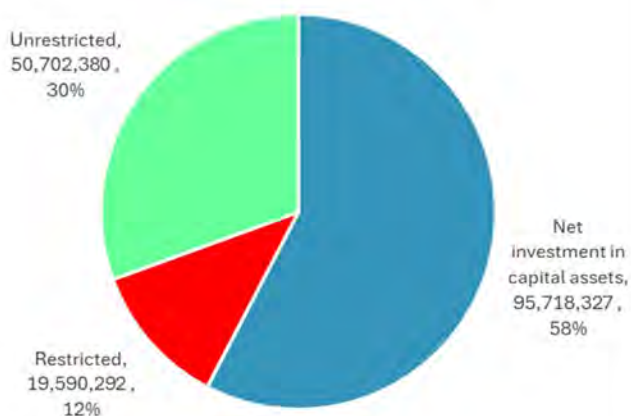
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

In the case of the City of Destin, combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$166 million at the close of fiscal year 2025. (See Table 1 below.)

Table 1
Statement of Net Position
As of September 30,
Governmental Activities

	2025	2024	\$ Change	% Change
Current and other assets	\$ 72,940,360	\$ 46,966,852	\$ 25,973,508	55%
Capital assets	141,870,808	152,336,021	(10,465,213)	-7%
Total assets	214,811,168	199,302,873	15,508,295	8%
Deferred outflows	40,029	46,652	(6,623)	-14%
Other liabilities	3,727,523	2,349,436	1,378,087	59%
Long-term liabilities	45,112,675	23,081,381	22,031,294	95%
Total liabilities	48,840,198	25,430,817	23,409,381	92%
Net position:				
Net investment in capital assets	95,718,327	129,525,200	(33,806,873)	-26%
Restricted	19,590,292	6,705,708	12,884,584	192%
Unrestricted	50,702,380	37,230,155	13,472,225	36%
Total net position	\$166,010,999	\$173,461,063	\$ (7,450,064)	-4%

Chart 1: Allocation of Net Position



The largest portion of the City's net position, \$95.7 million (58% 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, \$19.6 million (12% of total net position) represents resources that are subject to external restrictions. The remaining balance of \$50.7 million (30% of total) is considered unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's current and other assets increased \$25.9 million (55%). This increase is related to issuance of a \$25 million loan. The funds were borrowed to reimburse the city for the acquisition of a parcel of land at the foot of the Marler

Bridge (1 Harbor Boulevard), to underground overhead utilities, and to complete construction of the cross-town connector roadway. Capital assets net values decreased 7% (\$10 million). This is the net result of \$13 million in capital asset additions and expensing \$22 million due to shortened lives of infrastructure and land improvements. More details on the changes in capital assets can be found in Note 7 of the financial statements found on page 47.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Total liabilities increased \$23.4 million (92%). The City paid down over \$3.5 million in debt and added \$25 million in loans and leases, which resulted in a net increase in total liabilities. 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 48 through 52.

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, city executive management, and engineering services. Contracted services represent over 30% 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 57% 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 contracts with built-in annual increases.

The City's net position decreased by \$7.4 million (4%) during the fiscal year 2025. On the revenue side, the City collected nearly \$1.5 million more in property taxes during FY 2025 than the previous year. Short-term investments (money markets and CDs) earned particularly well during FY 2025 and added \$715 thousand to the net position. On the operating expense side, capital asset value adjustments resulted in over \$22 million in depreciation expense.

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

Current Year Impact – Governmental Activities

- Ad valorem property taxes increased \$1.4 million (10%) due to the increase of property values within the City. The millage rate has been maintained at 1.615 for each of the last nine fiscal years (since FY 2017). Upon incorporation in 1984, the City of Destin adopted a millage rate cap of 2 mills.
- Grants and contributions increased \$613 thousand (26%) from \$2.4 million in the prior year to \$3 million in FY 2025. Since 2017, grants and contributions average \$2.8 million per year. Most of the increase in FY 2025 was related to a one-time reimbursement from FEMA for reconstruction completed in 2016 (\$410 thousand), and a one-time grant from FDEP for a vulnerability study related to sea-level rise (\$200 thousand).
- Investment income earned during FY 2025 increased to \$2.9 million from \$2.1 million earned during FY 2024. A move to the equity in pooled cash accounting system improved treasury management, allowing more funds to be invested in money market and CDs.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 3,928,424	\$ 3,804,215	\$ 124,209	3%
Operating grants and contributions	1,774,958	1,588,462	186,496	12%
Capital grants and contributions	1,207,152	780,600	426,552	55%
General revenues:				
Property taxes	15,778,424	14,335,084	1,443,340	10%
Other taxes	3,681,658	3,629,177	52,481	1%
Franchise fees	3,313,735	3,243,280	70,455	2%
Government revenue sharing	2,372,449	2,400,830	(28,381)	-1%
Impact fees	172,558	171,129	1,429	1%
Investment income (loss)	2,890,580	2,174,754	715,826	33%
Miscellaneous	142,658	159,406	(16,748)	-11%
Total revenues	<u>35,262,596</u>	<u>32,286,937</u>	<u>2,975,659</u>	<u>9%</u>
Operating expenses:				
General government	6,303,395	4,415,633	1,887,762	43%
Public safety	5,284,689	5,222,285	62,404	1%
Physical environment	7,901,634	1,093,567	6,808,067	623%
Transportation	11,717,533	3,295,759	8,421,774	256%
Economic environment	160,101	178,185	(18,084)	-10%
Human services	65,804	74,829	(9,025)	-12%
Culture and recreation	9,957,230	5,122,449	4,834,781	94%
Interest	1,322,274	467,439	854,835	183%
Total operating expenses	<u>42,712,660</u>	<u>19,870,146</u>	<u>22,842,514</u>	<u>115%</u>
Change in net position	(7,450,064)	12,416,791	(19,866,855)	-160%
Net position, beginning of year	173,918,708	161,501,917	12,416,791	8%
Restatement for change in accounting principle	(457,645)		(457,645)	
Net position, beginning of year, as restated	<u>173,461,063</u>	<u>161,501,917</u>	<u>11,959,146</u>	<u>7%</u>
Net position end of year	<u>\$ 166,010,999</u>	<u>\$ 173,918,708</u>	<u>\$ (7,907,709)</u>	<u>-5%</u>

- Total governmental expenses increased \$22 million (115%) due to a revaluation of major infrastructure and land improvement assets resulting in confirmation of lower life expectancies.
- Overall, general operations (excluding depreciation) decreased by \$80 thousand. Executive staff of the City chose to take the Florida State DOGE guidelines seriously. Some contracts were negotiated down and other contracts were replaced with less expensive options. For example, we implemented a cost-offsetting plan structure for our health insurance, which avoided a 13.1% premium increase. We replaced our ERP and business licensing software with less expensive software and we believe this will result in \$20,000 per year in savings. Another example is we identified power meters that are rarely used and worked with Florida Power & Light to disconnect which should result in annual savings over \$6,000 per year.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

- GASB 101 recommends including more paid time off hours, like sick leave, in the calculation of the compensated absence liability. In the past, sick leave was excluded from this calculation as it is not paid out in event of termination of employment. We recalculated the compensated absence liability based upon the new GASB 101 guidelines and determined our liability at the beginning of the year was \$457 thousand higher. We chose to book this as a restatement of our FY 2025 beginning balance due to a change in accounting principle.

Chart 2 compares Expenses by Governmental Activity year over year:

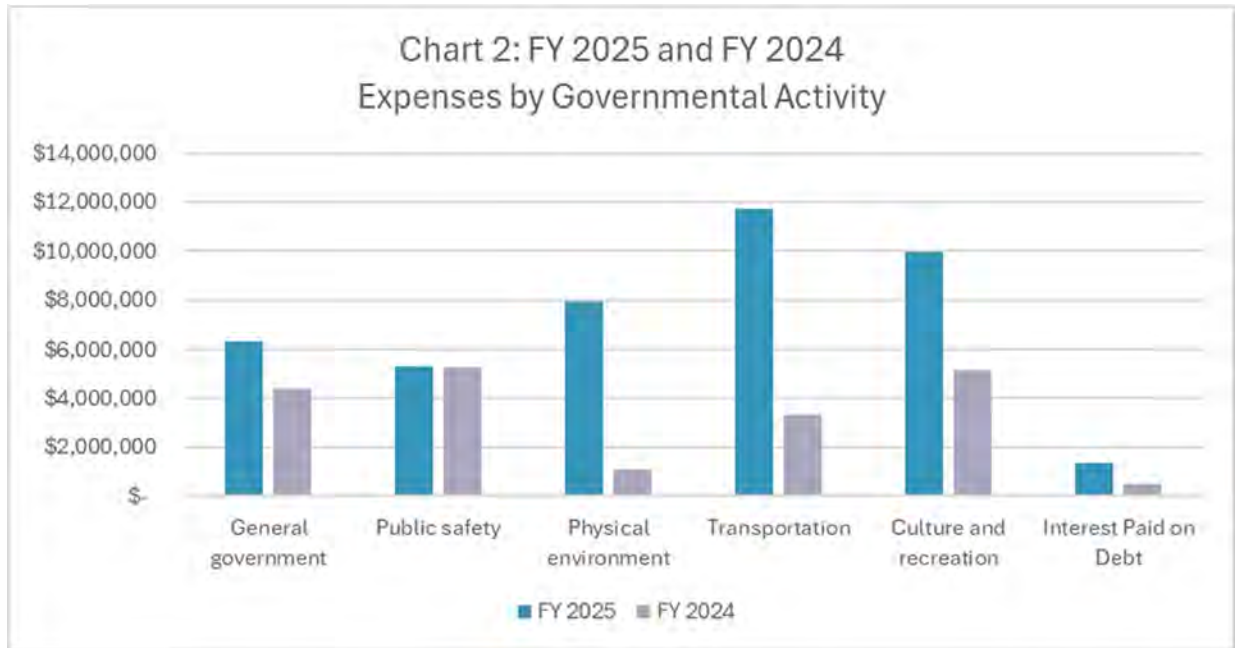
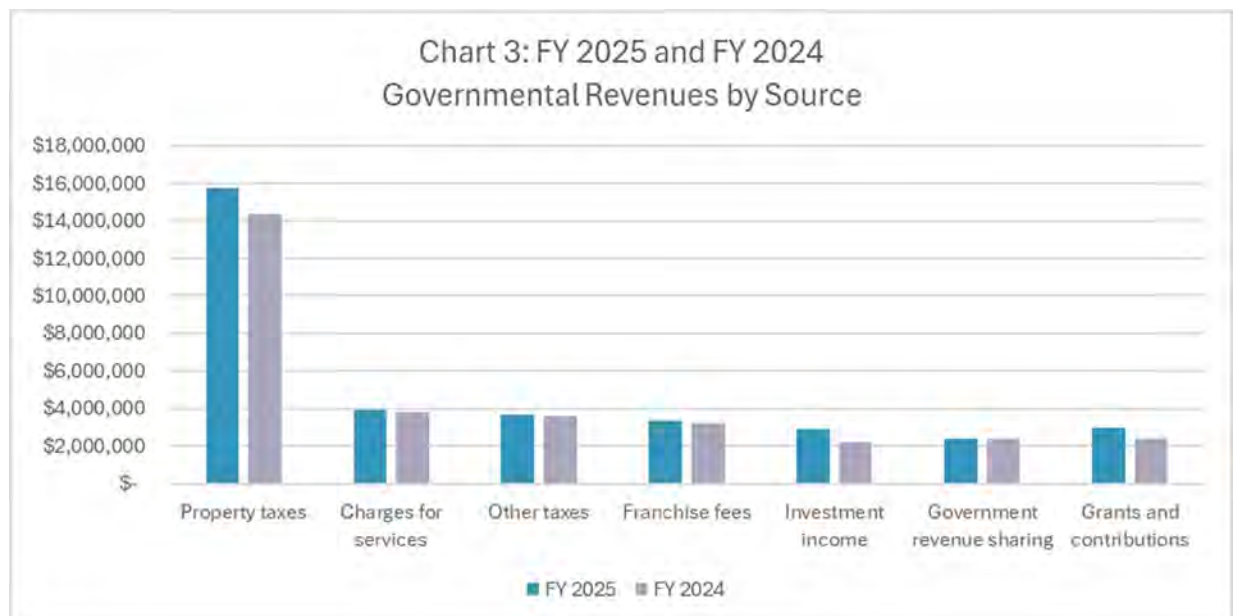


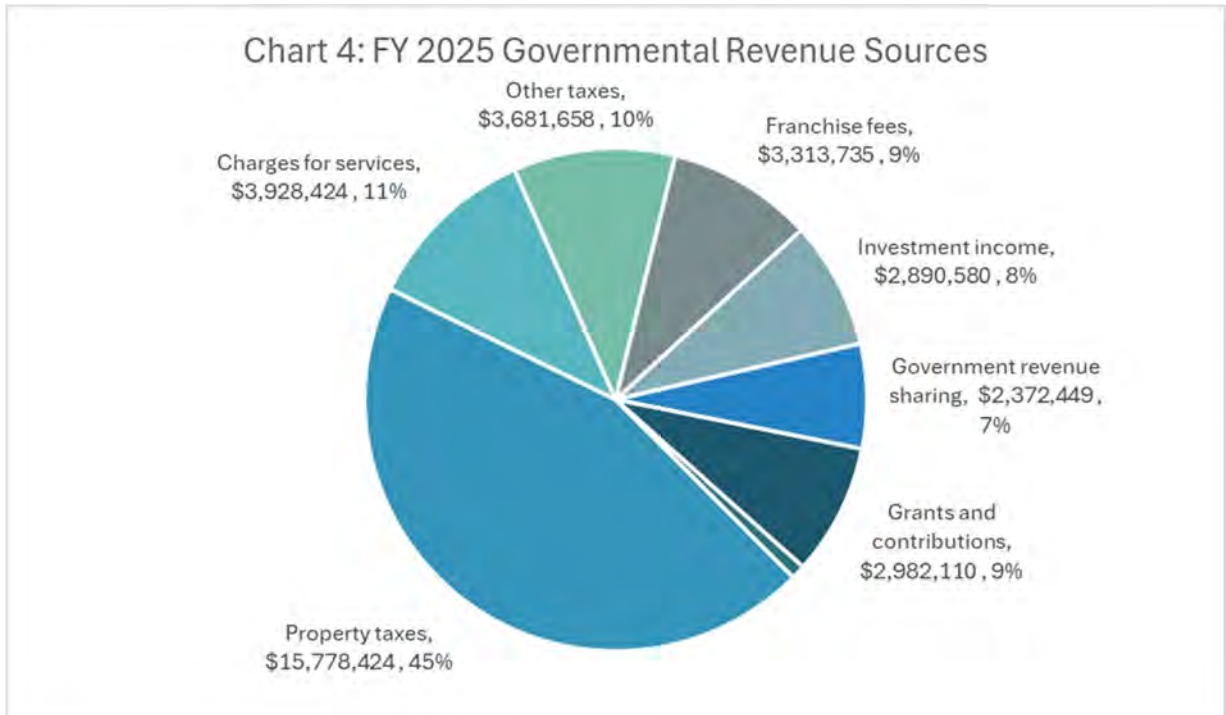
Chart 3 compares governmental revenues year over year by major revenue category:



CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Chart 4 provides an overall view of the various governmental revenue sources:

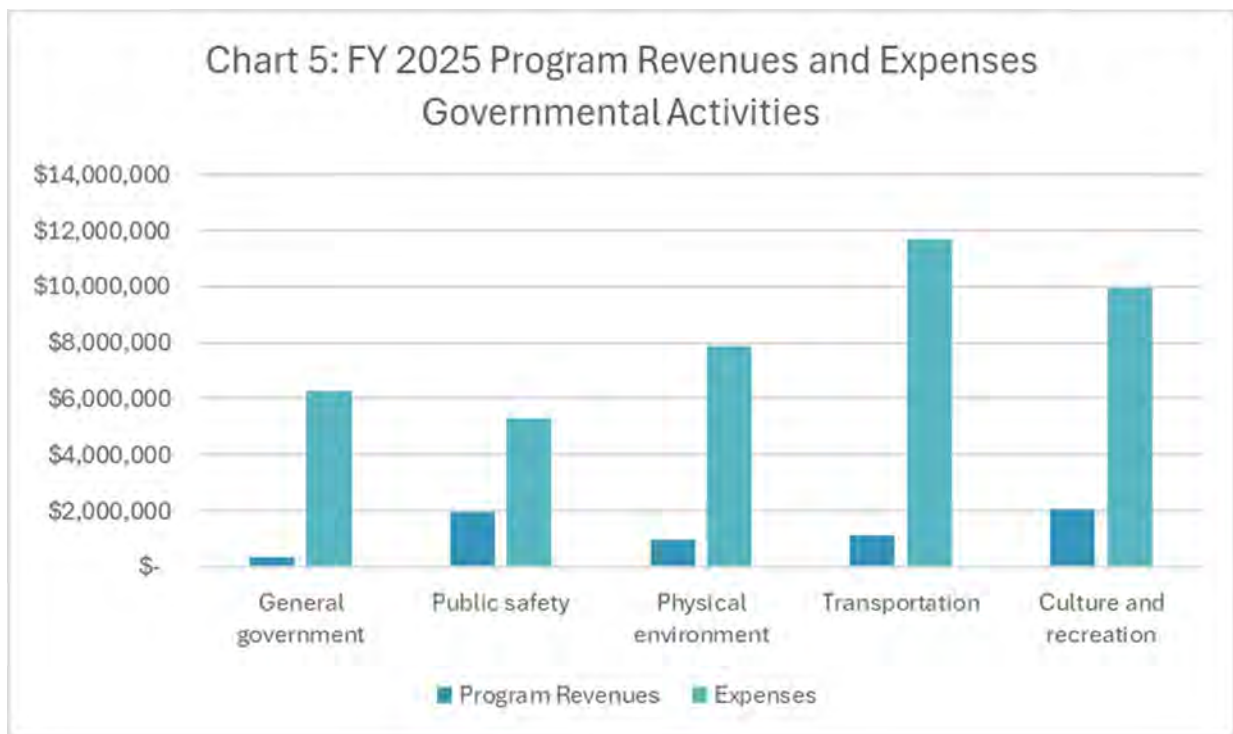


CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Chart 5 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 \$42.7 million. This cost was financed by:

- Those who directly benefit from the programs through charges for services \$3.9 million (9% of total program expenses);
- Other governments and organizations that subsidize certain programs through shared revenues, grants and contributions \$5.3 million (13% of total program expenses);
- Other taxes, fees, and miscellaneous revenue of \$10.2 million (24%);
- Property taxes and tax incremental financing from both the City and the County of \$15.8 million (37%); and
- The remaining \$7.4 million (17%) of governmental activities was financed by the net position.



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, 2025, the City's governmental funds reported combined ending fund balance of \$69.7 million, an increase of \$25 million (56%) as compared to the prior year. The increase in total governmental fund balance is from issuance of \$25 million in debt for our Capital Projects fund.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Fund balance of governmental funds consists of the following classifications (see Table 3);

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

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Fund Balance				
<i>Nonspendable:</i>				
Interfund advance	\$ 1,441,124	\$ 10,661,624	\$ (9,220,500)	-86%
Prepays and deposits	245	11,158	(10,913)	-98%
<i>Restricted for:</i>				
Impact fees (park, mobility, library and police)	2,749,377	4,590,224	(1,840,847)	-40%
Other agreements (Water Quality, Grants, Gas Tax#2, Undergrounding)	13,104,626	1,339,163	11,765,463	879%
Debt service	1,395,005	362,653	1,032,352	285%
Community redevelopment agency	2,110,818	210,970	1,899,848	901%
Florida Building Code	230,466	202,698	27,768	14%
<i>Committed for:</i>				
Emergency operations	5,316,944	4,819,181	497,763	10%
Debt service reserve	5,614,662	3,341,938	2,272,724	68%
Emergency maintenance	5,316,944	4,819,181	497,763	10%
Infrastructure surtax	7,181,079	7,060,157	120,922	2%
Renewal and replacement	3,703,735	2,449,192	1,254,543	51%
Parking	2,720,233	1,836,116	884,117	48%
Technology	745,252	596,035	149,217	25%
<i>Unassigned</i>	18,103,212	2,423,643	15,679,569	647%
Total Fund Balance	<u><u>\$ 69,733,722</u></u>	<u><u>\$ 44,723,933</u></u>	<u><u>\$ 25,009,789</u></u>	<u><u>56%</u></u>

Nonspendable Fund Balance: \$1.4 million is classified as Nonspendable, which indicates these amounts are not available to pay near-term obligations. Our current nonspendable balance includes an interfund advance from the General Fund to the Town Center CRA fund (\$1.4 million) and prepaid expenditures (\$245).

Restricted Fund Balance: Approximately \$19.6 million is classified as restricted. External entities, such as the State of Florida, lenders and grantors placed restrictions on the use of these funds. State and City legislation restricts \$2.7 million of impact fees, which can only be expended upon "growth necessitated capital expenditures" and cannot be used to pay for operating expenses. \$13.1 million has been restricted by grant and interlocal agreements. \$1.4 million is in debt service accounts to be expended as per debt covenants. Over \$2.1 million is for expenditure within the Community Redevelopment Agency districts, and \$230 thousand is restricted for expenditures related to enforcing Florida Building Code as per state statutes.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Committed Fund Balance: \$30.6 million 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 (\$5.3 million), one year's worth of debt service (\$5.3 million) is in a debt service reserve, and an equivalent to three months of operating costs is in an emergency maintenance reserve (\$5.3 million). Council has chosen to commit the Okaloosa Half Penny Local Infrastructure Surtax to specific capital projects (current fund balance of \$7.1 million). \$3.7 million has been committed to renew and replace certain infrastructure, capital components of facilities, and machinery (i.e. heavy equipment and vehicles). The balance of the Parking Fund \$2.7 million is committed to maintaining parking areas and to address parking issues. The \$745 thousand balance in the Technology Fund is to be used for hardware and software to process permits and licenses issued by the Building Official, Code Compliance, and Community Development departments.

Assigned Fund Balance: No funds are currently classified as assigned. Assigned indicates the City's intent to use for a specific purpose.

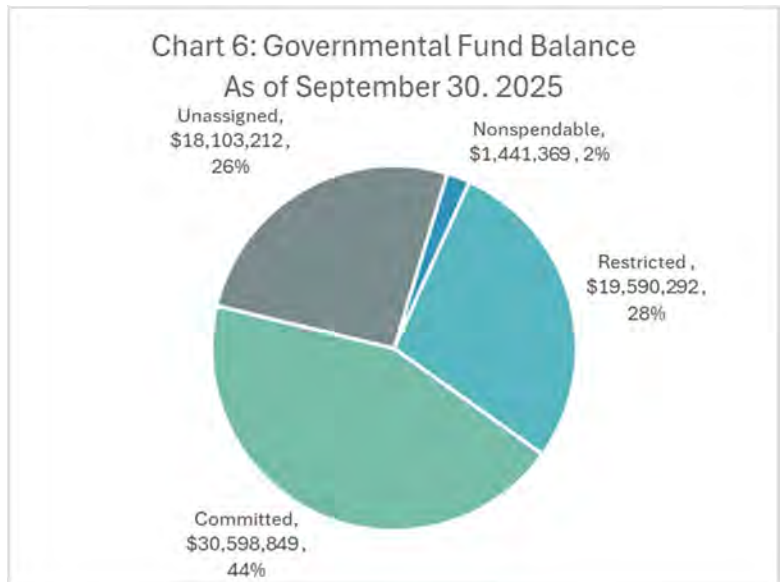
Unassigned Fund Balance: \$18.1 million is classified as unassigned which identifies net resources available for spending at the end of the fiscal year.

Chart 6 depicts the total governmental fund balance by major classification.

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 \$35.8 million, of which \$18.1 million 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 115%, or approximately 14 months, of the General Fund's total operating expenditures. (An additional 6 months operating funds is "committed" as a reserve in accordance with resolution 12-20).

The fund balance of the City's General Fund increased \$1.9 million (9%) during the current fiscal year from \$33.9 FY 2024 to \$35.8 million at end of FY 2025. While we tend to budget to keep the General Fund balance level, during FY 2025 actual revenues higher, resulting in a net increase of \$1.9 million.



The total revenues of the General Fund increased \$1.9 million from \$21.3 million in FY 2024 to \$23.2 million in FY 2025. Property taxes account for the majority of this increase (\$1.2 million). The millage rate was kept at the same rate, so the increase is due to changes in property values. The state of Florida caps property value increases on homesteaded properties to 3% per year. Only 13% of the city's parcels are residential with homestead exemptions. Intergovernmental revenues is the source of the remaining revenue increase, including a one-time FEMA reimbursement (\$410 thousand) related to post-hurricane reconstruction completed in 2016, and \$214 thousand from Florida Department of Environmental Protection (FDEP) for a vulnerability study.

The operating expenditures of the General Fund increased \$769 thousand (5%) from \$15 million in FY 2024 to \$15.8 million in FY 2025. The top three Governmental Fund activities of the City of Destin are Culture and Recreation (FY 2025 \$4.5 million), General Government administration (FY 2025 \$4.5 million), and Public Safety (FY 2025 \$4.2 million).

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Culture and recreation expenditures increased \$517 thousand, from \$4.5 million (FY 2024) to \$5 million (FY 2025). The increase came from three locations: operations of the Morgan Sports Complex (\$197k), Community Center operations (\$117k), and outdoor parks operations (\$177k). Most of these increases are related to wages and benefits which were increased in FY 2024 based on compensation study results. The City is currently working on a master park and recreation plan to prioritize renewal and replacement for the most aged facilities that are in most demand.

General Government expenditures were \$636 thousand (7%) higher in FY 2025 than FY 2024. Nondepartmental expenditures accounted for most of this increase (\$369 thousand). Nondepartmental expenditures in the general fund are transfers out to other funds. Most of the increase in nondepartmental expenditures was for the transfer out to our Renewal and Replacement fund (in capital projects fund) as part of a five-year "catch-up" plan adopted by Council Resolution in 2023 for the years FY 2024 – FY 2028. Information Technology departmental expenditures were responsible for \$150 thousand of this increase. Most of this was related to personnel costs as we were fortunate to maintain a fully staffed department for all of FY2025. In addition, we maintained professional services contracts to aid with transitions to a new ERP system and new licensing and permitting software. We also paid for short-term extensions of the old software during the transition period and we took on a new three-year lease for copy machines city-wide.

Public Safety expenditures were \$72 thousand (2%) higher in FY 2025 than FY 2024. The increase in expenditures from FY 2024 to FY 2025 was related to our contracts for law enforcement and lifeguarding. The lifeguard contract received its first increase since 2007, increasing from \$100 thousand per year to \$282 thousand per year. Service levels remain mostly the same. The law enforcement contract increased a nominal amount related to an inflationary index. Cost savings in our Code Enforcement department offset the increases attributed to lifeguard and law enforcement. The Code Enforcement department was understaffed most of FY 2025, but we anticipate this will be rectified in FY 2026.

Capital Projects Fund

The second largest 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 8% (\$11.1 million) from a balance of \$8.1 million at the end of FY 2024 to \$19.2 million at the end of FY 2025. This is related to the \$25 million loan taken early in FY 2025 for capital projects. \$9 million of this capital project loan reimbursed for the purchase of land at 1 Harbor Blvd that was completed in FY 2024. \$11 million of the loan immediately became obligated to construction contracts to move overhead utility lines underground. The remaining amount is intended to pay for construction of our cross-town connector roadway. The crosstown connector roadway project was delayed while we awaited state grant funding awards. We anticipate this roadway project will see significant progress during FY 2026.

Capital projects completed during FY 2025 include replacement of the playground and batting cage at Morgan Sports Center, the staff parking was expanded at the library, fourteen streets were milled, repaved and restriped, and 10 heavy equipment items were replaced, including the City dump truck and two tractors.

Significant progress was made towards building new pickleball courts, installation of new athletic field lighting at Morgan Sports Center, additions of a boardwalk and bathrooms at Norriego Park, and undergrounding overhead utilities along highway 98 from the Marler Bridge to Airport Road. Construction began to complete the crosstown connector roadway and restoration of Clement Taylor Park is now underway.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

Okaloosa Half Penny Fund

The Okaloosa Half Penny Fund is the third largest governmental 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 roadway renewal and pedestrian safety issues. During FY 2025, the Okaloosa Half Penny fund balance increased \$121 thousand.

The City received 5% more (\$94 thousand) revenue in FY 2025 than FY 2024, split 33/66 between an increase in half penny sales tax collections (\$30k higher) and interest income (\$64k higher). Expenditures were \$1.5 million higher in FY 2025 than FY 2024. In FY 2025 the City used \$1.4 million to mill and resurface roadways and \$373 thousand towards the Undergrounding initiative.

CRA Town Center Special Revenue Fund

The CRA Town Center Special Revenue fund is the fourth largest governmental fund. The CRA Town Center Special Revenue fund balance increased \$1.1 million, from \$211 thousand at the end of FY 2024 to \$1.3 million at the end of FY 2025. Ad valorem tax and tax incremental financing revenues increased \$187 thousand (9%) from \$2 million collected in FY 2024 to \$2.2 million in FY 2025 because taxable property values in this area increased in this primarily commercial area. Expenditures remained neutral. The Town Center CRA district continues to repay debt borrowed in 2005 that widened Main Street and put in streetlights. The 2005 loan was refinanced in 2024. The Town Center CRA will continue to transfer out \$732 thousand per year to a debt service fund through the 2037 maturity date of the loan. In FY 2024, the Town Center CRA committed \$4 million towards undergrounding overhead utilities within its district. This will result in transfers out averaging \$286 thousand per year to 2037 to help pay the debt service on the loan taken to underground the utilities. In FY 2025 \$266 thousand was transferred out to help pay the undergrounding loan. An engineering design is nearly complete to construct a multi-modal pathway that will connect several neighborhoods and parks that border commercial and residential areas. Final easements are being negotiated to complete this engineering design.

CRA Harbor Special Revenue Fund

The CRA Harbor Special Revenue fund is the fifth largest governmental fund. The Harbor CRA fund balance increased from negative \$7.8 million at the end of FY 2024 to a positive \$790 thousand at the end of FY 2025. Early in FY 2025, the Harbor CRA district was reimbursed \$9 million with loan proceeds for the purchase of five parcels of land at the foot of the Marler Bridge (1 Harbor Blvd). The land at the foot of the Marler Bridge is under review for development into public space to include a park and pedestrian pathways connecting the north side of highway US-98 to the harbor and boardwalks on the south side of highway US-98. The Harbor CRA continues to transfer funds out to pay down the 2009 loan (refinanced in 2021) at an average of \$472 thousand per year to 2029. The Harbor CRA will also transfer out an average of \$1m per year to 2039 to payoff the loan related to 1 Harbor Blvd and to meet its commitment of \$4 million towards undergrounding overhead utilities within its district.

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, 2025 of \$8.3 million. The total increase in net position was \$809 thousand. This increase is fully related to receipts of interest and dividends (\$522 thousand) plus the unrealized change in fair value (\$492 thousand). 99% of the assets are invested in mutual funds managed by Benjamin F. Edwards, and 1% in cash equivalent in the broker account.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- The adopted budget for revenue was adjusted during FY 2025 to account for \$156 thousand in additional grants (intergovernmental revenues) awarded during the year. The expenditure budget was likewise increased \$193 thousand for grants awarded and reduced by \$639 thousand to account for property tax discounts (up to 4% of levy in event payments are made early).
- The adopted expenditure budget for the General Fund was reduced \$3.2 million for general governmental expenditures related to issuance of a loan. The loan was issued through the Capital Projects fund instead of through the General Fund.
- Actual General Fund revenues collected were \$1.4 million more than the final adopted budget. The additional funds were primarily non-recurring. Details are found below.
- Actual General Fund expenditures were \$5.4 million lower than the final adopted budget. Most of the lower expenditures were in capital outlays, general government expenditures and culture and recreation expenditures. Details are found below.

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

Transfers In

When this budget was adopted, the City had planned to issue debt. Upon debt issuance, the proceeds were deposited into the Capital Projects fund instead of into the General Fund and budgetary adjustments were made accordingly.

Revenues

The general fund actual revenue results were \$1.4 million (6%) higher in total than budgeted, primarily attributed to the following reasons:

- Investment earnings were \$769 thousand higher than anticipated. Changing our accounting to a pooled cash system allowed for more funds to be moved into higher earning money market accounts and CDs. In addition, cash equivalent rates remained higher than in past years, earning 3- 5% instead of less than 1%.
- Charges for services earned \$314 thousand more than anticipated. This was due to collection of administrative fees to release development construction bonds. Such administrative fees are rare and non-recurring.
- Prior year delinquent tax collections were \$284 thousand higher than anticipated. The five-year average collection of delinquent taxes is \$22 thousand a year. The delinquent collections during FY 2025 were an anomaly difficult to predict.

Expenditures

The General Fund actual expenditure results were \$5.4 million (25%) lower in total than budgeted for the following reasons:

- Capital outlays were \$2.4 million lower than budgeted due to procurement-related delays.
- General Government expenditures were \$1.2 million lower than expected. Nearly half of this was related to a shortage of personnel. In addition, we did not expend as much as planned for community development professional services. The vacant positions are now filled and professional service budget for future years has been reduced.
- Culture and Recreation expenditures were \$935 thousand lower than budgeted. This was primarily due to staffing shortages for Parks and the Community Center. In addition, there was a delay in hiring a professional firm to update the City's master plan for parks and recreation. The master plan professional services are in process and expected to be completed in FY 2026.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

- Transportation expenditures were \$785 thousand lower than anticipated. We had budgeted \$325 thousand to dredge our Harbor Channel (maintenance), however planning delays resulted in moving the project to early 2026. The remainder of the underspend was primarily in personnel, as key positions were vacant for most of FY 2025. We also spent \$120 thousand less on repair and maintenance of road infrastructure. The oldest and most troublesome roadways were milled and resurfaced as part of our infrastructure renewal and replacement program.

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 2025 budget that reflects the immediate needs of the City. The majority of capital outlays are tracked in the Capital Projects fund. These projects include improvements for public beach access, constructing an alternative route parallel to Highway 98 to access residential and commercial areas, expansion of parks and recreational amenities, and the continued work on renewing and replacing aged components of facilities and infrastructure.
- Beach Safety Patrol: For the eighteenth year, the Council approved funding 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2025, was \$141.9 million (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 decrease in the City's investment in capital assets for the current fiscal year was \$10.5 million or 7% overall, and is summarized as follows:

Table 4
Capital Assets
(net of accumulated depreciation)

	Governmental Activities			
	2025	2024	\$ Change	% Change
Land	\$ 93,669,988	\$ 93,669,988	\$ -	0%
Buildings	4,208,739	6,122,814	(1,914,075)	-31%
Improvements other than buildings	8,760,337	16,374,076	(7,613,739)	-46%
Infrastructure	17,134,426	26,214,768	(9,080,342)	-35%
Machinery and equipment	2,342,641	3,481,203	(1,138,562)	-33%
Library media and art	174,401	149,755	24,646	16%
Construction in progress	15,580,276	6,323,417	9,256,859	146%
Total capital assets	\$ 141,870,808	\$ 152,336,021	\$ (10,465,213)	-7%

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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

- In preparation to move into a new accounting system, infrastructure and improvements other than buildings (aka land improvements) were closely evaluated. Many assets had their useful life reduced from 50 years down to 30 or less, and expense was recorded to more accurately reflect the lower remaining benefit for future years.
- The City invested approximately \$13 million into assets during FY 2025. Approximately \$4 million in capital asset projects were completed and \$9 million in capital asset projects are still ongoing.
- Completed capital additions (\$4m) included:
 - Roadway milling/resurfacing (\$2.5 million)
 - Replaced playground at Morgan Sport Center (\$650k)
 - Stormwater infrastructure projects (\$649k)
 - Sidewalk infrastructure replacement (\$215k)
 - Replaced 14 older items to include two tractors, nine mowers and one dumptruck (\$317k)
- Construction in progress (\$9m) include:
 - Undergrounding (\$7m)
 - Crosstown Connector Roadway (\$775k)
 - Morgan Sport Center Athletic field lighting replacement (\$836k)
 - Norriego Park improvements (\$239k)
 - Clement Taylor Park restoration (\$120k)
 - Crystal Beach and Tarpon Beach improvements (\$70k)

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

LONG TERM DEBT

At September 30, 2025, the City had total revenue notes payable of \$43.9 million. 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.

During 2025, the City added one new revenue note in the amount of \$25 million. The note carries an interest rate of 3.48%. This new note is a loan from Trustmark in the amount of \$25 million for financing various capital improvement projects of the City, including without limitation: (i) the acquisition of certain real property located at 1 Harbor Boulevard, Destin, Florida for the purpose of providing public parks or other public facilities (the "1 Harbor Project"), (ii) the undergrounding of overhead utility facilities along Highway US 98 from the Marler Bridge to Airport Road (the "Undergrounding Project"), and (iii) the design, acquisition, construction and/or reconstruction of a crosstown roadway based on plans and specifications on file with the City. The note carries an interest rate of 3.48% and is amortized over 15 years with a balloon payment due November 7, 2029.

The City cancelled an old lease for copy machines and entered into a new agreement. The net effect of lease principal repayments and adding the new lease was negligible.

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.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

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 second category is grants, and the third category is miscellaneous and other less predictable revenues.

Taxes and state shared revenues provide most of the operating revenue for the City. The City's ad valorem revenues have been increasing this past five years at 5-7% a year. The tax levy for FY 2026 is estimated to be 14% (\$2 million) lower than FY 2025, as we anticipate new laws will be passed that might remove homestead properties from the ad valorem tables from municipalities and counties. We anticipate this will be offset by short-term registration fees on condominiums, which we expect to bring in approximately \$2 million a year.

For the second year in a row, the City noticed a decline in tourism in the form of lower sales tax and lower gas tax receipts. During FY 2025 sales taxes were 1.8% lower than FY 2024, however, the State of Florida's Office of Tax Research projects the city will receive 10% (\$174 thousand) more in FY 2026.

The second category is grants (recurring and non-recurring). The City has a strong base of approximately \$800 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 2026, the City will be investing \$14.6 million into parks, roadways and stormwater infrastructure from non-recurring grants from Federal, State, and County sources. These additional one-time grants account for 26% of the adopted FY 2026 expenditure budget of \$61.6 million.

The third category includes charges for services, permits, and other miscellaneous revenue. Some of these revenues tend to be fairly stable year over year, such as permits and licenses, community center fees and parking fees. In FY 2025, Council chose to expand the short-term rental registration program to include condominiums. Of the 16,000 parcels in the City, approximately 7,000 are condominiums, and we estimate over half of these condominiums are used as short-term rentals. The net increase in registration fees is expected to be \$2 million per year. These fees will help the City offset the impact on law enforcement and lifeguard services, and will help fund public information campaigns to improve visitors' knowledge of basic city ordinances related to noise, garbage and parking. Our census year-round population is estimated just under 15,000 residents, however, data shows over 90,000 people in town most of the year, and up to 200,000 during seasonal peaks.

Other charges, fees, and miscellaneous revenue are very unpredictable as they depend upon development (building permits and impact fees) and national interest rates (investment income). As the City has limited growth potential, it places great emphasis on redevelopment, which is essential for the continued financial and economic health of our community.

CITY OF DESTIN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2025

On the expenditure forecast side, our base operating expenses tend to be 50/50 split between personnel costs and other base operating costs. Base operating costs have increased an average of 7% per year. The cost of personnel continues to rise. A compensation study resulted in salary and wage increases for nearly 80% of our budgeted positions. The increased wages went into effect for 30% of positions in FY 2023 and the remaining positions in FY 2024. We estimate costs will increase an additional 7% (\$700 thousand) in FY 2026, as Council has chosen to allow staff to participate in the Florida Retirement System (FRS) which will require staff to also participate in Social Security. We have moved our medical insurance to a partially self-funded program, which we hope will slow the rising cost of medical benefits, which was increasing over 10% per year.

Capital project expenditures vary greatly from year to year, as the majority of our projects are heavily dependent upon grant funding. The FY 2026 adopted capital project budget is \$22 million and will benefit from \$8.9 million in grant funding (40%). Nine of the fifteen major capital projects planned were started in FY 2025. The top five largest projects that we anticipate to complete during FY 2026 include Tarpon Beach park development, Crystal Beach park development, Clement Taylor park reconstruction, new outfall at Mattie Kelly Nature Walk, and the renewal and replacement program plans to invest over \$5 million into milling and repaving 37 roads that are more than 15 years past-due for repaving.

The operating expenditure forecast for FY 2025 is estimated to be \$25.3 million. The largest operating expenditure is for personnel. For FY 2025 we anticipate personnel costs to be 17% higher (\$1.5 million) than actuals for FY 2024. FY 2024 actuals were lower than anticipated due to turnover and difficulty filling positions. Council granted a 2.9% cost of living (COLA) increase effective October 1, 2024, and the FY 2025 budget assumes up to a 4% merit increase based on performance evaluations which occur upon an employee's hire date anniversary. Two new full-time positions (one for IT and one for Community Development) were adopted for FY 2025. At the same time, Code Compliance, Finance and Stormwater departments have placed a freeze upon 5.45 FTEs to save costs for FY 2025. Health benefit costs increased 6% for FY 2025 (\$106 thousand), same as 5-7% of prior years. Contractual service is the second largest operating expenditure category, which we expect to increase by 40% (\$1.6 million) above FY 2024 actuals. Most of the \$1.6 million increase is related to master planning and other studies.

The City began investing heavily in new technology to expand e-government services even before the COVID 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. During FY 2025, the City plans to continue upgrading this technology and working with software consultants to streamline these processes. Although implementation is costly, we estimate significant cost savings over the long-run to be recognized as early as FY 2026.

Regional economic indicators were also considered in preparing the 2025 budget.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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CITY OF DESTIN, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 31,266,114
Investments	17,582,513
Restricted asset, cash and cash equivalents	22,946,204
Accounts receivable	339,988
Due from other governments	805,296
Prepaid items	245
Capital assets	
Non-depreciable	109,250,264
Depreciable, net	32,620,544
Total assets	214,811,168
Deferred outflows of resources	
Deferred charge on refunding	40,029
Total deferred outflows of resources	40,029
Liabilities	
Accounts payable	2,731,549
Due to other governments	455
Unearned revenue	416,358
Accrued liabilities	58,276
Accrued interest	520,885
Noncurrent liabilities	
Due within one year	4,734,876
Due in more than one year	40,377,799
Total liabilities	48,840,198
Net position	
Net investment in capital assets	95,718,327
Restricted for	
Capital improvements	15,477,279
Debt service	1,395,005
Florida Building Code enforcement	230,466
Community redevelopment	2,110,818
Water quality improvements	376,724
Unrestricted	50,702,380
Total net position	\$ 166,010,999

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, 2025**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/programs					
Governmental activities:					
General government	\$ 6,303,395	\$ 356,970	\$ -	\$ -	\$ (5,946,425)
Public safety	5,284,689	1,963,927	-	-	(3,320,762)
Physical environment	7,901,634	61,095	214,000	716,606	(6,909,933)
Transportation	11,717,533	970,849	146,317	8,520	(10,591,847)
Economic environment	160,101	-	-	410,416	250,315
Human services	65,804	-	-	-	(65,804)
Culture/recreation	9,957,230	575,583	1,414,641	71,610	(7,895,396)
Interest on long-term debt	1,322,274	-	-	-	(1,322,274)
Total governmental activities	<u>\$42,712,660</u>	<u>\$ 3,928,424</u>	<u>\$ 1,774,958</u>	<u>\$ 1,207,152</u>	<u>(35,802,126)</u>
General revenues					
Property taxes					15,778,424
Sales, use and fuel taxes					2,521,707
Communication services taxes					1,016,366
Other general taxes					143,585
Franchise taxes					3,313,735
Unrestricted state revenue sharing					2,372,449
Impact fees					172,558
Investment income					2,890,580
Miscellaneous income					142,658
Total general revenues and transfers					<u>28,352,062</u>
Change in net position					(7,450,064)
Net position, beginning of year					173,918,708
Restatement for change in accounting principle					<u>(457,645)</u>
Net position, beginning of year, as restated					<u>173,461,063</u>
Net position, end of year					<u>\$ 166,010,999</u>

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

CITY OF DESTIN, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

		Special Revenue					
	General Fund	CRA Town Center Fund	Okaloosa Half-Penny Fund	CRA Harbor Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 16,989,268	\$ -	\$ 7,039,276	\$ -	\$ 3,767,166	\$ 3,470,404	\$ 31,266,114
Investments	17,582,513	-	-	-	-	-	17,582,513
Due from other governments	616,332	-	188,964	-	-	-	805,296
Accounts receivable	250,161	-	-	-	89,827	-	339,988
Advance to other funds	1,441,124	-	-	-	-	-	1,441,124
Prepaid items	245	-	-	-	-	-	245
Restricted cash and cash equivalents	-	2,770,439	-	793,640	17,370,490	2,011,635	22,946,204
Total assets	<u>\$ 36,879,643</u>	<u>\$ 2,770,439</u>	<u>\$ 7,228,240</u>	<u>\$ 793,640</u>	<u>\$ 21,227,483</u>	<u>\$ 5,482,039</u>	<u>\$ 74,381,484</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 618,428	\$ 8,609	\$ 47,161	\$ 3,142	\$ 2,046,469	\$ 7,740	\$ 2,731,549
Accrued liabilities	51,726	193	-	193	-	6,164	58,276
Due to other governments	-	-	-	-	-	455	455
Unearned revenue	416,358	-	-	-	-	-	416,358
Advance from other funds	-	1,441,124	-	-	-	-	1,441,124
Total liabilities	<u>1,086,512</u>	<u>1,449,926</u>	<u>47,161</u>	<u>3,335</u>	<u>2,046,469</u>	<u>14,359</u>	<u>4,647,762</u>
Fund balances							
Nonspendable	1,441,369	-	-	-	-	-	1,441,369
Restricted	-	1,320,513	-	790,305	15,477,279	2,002,195	19,590,292
Committed	16,248,550	-	7,181,079	-	3,703,735	3,465,485	30,598,849
Unassigned	18,103,212	-	-	-	-	-	18,103,212
Total fund balances	<u>35,793,131</u>	<u>1,320,513</u>	<u>7,181,079</u>	<u>790,305</u>	<u>19,181,014</u>	<u>5,467,680</u>	<u>69,733,722</u>
Total liabilities and fund balances	<u>\$ 36,879,643</u>	<u>\$ 2,770,439</u>	<u>\$ 7,228,240</u>	<u>\$ 793,640</u>	<u>\$ 21,227,483</u>	<u>\$ 5,482,039</u>	<u>\$ 74,381,484</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, 2025**

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

Total fund balances - governmental funds \$ 69,733,722

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental non-depreciable assets	\$ 109,250,264	
Governmental depreciable assets	80,913,733	
Accumulated depreciation	<u>(48,293,189)</u>	141,870,808

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.

40,029

Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.

Notes payable	(44,126,354)	
Accrued interest payable	(520,885)	
Compensated absences	(927,190)	
Total OPEB Liability	<u>(59,131)</u>	<u>(45,633,560)</u>

Net position of governmental activities \$ 166,010,999

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, 2025**

	General Fund	Special Revenue			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
		CRA Town Center Fund	Okaloosa Half-Penny Fund	CRA Harbor Fund			
Revenues							
Taxes	\$ 13,557,973	\$ 2,265,258	\$ -	\$ 1,115,144	\$ 754,403	\$ -	\$ 17,692,778
Licenses and permits	3,335,865	-	-	-	923,578	1,066,005	5,325,448
Impact fees	-	-	-	-	172,558	-	172,558
Intergovernmental revenues	3,787,907	-	1,767,304	-	796,736	750,000	7,101,947
Charges for services	799,826	-	-	-	-	907,257	1,707,083
Fines and forfeitures	181,850	-	-	-	-	27,778	209,628
Investment income	1,406,528	115,720	287,051	38,806	891,386	151,089	2,890,580
Contributions	19,916	-	-	-	-	-	19,916
Miscellaneous revenues	130,976	-	-	11,682	-	-	142,658
Total revenues	<u>23,220,841</u>	<u>2,380,978</u>	<u>2,054,355</u>	<u>1,165,632</u>	<u>3,538,661</u>	<u>2,902,129</u>	<u>35,262,596</u>
Expenditures							
Current							
General government	4,489,482	-	1	-	48	19	4,489,550
Public safety	4,212,137	-	-	-	-	984,026	5,196,163
Physical environment	468,195	-	-	-	-	47,930	516,125
Transportation	1,964,476	-	-	-	-	77,729	2,042,205
Economic development	14,452	91,655	-	53,994	-	-	160,101
Human services	65,804	-	-	-	-	-	65,804
Culture and recreation	4,523,889	-	-	-	-	-	4,523,889
Capital outlay	658,045	181,033	1,808,717	-	11,180,245	28,375	13,856,415
Debt service							
Principal retirement	52,778	-	-	-	-	3,493,583	3,546,361
Interest	6,102	-	-	-	-	901,804	907,906
Total expenditures	<u>16,455,360</u>	<u>272,688</u>	<u>1,808,718</u>	<u>53,994</u>	<u>11,180,293</u>	<u>5,533,466</u>	<u>35,304,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,765,481</u>	<u>2,108,290</u>	<u>245,637</u>	<u>1,111,638</u>	<u>(7,641,632)</u>	<u>(2,631,337)</u>	<u>(41,923)</u>
Other financing sources (uses)							
Issuance of debt	51,712	-	-	-	25,000,000	-	25,051,712
Transfers in	-	-	229,151	9,000,000	3,600,000	4,852,630	17,681,781
Transfers out	(4,884,687)	(998,747)	(353,866)	(1,490,774)	(9,850,426)	(103,281)	(17,681,781)
Total other financing sources, net	<u>(4,832,975)</u>	<u>(998,747)</u>	<u>(124,715)</u>	<u>7,509,226</u>	<u>18,749,574</u>	<u>4,749,349</u>	<u>25,051,712</u>
Change in fund balances	<u>1,932,506</u>	<u>1,109,543</u>	<u>120,922</u>	<u>8,620,864</u>	<u>11,107,942</u>	<u>2,118,012</u>	<u>25,009,789</u>
Fund balances (deficit), beginning of year	<u>33,860,625</u>	<u>210,970</u>	<u>7,060,157</u>	<u>(7,830,559)</u>	<u>8,073,072</u>	<u>3,349,668</u>	<u>44,723,933</u>
Fund balances (deficit), end of year	<u>\$ 35,793,131</u>	<u>\$ 1,320,513</u>	<u>\$ 7,181,079</u>	<u>\$ 790,305</u>	<u>\$ 19,181,014</u>	<u>\$ 5,467,680</u>	<u>\$ 69,733,722</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, 2025**

Net change in fund balances – total governmental funds		\$ 25,009,789
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital outlay	\$ 13,856,415	
Less current year depreciation	<u>(22,655,666)</u>	(8,799,251)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net position.		
		(1,665,962)
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.		
Principal repayment of long-term debt		3,546,361
Issuance of new debt		(25,051,712)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	(64,171)	
Amortization of bond premium	(6,623)	
Change in accrued interest	(414,368)	
OPEB expense	<u>(4,127)</u>	<u>(489,289)</u>
Change in net position of governmental activities		<u><u>\$ (7,450,064)</u></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, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 13,274,175	\$ 13,274,175	\$ 13,557,973	\$ 283,798
Licenses and permits	3,632,800	3,632,800	3,335,865	(296,935)
Intergovernmental revenues	3,494,591	3,674,591	3,787,907	113,316
Charges for services	485,800	485,800	799,826	314,026
Fines and forfeitures	103,801	103,801	181,850	78,049
Investment income	637,400	637,400	1,406,528	769,128
Contributions	3,250	16,533	19,916	3,383
Miscellaneous revenues	16,901	16,901	130,976	114,075
Total revenues	<u>21,648,718</u>	<u>21,842,001</u>	<u>23,220,841</u>	<u>1,378,840</u>
Expenditures				
Current				
General government	5,265,651	5,643,083	4,489,482	1,153,601
Public safety	4,529,335	4,530,922	4,212,137	318,785
Physical environment	304,819	512,903	468,195	44,708
Transportation	2,807,468	2,749,494	1,964,476	785,018
Economic environment	15,900	15,900	14,452	1,448
Human services	75,355	92,769	65,804	26,965
Culture/recreation	5,378,368	5,459,636	4,523,889	935,747
Capital outlay	2,480,931	2,800,920	658,045	2,142,875
Debt service				
Principal retirement	79,610	129,502	52,778	76,724
Interest	8,175	10,236	6,102	4,134
Total expenditures	<u>20,945,612</u>	<u>21,945,365</u>	<u>16,455,360</u>	<u>5,490,005</u>
Excess of revenues over expenditures	<u>703,106</u>	<u>(103,364)</u>	<u>6,765,481</u>	<u>6,868,845</u>
Other financing sources (uses)				
Issuance of debt	166,720	166,720	51,712	(115,008)
Transfers in	11,240,082	-	-	-
Transfers out	(7,861,002)	(5,143,619)	(4,884,687)	258,932
Total other financing sources (uses)	<u>3,545,800</u>	<u>(4,976,899)</u>	<u>(4,832,975)</u>	<u>143,924</u>
Change in fund balance	<u>4,248,906</u>	<u>(5,080,263)</u>	<u>1,932,506</u>	<u>7,012,769</u>
Fund balance, beginning of year	<u>33,860,625</u>	<u>33,860,625</u>	<u>33,860,625</u>	<u>-</u>
Fund balance, end of year	<u>\$ 38,109,531</u>	<u>\$ 28,780,362</u>	<u>\$ 35,793,131</u>	<u>\$ 7,012,769</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, 2025**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 2,287,868	\$ 2,287,868	\$ 2,265,258	\$ (22,610)
Investment earnings	50,000	50,000	115,720	65,720
Total revenues	<u>2,337,868</u>	<u>2,337,868</u>	<u>2,380,978</u>	<u>43,110</u>
Expenditures				
Current				
Economic development	143,216	149,116	91,655	57,461
Capital outlay	-	198,520	181,033	17,487
Total expenditures	<u>143,216</u>	<u>347,636</u>	<u>272,688</u>	<u>74,948</u>
Excess of revenues over expenditures	<u>2,194,652</u>	<u>1,990,232</u>	<u>2,108,290</u>	<u>118,058</u>
Other financing (uses)				
Transfers out	<u>(1,039,159)</u>	<u>(998,826)</u>	<u>(998,747)</u>	<u>79</u>
Total other financing (uses)	<u>(1,039,159)</u>	<u>(998,826)</u>	<u>(998,747)</u>	<u>79</u>
Change in fund balance	1,155,493	991,406	1,109,543	118,137
Fund balance, beginning of year	210,970	210,970	210,970	-
Fund balance, end of year	<u><u>\$ 1,366,463</u></u>	<u><u>\$ 1,202,376</u></u>	<u><u>\$ 1,320,513</u></u>	<u><u>\$ 118,137</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 – BUDGET AND ACTUAL
OKALOOSA HALF PENNY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Intergovernmental revenues	\$ 1,671,485	\$ 1,671,485	\$ 1,767,304	\$ 95,819
Investment earnings	45,000	45,000	287,051	242,051
Total revenues	<u>1,716,485</u>	<u>1,716,485</u>	<u>2,054,355</u>	<u>337,870</u>
Expenditures				
Current				
General government	5	5	1	4
Capital outlay	3,300,000	4,121,792	1,808,717	2,313,075
Total expenditures	<u>3,300,005</u>	<u>4,121,797</u>	<u>1,808,718</u>	<u>2,313,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,583,520)</u>	<u>(2,405,312)</u>	<u>245,637</u>	<u>2,650,949</u>
Other financing (uses)				
Transfers in	-	229,151	229,151	-
Transfers out	(353,866)	(353,866)	(353,866)	-
Total other financing (uses)	<u>(353,866)</u>	<u>(124,715)</u>	<u>(124,715)</u>	<u>-</u>
Change in fund balance	(1,937,386)	(2,530,027)	120,922	2,650,949
Fund balance, beginning of year	7,060,157	7,060,157	7,060,157	-
Fund balance, end of year	<u>\$ 5,122,771</u>	<u>\$ 4,530,130</u>	<u>\$ 7,181,079</u>	<u>\$ 2,650,949</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 HARBOR FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 1,115,144	\$ 1,115,144	\$ 1,115,144	\$ -
Investment earnings	16,000	16,000	38,806	22,806
Miscellaneous revenues	12,700	12,700	11,682	(1,018)
Total revenues	<u>1,143,844</u>	<u>1,143,844</u>	<u>1,165,632</u>	<u>21,788</u>
Expenditures				
Current				
Economic environment	71,582	77,815	53,994	23,821
Total expenditures	<u>71,582</u>	<u>77,815</u>	<u>53,994</u>	<u>23,821</u>
Excess of revenues over expenditures	<u>1,072,262</u>	<u>1,066,029</u>	<u>1,111,638</u>	<u>45,609</u>
Other financing sources (uses)				
Transfers in	8,868,432	9,000,000	9,000,000	-
Transfers out	(9,641,050)	(1,493,557)	(1,490,774)	2,783
Total other financing sources (uses)	<u>(772,618)</u>	<u>7,506,443</u>	<u>7,509,226</u>	<u>2,783</u>
Change in fund balance	299,644	8,572,472	8,620,864	48,392
Fund balance (deficit), beginning of year	<u>(7,830,559)</u>	<u>(7,830,559)</u>	<u>(7,830,559)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (7,530,915)</u></u>	<u><u>\$ 741,913</u></u>	<u><u>\$ 790,305</u></u>	<u><u>\$ 48,392</u></u>

CITY OF DESTIN, FLORIDA

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2025**

Assets

Cash and cash equivalents	\$ 72,067
Investments:	
Mutual Funds	<u>8,216,394</u>
Total assets	<u>\$ 8,288,461</u>

Net Position

Restricted for pension benefits	<u>\$ 8,288,461</u>
Total net position	<u>8,288,461</u>
 Total liabilities and net position	 <u>\$ 8,288,461</u>

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

CITY OF DESTIN, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Additions

Contributions	
Employer contributions	\$ 701,941
Investment income	
Net change in fair value of investments	522,860
Interest and dividends	<u>491,577</u>
Total additions	<u>1,716,378</u>

Deductions

Benefits and other withdrawals	<u>907,633</u>
Total deductions	<u>907,633</u>

Change in net position	<u>808,745</u>
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Net position, beginning of year	<u>7,479,716</u>
Net position, end of year	<u><u>\$ 8,288,461</u></u>

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

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 CRA Special Revenue Fund was established by Resolution on March 3, 1998 and 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 CRA Special Revenue Fund was established by Resolution on June 3, 2003 and 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.

Change in Reporting Entity

During the year, the City decided to consolidate its debt service funds into one fund for financial statement reporting purposes. As such, the City's previous debt service funds beginning fund balances were removed and grouped together with the new City Debt Service Fund as follows:

	Debt Service	2013 Revenue Refunding Note Series	2014 Revenue Refunding Note Series	2021 Revenue Refunding Note Series	2023 TDC Advance
Fund balances, beginning	\$ -	\$ 102,400	\$ 258,085	\$ 2,168	\$ -
Change in reporting entity	362,653	(102,400)	(258,085)	(2,168)	-
Fund balances, beginning, as restated	<u>\$ 362,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 and fiduciary fund 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.

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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 revenues to be available if they are collected within 60 days of the end of the fiscal year. 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. These funds are committed to address critical infrastructure needs including public safety, traffic flow, water quality and can be used to leverage additional funding via grant or partner matches for infrastructure improvements. In April 2024, council revised the committed use of these funds towards the following capital projects: 50% for the Renewal & Replacement program specifically for transportation as overseen by the Public Works department, 38% for recreation for beach parks and addition of pickleball facilities, 11% to underground overhead utilities, and 1% for stormwater projects.

Community Redevelopment Agency – Harbor 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's Harbor District.

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. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025.

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.

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, 2025, the City considers all receivables collectible and accordingly does not have an allowance.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024
Levy date	November 1, 2024
Due date	March 31, 2025
Delinquency date	April 1, 2025

Discounts of 1% for each month taxes are paid prior to March 2025 are granted. Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

Capital Assets

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

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

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

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 - 40 years
Machinery, equipment and vehicles	7 - 20 years
Infrastructure	20 - 50 years
Library media	5 years

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The policy of the City for paid time off was revised and restated on May 10, 2025. As part of this change, the City has gone to a “paid time off” policy and no longer has “sick leave” and “vacation leave”.

Paid Time Off (PTO)

Employees accrue Paid Time Off (PTO) based on their years of service with the City of Destin. PTO accrues biweekly per pay period and can be used for any purpose, including vacation, personal time, and medical leave.

Years of Service Accrued PTO Accrued Hours per pay period are as follows:

1st through 3rd year	6:47 hours per pay period
4th through 7th year	7:24 hours per pay period
8th through 12th year	8:19 hours per pay period
13+ years	9:13 hours per pay period

PTO Carryover Limits

Employees are encouraged to use their PTO within the year it is accrued. However, any unused PTO can be carried over into the next calendar year, up to a maximum of 480 hours. Any PTO above the 480-hour limit at the end of the year will be forfeited.

PTO Payout Upon Separation

Upon separation from the City, employees will be paid for a percentage of their unused accrued PTO based on their years of service as follows:

Years of Service	Payout
1-3 years	47.1% of accrued PTO
4-7 years	50% of accrued PTO
8-12 years	56.1% of accrued PTO
13+ years	60.9% of accrued PTO

Payout will be limited to 240 hours of accrued PTO.

Employees who leave in good standing (proper notice, no misconduct) will receive the PTO payout according to the schedule above. Employees terminated for cause will forfeit their PTO payout. Employees who do not give two weeks’ notice will have their payout reduced accordingly.

At September 30, 2025, the City had \$910,645 recorded as accumulated PTO.

Compensatory Leave

Compensatory leave is accrued at one and a half hours for every hour worked in excess of 40 for the week. An employee can use accumulated compensatory time as it is accrued. The maximum number of hours of compensatory leave that can be accrued is 480 hours. All accrued hours of compensatory leave is paid out to employees who resign or are terminated. All compensatory leave is liquidated in the General Fund. At September 30, 2025, the City had \$16,545 recorded as accumulated compensatory leave.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities

In the statement of net position, liabilities are classified as current and non-current. At September 30, 2025, the City had \$416,358 in unearned revenue recorded under current liabilities. This amount includes \$82,348 for fiscal year 2025 business licenses, \$262,290 for sidewalk infrastructure costs not yet incurred, and \$71,720 for unearned grant revenues. These amounts have been received but have not yet been earned. They will be earned upon expenditure of a qualifying expense. If they are not expended for a qualifying expense then they must be returned.

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.

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, 2025, the City had \$40,029 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, 2025, the City had no deferred inflows.

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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2025, 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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 – DEPOSITS AND INVESTMENTS

The City's investments at September 30, 2025 consist of the following:

Investments - Governmental Funds	Maturity	Rating	Fair Value
U.S. Treasuries	10/15/25-08/15/35 U.S.		\$ 6,464,875
Mortgage and asset backed securities	12/01/25-06/01/45 AA+ to AAA		9,933,143
Investment grade corporate bonds	03/14/26-01/15/35 A- to AA+		1,184,495
Total investments - governmental funds			<u>\$ 17,582,513</u>

Investments - Pension Funds	Fair Value
American AMCAP Fund, Class A	\$ 695,004
American US Gov Money Market Fund Class A	270,265
American Bond Fund of America, Class A	583,191
American Capital Income Building Fund Class A	1,775,405
Europacific Growth Fund Class A	1,285,068
American Intermediate Bond Fund of America Class A	598,722
American Investment Company of America Class A	2,704,933
American Short-Term Bond Fund of America Class A	303,806
Total investments - pension fund	<u>\$ 8,216,394</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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. Although it has no formal policy, the City minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and maintains significant amounts of investments in short-term securities. The average portfolio maturity shall not be more than five years.

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, 2025, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. The City does not have a formal policy that requires diversification of the portfolio with maximum limits per investment type. At September 30, 2025, the City held 36%, 17%, and 14% of its investment balance in U.S. Treasury notes, Freddie Mac, and Fannie Mae respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2025 were as follows:

	Governmental Activities
Franchise fees	\$ 179,655
Electric franchise fee (restricted)	89,827
Solid waste franchise fees	48,641
Gas franchise fees	19,876
Other	1,989
	<u>\$ 339,988</u>

NOTE 5 – DUE FROM OTHER GOVERNMENTS

The amount due from other governments at September 30, 2025, were composed of the following:

	Governmental Activities
State of Florida:	
State Shared Taxes (1/2 Cent Sales Tax)	\$ 131,987
State Shared Taxes - Alcohol Business Tax	55,863
FDEP Operating Grant Leonard Destin Park	71,720
Okaloosa County:	
Tourist Development Council - Beach Operations	356,762
Okaloosa Half Penny Surtax (shared tax)	188,964
	<u>\$ 805,296</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The City had no Interfund payables or receivables reported in the fund financial statements.

The General Fund advanced funds to the CRA Town Center Special Revenue Fund to make debt service payments and to the CRA Harbor Special Revenue Fund to purchase property in 2025.

	Advance From	Advance To
General Fund	\$ 1,441,124	\$ -
CRA Town Center Special Revenue Fund	-	1,441,124
	<u>\$ 1,441,124</u>	<u>\$ 1,441,124</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, 2025:

	Transfers In	Transfer Out
General Fund ⁽¹⁾	\$ -	\$ 4,884,687
Capital Project Funds ⁽²⁾	3,600,000	9,850,426
CRA Town Center ⁽³⁾	-	998,747
Okaloosa Half-Penny Fund ⁽⁴⁾	229,151	353,866
Florida Building Code ⁽⁵⁾	-	103,281
CRA Harbor ⁽⁶⁾	9,000,000	1,490,774
Debt Service Fund ⁽⁷⁾	4,654,778	-
Other Special Revenue Funds ⁽⁸⁾	197,852	-
	<u>\$ 17,681,781</u>	<u>\$ 17,681,781</u>

- (1) The General fund transferred out \$94,571 to Other Special Revenue Funds, \$1,190,116 to the Debt Service Fund, and \$3,600,000 to the Capital Projects Fund.
- (2) The Capital Projects fund received \$3,600,000 from the General Fund and transferred out \$621,276 to the Debt Service Fund, \$9,000,000 to the CRA Harbor Fund, and \$229,151 to the Okaloosa Half Penny Fund.
- (3) The CRA Town Center Fund transferred out \$998,747 to the Debt Service Fund.
- (4) The Okaloosa Half Penny fund was reimbursed \$229,151 upon the issuance of the 2024 loan for Undergrounding capital expenditures. The Okaloosa Half Penny fund transferred \$353,866 to the Debt Service Fund.
- (5) The Florida Building Code fund transferred out 10% of permit revenue (\$103,281) to an Other Special Revenue fund.
- (6) The CRA Harbor fund was reimbursed \$9 million upon the issuance of the 2024 loan for the purchase of 1 Harbor Blvd. The Habor CRA fund transferred out \$1,490,774 to the Debt Service Fund.
- (7) The Debt Service Fund received \$4,654,778 to meet debt service requirements from the General Fund (\$1,901,116), from the CRA Town Center Fund (\$998,747), from the CRA Harbor Fund (\$1,490,774), from the Okaloosa Half Penny Fund (\$353,866), and from the Capital Projects fund (\$621,276).
- (8) The Permit Technology fund received \$197,852 from the Building fund (\$103,281) and the General Fund (\$94,571) as 10% of total permits issued.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2025 were as follows:

	Balance 09/30/2024	Additions	Deletions/ Reclassifications	Balance 09/30/2025
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 93,669,988	\$ -	\$ -	\$ 93,669,988
Construction in progress	6,323,417	9,308,570	(51,711)	15,580,276
Total capital assets, not being depreciated	<u>99,993,405</u>	<u>9,308,570</u>	<u>(51,711)</u>	<u>109,250,264</u>
Capital assets, being depreciated				
Buildings	13,201,683	13,671	(3,780,040)	9,435,314
Improvements other than buildings	40,287,476	741,508	(16,055,944)	24,973,040
Infrastructure	36,712,957	3,411,567	1,686,329	41,810,853
Leased assets	679,191	-	(410,392)	268,799
Machinery, equipment, vehicles	6,229,688	317,465	(2,457,659)	4,089,494
Library media and art	323,020	63,634	(50,421)	336,233
Total capital assets, being depreciated	<u>97,434,015</u>	<u>4,547,845</u>	<u>(21,068,127)</u>	<u>80,913,733</u>
Less accumulated depreciation for:				
Buildings	(7,078,869)	(340,449)	2,192,743	(5,226,575)
Improvements other than buildings	(23,913,400)	(7,225,273)	14,925,970	(16,212,703)
Infrastructure	(10,498,189)	(14,328,909)	150,671	(24,676,427)
Leased assets	(320,214)	(43,065)	305,898	(57,381)
Machinery, equipment, vehicles	(3,107,462)	(678,982)	1,828,173	(1,958,271)
Library media and art	(173,265)	(38,988)	50,421	(161,832)
Total accumulated depreciation	<u>(45,091,399)</u>	<u>(22,655,666)</u>	<u>19,453,876</u>	<u>(48,293,189)</u>
Total capital assets, being depreciated, net	<u>52,342,616</u>	<u>(18,107,821)</u>	<u>(1,614,251)</u>	<u>32,620,544</u>
Governmental activities capital assets, net	<u>\$ 152,336,021</u>	<u>\$ (8,799,251)</u>	<u>\$ (1,665,962)</u>	<u>\$ 141,870,808</u>

Depreciation expense for the year ended September 30, 2025 totaled \$22,655,666 for governmental activities and was allocated to specific functions as follows:

FUNCTION	DEPRECIATION
General government	\$ 117,128
Public safety	79,063
Physical environment	7,384,377
Transportation	9,665,554
Culture and recreation	5,409,544
Total	<u>\$ 22,655,666</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital improvement refunding revenue note, series 2013	\$ 3,421,437	\$ -	\$ (448,687)	\$ 2,972,750	\$ 461,429
Town center area redevelopment refunding revenue note, series 2014	7,600,705	-	(472,896)	7,127,809	489,258
Refunding revenue note, series 2021	5,872,000	-	(1,236,000)	4,636,000	1,259,000
TDC Advanced Funding Agreement, 2023	5,520,863	-	(750,000)	4,770,863	750,000
Revenue note, series 2025	-	25,000,000	(586,000)	24,414,000	1,259,000
Financed purchases	205,998	51,712	(52,778)	204,932	45,374
	<u>22,621,003</u>	<u>25,051,712</u>	<u>(3,546,361)</u>	<u>44,126,354</u>	<u>4,264,061</u>
Compensated absences	863,019	64,171	-	927,190	467,815
Other post-employment benefits liability	55,004	9,686	(5,559)	59,131	3,000
	<u>918,023</u>	<u>73,857</u>	<u>(5,559)</u>	<u>986,321</u>	<u>470,815</u>
	<u>\$ 23,539,026</u>	<u>\$ 25,125,569</u>	<u>\$ (3,551,920)</u>	<u>\$45,112,675</u>	<u>\$ 4,734,876</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. The Advanced Funding Agreement is paid out of the 2023 Advanced Funding Agreement 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 4.87 as of September 30, 2025.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 recalculated upon issuance of the 2024 Loan from Trustmark as 3.75 as of November 7, 2025.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – NOTES PAYABLE (CONTINUED)

Okaloosa Tourism Development Council Advanced Funding Agreement 2023

In November 2022, the City closed on a property at Tarpon Beach. The Okaloosa Tourism Development Council paid the City's half of the acquisition and closing costs of \$7,020,863. In accordance with the Beach Acquisition interlocal agreement between the City of Destin and Okaloosa County amended and restated on 12/27/2022, the City shall repay this loan at the rate of \$750,000 per year until paid in full. The loan carries an interest rate of 0.0% and the final payment is due September 2032.

The advanced funding portion of this agreement provides for:

- A. Financing the Acquisition of Certain Real Property within the City to be Used to Expand Public Beach Access
The 2023 loan is to assist in the acquisition of parcels of land at Tarpon Beach that will be used to expand public beach access.
- B. Pledging certain funds to secure payment
This note is secured by Tourism Development taxes collected by Okaloosa County and approved for distribution to municipalities in accordance with an interlocal agreement. Okaloosa County borrowed from the beach renourishment reserves to provide this loan. In the event the County finds the urgent need to borrow from a commercial lender to accomplish urgent beach renourishment, the interest rate paid by the City will increase from 0% to cover the interest paid by the County to the lender.

Non-Ad Valorem Revenue Note, Series 2024

Effective November 7, 2024, the City closed on a \$25,000,000 note payable with Trustmark Bank. Interest and principal payments are due semiannually on October 1 and April 1. The note carries an interest rate of 3.48%. The note is amortized over 15 years with a balloon payment for the full balance is due at year five on November 7, 2029. The 2024 Non-Ad Valorem Revenue Note ordinance provides for:

- A. Financing various capital improvement projects of the City, including without limitation: (i) the acquisition of certain real property located at 1 Harbor Boulevard, Destin, Florida for the purpose of providing public parks or other public facilities (the "1 Harbor Project"), (ii) the undergrounding of overhead utility facilities along Highway US 98 from the Marler Bridge to Airport Road (the "Undergrounding Project"), and (iii) the design, acquisition, construction and/or reconstruction of a crosstown roadway based on plans and specifications on file with the City.
- B. Pledging certain 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 CRA TIF funds, Electric Franchise funds, and Gas Tax#2 funds to make the actual payments. The Harbor CRA is fully responsible for repayment of \$9,000,000 of the principal, which was used to purchase the land at 1 Harbor Blvd. In addition, each of the CRA districts have pledged up to \$4 million each towards debt service related to the principal borrowed to underground the overhead utilities.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – NOTES PAYABLE (CONTINUED)

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

Year ending September 30,			
<i>TDC Advanced Funding Agreement, 2023</i>			
	Principal	Interest	Total
2026	\$ 750,000	\$ -	\$ 750,000
2027	750,000	-	750,000
2028	750,000	-	750,000
2029	750,000	-	750,000
2030	750,000	-	750,000
2031-2035	1,020,863	-	1,020,863
2036-2067	-	-	-
Subtotal	<u>\$ 4,770,863</u>	<u>\$ -</u>	<u>\$ 4,770,863</u>

Year ending September 30,			
<i>Non-Ad Valorem Refunding Revenue Note, Series 2021</i>			
	Principal	Interest	Total
2026	\$ 1,259,000	\$ 46,259	\$ 1,305,259
2027	1,267,000	31,886	1,298,886
2028	1,284,000	17,415	1,301,415
2029	826,000	2,754	828,754
2030	-	-	-
2031-2035	-	-	-
2036-2067	-	-	-
Subtotal	<u>\$ 4,636,000</u>	<u>\$ 98,314</u>	<u>\$ 4,734,314</u>

Year ending September 30,			
<i>Town Center Redevelopment Refunding Revenue Note, Series 2014</i>			
	Principal	Interest	Total
2026	\$ 489,258	\$ 243,058	\$ 732,316
2027	506,186	226,375	732,561
2028	523,700	209,114	732,814
2029	541,819	191,255	733,074
2030	560,566	172,779	733,345
2031-2035	3,107,533	563,592	3,671,125
2036-2067	1,398,747	71,952	1,470,699
Subtotal	<u>\$ 7,127,809</u>	<u>\$ 1,678,125</u>	<u>\$ 8,805,934</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – NOTES PAYABLE (CONTINUED)

Year ending September 30,			
<i>Capital Improvement Refunding Revenue Note, Series 2013</i>			
	Principal	Interest	Total
2026	\$ 461,429	\$ 90,372	\$ 551,801
2027	474,534	76,344	550,878
2028	488,012	61,918	549,930
2029	501,870	47,083	548,953
2030	516,124	31,826	547,950
2031-2035	530,781	16,136	546,917
2036-2067	-	-	-
Subtotal	<u>\$ 2,972,750</u>	<u>\$ 323,679</u>	<u>\$ 3,296,429</u>

Year ending September 30,			
<i>Trustmark 2024 Loan</i>			
	Principal	Interest	Total
2026	\$ 1,259,000	\$ 839,411	\$ 2,098,411
2027	1,371,000	794,066	2,165,066
2028	1,418,000	745,955	2,163,955
2029	1,468,000	696,174	2,164,174
2030	18,898,000	328,825	19,226,825
2031-2035	-	-	-
2036-2067	-	-	-
Subtotal	<u>\$ 24,414,000</u>	<u>\$ 3,404,431</u>	<u>\$ 27,818,431</u>

GRAND TOTAL			
	Principal	Interest	Total
2026	\$ 4,218,687	\$ 1,219,100	\$ 5,437,787
2027	4,368,720	1,128,671	5,497,391
2028	4,463,712	1,034,402	5,498,114
2029	4,087,689	937,266	5,024,955
2030	20,724,690	533,430	21,258,120
2031-2035	4,659,177	579,728	5,238,905
2036-2067	1,398,747	71,952	1,470,699
Subtotal	<u>\$ 43,921,422</u>	<u>\$ 5,504,549</u>	<u>\$ 49,425,971</u>

NOTE 10 – FINANCED PURCHASE AGREEMENTS

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. In September 2025, the agreement was extended to 2054. The present value of the future minimum payments was revised in fiscal year 2025 to \$145,540. As there is no explicit rate in the contract, the present value was calculated using the City's Weighted Average Cost of Capital (WACC) at fiscal year end 2023 of 2.55%.

In June 2024, the City entered into an agreement with UKG of Kronos Inc for certain UKG timekeeping modules and related equipment. The initial term is for three years, June 2024 to May 2027. As there is no explicit rate in the contract, the present value was calculated using the City's WACC at fiscal year end 2024 of 2.49%.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 10 – FINANCED PURCHASE AGREEMENTS (CONTINUED)

In December 2024, the City entered into an agreement for eight copy machines over 36 months, December 2024 to November 2027. The agreement was recorded at the present value of the future minimum payments \$51,712, as of the inception date. As there is no explicit rate in the contract, the present value was calculated using the City's WACC at fiscal year-end 2025 of 3.08

Principal and interest amounts due on are as follows:

Year ending September 30,			
	Principal	Interest	Total
2026	\$ 45,374	\$ 5,171	\$ 50,545
2027	21,138	3,930	25,068
2028	6,547	3,464	10,011
2029	3,637	3,363	7,000
2030	3,730	3,270	7,000
2031-2035	20,126	14,874	35,000
2036-2040	22,826	12,174	35,000
2041-2045	25,889	9,111	35,000
2046-2050	29,363	5,637	35,000
2051-2055	26,302	1,698	28,000
Total	<u>\$ 204,932</u>	<u>\$ 62,692</u>	<u>\$ 267,624</u>

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. No assets are being accumulated in a GASB-compliant trust. For the fiscal year ended September 30, 2025, no retirees received post-employment health care benefits.

Employees Covered by Benefit Terms

At September 30, 2023, 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	82
	<u>82</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$59,131 was measured as of September 30, 2025 and was determined by an actuarial valuation as of September 30, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of September 30, 2023, updated to September 30, 2025, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Discount rate	4.50%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	51

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

Changes in the Total OPEB Liability

Total OPEB liability as of September 30, 2024	\$ 55,004
Changes for the year:	
Service cost	7,219
Interest	2,467
Differences between expected and actual experience	-
Changes of assumptions	(2,640)
Benefit payments	(2,919)
Total changes	<u>4,127</u>
Total OPEB liability as of September 30, 2025	<u>\$ 59,131</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:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Total OPEB liability	<u>\$ 65,411</u>	<u>\$ 59,131</u>	<u>\$ 53,745</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:

	1% Decrease (3.00% - 6.00%)	Healthcare Cost Trend Rate Rate (4.00% - 7.00%)	1% Increase (5.00% - 8.00%)
Total OPEB liability	<u>\$ 52,033</u>	<u>\$ 59,131</u>	<u>\$ 67,691</u>

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$9,146. At September 30, 2025, the City did not report deferred outflows of resources or deferred inflows of resources related to OPEB due to using the alternative measurement method. Additionally, since the measurement date was the same as the City's fiscal year, there are no contributions subsequent to the measurement date to report.

NOTE 12 – RETIREMENT PLANS

Deferred Compensation Plan

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary before federal income taxes to a retirement account. The assets are held in trust for the employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable.

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

Employee Thrift Plan

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

Participants vest 20% in the City's matching contribution after three years of continuous service and continue to vest at 20% per year until fully vested after seven 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 \$701,941 during the fiscal year ended September 30, 2025. The contributions represent 10.89% of current year covered employee payroll of \$6,444,838.

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.

CITY OF DESTIN, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation and Other Matters

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

Risk Management

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

Remedies for Default

As part of notes payable and financed purchases 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 leases are to be returned to the lessor.

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	Technology	Parking	Water Quality	Debt Service Fund	Total Governmental Funds
<i>Nonspendable:</i>											
Interfund advance	\$ 1,441,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,441,124
Prepays and deposits	245	-	-	-	-	-	-	-	-	-	245
<i>Restricted for:</i>											
Impact fees: park, traffic, library, and police	-	-	-	2,749,377	-	-	-	-	-	-	2,749,377
Other agreements: NPEB, stormwater, undergrounding, gas tax#2; grants	-	-	-	12,727,902	-	-	-	-	376,724	-	13,104,626
Debt service	-	-	-	-	-	-	-	-	-	1,395,005	1,395,005
CRA Town Center	-	1,320,513	-	-	-	-	-	-	-	-	1,320,513
CRA Harbor District	-	-	-	-	790,305	-	-	-	-	-	790,305
Florida building code enforcement	-	-	-	-	-	230,466	-	-	-	-	230,466
<i>Committed for:</i>											
Emergency operations	5,316,944	-	-	-	-	-	-	-	-	-	5,316,944
Debt service	5,614,662	-	-	-	-	-	-	-	-	-	5,614,662
Emergency maintenance	5,316,944	-	-	-	-	-	-	-	-	-	5,316,944
Infrastructure surtax	-	-	7,181,079	-	-	-	-	-	-	-	7,181,079
Renewal and replacement	-	-	-	3,703,735	-	-	-	-	-	-	3,703,735
Parking	-	-	-	-	-	-	-	2,720,233	-	-	2,720,233
Technology	-	-	-	-	-	-	745,252	-	-	-	745,252
<i>Unassigned:</i>	18,103,212	-	-	-	-	-	-	-	-	-	18,103,212
Total fund balance	\$ 35,793,131	\$ 1,320,513	\$ 7,181,079	\$ 19,181,014	\$ 790,305	\$ 230,466	\$ 745,252	\$ 2,720,233	\$ 376,724	\$ 1,395,005	\$ 69,733,722

NOTE 15 – SUBSEQUENT EVENT

The City has evaluated all subsequent events through February 20, 2026 the date the financial statements were available to be issued.

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	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Service cost	\$ 7,219	\$ 21,987	\$ 21,219	\$ 22,546	\$ 19,941	\$ 20,778	\$ 15,893	\$ 16,440
Interest	2,467	8,335	9,229	4,456	4,130	6,900	6,085	5,024
Differences between expected and actual experience	-	(41,718)	-	(22,688)	-	20,020	-	-
Changes of assumptions	(2,640)	(119,708)	(1,739)	(5,775)	(5,158)	(18,085)	8,106	(6,810)
Benefit payments	(2,919)	(9,399)	(10,817)	(8,796)	(8,085)	(8,916)	(6,805)	(6,272)
Net change in total OPEB liability	4,127	(140,503)	17,892	(10,257)	10,828	20,697	23,279	8,382
Total OPEB liability - beginning	55,004	195,507	177,615	187,872	177,044	156,347	133,068	124,686
Total OPEB liability - ending	<u>\$ 59,131</u>	<u>\$ 55,004</u>	<u>\$ 195,507</u>	<u>\$ 177,615</u>	<u>\$ 187,872</u>	<u>\$ 177,044</u>	<u>\$ 156,347</u>	<u>\$ 133,068</u>
Covered-employee payroll	\$ 5,295,327	\$ 5,166,172	\$ 4,643,128	\$ 4,529,881	\$ 2,899,114	\$ 2,828,403	\$ 2,873,422	\$ 2,803,339
Total OPEB liability as a percentage of covered-employee payroll	1.12%	1.06%	4.21%	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:

2025	2024	2023	2022	2021	2020	2019	2018
4.50%	4.06%	4.87%	4.77%	2.43%	2.14%	3.58%	4.18%

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

There are no assets being accumulated in a trust to pay related benefits for the OPEB plan.

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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, 2025

	Special Revenue Funds				Debt Service Funds					Total Nonmajor Governmental Funds
	Florida Building Code Fund	Technology Fund	Parking Fund	Water Quality Fund	Debt Service Fund	2013 Revenue Refunding Note Series Fund	2014 Revenue Refunding Note Series Fund	2021 Revenue Refunding Note Series Fund	2023 TDC Advance Fund	
Assets										
Cash and cash equivalents	\$ -	\$ 748,657	\$ 2,721,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,470,404
Restricted cash and cash equivalents	238,581	-	-	376,724	1,396,330	-	-	-	-	2,011,635
Total assets	<u>\$ 238,581</u>	<u>\$ 748,657</u>	<u>\$ 2,721,747</u>	<u>\$ 376,724</u>	<u>\$ 1,396,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,482,039</u>
Liabilities and fund balances										
Liabilities										
Accounts payable	\$ 1,496	\$ 3,405	\$ 1,514	\$ -	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ 7,740
Accrued liabilities	6,164	-	-	-	-	-	-	-	-	6,164
Due to other governments	455	-	-	-	-	-	-	-	-	455
Total liabilities	<u>8,115</u>	<u>3,405</u>	<u>1,514</u>	<u>-</u>	<u>1,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,359</u>
Fund balances										
Restricted	230,466	-	-	376,724	1,395,005	-	-	-	-	2,002,195
Committed	-	745,252	2,720,233	-	-	-	-	-	-	3,465,485
Total fund balances	<u>230,466</u>	<u>745,252</u>	<u>2,720,233</u>	<u>376,724</u>	<u>1,395,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,467,680</u>
Total liabilities and fund balances	<u>\$ 238,581</u>	<u>\$ 748,657</u>	<u>\$ 2,721,747</u>	<u>\$ 376,724</u>	<u>\$ 1,396,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,482,039</u>

CITY OF DESTIN, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Special Revenue Funds				Debt Service Funds					
	Florida Building Code Fund	Technology Fund	Parking Fund	Water Quality Fund	Debt Service Fund	2013 Revenue Refunding Note Series Fund	2014 Revenue Refunding Note Series Fund	2021 Revenue Refunding Note Series Fund	2023 TDC Advance Fund	Total Nonmajor Governmental Funds
Revenues										
Licenses and permits	\$ 1,008,068	\$ -	\$ -	\$ 57,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,066,005
Intergovernmental revenue	-	-	-	-	750,000	-	-	-	-	750,000
Charges for services	27,265	-	879,992	-	-	-	-	-	-	907,257
Fines and forfeitures	27,778	-	-	-	-	-	-	-	-	27,778
Investment income	5,347	26,357	81,854	14,551	22,980	-	-	-	-	151,089
Total revenues	<u>1,068,458</u>	<u>26,357</u>	<u>961,846</u>	<u>72,488</u>	<u>772,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,902,129</u>
Expenditures										
Current										
General government	-	-	-	-	19	-	-	-	-	19
Public safety	909,034	74,992	-	-	-	-	-	-	-	984,026
Physical environment	-	-	-	47,930	-	-	-	-	-	47,930
Transportation	-	-	77,729	-	-	-	-	-	-	77,729
Capital Outlay	28,375	-	-	-	-	-	-	-	-	28,375
Debt Service										
Principal retirement	-	-	-	-	3,493,583	-	-	-	-	3,493,583
Interest	-	-	-	-	901,804	-	-	-	-	901,804
Total expenditures	<u>937,409</u>	<u>74,992</u>	<u>77,729</u>	<u>47,930</u>	<u>4,395,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,533,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>131,049</u>	<u>(48,635)</u>	<u>884,117</u>	<u>24,558</u>	<u>(3,622,426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,631,337)</u>
Other Financing Sources (Uses)										
Transfers in	-	197,852	-	-	4,654,778	-	-	-	-	4,852,630
Transfers out	(103,281)	-	-	-	-	-	-	-	-	(103,281)
Total other financing sources (uses)	<u>(103,281)</u>	<u>197,852</u>	<u>-</u>	<u>-</u>	<u>4,654,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,749,349</u>
Net change in fund balance	27,768	149,217	884,117	24,558	1,032,352	-	-	-	-	2,118,012
Fund balances, beginning	202,698	596,035	1,836,116	352,166	-	102,400	258,085	2,168	-	3,349,668
Change in reporting entity	-	-	-	-	362,653	(102,400)	(258,085)	(2,168)	-	-
Fund balances, beginning, as restated	<u>202,698</u>	<u>596,035</u>	<u>1,836,116</u>	<u>352,166</u>	<u>362,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,349,668</u>
Fund balances, ending	<u>\$ 230,466</u>	<u>\$ 745,252</u>	<u>\$ 2,720,233</u>	<u>\$ 376,724</u>	<u>\$ 1,395,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,467,680</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, 2025**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Licenses and permits	\$ 893,800	\$ 893,800	\$ 1,008,068	\$ 114,268
Charges for services	27,400	27,400	27,265	(135)
Fines and forfeitures	200	200	27,778	27,578
Investment earnings	350,001	1	5,347	5,346
Total revenues	<u>1,271,401</u>	<u>921,401</u>	<u>1,068,458</u>	<u>147,057</u>
Expenditures				
Current				
Public safety	1,125,961	1,126,430	909,034	217,396
Capital outlay	-	28,375	28,375	-
Total expenditures	<u>1,125,961</u>	<u>1,154,805</u>	<u>937,409</u>	<u>217,396</u>
Deficiency of revenues (under) expenditures	<u>145,440</u>	<u>(233,404)</u>	<u>131,049</u>	<u>364,453</u>
Other financing (uses)				
Transfers in	-	350,000	-	(350,000)
Transfers out	(80,000)	(80,000)	(103,281)	(23,281)
Total other financing (uses)	<u>(80,000)</u>	<u>270,000</u>	<u>(103,281)</u>	<u>(373,281)</u>
Change in fund balance	65,440	36,596	27,768	(8,828)
Fund balance, beginning of year	202,698	202,698	202,698	-
Fund balance, end of year	<u>\$ 268,138</u>	<u>\$ 239,294</u>	<u>\$ 230,466</u>	<u>\$ (8,828)</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, 2025**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment earnings	\$ 5,400	\$ 5,400	\$ 26,357	\$ 20,957
Total revenues	<u>5,400</u>	<u>5,400</u>	<u>26,357</u>	<u>20,957</u>
Expenditures				
Current				
Public safety	70,360	140,820	74,992	65,828
Total expenditures	<u>70,360</u>	<u>140,820</u>	<u>74,992</u>	<u>65,828</u>
Deficiency of revenues under expenditures	<u>(64,960)</u>	<u>(135,420)</u>	<u>(48,635)</u>	<u>86,785</u>
Other financing sources				
Transfers in	166,030	166,030	197,852	31,822
Total other financing sources	<u>166,030</u>	<u>166,030</u>	<u>197,852</u>	<u>31,822</u>
Change in fund balance	101,070	30,610	149,217	118,607
Fund balance, beginning of year	596,035	596,035	596,035	-
Fund balance, end of year	<u><u>\$ 697,105</u></u>	<u><u>\$ 626,645</u></u>	<u><u>\$ 745,252</u></u>	<u><u>\$ 118,607</u></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, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 757,000	\$ 757,000	\$ 879,992	\$ 122,992
Investment earnings	30,200	30,200	81,854	51,654
Total revenues	<u>787,200</u>	<u>787,200</u>	<u>961,846</u>	<u>174,646</u>
Expenditures				
Current				
Transportation	141,605	141,605	77,729	63,876
Total expenditures	<u>141,605</u>	<u>141,605</u>	<u>77,729</u>	<u>63,876</u>
Change in fund balance	645,595	645,595	884,117	238,522
Fund balance, beginning of year	1,836,116	1,836,116	1,836,116	-
Fund balance, end of year	<u>\$ 2,481,711</u>	<u>\$ 2,481,711</u>	<u>\$ 2,720,233</u>	<u>\$ 238,522</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
WATER QUALITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 57,937	\$ 32,937
Investment earnings	1,200	1,200	14,551	13,351
Total revenues	<u>26,200</u>	<u>26,200</u>	<u>72,488</u>	<u>46,288</u>
Expenditures				
Current				
Physical environment	58,005	60,934	47,930	13,004
Transportation	110,000	107,071	-	107,071
Total expenditures	<u>168,005</u>	<u>168,005</u>	<u>47,930</u>	<u>120,075</u>
Change in fund balance	(141,805)	(141,805)	24,558	166,363
Fund balance, beginning of year	<u>352,166</u>	<u>352,166</u>	<u>352,166</u>	<u>-</u>
Fund balance, end of year	<u>\$ 210,361</u>	<u>\$ 210,361</u>	<u>\$ 376,724</u>	<u>\$ 166,363</u>

CITY OF DESTIN, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental revenues	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Investment earnings	1,200	1,200	22,980	21,780
Total revenues	<u>751,200</u>	<u>751,200</u>	<u>772,980</u>	<u>21,780</u>
Expenditures				
Current				
General government	110	110	19	91
Debt service				
Principal retirement	3,745,386	4,079,583	3,493,583	586,000
Interest	1,794,174	1,332,927	901,804	431,123
Total expenditures	<u>5,539,670</u>	<u>5,412,620</u>	<u>4,395,406</u>	<u>1,017,214</u>
Deficiency of revenues under expenditures	<u>(4,788,470)</u>	<u>(4,661,420)</u>	<u>(3,622,426)</u>	<u>1,038,994</u>
Other financing sources (uses)				
Issuance of debt	25,000,000	-	-	-
Transfers in	4,423,993	4,662,439	4,654,778	(7,661)
Transfers out	(24,634,504)	-	-	-
Total other financing sources (uses)	<u>4,789,489</u>	<u>4,662,439</u>	<u>4,654,778</u>	<u>(7,661)</u>
Change in fund balance	1,019	1,019	1,032,352	1,031,333
Fund balance, beginning, as restated	362,653	362,653	362,653	-
Fund balance, end of year	<u>\$ 363,672</u>	<u>\$ 363,672</u>	<u>\$ 1,395,005</u>	<u>\$ 1,031,333</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, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 778,203	\$ 778,203	\$ 754,403	\$ (23,800)
Licenses and permits	1,035,175	1,035,175	923,578	(111,597)
Impact fees	-	-	172,558	172,558
Intergovernmental revenues	8,897,771	10,777,362	796,736	(9,980,626)
Investment earnings	73,100	73,100	891,386	818,286
Contributions	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>10,784,249</u>	<u>12,663,840</u>	<u>3,538,661</u>	<u>(9,125,179)</u>
Expenditures				
Current				
General government	5	5	48	(43)
Public safety	1	11	-	11
Physical environment	5	31	-	31
Transportation	17	500,015	-	500,015
Capital outlay	<u>33,163,976</u>	<u>34,868,065</u>	<u>11,180,245</u>	<u>23,687,820</u>
Total expenditures	<u>33,164,004</u>	<u>35,368,127</u>	<u>11,180,293</u>	<u>24,187,834</u>
Deficiency of revenues under expenditures	<u>(22,379,755)</u>	<u>(22,704,287)</u>	<u>(7,641,632)</u>	<u>15,062,655</u>
Other financing sources (uses)				
Issuance of debt	-	25,000,000	25,000,000	-
Transfers in	19,366,072	4,365,054	3,600,000	(765,054)
Transfers out	<u>(805,028)</u>	<u>(10,702,806)</u>	<u>(9,850,426)</u>	<u>852,380</u>
Total other financing sources (uses)	<u>18,561,044</u>	<u>18,662,248</u>	<u>18,749,574</u>	<u>87,326</u>
Change in fund balance	<u>(3,818,711)</u>	<u>(4,042,039)</u>	<u>11,107,942</u>	<u>15,149,981</u>
Fund balance, beginning of year	<u>8,073,072</u>	<u>8,073,072</u>	<u>8,073,072</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,254,361</u>	<u>\$ 4,031,033</u>	<u>\$ 19,181,014</u>	<u>\$ 15,149,981</u>

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Destin, Florida's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	66-72
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	73-76
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	77-79
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	80 and 81
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	82-87
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the City's financial reports for the relevant year.

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

Fiscal Year	Net investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2025	\$ 95,718,327	\$ 19,590,292	\$ 50,702,380	\$ 166,010,999
2024	129,525,200	6,705,708	37,687,800	173,918,708
2023	114,141,436	9,013,429	38,347,052	161,501,917
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

Source: City Finance Department.

Changes in Net Position - Last Ten Years (Unaudited)

	Fiscal Year				
	2025	2024	2023	2022	2021
Expenses					
General government	\$ 6,303,395	\$ 4,415,633	\$ 3,604,493	\$ 3,882,608	\$ 3,583,345
Public safety	5,284,689	5,222,285	4,441,808	3,960,949	3,756,665
Physical environment	7,901,634	1,093,567	996,593	1,180,082	646,171
Transportation	11,717,533	3,295,759	3,587,231	3,377,216	2,739,207
Economic environment	160,101	178,185	244,282	129,780	1,141,935
Human services	65,804	74,829	53,466	51,604	64,531
Culture and recreation	9,957,230	5,122,449	4,589,126	4,081,335	3,476,834
Debt service interest	1,322,274	467,439	513,582	550,710	637,571
Total expenses	42,712,660	19,870,146	18,030,581	17,214,284	16,046,259
Program revenue					
Charges for services					
General government	356,970	18,471	82,119	295,011	64,090
Public safety	1,963,927	2,059,874	2,047,595	1,904,763	1,793,926
Physical environment	61,095	170,798	82,338	27,474	50,965
Transportation	970,849	977,736	835,138	500,972	505,182
Culture and recreation	575,583	577,336	517,023	465,659	347,454
Operating grants and contributions	1,774,958	838,462	871,096	775,474	646,998
Capital grants and contributions	1,207,152	1,530,600	12,440,237	2,496,372	5,192,296
Total program revenue	6,910,534	6,173,277	16,875,546	6,465,725	8,600,911
Net expense	(35,802,126)	(13,696,869)	(1,155,035)	(10,748,559)	(7,445,348)
General revenue and other changes in net position					
Property taxes	15,778,424	14,335,084	12,464,569	10,794,578	9,892,776
Other taxes	3,681,658	9,273,287	9,568,412	3,496,780	3,480,413
Other revenue	8,891,980	2,505,289	1,134,021	4,741,856	4,954,175
Total general revenue	28,352,062	26,113,660	23,167,002	19,033,214	18,327,364
Change in net position	(7,450,064)	12,416,791	22,011,967	8,284,655	10,882,016
Net position, beginning	173,918,708	161,501,917	139,489,950	131,205,295	120,323,279
Cumulative effect of change in accounting principle	(457,645)	-	-	-	-
Net position, ending	\$ 166,010,999	\$ 173,918,708	\$ 161,501,917	\$ 139,489,950	\$ 131,205,295

Source: City Finance Department.

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

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

Source: City Finance Department.

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

	Fiscal Year				
	2025	2024	2023	2022	2021
General Fund					
Nonspendable	\$ 1,441,369	\$ 10,672,782	\$ 2,484,589	\$ 2,581,252	\$ 2,561,841
Restricted	-	-	-	-	-
Committed	16,248,550	13,562,068	12,137,934	13,683,891	10,084,733
Assigned	-	-	-	323,611	376,587
Unassigned	18,103,212	9,672,434	17,752,082	11,500,107	13,296,275
Total	\$ 35,793,131	\$ 33,907,284	\$ 32,374,605	\$ 28,088,861	\$ 26,319,436
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	19,590,292	6,705,708	6,962,323	5,073,775	3,852,330
Committed	14,350,299	11,941,500	9,440,475	6,739,436	4,655,060
Assigned	-	-	-	533,466	2,535,604
Unassigned	-	(7,830,559)	(963,747)	(1,663,708)	(3,846,516)
Total all other governmental funds	\$ 33,940,591	\$ 10,816,649	\$ 15,439,051	\$ 10,682,969	\$ 7,196,478

Source: City Finance Department.

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

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

Source: City Finance Department.

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

	Fiscal Year				
	2025	2024	2023	2022	2021
Revenue					
Taxes	\$ 17,692,778	\$ 16,227,087	\$ 16,027,019	\$ 14,291,359	\$ 13,373,189
Licenses and permits	5,325,448	5,207,670	5,454,762	5,008,309	3,779,441
Impact fees	172,558	171,129	453,374	132,605	590,174
Intergovernmental	7,101,947	6,418,348	15,938,249	5,586,955	8,053,048
Charges for services	1,707,083	1,744,341	1,516,594	1,289,082	937,122
Fines and forfeitures	209,628	95,484	107,689	56,135	79,829
Investment income	2,890,580	2,174,754	578,203	(1,078,214)	19,983
Contributions	19,916	88,718	5,042	37,479	1,867
Miscellaneous income	142,658	142,951	128,584	36,503	50,972
Total revenue	35,262,596	32,270,482	40,209,516	25,360,213	26,885,625
Expenditures					
General government	4,489,550	4,221,678	3,454,019	3,640,884	3,403,184
Public safety	5,196,163	5,193,874	4,384,706	3,924,721	3,752,995
Physical environment	516,125	375,034	277,365	452,211	142,017
Transportation	2,042,205	1,981,627	1,896,884	1,589,395	1,663,328
Economic environment	160,101	178,185	244,282	129,781	107,900
Human services	65,804	74,829	53,466	51,604	64,531
Culture and recreation	4,523,889	4,313,088	3,772,845	3,292,184	2,854,316
Capital outlay	13,856,415	15,654,495	20,891,773	4,369,267	11,160,364
Debt service					
Principal	3,546,361	3,013,427	3,035,369	2,122,863	9,318,692
Interest	907,906	475,429	521,505	555,409	717,941
Total expenditures	35,304,519	35,481,666	38,532,214	20,128,319	33,185,268
Excess (deficiency) of revenue over expenditures	(41,923)	(3,211,184)	1,677,302	5,231,894	(6,299,643)
Other financing sources (uses)					
Transfers in	17,681,781	6,868,982	4,820,135	4,676,350	29,587,639
Transfers out	(17,681,781)	(6,868,982)	(4,820,135)	(4,676,350)	(29,587,639)
Issuance of debt	25,000,000	121,461	-	-	-
Proceeds of debt issuance	-	-	7,020,863	-	9,905,000
Debt service principal	-	-	-	-	-
Lease proceeds	51,712	-	343,661	24,021	89,019
Non-operating loss	-	-	-	-	-
Total other financing sources (uses)	25,051,712	121,461	7,364,524	24,021	9,994,019
Special item - Settlement	-	-	-	-	-
Net change in fund balance	\$ 25,009,789	\$ (3,089,723)	\$ 9,041,826	\$ 5,255,915	\$ 3,694,376
Debt service as a percentage of noncapital expenditures	20.8%	17.6%	20.2%	17.0%	45.6%

Source: City Finance Department.

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

	2020		2019		2018		Fiscal Year 2017		2016	
Revenue										
Taxes	\$	12,270,014	\$	12,309,961	\$	11,766,912	\$	11,192,022	\$	10,316,957
Licenses and permits		3,342,590		1,079,465		1,008,548		930,187		885,870
Impact fees		456,051		160,720		671,922		801,424		446,936
Intergovernmental		4,050,502		3,494,078		2,889,811		3,734,054		3,232,561
Charges for services		513,137		512,089		568,635		525,860		568,018
Fines and forfeitures		106,750		28,981		44,278		46,812		47,238
Investment income		471,977		506,164		20,654		59,756		256,010
Contributions		4,035		6,871		8,608		24,772		22,848
Miscellaneous income		9,058		132,896		131,376		169,629		142,136
Total revenue		21,224,114		18,231,225		17,110,744		17,484,516		15,918,574
Expenditures										
General government		3,935,334		3,542,238		3,398,890		2,853,328		2,747,954
Public safety		3,408,341		3,061,601		2,779,558		2,610,831		2,410,183
Physical environment		27,374		31,346		88,226		90,710		148,581
Transportation		1,925,723		1,924,802		1,824,192		1,885,837		1,681,535
Economic environment		130,173		105,720		123,024		163,637		176,210
Human services		63,494		62,808		55,220		107,287		54,394
Culture and recreation		2,237,953		1,909,794		1,872,829		1,858,739		1,976,500
Capital outlay		1,937,657		1,607,301		1,877,832		4,762,510		3,075,354
Debt service										
Principal		1,622,596		1,533,487		1,485,956		1,417,449		1,087,340
Interest		745,697		793,850		836,554		874,429		822,369
Total expenditures		16,034,342		14,572,947		14,342,281		16,624,757		14,180,420
Excess (deficiency) of revenue over expenditures		5,189,772		3,658,278		2,768,463		859,759		1,738,154
Other financing sources (uses)										
Transfers in		2,255,374		4,171,759		6,343,303		3,907,488		2,971,389
Transfers out		(2,255,374)		(4,171,759)		(6,343,303)		(3,907,488)		(2,971,389)
Issuance of debt		-		-		50,188		303,991		-
Proceeds of debt issuance		-		-		-		-		-
Debt service principal		-		-		-		-		-
Lease proceeds		38,422		-		-		-		-
Non-operating loss		-		-		-		-		-
Total other financing sources (uses)		38,422		-		50,188		303,991		-
Special item - Settlement		-		-		-		-		-
Net change in fund balance	\$	5,228,194	\$	3,658,278	\$	2,818,651	\$	1,163,750	\$	1,738,154
Debt service as a percentage of noncapital expenditures		16.8%		18.0%		18.6%		19.3%		17.2%

Source: City Finance Department.

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
2025	\$ 8,598,438,014	\$ 131,921,569	\$ 8,730,359,583	1.6150	\$ 13,394,554
2024	7,816,671,888	124,688,876	7,941,360,764	1.6150	12,184,033
2023	6,858,730,342	108,747,526	6,967,477,868	1.6150	10,689,853
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

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		
2025	1.61500	1.00000	3.83080	5.37700	0.02070	10.22850	11.84350
2024	1.61500	1.00000	3.83080	5.47700	0.02340	10.33120	11.94620
2023	1.61500	1.00000	3.83080	5.47700	0.02340	10.33120	11.94620
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

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

Source: <https://okaloosapa.com/wp-content/uploads/sites/29/2023/10/2023-Final-Millage.pdf>

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

Taxpayer	September 30, 2025			Taxpayer	September 30, 2016		
	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	\$ 72,391,338	1	0.83%	Emerald Grande, LLC	\$ 58,515,920	1	1.37%
DRH HBR OWNER LLC	69,319,346	2	0.79%	BR Henderson Beach, LLC	24,782,062	2	0.58%
PASSCO SEA GLASS DST	62,442,857	3	0.72%	Henderson Beach Properties	16,678,465	3	0.39%
BR HENDERSON BEACH LLC	53,823,861	5	0.62%	Paradise Isle Destin, LLC	10,987,116	4	0.26%
EMERALD GRANDE INC	49,676,280	4	0.57%	Wyndham Vacation Resorts Inc	8,825,520	5	0.21%
ARRIS DESTIN RETAIL LLC	41,619,110	6	0.48%	DBR Development, LLC	8,863,000	6	0.21%
HENDERSON BEACH PARTNERS LLC	35,754,623	7	0.41%	Shanri Holdings Corp	7,659,166	7	0.18%
PARADISE ISLE DESTIN LLC	18,196,517	8	0.21%	Crystal Beach Plaza, LLC	7,657,024	8	0.18%
KEY DESTIN OWNER LLC	16,860,330	9	0.19%	Forty Four Holdings, LLC	7,192,707	9	0.17%
EQUISOURCE HOLDINGS CORP	16,623,234	10	0.19%	Destin Pink Hotel, LLC	7,099,444	10	0.17%
Total Principal Taxpayers	\$ 436,707,496		5.00%		\$ 158,260,424		3.69%
Total Tax Value of Other	\$ 8,293,652,087		95.00%		\$ 4,125,132,714		96.31%
Total Taxable Assessed Value	\$ 8,730,359,583		100.00%		\$ 4,283,393,138		100.00%

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
2025	\$ 14,099,531	\$ 13,395,621	95.01%	\$ 238,460	\$ 13,634,081	96.70%
2024	12,825,298	12,796,379	99.77%	132	12,796,511	99.78%
2023	11,252,477	10,801,654	95.99%	70,797	10,872,451	96.62%
2022	9,823,667	9,482,098	96.52%	-	9,482,098	96.52%
2021	9,184,087	8,827,350	96.12%	54,971	8,882,321	96.71%
2020	8,706,118	8,430,713	96.84%	3,561	8,434,274	96.88%
2019	8,133,612	7,879,410	96.87%	4,613	7,884,023	96.93%
2018	7,642,145	7,405,759	96.91%	1,809	7,407,568	96.93%
2017	7,280,770	7,031,699	96.58%	4,122	7,035,821	96.64%
2016	6,921,014	6,211,296	89.75%	3,797	6,215,093	89.80%

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,	2009 CRA Harbor Revenue Note (Restricted 2015)	2013 Capital Improvement Revenue Note	2014 CRA Town Center Revenue Refunding Note Series	2015 Revenue Refunding Note Series	Fiscal Year Ended September 30,
2025	\$ -	\$ 2,972,750	\$ 7,127,809	\$ -	2025
2024	-	3,421,436	7,600,705	-	2024
2023	-	3,857,733	8,057,786	-	2023
2022	-	4,281,980	8,499,581	-	2022
2021	-	4,694,511	8,926,602	-	2021
2020	3,986,827	5,095,650	9,339,342	4,035,000	2020
2019	4,429,808	5,485,711	9,738,279	4,379,000	2019
2018	4,770,168	5,865,001	10,123,875	4,714,000	2018
2017	5,096,625	6,233,816	10,496,575	5,039,000	2017
2016	5,409,749	6,592,446	10,856,811	5,359,000	2016

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)**

2021 Revenue Refunding Note Series	2023 County Advance Funding Agreement	2024 Capital Improvement Revenue Note	Financed Purchases	Total Revenue Bonds, Notes, and Financed Purchases	Percentage of Personal Income	Per Capita
\$ 4,636,000	\$ 4,770,863	\$ 24,414,000	\$ 204,932	\$ 44,126,354	5.23%	3,014
5,872,000	5,520,863	-	205,998	22,621,002	2.69%	1,549
7,104,000	6,270,863	-	239,043	25,529,425	3.01%	1,749
8,312,000	-	-	106,708	21,200,269	2.74%	1,465
9,512,000	-	-	165,998	23,299,111	3.21%	1,639
-	-	-	166,965	22,625,804	3.25%	1,624
-	-	-	175,160	24,207,958	3.97%	1,801
-	-	-	268,401	25,741,445	4.50%	1,937
-	-	-	311,197	27,177,213	5.12%	2,072
-	-	-	72,665	28,290,671	5.47%	2,193

City of Destin, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2025
(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	\$ 85,148,498	29%	\$ 25,065,105
Okaloosa School Board ⁽²⁾	307,591,473	26%	80,351,598
Destin Fire District	974,587	84%	822,260
Northwest Florida Water District	864,469	29%	253,868
Subtotal, overlapping debt			<u>106,492,831</u>
City of Destin			<u>44,126,354</u>
Total direct and overlapping debt			<u><u>\$ 150,619,185</u></u>

⁽¹⁾ Based on ratio of assessed taxable value.

⁽²⁾ The Okaloosa School Board debt outstanding is as of June 30, 2024.

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⁾
2025	14,640	\$ 57,600	\$ 843,264,000	4.10%
2024	14,608	57,600	841,420,800	4.50%
2023	14,594	58,082	847,648,708	3.00%
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%

⁽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.

City of Destin, Florida

Demographics (Unaudited)

2025

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	14,608
Seasonal-peak	200,000
Gender composition	
Female	47.3%
Male	52.7%
Median age	41.5
Racial composition	
White	83.3%
Hispanic	8.6%
Black	3.4%
American Indian	0.1%
Asian	0.8%
Other	3.8%
Median household income	\$89,141
Median earnings for full-time year-round workers	\$58,077
Number of households	14,191
Households with homestead exemption	3,667
Unemployment rate	4.10%

Source: City of Destin, Bureau of Labor Statistics for Crestview-Fort Walton Beach-Destin, Florida Bureau of Economic and Business Research (BEBR), Destin Chamber of Commerce, and Okaloosa Tax Collector.

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

City of Destin, Florida

Principal Employers - Current Year
and Nine Years Ago
(Unaudited)

Employer	September 30, 2025				September 30, 2016		
	Approximate Numbers of Employees	Rank	Percent of Estimated Population		Approximate Numbers of Employees	Rank	Percent of Estimated Population
Walmart Supercenter	450	1	3.1%	ResortQuest International, Inc	1,150	1	9.3%
Big Kahuna's Water & Adventure Park	300	2	2.0%	AJ's Seafood and Oyster House	175	2	1.4%
Fudpuckers	250	3	1.7%	Crab Trap	175	3	1.4%
The Home Depot	200	4	1.4%	Cracker Barrel	175	4	1.4%
Harborwalk Hospitality LLC	200	5	1.4%	Destin Healthcare and Rehabilitation	175	5	1.4%
McGuire's Irish Pub of Destin	200	6	1.4%	Harbor Docks	175	6	1.4%
Destin Fire Control District	150	7	1.0%	Charter Boat's	175	7	1.4%
AJ's Seafood & Oyster Bar	150	8	1.0%	Holiday Inn	175	8	1.4%
Target	150	9	1.0%	Lucky Snapper Grill & Bar	175	9	1.4%
Club Wyndham Emerald Grande at Destin	150	10	1.0%	Track Recreation Center	175	10	1.4%
Total			<u>15.03%</u>	Total			<u>22.06%</u>

SOURCE: Okaloosa County Economic Development Council (One Okaloosa).

Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Public Records Requests	800	1,200	660	540	*	*	*	*	*	*
City Help Desk Requests	629	1,685	1,763	679	532	437	403	400	238	228
Instagram Followers	13,457	9,600	433	129	*	*	*	*	*	*
Facebook Followers	45,000	38,000	35,800	27,500	*	*	*	*	*	*
Facility Workorders	403	373	349	358	134	220	219	188	96	138
Planning Inspections Performed	391	349	294	123	*	*	*	*	*	*
Development Orders Approved	23	14	33	26	*	*	*	*	*	*
IT Help Desk Requests Received	1,365	1,500	923	1,327	*	*	*	*	*	*
Public Safety										
Sheriff - Calls for Service	38,952	38,680	39,105	36,371	38,130	41,493	*	*	*	*
Sheriff - Traffic Stops	5,995	6,367	4,640	4,702	3,255	4,598	*	*	*	*
Lifeguard - Beach Attendance	2,028,091	1,451,861	2,009,111	1,964,644	*	*	*	*	*	*
Lifeguard - Beach Preventative Acts	231,000	75,046	243,412	126,205	*	*	*	*	*	*
Code Compliance - Short-term Rental Registrations	1,046	1,076	1,156	1,087	1,117	*	*	*	*	*
Code Compliance - Livery Vessel Registrations	567	564	401	383	484	*	*	*	*	*
Emergency Mgmt - Work Orders	-	1	-	-	-	-	-	-	-	-
Building - Inspections	4,458	4,815	5,002	5,825	4,657	4,482	4,564	5,348	6,381	5,739
Building - Permits Issued	2,733	2,891	3,256	5,176	3,775	2,974	3,007	2,998	3,243	3,224
Building - New Buildings	66	75	158	89	135	45	47	67	92	86
Physical Environment										
Stormwater - Work Orders	125	152	53	74	85	20	45	39	38	83
Cemetery - Plots	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925
Cemetery - Plots Maintained	1,520	1,481	1,467	1,459	1,441	1,428	1,414	1,401	1,394	1,386
Cemetery - Plots Available	405	444	458	466	484	497	511	524	531	539
Cemetery - Plots Sold	39	14	8	18	13	14	13	7	8	5
Transportation										
Public Works - Work Orders	777	884	588	516	501	325	581	406	353	449
Public Works - Median Maint Cycles per Year	44	44	44	44	38	38	38	38	38	38
Engineering - Inspections Performed	1,318	1,142	930	255	*	*	*	*	*	*
Engineering - Projects Reviewed	440	261	127	142	*	*	*	*	*	*
Culture & Recreation										
Library - New Patron Enrollment	926	941	1,118	1,208	991	817	*	*	*	*
Library - Visitors	53,484	41,451	52,463	47,201	35,901	46,420	49,015	53,228	56,505	*
Morgan Sports Center - Users	161,111	154,180	124,697	*	*	*	*	*	*	*
Morgan Sports Center - Field Rentals	366	245	179	*	*	*	*	*	*	*
Community Center - Users	56,922	54,591	54,754	41,673	*	*	*	*	*	*
Community Center - Programs	36	36	31	28	*	*	*	*	*	*

* Not available

Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety										
Code Compliance - number of officers	12.8	15.2	8.8	8.8	7.2	8.5	7.0	7.0	7.0	7.0
Protective Inspection - number of inspectors	4	4	4	4	4	3	3	3	3	3
Code & Inspections - facilities, machinery, equipn	14	14	10	10	9	6	3	3	3	3
Physical Environment										
Cemetery - plots maintained	1,520	1,481	1,467	1,459	1,441	1,428	1,414	1,401	1,394	1,386
Stormwater improvements	3	6	3	3	2	2	-	15	2	6
Physical environment - machinery & equipment	4	4	4	4	3	3	3	3	3	33
Transportation										
Paved streets (miles)	62.69	62.59	62.39	62.39	62.39	65.00	65.00	65.00	65.00	65.00
Paved streets (sections)	257.00	257.00	257.00	257.00	257.00	258.00	258.00	258.00	258.00	258.00
Paved sections repaved	14.00	7.00	3.00	0.00	4.00	10.00	6.00	9.00	6.00	5.00
Paved parking spaces	456	456	456	456	456	456	456	456	456	456
Transportation: facilities, machinery, equipment	48	47	43	35	28	25	25	25	25	25
Culture & Recreation										
Library - circulation	78,560	70,230	68,843	67,134	76,600	75,850	77,100	68,500	70,000	65,000
Parks - number of parks/rec facilities	24	23	22	21	21	21	21	21	21	21
Parks - developed acreage	125	125	125	125	125	125	125	125	125	125
Parks - playgrounds	9	9	9	8	8	8	8	8	8	8
Parks & Recreation: facilities, machinery & equipm	178	170	150	140	130	129	128	113	105	98

City of Destin, Florida

City Employees - Last Five Years
(Unaudited)

1 FTE = 2080 hours/year

	Fiscal Year				
	2025	2024	2023	2022	2021
City Manager's Office					
City Manager	-	1.00	1.00	1.00	1.00
Deputy City Manager	-	-	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	1.00	1.00
Assistant City Manager	1.00	1.00	-	-	-
Public Information Intern	0.73	0.73	0.73	-	-
Receptionist (2 PT @29 hours/week)	1.45	1.45	1.45	1.45	1.45
Subtotal	6.18	7.18	7.18	6.45	6.45
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	0.90	0.90	0.90	1.00	1.00
Accountant	0.90	0.90	0.90	1.00	1.00
Accounting Clerk (AP)	0.90	0.90	0.90	1.00	1.00
Payroll Accounting Clerk	0.90	0.90	0.90	-	-
Accounting Clerk	-	0.90	0.90	-	-
Intern Finance	0.65	0.65	0.65	-	-
Subtotal	4.25	5.15	5.15	3.00	3.00
Human Resources					
HR/Risk Manager	1.00	1.00	1.00	1.00	1.00
HR the best Specialist	1.00	1.00	1.00	0.73	0.73
Subtotal	2.00	2.00	2.00	1.73	1.73
Facilities					
Maintenance Technician - Facilities	1.26	1.26	2.00	2.00	2.00
Maintenance Technician - Custodian	0.63	0.63	1.00	1.00	1.00
Subtotal	1.89	1.89	3.00	3.00	3.00
Community Development Office					
Community Development Director	0.67	0.67	0.67	0.67	0.67
Administrative Assistant	0.75	0.75	0.75	0.75	0.50
Principal Planner	0.90	0.90	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
Geographic Information Systems Manager	1.00	1.00	1.00	1.00	1.00
Business Tax License Clerk	1.00	1.00	1.00	1.00	1.00
Subtotal	8.32	8.32	8.42	8.42	8.17
Information Technology					
IT Director	1.00	1.00	1.00	1.00	1.00
System Administrator	1.00	1.00	1.00	1.00	1.00
Systems Network Specialist	1.00	1.00	1.00	1.00	1.00
Subtotal	3.00	3.00	3.00	3.00	3.00
SUBTOTAL GENERAL GOVERNMENT	28.63	30.53	31.74	28.60	28.35

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

1 FTE = 2080 hours/year

	2025	2024	Fiscal Year 2023	2022	2021
Public Safety					
Crossing Guards (3 PT Seasonal)	-	-	0.90	0.90	0.90
Subtotal	-	-	0.90	0.90	0.90
Code Compliance					
Code Compliance Director	0.90	0.90	0.90	0.90	0.90
Code Compliance Deputy Director	0.90	0.90	0.90	0.90	0.90
Harbor Compliance Officer	-	-	0.90	0.90	0.90
Code Compliance Officers (5 FT @90% plus 1 PT @90%)	9.00	12.46	5.15	5.15	3.61
Administrative assistant	2.00	0.90	0.90	0.90	0.90
Subtotal	12.80	15.16	8.75	8.75	7.21
Emergency Management					
Emergency Management Director	0.20	0.20	0.20	-	-
Subtotal	0.20	0.20	0.20	-	-
Florida Building Code Enforcement (Building Inspections)					
Building Official	1.00	1.00	1.00	1.00	1.00
Building Inspector	2.00	2.00	2.00	2.00	2.00
Plans Examiner	1.00	1.00	1.00	1.00	1.00
Permit & License Tech	2.00	2.00	1.00	1.00	1.00
Permit & Licensing Administrator	1.00	1.00	1.00	1.00	1.00
Permit & Licensing Clerk	1.00	1.00	1.00	1.00	1.00
Code Compliance allocation (9@10%)	1.40	1.40	0.90	0.97	0.80
Com Dev Administrative allocation (1@25%; 1@33%)	0.58	0.58	0.58	0.58	0.83
Engineering/Stormwater allocation (1@60%+ 1x 0.10)	0.70	0.70	0.80	0.20	0.20
Subtotal	10.68	10.68	9.28	8.76	8.83
SUBTOTAL PUBLIC SAFETY	23.68	26.04	19.13	18.41	16.94
Physical Environment					
Stormwater Director	0.20	0.20	0.20	-	-
Stormwater Maintenance Tech	1.00	1.00	1.00	-	-
Stormwater Specialist	0.85	0.85	-	-	-
Equipment Operator	0.40	0.40	0.40	1.00	1.00
Subtotal	2.45	2.45	2.00	2.00	2.00
SUBTOTAL PHYSICAL ENVIRONMENT	2.45	2.45	2.00	2.00	2.00
Public Works Department					
Public Works Director	0.60	0.60	0.60	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	0.67	0.67	0.67	1.00	1.00
Maintenance Technician-General	5.00	4.00	4.00	4.00	4.00
Equipment Operator	0.60	0.60	0.60	-	-
Computer Aided Design Operator	1.00	1.00	1.00	1.00	1.00
Subtotal	10.87	10.87	10.87	11.00	11.00
Engineering					
City Engineer (P.E.)	1.00	1.00	0.80	1.00	1.00
Engineering Assistant	1.00	1.00	0.20	-	-
Engineering Site Inspector	0.20	0.20	-	-	-
Engineer	0.80	0.80	0.80	1.00	1.00
Subtotal	3.00	3.00	1.80	2.00	2.00
SUBTOTAL TRANSPORTATION	13.87	13.87	12.67	13.00	13.00

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

1 FTE = 2080 hours/year

	2025	2024	Fiscal Year 2023	2022	2021
Community Redevelopment Agency					
CRA Manager (Town Center)	0.05	0.05	-	-	-
CRA Manager (Harbor)	0.05	0.05	-	-	-
CRA Finance Administrative Clerk (Town Center)	0.15	0.15	0.25	-	-
CRA Finance Administrative Clerk (Harbor)	0.15	0.15	0.25	-	-
Subtotal	0.40	0.40	0.50	-	-
SUBTOTAL ECONOMIC DEVELOPMENT	0.40	0.40	0.50	-	-
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	1.00
Library Assistant (4 PT at 29/40 hrs/week)	3.18	3.18	2.90	2.90	2.90
Custodian	1.11	1.11	0.74	-	-
Subtotal	10.29	10.29	9.64	8.90	8.90
Parks (includes TDC/Waterfront and FDEP/Leonard Destin)					
Parks & Recreation Director	1.00	1.00	1.00	1.00	1.00
Parks & 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	16.18	16.18	12.11	11.45	11.45
Joe's Bayou Attendant (3 PT at 29/40 hrs/week)	2.18	2.18	2.18	2.18	1.45
Subtotal	23.36	23.36	19.29	18.63	17.90
Morgan Sports Complex					
Recreation Assistant	1.00	1.00	3.18	-	-
Recreation Program Coordinator	2.00	2.00	1.00	1.00	1.00
Recreation Assistant II	1.00	1.00	1.00	1.00	1.00
Recreation Assistant (2 PT at 29/40 hrs/week)	2.35	2.35	1.45	1.45	1.45
Field Maintenance Supervisor	-	-	-	-	-
Field Maintenance Technician	2.00	2.00	3.00	2.00	2.00
Parks Maintenance Tech/Mechanic	1.00	1.00	-	-	-
Groundskeeper	1.00	1.00	0.67	1.00	1.00
Scorekeepers (2 PT at 29/40 hrs/week)	-	-	-	1.45	1.45
Subtotal	10.35	10.35	10.30	7.90	7.90
Community Center					
Recreation Supervisor	1.00	1.00	1.00	1.00	1.00
Recreation Assistant II	2.00	2.00	1.00	1.00	1.00
Recreation Assistant (1 FT + 2 PT at 29/40)	3.90	3.90	5.18	2.45	2.45
Program Coordinator	-	-	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	1.00	2.00	2.00
Customer Service Recreation Specialist	1.00	1.00	1.00	1.00	1.00
Camp Counselors (4 PT at 29/40 hrs/week)	1.77	1.77	2.90	2.90	2.90
Subtotal	12.67	12.67	14.08	12.35	12.35
SUBTOTAL CULTURE AND RECREATION	56.66	56.66	53.30	47.78	47.05
Total budgeted FTEs	125.70	129.96	119.35	109.79	107.34
Total actual FTEs (labor hours/2080)	103.30	103.30	93.12	91.31	92.32

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, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2026.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
February 20, 2026

**SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**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?

___ yes X no

Federal Programs and State Financial Assistance Projects

There was not an audit of major federal awards or state financial assistance programs as of September 30, 2025, due to the total amount expended being less than \$1,000,000 for federal awards and \$750,000 for state awards.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None noted.

**SECTION III
FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

Not applicable.

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

None reported.



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, 2025, and have issued our report thereon dated February 20, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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*; Schedule of Findings and Responses; 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 February 20, 2026, 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.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the City's geographical boundaries during the fiscal year under audit.

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.

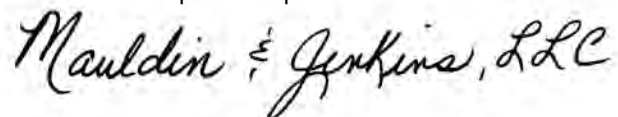
Additional Matters

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
February 20, 2026





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, 2025. 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, 2025.

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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 20, 2026

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