

# *City of Mary Esther, Florida*

**Comprehensive Annual Financial Report  
with Compliance Matters and Responses for  
the Fiscal Year Ended September 30, 2019**



**Comprehensive Annual Financial Report  
of the City of Mary Esther, Florida**

**Fiscal Year Ended  
September 30, 2019**

**Prepared by  
Heather Day, Finance Director  
Finance Department**

**The City of Mary Esther, Florida  
PRINCIPAL OFFICIALS  
Year Ended September 30, 2019**

**CITY COUNCIL 2018-2019**

Charlotte McKamy  
Bernie Oder  
Chris Stein  
Ron Stearns  
James Kitchens, Jr.

**CITY OFFICIALS**

**Mayor**

Margaret McLemore

**Mayor Pro-Tem**

Bernie Oder

**City Manager**

Steve Holsinger

**City Clerk**

Dana Williams

**City Attorney**

Hayward Dykes, Jr., Esq.

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## CITY OF MARY ESTHER

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TELEPHONE (850) 243-3566 - FAX (850) 243-0736

Honorable Mayor, City Council Members  
and Citizens  
City of Mary Esther, Florida

The comprehensive annual financial report of the City of Mary Esther, Florida for the fiscal year ended September 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operation of the government. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

### **CITY PROFILE**

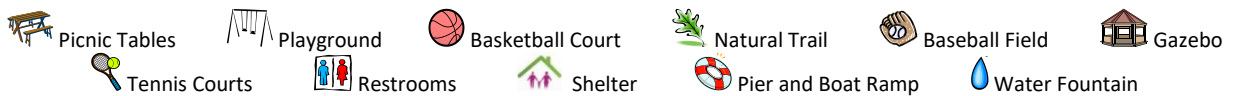
The City of Mary Esther has approximately 4,013 residents and is situated east of Hurlburt Field and west of Fort Walton Beach. Eglin Air Force Base, the largest military base in the world, surrounds these cities to the north and east. The Town of Mary Esther was established in 1946, with E. Roger Pryor serving as the first mayor. The City of Mary Esther was incorporated on June 5, 1984, after a referendum vote by Mary Esther citizens. Mary Esther has a council-manager form of government. Council members decide policy, create ordinances, and appoint the City Manager and City Clerk. The City Manager hires and supervises department directors and provides municipal administration.

Our coastal City provides a range of services that include police and fire protection, code enforcement, maintenance of city roadways and property, parks and leisure/cultural activities and events, and water and sewer utilities services. The City currently partners with the Okaloosa County Sheriff's Office to provide enhanced law enforcement services and the Ocean City-Wright Fire Control District to provide fire protection services. The Mary Esther Public Library is a member of the Okaloosa County Public Library Cooperative and serves City and County residents. Some services provided are free access to the internet and Wi-Fi; a wide range of educational classes and programs for people of all ages; movies and video games; and books, magazines, newspapers and audios for recreational and educational use.

The City has contracted with Operations Management International, Inc. (CH2M Hill OMI, currently known as JACOBS) since 2003, to maintain and manage the City's wastewater treatment facility, and since 2005, to maintain and manage the City's water production and distribution system and wastewater collection system.

The City of Mary Esther is home to the Santa Rosa Mall at the intersection of Hollywood Blvd. and Mary Esther Blvd. The 1.5 square miles of Mary Esther have small residential neighborhoods, interspersed with 10 beautiful parks, including a 14-acre nature park and a public boat ramp and pier.

City of Mary Esther Park	Acres	Amenities
Azalea Park <i>Azalea Dr.</i>	1.81	
Elliot Park <i>Mary Esther Manor Subdivision</i>	3.02	
North Bryn Mawr Park <i>North End of Bryn Mawr Dr.</i>	2.69	
Oak Tree Nature Park <i>Between Hwy. 98 and Hollywood Blvd., West of Doolittle Blvd.</i>	13.84	
Oak Tree Park <i>West End of N. Lorraine Dr.</i>	0.38	
Pier Park <i>South End of Misty Water Ln.</i>	0.10	
Pryor Park <i>South Side of City Hall, West of Christobal Rd.</i>	0.61	
South Bryn Mawr Park <i>South End of Bryn Mawr Blvd.</i>	2.44	
South Bryn Mawr Gazebo <i>South End of Bryn Mawr Blvd.</i>	0.25	
Springdale Park <i>Northwest End of Mary Esther Dr.</i>	3.67	
<b>Total Park Acreage</b>	<b>28.81</b>	



## COUNTY PROFILE

Okaloosa County has an estimated population of 200,171, an increase of approximately 14% since 2010. The 2018 Okaloosa County millage rate was 3.8308 mills. In September 2019, Okaloosa County’s unemployment rate was 2.4%, compared to 3.2% for the State of Florida.

Okaloosa County is best known for its sugar-white sand beaches and emerald green waters that draw millions of visitors each year. The natural environment provides many recreational opportunities such as boating, fishing, swimming, surfing, and scuba diving. Revenues from the tourism industry exceed over \$5.0 billion dollars annually.

Okaloosa County is also home to Eglin Airforce Base, one of the largest military reservations in the world. Military installations are the # 1 economic engine and generate additional employment by attracting defense contracting firms to the area. The defense-related spending in the County creates employment and investments which continue to grow exponentially.



## HISTORY

Because of its easy access to local waterways, the City of Mary Esther is noted as one of the first areas settled in this part of Northwest Florida. The first settler of Mary Esther arrived in 1842, when Jesse Rogers and his family drove a large cattle herd from Louisiana to the shores of Santa Rosa Sound and settled here. During the mid-1850s, John Newton, a minister and a teacher, settled in the area west of Fort Walton Beach known as the Narrows, today known as Mary Esther. Reverend Newton founded the first school, which also doubled as a church during the Civil War. Additionally, he established the first post office in the community on October 10, 1871 and became its first postmaster. The post office location probably doubled as the Newton's home.



There are three versions of the story about how the City of Mary Esther got its name. Because the community needed a mailing name, old-timers say that through naming the community, Reverend Newton honored his daughters and wife. One version says it was the name of Newton's wife, the second says it was a combination of his two daughters' names and the third says it was a combination of his wife's and daughters' names. In 2014 a resident came forward with pictures from the local cemetery, of the engraved tombstones for Mary Christine Newton (September 12, 1863 to July 22, 1937) and Esther Newton (July 12, 1861 to November 11, 1931). This lends credence to the possibility the City of Mary Esther was eventually named after Reverend Newton's daughters.

Thomas Jefferson Pryor, born in Greenville, Alabama, sailed to Mary Esther in 1854 as a deckhand on a schooner headed for Pensacola. Pryor met Ona Rogers, daughter of Jesse Rogers, and they were married in May 1879. The couple had ten children, two of which—Tom and Roger Pryor—later served as mayors of the town. Thomas Jefferson Pryor later re-married and had three more children.

Thomas Jefferson (T.J.) Pryor became postmaster of Mary Esther in 1899, and members of his family served in that position until 1972. Notably, Mary Pryor, T.J. Pryor's daughter in-law, served as Postmistress from 1938 to 1972.

William C. Pryor, Mary Esther's pioneer and noted educator, was among the pupils taught by John Newton. He later became Okaloosa County's first superintendent of schools. The Pryor name is very well-connected to Mary Esther's history. Members of the family have lived in and often have run the small city. The Pryors by the original settlers in the Rosa Sound.



William (Bill) Lazarus is credited with discovering Oak Tree Nature Park. This 14-acre nature park is registered in the Florida Master Site File under 8Ok81 and is protected under Chapter 267 of *Florida Statutes*. Between 1999 and 2002, University of West Florida students and community volunteers studied Oak Tree Nature Park for cultural resources under the supervision and leadership of UWF Archaeology Institute professor Norma Harris. The survey uncovered artifacts including bone, shell, pottery shards and stone tools.

discovering Oak Tree Nature Park. This 14-acre nature park is registered in the Florida Master Site File under 8Ok81 and is protected under Chapter 267 of *Florida Statutes*. Between



A trail, with two bridges crossing the Silver Sands Creek, is lined with markers identifying plant and animal life so visitors can learn from their relaxing stroll through this historic park. In November 2010, a local Boy Scout, Eagle Scout N. Klaus, used lumber and hardware donated by CH2M Hill, Inc., to build a deck at the Southeast corner of the Park

overlooking Silver Sands Creek floodplain.

In 1976, the opening of Santa Rosa Mall sparked a commercial building boom along Mary Esther Cutoff, later renamed Mary Esther Boulevard, within the City limits.



The City's community garden at Springdale Park was started in 2013. Council member Sykes led an initiative



to create the garden and many interested citizens have stepped up to make it a reality. The garden has grown to capacity at its location, and fostered community cooperation, teamwork, and goodwill as garden participants help each other with horticultural knowledge and handiwork.

## **CITY FINANCIAL POLICIES**

The City Manager (CM) is the Chief Financial Officer for funds management and the Chief Investment Officer. He or she is responsible for executing the investment policies of the City Council. In addition, the CM employs members of the City Finance Department and is responsible for their compliance with the Personal Conduct Standards. The CM recommends to the City Council an operating budget and investment strategies based on the written investment policy and is responsible for recommending investment dealers and brokers who are eligible to do business with the City. These recommendations are subject to the City Council's review and approval. The CM is responsible for the safe custody of security holdings, subject to Council policies, rules, regulations, and directives consistent with regulatory and statutory limitations. The Finance Director (FD), reporting to the CM, reviews the investments of the City to be sure that they conform to requirements and with the investment objectives and policies adopted by the City Council. The FD reviews the previous quarter's investment transactions, investment performance, asset mix, and portfolio strategy and makes recommendations to the CM for any changes deemed appropriate. Additionally, the FD advises City Council on investment strategies, including specific investments for the City portfolio.

The primary objectives of the City of Mary Esther's investment activities, in priority order, are ensuring safety of principal, liquidity enabling the City to meet all operating requirements, and return on investment in consideration of the City's investment risk constraints and cash flow characteristics.

## **INTERNAL CONTROLS**

The City's internal control objectives include minimizing the risk of fraud, waste, or abuse. Although no internal control system can totally eliminate these risks, our City's objective is to continuously improve internal control processes to adapt to changing threats and technology. The City Manager has a very small senior management team. Therefore, the internal controls are set to best take advantage of the available staff in performing these duties. At least one of the three, the City Manager, the City Clerk, or the Finance Director are on duty at City Hall, at all times during business hours. Two signers are required for all checks. Check

signers are the City Manager (CM), the City Clerk (CC), and the City Mayor. The Finance Director prepares the bank reconciliations and the City Manager reviews and signs all bank reconciliations. A closed-circuit camera system monitors all activity around sensitive areas of City Hall, including the vault. Only personnel with a need are pre-authorized to enter the vault. Two personnel, the City Clerk and the Finance Director are involved with the payroll process. Additionally, the CM must sign to authorize any pay rate adjustments before they are entered to the accounting system. An information technology security audit, including updating the City's information security policies, was performed early during FY15-16. A new information technology security policy was implemented during FY16-17.

## **ECONOMIC ENVIRONMENT AND PROJECTIONS**

The City of Mary Esther has the infrastructure and necessary resources for businesses to thrive. By estimation, active duty and retired military veterans and their families comprise at least 33% of the City's total population. A skilled and diversified labor force awaits the savvy business owner or entrepreneur ready to relocate or grow their business.

The City of Mary Esther supports the Okaloosa Economic Development Council's commitment to "continual growth and diversification through existing industry retention and expansion, workforce development and expansion of key industry clusters." Mary Esther is businesses-friendly, charging a low utility tax rate of 10%, capped at \$10 per customer or business for electricity and gas. This locally unique tax-cap is a valuable incentive to businesses, especially large energy consumers. Tax abatements for new businesses or current expanding businesses are also available through EDATE, if certain qualifications are met.

Eglin Air Force Base and Hurlburt Field provide an economic boost, estimated to be over \$600 million annually, for the local economy. The Okaloosa Economic Development Council reports that 73% of economic activity in Okaloosa County is related to the defense industry. The defense industry accounts for about 192,000 jobs in Northwest Florida.

## **LOOKING FORWARD**

The City maintains and annually updates a Capital Improvement Plan to anticipate the repair and replacement of high-cost assets necessary to provide transportation and utility services for our residents and ensure funds will be available or obtainable when needed. In addition to water and sewer distribution and collection infrastructure, the life expectancy of City streets, sidewalks, vehicles, equipment, buildings, and all other depreciable assets are considered along with their maintenance and replacement costs. The City's annual budget cycle includes discussions and decisions by City Council about which capital assets will be repaired or replaced.

City Council continues to honor their commitment to top priorities identified at the June 1, 2018 strategic planning session. During the planning session, water/sewer infrastructure repairs, public safety, and staff compensation were established as top priorities.

During FY18-19, critical repairs to the City's water and wastewater infrastructure were identified, and City Council has implemented a plan of action for completing the repairs. A master plan for the repairs was created by the City's engineering firm, Mott MacDonald and a capital financing plan was drafted by City Staff. If approved, the City will fund the project through a State Revolving Fund loan. In addition to the SRF loan, the City hopes to receive a CDBG grant, which could provide an additional \$700,000 in funding for the project.

The safety of Mary Esther residents is paramount to City Council; and in FY18-19, the City renewed its contract with the Okaloosa County Sheriff's Office, restoring enhanced law enforcement services to the Mary Esther communities.

A class and compensation study was conducted by the Krizner Group, and employee job descriptions and pay scales were aligned more closely with the local market. Staff now receives competitive pay and is encouraged to seek continued education and professional training.

### **INDEPENDENT AUDIT**

Florida municipalities must be audited annually by an independent Certified Public Accounting firm. Warren Averett has been hired to complete annual audits of the City's financial reports and provide single audits when required for state and federal grants, for the fiscal years ending September 30, 2019 through 2021.

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 Mary Esther for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the 9<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgements**

The entire City of Mary Esther Finance Department, as well as City Management and Department Managers, put forth great effort to gather all of the information needed for this year's CAFR. Special thanks go out to the Economic Development Council of Okaloosa County, the Okaloosa County Tax Collector's Office, the Okaloosa County School District Finance Department, the Okaloosa County Property Appraiser's Office, the Okaloosa County Sheriff's Office, and our auditing firm, Warren Averett, for all their work and assistance in preparing this report.

Respectfully submitted,



Heather Day, Finance Director  
March 2, 2020



Government Finance Officers Association

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

Presented to

**City of Mary Esther  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

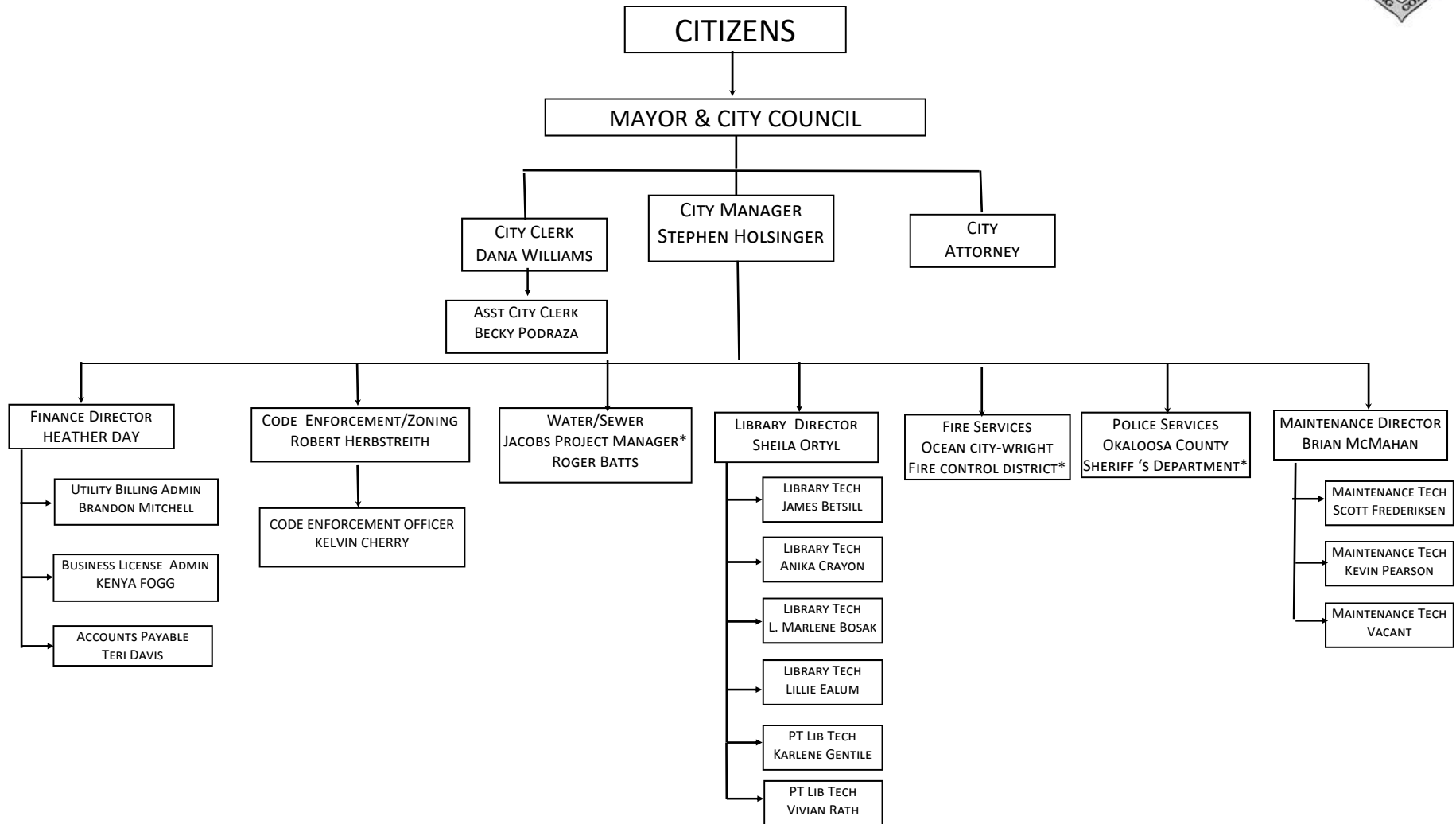
**September 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# CITY OF MARY ESTHER ORGANIZATIONAL CHART

For the Year Ending September 30, 2019



\*Contracted position

## **II. FINANCIAL SECTION**

- INDEPENDENT AUDITORS' REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
  - Government-Wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements
- REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mary Esther, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Mary Esther, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison information for each major governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
March 2, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mary Esther, 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, 2019.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$20.2 million (net position), and represents an increase of \$998 thousand, or 5.2%, from the prior year. Of this amount, \$15.1 million represents investments in capital assets (e.g. land, construction in progress, infrastructure, building, machinery and equipment) less any related debt used to acquire these assets that is still outstanding, \$564 thousand is restricted for specific purposes by external sources, and \$4.5 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of governmental activities increased \$925 thousand, or 9.1%, and the business-type activities increased \$73 thousand, or 0.8%. Deferred inflows and deferred outflows resulting from Other Post-Employment Benefits (OPEB) accounted for approximately \$27.5 thousand, or 2.7%, of the current year increases in net position.
- The City's governmental funds at September 30, 2019, reported ending fund balances of \$3.6 million, an increase in fund balance of \$1.2 million. \$2.3 million, or 64.6%, of ending fund balance, and 87.1% of the total governmental expenditures, is available for spending at City Council's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Governmental Accounting Standards Board (GASB) Statement No. 34 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 (year-to-year, government-to-government), and enhance the City's accountability.

This discussion and analysis intends to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Financial Statements**

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which add to a total for primary government. This 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, liabilities, and deferred inflows of resources with the difference reported as net position. This statement combines and consolidates the governmental fund's 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.

## **Government-Wide Financial Statements – Continued**

The statement of changes in net position presents information showing how the government'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 flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including city manager, city clerk, human resources, finance, purchasing, and non-departmental expenses), public safety (including fire protection and protective inspections), transportation (including road and street maintenance), human services (animal control) and culture and recreation (parks and library). The business-type activities of the City include water and sewer utility services. The government-wide financial statements are found on pages 14-15 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

## **FUNDS**

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 16-21 of this report are the basic governmental fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds (General Fund and Discretionary Sales Tax Fund) which are considered major funds. The City adopts an annual appropriated budget for each of its major governmental funds. Budgetary comparison statements are provided to demonstrate compliance with the budgets.

## FUNDS – CONTINUED

### Proprietary Funds

Proprietary funds include enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. To account for utility operations, the City uses an enterprise fund, the Water and Sewer Fund, which may be found on pages 22-25 of this report.

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 26 of this report are the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.2 million (net position) for the fiscal year, as reported in Table 1.

**Table 1**  
**CITY OF MARY ESTHER, FLORIDA**  
**STATEMENTS OF NET POSITION**  
**AS OF SEPTEMBER 30, 2019 AND 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 3,790,327	\$ 2,540,095	\$ 1,870,401	\$ 1,552,035	\$ 5,660,728	\$ 4,092,130
Capital assets	7,705,374	8,011,549	7,478,427	7,729,402	15,183,801	15,740,951
<b>Total assets</b>	<b>11,495,701</b>	<b>10,551,644</b>	<b>9,348,828</b>	<b>9,281,437</b>	<b>20,844,529</b>	<b>19,833,081</b>
<b>Total deferred outflows of resources</b>	<b>38,450</b>	<b>11,224</b>	<b>-</b>	<b>-</b>	<b>38,450</b>	<b>11,224</b>
Long-term liabilities						
outstanding	222,890	210,753	44,799	-	267,689	210,753
Other liabilities	199,573	165,196	162,630	213,316	362,203	378,512
<b>Total liabilities</b>	<b>422,463</b>	<b>375,949</b>	<b>207,429</b>	<b>213,316</b>	<b>629,892</b>	<b>589,265</b>
<b>Total deferred inflows of resources</b>	<b>7,651</b>	<b>7,935</b>	<b>-</b>	<b>-</b>	<b>7,651</b>	<b>7,935</b>
Net position						
Net investment in capital assets	7,705,374	8,011,549	7,431,027	7,729,402	15,136,401	15,740,951
Restricted	481,814	-	82,200	-	564,014	-
Unrestricted	2,916,849	2,167,435	1,628,172	1,338,719	4,545,021	3,506,154
<b>Total net position</b>	<b>\$ 11,104,037</b>	<b>\$ 10,178,984</b>	<b>\$ 9,141,399</b>	<b>\$ 9,068,121</b>	<b>\$ 20,245,436</b>	<b>\$ 19,247,105</b>

By far the largest portion of the City's net position, \$15.1 million, or 74.7%, reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

The City's unrestricted net position of \$4.5 million may be used to meet the government's ongoing obligations to citizens and creditors.

The overall increase in the City's net position was \$998 thousand, or 5.2%, during fiscal year 2019. Governmental activities increased by \$925 thousand and business-type activities increased by \$73 thousand. Deferred inflows and deferred outflows resulting from Other Post-Employment Benefits (OPEB) accounted for approximately \$27.5 thousand, or 2.7%, of the current year increases in net position.

## GOVERNMENTAL ACTIVITIES

Reported in Table 2 are the key elements of this change in net position.

**Table 2**  
**CITY OF MARY ESTHER, FLORIDA**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 365,176	\$ 299,292	\$ 2,269,101	\$ 2,212,327	\$ 2,634,277	\$ 2,511,619
Operating grants and contributions	105,549	88,190	-	90,650	105,549	178,840
Capital grants and contributions	239,996	27,591	85,450	6,500	325,446	34,091
General revenues						
Property taxes	1,175,646	1,150,825	-	-	1,175,646	1,150,825
Other taxes	1,761,755	1,412,694	-	-	1,761,755	1,412,694
Other revenue	242,267	205,993	63,841	7,418	306,108	213,411
<b>TOTAL REVENUES</b>	<b>3,890,389</b>	<b>3,184,585</b>	<b>2,418,392</b>	<b>2,316,895</b>	<b>6,308,781</b>	<b>5,501,480</b>
<b>EXPENSES</b>						
Governmental activities						
General government	925,389	775,739	-	-	925,389	775,739
Public safety	1,215,727	1,173,968	-	-	1,215,727	1,173,968
Transportation	407,587	434,462	-	-	407,587	434,462
Human services	4,145	2,335	-	-	4,145	2,335
Culture and recreation	412,488	386,544	-	-	412,488	386,544
Business-type activities						
Water and sewer	-	-	2,345,114	2,302,718	2,345,114	2,302,718
<b>TOTAL EXPENSES</b>	<b>2,965,336</b>	<b>2,773,048</b>	<b>2,345,114</b>	<b>2,302,718</b>	<b>5,310,450</b>	<b>5,075,766</b>
<b>CHANGE IN NET POSITION</b>	<b>925,053</b>	<b>411,537</b>	<b>73,278</b>	<b>14,177</b>	<b>998,331</b>	<b>425,714</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>10,178,984</b>	<b>9,767,447</b>	<b>9,068,121</b>	<b>9,053,944</b>	<b>19,247,105</b>	<b>18,821,391</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 11,104,037</b>	<b>\$ 10,178,984</b>	<b>\$ 9,141,399</b>	<b>\$ 9,068,121</b>	<b>\$ 20,245,436</b>	<b>\$ 19,247,105</b>

## **FINANCIAL IMPACTS**

### **Normal Impacts**

There are eight basic impacts on revenues and expenses as reflected below:

#### ***Revenues***

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

#### ***Expenses***

- **Introduction of New Programs:** Within functional expense categories (e.g., police, fire, public works, community development, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent 36% of the City's operating costs.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the City to strive for a competitive salary range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil and parts. Some fluctuations may experience commodity specific increases.

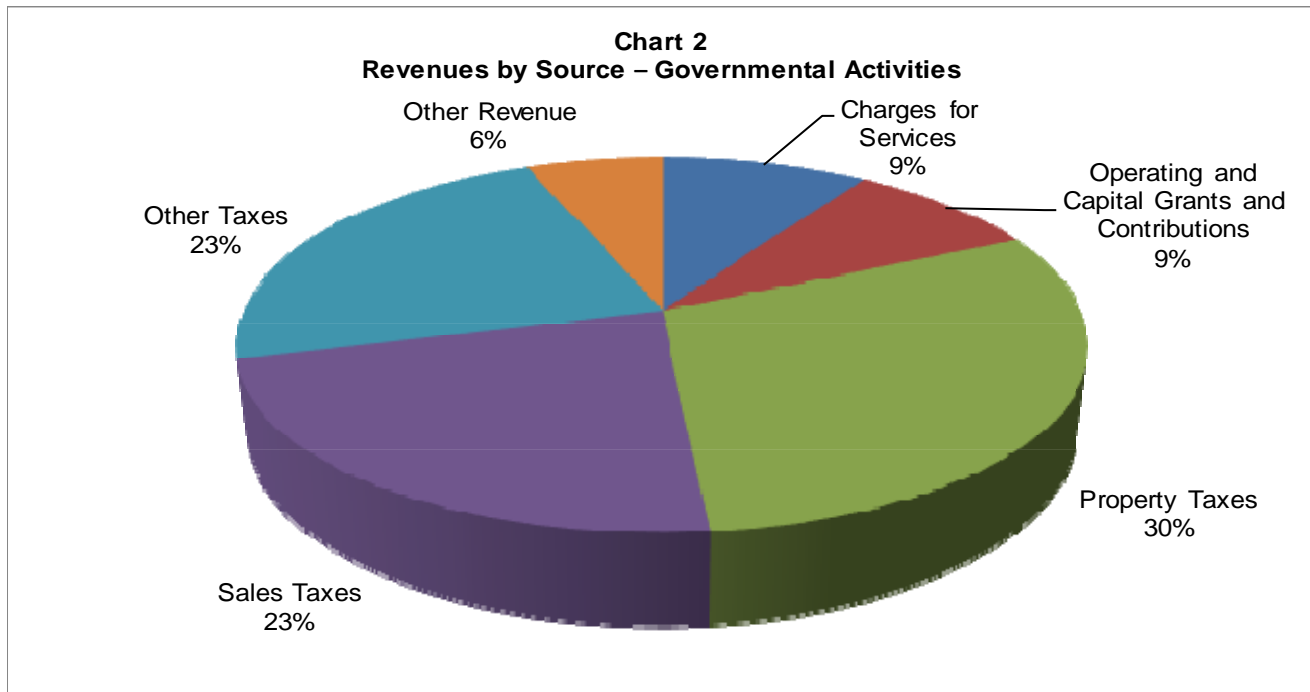
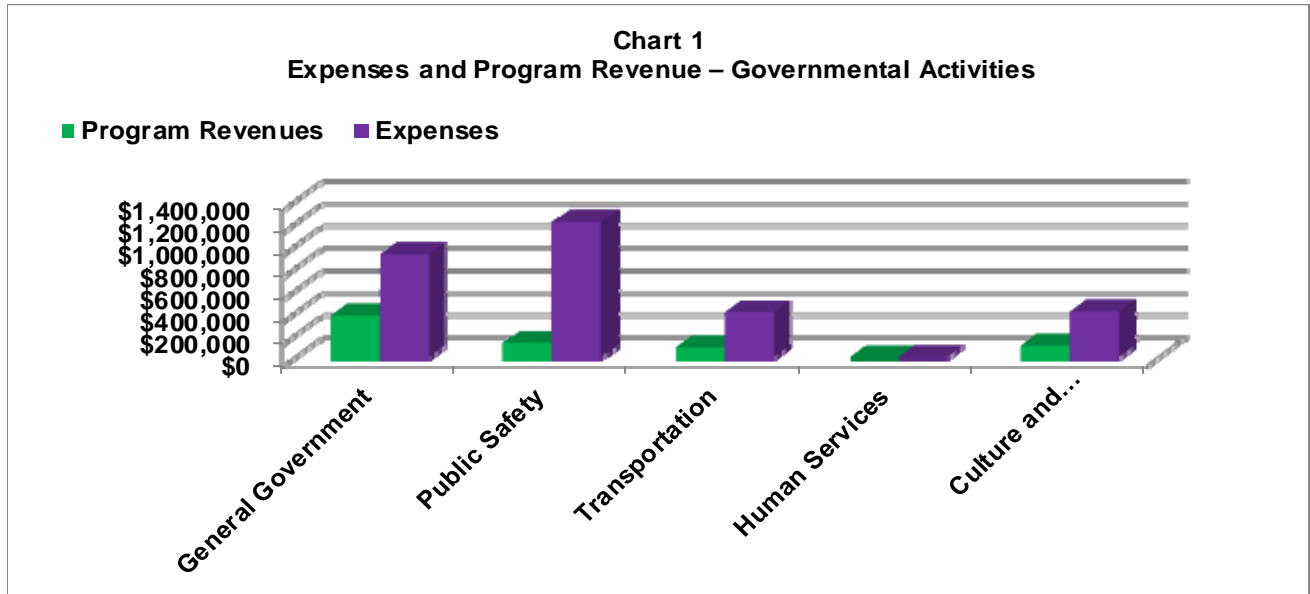
### **Current Year Impacts – Governmental Activities**

- Capital grants and contributions increased \$212 thousand, or 769.8%, primarily due to the City receiving various impact fees during fiscal year 2019 related to the Renaissance Project single-family development.
- Other tax revenues increased \$349 thousand, or 24.7%, which is attributable to the City receiving the new discretionary sales tax revenues authorized by the November 2018 taxpayer referendum.

## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Governmental Activities – Continued

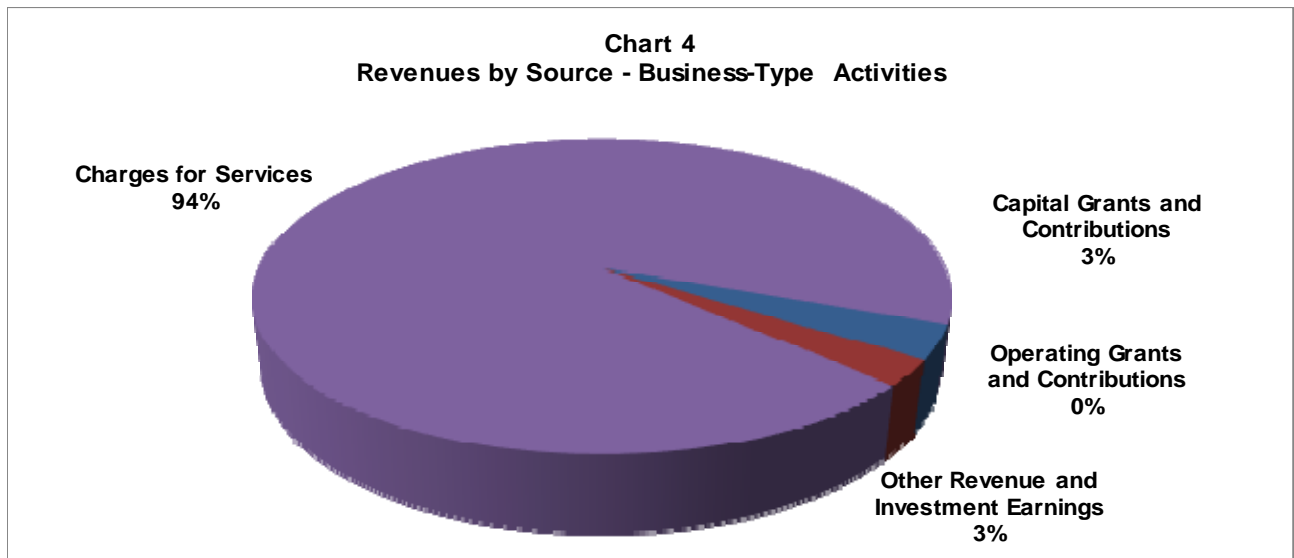
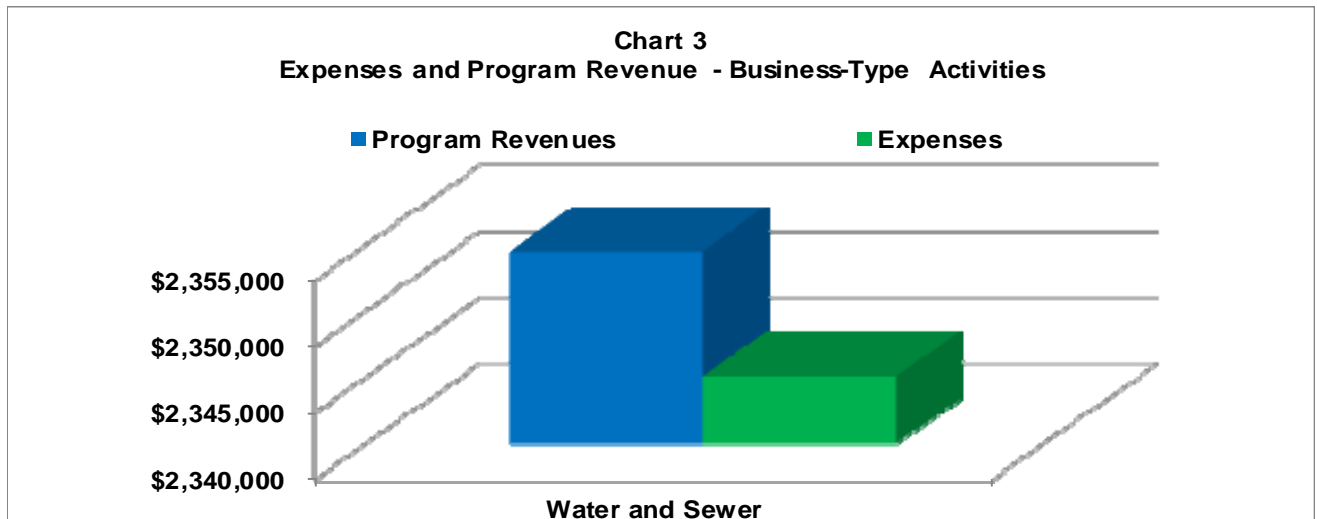
- Overall governmental activities expenses increased \$192 thousand, or 6.9%. The increase was mainly the result of City-wide increases in salaries and other employee-related costs as the result of raises approved by the City Council.



## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Business-Type Activities

- The net position from business-type activities increased \$73.2 thousand, or 0.8%.
- Tap fees and impact fees increased \$79.0 thousand, or 769.8%, which is primarily the result of the City receiving impact fees during fiscal year 2019 related to the Renaissance Project single-family development.
- Water and sewer expenses increased \$42.3 thousand, or 1.8%. The largest contributing factors was an increase in the annual service contract for the operation, maintenance, and management services of the water and sewer system.





## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. As of the end of the current fiscal year, the City's General Fund reported ending fund balance of \$3.4 million, an increase in fund balance of \$968 thousand in comparison with the prior year. Included in this fund balance, \$309 consists of nonspendable fund balance for prepaid items, \$239 thousand consists of fund balance restricted for specific purposes by external sources, \$657.7 thousand consists of committed fund balance for disaster and emergency reserves, which indicates that it is not available for current year operations. Assigned funds consist of \$141.3 thousand for capital outlay. The remainder of fund balance consists of unassigned fund balance, which is available for future spending.

The Discretionary Sales Tax Fund is a special revenue fund that is used to account for proceeds received from discretionary sales taxes that are restricted by taxpayer referendum as local tax option. At year end, the ending fund balance was \$242 thousand.

As a measure of the liquidity in the governmental funds, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 87.1% of the total expenditures in the governmental funds, while total fund balances represent 134.9% of that same amount.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds totaled \$1.6 million at the end of fiscal year 2019. Total net position for proprietary funds increased \$73.3 thousand during 2019.

## **BUDGETARY HIGHLIGHTS**

### **General Fund**

- The City passed budget amendments in the General Fund to increase appropriations by \$200 thousand from the original adopted budget for fiscal year 2019. These were made primarily as a result of City-wide salary increases authorized by the City Council. Actual total expenditures were below budgetary expectations by \$381 thousand.

## BUDGETARY HIGHLIGHTS – CONTINUED

### General Fund – Continued

- Actual revenues were above budgetary expectations by \$584 thousand primarily due to unplanned various impact fees received from the developer of the Renaissance Project during fiscal year 2019.

### Discretionary Sales Tax Fund

- Actual revenues were above budgetary expectations by \$18 thousand primarily due to an increase in sales taxes paid by consumers during 2019.

## CAPITAL ASSETS AND LONG-TERM DEBT OUTSTANDING

### Capital Assets

The City's investments in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$15.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads and highways, etc. The total decrease in the City's investment in capital assets for the current fiscal year was \$557 thousand, or 3.5%, with an overall 3.8% decrease for governmental activities, and a 3.2% decrease for business-type activities, all of which is summarized in Table 3 below.

Table 3  
CITY OF MARY ESTHER, FLORIDA  
CAPITAL ASSETS  
(Net of Accumulated Depreciation)  
AS OF SEPTEMBER 30, 2019 AND 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,363,248	\$ 4,363,248	\$ 77,878	\$ 77,878	\$ 4,441,126	\$ 4,441,126
Buildings	768,143	810,752	37,367	39,124	805,510	849,876
Improvements other than buildings	2,092,007	2,254,599	6,540,924	6,845,238	8,632,931	9,099,837
Machinery and equipment	481,976	555,994	728,264	767,162	1,210,240	1,323,156
Library books	-	26,956	-	-	-	26,956
Construction in progress	-	-	93,994	-	93,994	-
<b>Total</b>	<b>\$ 7,705,374</b>	<b>\$ 8,011,549</b>	<b>\$ 7,478,427</b>	<b>\$ 7,729,402</b>	<b>\$ 15,183,801</b>	<b>\$ 15,740,951</b>

Additional information on the capital assets of the City of Mary Esther can be found in Note 5 of this report.

## **CAPITAL ASSETS AND LONG-TERM DEBT OUTSTANDING – CONTINUED**

### **Debt**

At the end of the current fiscal year, the City had long-term debt outstanding of \$47.4 thousand, which is secured by pledged revenues of the water and sewer system. The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt. Additional information on the debt of the City of Mary Esther can be found in Note 7 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

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

The military has a significant presence in the City's community with Eglin Air Force Base and Hurlburt Field employing over 72,000 military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$22 billion annual impact on Northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

Regional economic indicators were also considered in preparing the fiscal year 2019-2020 budget for the City:

- The local unemployment rate was 2.4%, which represents an approximate 0.1% decrease from September 2018. The State of Florida's unemployment rate was 3.0%, which represents an approximate 0.5% decrease from September 2018, when it was 3.5%. The unemployment rate will impact the City's fee and usage-based revenues, and shared portions of the State of Florida's usage-based taxes.
- The Florida Department of Revenue's Office of Tax Research has increased its estimates of tax distributions to the City of Mary Esther for FY19-20. The revenue sharing distribution estimate is up 4.8% from last year, the half-cent sales tax distribution estimate is up 8.1%, and the communication service tax distribution estimate is up 1.6%.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – CONTINUED**

- Moderate increases in property tax revenues are anticipated by most regional municipalities. Property tax revenues in Mary Esther are expected to be up 21.5% as compared to roll year 2019 due to an increase in the millage rate charged to property owners.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general financial overview of the City for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, City of Mary Esther, 195 Christobal Road North, Mary Esther, Florida 32569. The City's website address is [www.cityofmaryesther.com](http://www.cityofmaryesther.com).

**CITY OF MARY ESTHER, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,459,169	\$ 1,058,347	\$ 3,517,516
Investments	866,844	300,360	1,167,204
Receivables, net	59,750	310,574	370,324
Due from other governments	164,712	-	164,712
Prepaid items	309	-	309
Restricted assets			
Cash and cash equivalents	239,543	201,120	440,663
Capital assets			
Non-depreciable	4,363,248	171,872	4,535,120
Depreciable, net	3,342,126	7,306,555	10,648,681
<b>TOTAL ASSETS</b>	<b>11,495,701</b>	<b>9,348,828</b>	<b>20,844,529</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>38,450</b>	<b>-</b>	<b>38,450</b>
<b>LIABILITIES</b>			
Accounts payable	73,609	27,139	100,748
Accrued expenses	12,200	-	12,200
Unearned revenue	90,014	13,970	103,984
Payable from restricted assets			
Customer deposits	-	118,920	118,920
Non-current liabilities			
Due within one year			
Compensated absences	23,750	-	23,750
State revolving loans payable	-	2,601	2,601
Due in more than one year			
Compensated absences	71,249	-	71,249
State revolving loans payable	-	44,799	44,799
Other post-employment benefits	151,641	-	151,641
<b>TOTAL LIABILITIES</b>	<b>422,463</b>	<b>207,429</b>	<b>629,892</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>7,651</b>	<b>-</b>	<b>7,651</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,705,374	7,431,027	15,136,401
Restricted – capital expansion projects	239,543	82,200	321,743
Restricted – government infrastructure	242,271	-	242,271
Unrestricted	2,916,849	1,628,172	4,545,021
<b>TOTAL NET POSITION</b>	<b>\$ 11,104,037</b>	<b>\$ 9,141,399</b>	<b>\$ 20,245,436</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 925,389	\$ 303,685	\$ 37,249	\$ 36,350	\$ (548,105)	\$ -	\$ (548,105)
Public safety	1,215,727	15,544	-	118,743	(1,081,440)	-	(1,081,440)
Transportation	407,587	42,013	-	49,500	(316,074)	-	(316,074)
Human services	4,145	-	-	-	(4,145)	-	(4,145)
Culture and recreation	412,488	3,934	68,300	35,403	(304,851)	-	(304,851)
Total governmental activities	2,965,336	365,176	105,549	239,996	(2,254,615)	-	(2,254,615)
Business-type activities							
Water and sewer	2,345,114	2,269,101	-	85,450	-	9,437	9,437
<b>Total primary government</b>	<b>\$ 5,310,450</b>	<b>\$ 2,634,277</b>	<b>\$ 105,549</b>	<b>\$ 325,446</b>	<b>\$ (2,254,615)</b>	<b>\$ 9,437</b>	<b>\$ (2,245,178)</b>
General revenues							
Taxes							
Property taxes					\$ 1,175,646	\$ -	\$ 1,175,646
Sales taxes					875,315	-	875,315
Utility service taxes					557,404	-	557,404
Franchise fees					213,733	-	213,733
Other taxes					115,303	-	115,303
Intergovernmental, unrestricted					162,448	-	162,448
Gain on sale of assets					1,160	-	1,160
Miscellaneous					31,550	47,305	78,855
Investment earnings					47,109	16,536	63,645
Total general revenues and transfers					3,179,668	63,841	3,243,509
<b>CHANGE IN NET POSITION</b>					925,053	73,278	998,331
<b>NET POSITION AT BEGINNING OF YEAR</b>					10,178,984	9,068,121	19,247,105
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 11,104,037</b>	<b>\$ 9,141,399</b>	<b>\$ 20,245,436</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,250,046	\$ 209,123	\$ 2,459,169
Investments	866,844	-	866,844
Receivables	59,750	-	59,750
Due from other governments	131,564	33,148	164,712
Prepaid items	309	-	309
Restricted assets:			
Cash and cash equivalents	239,543	-	239,543
<b>TOTAL ASSETS</b>	<u>\$ 3,548,056</u>	<u>\$ 242,271</u>	<u>\$ 3,790,327</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 73,609	\$ -	\$ 73,609
Accrued expenses	12,200	-	12,200
Unearned revenues	90,014	-	90,014
Total liabilities	<u>175,823</u>	<u>-</u>	<u>175,823</u>
<b>FUND BALANCE</b>			
Nonspendable – prepaid items	309	-	309
Restricted – capital expansion projects	239,543	-	239,543
Restricted – government infrastructure	-	242,271	242,271
Committed – natural disaster relief	657,717	-	657,717
Assigned – general government	141,267	-	141,267
Unassigned	2,333,397	-	2,333,397
Total fund balances	<u>3,372,233</u>	<u>242,271</u>	<u>3,614,504</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,548,056</u>	<u>\$ 242,271</u>	<u>\$ 3,790,327</u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITIOIN  
SEPTEMBER 30, 2019**

Fund balance, total governmental funds (page 16)		\$ 3,614,504
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Governmental non-depreciable assets	4,363,248	
Governmental depreciable assets	7,307,821	
Less accumulated depreciation	<u>(3,965,695)</u>	7,705,374
Deferred inflows of resources and deferred outflow of resources related to OPEB are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental fund.		
Deferred outflows of resources	38,450	
Deferred inflows of resources	<u>(7,651)</u>	30,799
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Net OPEB obligation	(151,641)	
Compensated absences	<u>(94,999)</u>	(246,640)
Net position of governmental activities (page 14)		<u>\$ 11,104,037</u>

See notes to the financial statements.



**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,029,408	\$ -	\$ 2,029,408
Licenses, fees, and permits	506,322	-	506,322
Intergovernmental	671,292	277,736	949,028
Charges for services	284,610	-	284,610
Fines	27,520	-	27,520
Miscellaneous	93,501	-	93,501
Total revenues	<u>3,612,653</u>	<u>277,736</u>	<u>3,890,389</u>
<b>EXPENDITURES</b>			
Current			
General government	767,337	-	767,337
Public safety	1,096,625	35,465	1,132,090
Transportation	338,736	-	338,736
Human services	4,145	-	4,145
Culture and recreation	350,042	-	350,042
Capital outlay	87,332	-	87,332
Total expenditures	<u>2,644,217</u>	<u>35,465</u>	<u>2,679,682</u>
<b>NET CHANGE IN FUND BALANCE</b>	968,436	242,271	1,210,707
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>2,403,797</u>	-	<u>2,403,797</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 3,372,233</u>	<u>\$ 242,271</u>	<u>\$ 3,614,504</u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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Net change in fund balance of governmental funds (page 18) \$ 1,210,707

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 those assets is depreciated over the estimated useful lives of the assets.

Capital outlay	87,332	
Less depreciation expense	<u>(367,043)</u>	
		(279,711)

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities.

Cost of capital assets associated with disposals	(82,812)	
Accumulated depreciation associated with disposals	<u>56,348</u>	
		(26,464)

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 other post-employment benefits and related deferrals	(71)	
Change in long-term compensated absences	<u>20,592</u>	
		<u>20,521</u>

Change in net position of governmental activities (page 15) \$ 925,053

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,991,589	\$ 1,991,589	\$ 2,029,408	\$ 37,819
Licenses, fees, and permits	209,000	209,000	506,322	297,322
Intergovernmental	526,600	526,600	671,292	144,692
Charges for services	275,543	275,543	284,610	9,067
Fines and forfeits	9,500	9,500	27,520	18,020
Miscellaneous	23,100	16,100	93,501	77,401
Total revenues	<u>3,035,332</u>	<u>3,028,332</u>	<u>3,612,653</u>	<u>584,321</u>
<b>EXPENDITURES</b>				
Current				
General government	1,026,127	940,248	767,337	172,911
Public safety	1,066,185	1,249,009	1,096,625	152,384
Transportation	371,235	387,021	338,736	48,285
Human services	2,000	2,000	4,145	(2,145)
Culture and recreation	286,222	337,124	350,042	(12,918)
Capital outlay	74,175	110,254	87,332	22,922
Total expenditures	<u>2,825,944</u>	<u>3,025,656</u>	<u>2,644,217</u>	<u>381,439</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>209,388</u>	<u>2,676</u>	<u>968,436</u>	<u>965,760</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	600	600	-	(600)
Total other financing sources	<u>600</u>	<u>600</u>	<u>-</u>	<u>(600)</u>
<b>NET CHANGE IN FUND BALANCE</b>	209,988	3,276	968,436	965,160
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>2,403,797</u>	<u>2,403,797</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 209,988</u>	<u>\$ 3,276</u>	<u>\$ 3,372,233</u>	<u>\$ 3,368,957</u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
DISCRETIONARY SALES TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 260,000	\$ 277,736	\$ 17,736
Total revenues	-	260,000	277,736	17,736
<b>EXPENDITURES</b>				
Current				
Public safety	-	35,465	35,465	-
Total expenditures	-	35,465	35,465	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	-	224,535	242,271	17,736
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(224,535)	-	224,535
Total other financing sources (uses)	-	(224,535)	-	224,535
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	242,271	242,271
<b>FUND BALANCE – BEGINNING OF YEAR</b>				
	-	-	-	-
<b>FUND BALANCE – END OF YEAR</b>				
	\$ -	\$ -	\$ 242,271	\$ 242,271

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,058,347
Restricted assets – cash and cash equivalents	201,120
Investments	300,360
Receivables, net	310,574
Total current assets	1,870,401
Noncurrent assets	
Capital assets	
Non-depreciable	171,872
Depreciable, net	7,306,555
Total noncurrent assets	7,478,427
<b>TOTAL ASSETS</b>	<b>9,348,828</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	27,139
Unearned revenues	13,970
State revolving loan payable	2,601
Payable from restricted assets	
Customer deposits	118,920
Total current liabilities	162,630
Non-current liabilities	
State revolving loan payable	44,799
Total non-current liabilities	44,799
<b>TOTAL LIABILITIES</b>	<b>207,429</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,431,027
Restricted – capital expansion projects	82,200
Unrestricted	1,628,172
<b>TOTAL NET POSITION</b>	<b>\$ 9,141,399</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,102,588
<b>OPERATING EXPENSES</b>	
Administration	217,148
Operating	1,699,918
Depreciation	428,048
Total operating expenses	2,345,114
<b>OPERATING LOSS</b>	(242,526)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Tap fees	3,250
Impact fees	82,200
Rental income	166,513
Interest	16,536
Loss on disposal of capital assets	(150)
Miscellaneous	47,455
Total non-operating revenues (expenses)	315,804
<b>CHANGE IN NET POSITION</b>	73,278
<b>NET POSITION AT BEGINNING OF YEAR</b>	9,068,121
<b>NET POSITION AT END OF YEAR</b>	\$ 9,141,399

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u><b>Water and Sewer Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,190,765
Payments to suppliers/employees	(1,980,727)
Miscellaneous income	<u>213,968</u>
Net cash provided by operating activities	<u>424,006</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(177,223)
Proceeds from state revolving fund loans	47,400
Proceeds from impact fees	82,200
Proceeds from tap fees	<u>3,250</u>
Net cash used in capital and related financing activities	<u>(44,373)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	16,536
Purchases of investments	<u>(7,476)</u>
Net cash flows provided by investing activities	<u>9,060</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	388,693
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>870,774</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,259,467</u></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>	
Current	\$ 1,058,347
Restricted	<u>201,120</u>
Total cash and cash equivalents	<u><u>\$ 1,259,467</u></u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS – CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Water and Sewer Fund</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (242,526)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	428,048
Miscellaneous revenue	47,455
Rental income	166,513
Decrease (increase) in assets:	
Accounts receivable	77,736
Prepaid expenses	67
Increase (decrease) in liabilities:	
Customer deposits	(3,529)
Accounts payable	(63,728)
Unearned revenues	13,970
Net cash provided by operating activities	\$ 424,006
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>	
Loss on disposal of capital assets	\$ (150)

See notes to the financial statements.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY**

**Description of City**

The City of Mary Esther, Florida (the City) was established as a town under the laws of the State of Florida in 1946. On June 5, 1984, after referendum vote by the citizens of Mary Esther, the Council approved ordinance number 84-3 to incorporate Mary Esther as a City. The City operates under a council form of government and provides the following services: public safety (fire control and protective inspections), transportation (road and street facilities), human services (animal control), culture and recreation (library, parks, and recreation), physical environment (community development), utility (water and sewer) and general government.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

**The Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the City as the primary government. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement No. 61, the City is financially accountable if it appoints a voting majority of the potential component unit's governing board, and it is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2019, the City had no component units, as defined by GASB Statement No. 61, with a significant operational or financial relationship with the City.

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Government-Wide and Fund Financial Statements – Continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from government-wide financial statements.

Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

The Okaloosa Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2019
Levy Date	November 1, 2019
Due Date	November 1, 2019
Delinquent Date	April 1, 2020

Discounts of 1% are granted for each month taxes are paid prior to March 2020.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2019 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Basis of Presentation – Continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for utility services. The City also recognizes, as operating revenues, the portion of tap fees intended to recover the cost of connecting customers to the system.

Operating expenses for enterprise funds include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following two broad classifications are used to categorize the fund types used by the City:

**Governmental**

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The City has two major governmental funds:

*General Fund* – This is the City's primary operating fund and is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

*Discretionary Sales Tax Fund* – This is a special revenue fund used to account for proceeds received from discretionary sales taxes that are restricted by the taxpayer referendum that authorized the local option taxes for expenditures towards capital infrastructure related projects.

**Proprietary**

Proprietary funds focus on the determination of fund net position, changes in fund net position, and cash flows. The City's proprietary fund is an enterprise fund, as fees are charged to external users for services. The following is a description of the City's major proprietary fund:

*Water and Sewer Fund* – this fund accounts for the operations and activities of the City's water and sewer system.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

**Cash and Cash Equivalents**

Each fund's cash on hand, demand deposits, certificates of deposit, and short-term investments are considered cash and cash equivalents. For purposes of these statements, certificates of deposit with maturities of two years or less when purchased, and highly liquid debt instruments, with a maturity of three months or less when purchased, are considered to be cash equivalents.

**Deposits and Investments**

The City is authorized under the City's investment policy to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time and in accordance with Sections 218.40 through 218.45, Florida Statutes.

**CITY OF MARY ESTHER, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

***Deposits and Investments – Continued***

According to its policy, the City's primary objectives in priority order are: 1) safety, 2) liquidity, and 3) return on investment. The policy prohibits the following investments and investment practices:

1. Purchases on margin or short sales.
2. Derivative securities that are, in effect, a leveraged bet on future movements of interest rates or some price index. Collateralized mortgage obligations, because of their complexity and prepayment rate uncertainties, are prohibited.
3. Lending securities with an agreement to buy them back after a stated period of time (reverse purchased agreements from the perspective of the public body).

Investments for the city are reported at fair value (generally based on quoted market prices) except for the Florida Prime Investment Pool and the Florida CLASS Investment Pool, which are reported at amortized cost.

***Receivables and Payables***

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. At the end of the fiscal year, loans outstanding between funds 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 non-current 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".

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.

All receivables in governmental funds are shown net of an allowance for uncollectibles. At September 30, 2019, the City considers all governmental fund receivables collectible and accordingly does not have an allowance.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. 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 estimate is based on historical collection experience and a review of the current status of accounts receivable. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off. At September 30, 2019, an allowance for doubtful accounts of \$31,727 was recorded in the proprietary fund.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

***Restricted Assets***

Restricted assets are maintained in both the governmental and business-type activities. Deposits received from customers of the water and sewer system are restricted to use as payment of the final customer bill or is returned to the customer upon settlement of the final bill. Impact fees from customers are also restricted in the General Fund and the Water and Sewer Fund for future capital expansion projects. Additionally, financial assets from discretionary sales taxes are classified as restricted assets because their use is limited by taxpayer referendum.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost more than the following:

Land	\$	1
Library books	\$	1
Buildings	\$	1,000
Improvements other than buildings	\$	1,000
Machinery and equipment	\$	1,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in the proprietary fund as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalizable value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-10 years
Library books	3-10 years

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

***Compensated Absences***

Vested or accumulated leave (annual, personal and sick) that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All vested or accumulated leave is accrued when incurred in the government-wide statements. A liability for compensated absences is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The policy of the City for annual leave is as follows:

**Compensated Absences**

**City Employees (excluding the Fire Department)**

Years of Employment	Earned Leave per Year
More than 0 years but less than 2 years	80 hours*
2 or more years but less than 4 years	120 hours
4 or more years	160 hours

*\*New employees may not take annual vacation for the first six months of employment.*

**Fire Department Employees**

Years of Employment	Earned Leave per Year*
More than 0 years but less than 2 years	96 hours**
2 or more years but less than 4 years	168 hours
4 or more years	240 hours

*\*Union contract changes supersede these rates.*

*\*\*New Fire Department employees may not take annual vacation during the first 12 months of employment.*

Upon proper separation (termination) of employment, employees will be paid for all accumulated annual leave up to 240 hours. In October 2019, the fire department employees became employees of the Ocean City-Wright Fire Control District (OCWFCD). As such, the City paid a total of \$48,832 for accumulated leave for such employees.

Employees of the City also accumulate personal leave at a rate of four hours per month. Upon termination of employment, employees will be paid for all personal leave up to 96 hours.

The policy of the City for sick leave is that all full-time, permanent employees accrue sick leave at a rate of eight hours per month. The maximum number of hours to be accumulated is 1,260 for fire department employees and 960 for all other employees. Upon proper separation (termination) of employment, employees will be paid for accumulated sick leave at a rate of two hours for each eight hours of accumulated sick leave. In the case of death while employed, all accumulated sick leave will be paid to the beneficiary.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity –  
Continued**

***Compensated Absences – Continued***

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are recorded as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

***Unearned Revenue***

Unearned revenues are reported in connection with resources that have been received but not yet earned. At September 30, 2019, unearned revenue in the General Fund is composed of payments received from local business taxes for the subsequent fiscal year.

***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 fund type statement of net position. Note premiums and discounts are deferred and amortized over the life of the notes using the effective and straight-line interest methods. Note issuance costs are expensed as they are incurred. Notes payable are reported net of the applicable premium or discount.

***Total Other Postemployment Benefits (OPEB) Liability***

The purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. See Note 8 for additional information about the City's other postemployment benefit plan.

***Classification of Fund Balance***

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity –  
Continued**

***Classification of Fund Balance – Continued***

Fund balance classifications, under GASB 54, are comprised of the following:

- Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes amounts that can only be used for the specific purposes determined by a formal action, Ordinance, of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally, which is an Ordinance.
- Assigned – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by the City Council to assign amounts to be used for specific purposes. The City's fund balance policy does not explicitly specify who is authorized to establish fund balance assignments. Only the City Council has the authority to establish fund balance assignments.
- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City's General Fund formal fund balance policy establishes a stabilization arrangement that commits 20% of annual budgeted expenditures and can only be reversed through a formal action of the City Council.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –  
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity –  
Continued**

***Net Position***

Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. The net investment in capital assets represents net position related to property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by state legislation.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balances are available.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. See Note 8 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. See Note 8 for additional information on the City's deferred inflows of resources.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Subsequent Events**

Subsequent events were evaluated through March 2, 2020, which is the date the financial statements were available to be issued.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets**

Annual appropriated budgets are adopted for the General Fund, Discretionary Sales Tax Fund, and the Water and Sewer Fund. The annual budgets for the General Fund and Discretionary Sales Tax Fund are adopted using the modified accrual basis of accounting, which is in accordance with GAAP for governmental fund types. The Water and Sewer Fund budget is adopted on the full accrual basis, which is consistent with GAAP for proprietary fund types. Every appropriation, except an appropriation for a capital expenditure, lapses at the end of the year to the extent it has not been expended or encumbered.

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and revenue sources.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts among programs (line-items) within a department, office or agency within any fund. However, any revisions that alter the total budgeted expenditures of any fund must be approved by the City Council.
5. Budgeted amounts have been amended by the City Council or by City Manager in accordance with applicable City ordinances.
6. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year-end are reported as assignment of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. As stated above, encumbrance accounting is employed in governmental funds. Any purchase order or contract outstanding at year-end does not constitute an expenditure but is reported as an assignment of fund balance. Total encumbrances reported as assigned fund balance were \$0 for the year ended September 30, 2019.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**3. DEPOSITS AND INVESTMENTS**

**Deposits**

The investment of surplus funds is governed by provisions of Florida Statute 218.415 as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that, in the event of a bank failure, the government's deposits may not be returned.

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

The City held deposits of \$3,971,746 at September 30, 2019, all of which were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

**Investments**

As of September 30, 2019, the City's investments consist of pooled accounts with Florida PRIME and Florida CLASS, external investment pools. The types of investments, which can be made by the City, are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

The following is a summary of the City's investments:

<b><i>Investments – Governmental and Business-Type Activities</i></b>					
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>	<u>S&amp;P Rating</u>	<u>Average Maturity</u>
Local Government Investment Pools					
Trust Fund – Florida PRIME	\$ 399,053	\$ 300,360	\$ 699,413	AAAm	37 days
FLCLASS	467,791	-	467,791	AAAm	54 days
Total investments	<u>\$ 866,844</u>	<u>\$ 300,360</u>	<u>\$ 1,167,204</u>		

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

Funds are placed with the State Board of Administration (SBA) for participation in the Florida Prime Investment Pool (FL PRIME), created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in FL PRIME, a Security and Exchange Commission (SEC) Rule 2a7-like external investment pool is reported at amortized cost, which is not materially different from fair value. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share, provided that such funds meet certain conditions.

The City also participates in the Florida Cooperative Liquid Asset Securities System (FLCLASS). This investment pool is a stable NAV Government Investment Pool established under Section 218.415, Florida Statutes; and is an intergovernmental investment authorized pursuant to the Florida Interlocal Cooperation Act of 1969. The City's investment in FLCLASS is reported at amortized cost, which is not materially different from fair value.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

*Concentration of Credit Risk* – The City's investment policy encourages diversification but does not specify limits on the amount that may be invested in any one issuer. As of September 30, 2019, all of the City's investments were held in Florida PRIME or FLCLASS pooled accounts.

*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 adopted a policy for custodial credit risk, whereby the Council has authorized the Finance Director to maintain a list of financial institutions that have been authorized for investment services. In addition, a list of approved security brokers/dealers selected by credit worthiness authorized in the State of Florida will be utilized for investment purposes. Also, only brokers and dealers (or their agents) included on the Federal Reserve Bank or New York's List of Primary Government Security Dealers will be identified as authorized by policy. Other non-primary dealers may be used, provided that the dealer is approved by City Council, City Manager, and Finance Director. A memo indicating such approval is required to be retained in the investment files.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

**4. RECEIVABLES**

Receivables and amounts due from other governments at September 30, 2019, were as follows:

	Governmental Activities		Business-Type Activities	Total
	General Fund	Discretionary Sales Tax Fund	Water and Sewer Fund	
Taxes	\$ 53,099	\$ -	\$ -	\$ 53,099
Accounts	6,651	-	342,301	348,952
Less allowance for doubtful accounts	-	-	(31,727)	(31,727)
<b>Total receivables</b>	<b>59,750</b>	<b>-</b>	<b>310,574</b>	<b>370,324</b>
Due from other governments	131,564	33,148	-	164,712
<b>Total receivables and due from other governments</b>	<b>\$ 191,314</b>	<b>\$ 33,148</b>	<b>\$ 310,574</b>	<b>\$ 535,036</b>

**Due from Other Governments**

Amounts due from other governments primarily relate to half-cent sales taxes, discretionary sales taxes, local option fuel taxes, and telecommunications service taxes.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,363,248	\$ -	\$ -	\$ 4,363,248
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>4,363,248</u>	<u>-</u>	<u>-</u>	<u>4,363,248</u>
Capital assets being depreciated				
Buildings	1,509,772	-	(4,030)	1,505,742
Improvements other than buildings	3,224,338	-	-	3,224,338
Machinery and equipment	2,515,491	87,332	(25,082)	2,577,741
Library books	53,700	-	(53,700)	-
Total capital assets being depreciated	<u>7,303,301</u>	<u>87,332</u>	<u>(82,812)</u>	<u>7,307,821</u>
Less accumulated depreciation				
Buildings	(699,020)	(41,083)	2,504	(737,599)
Improvements other than buildings	(969,739)	(162,592)	-	(1,132,331)
Machinery and equipment	(1,959,497)	(163,368)	27,100	(2,095,765)
Library books	(26,744)	-	26,744	-
Total accumulated depreciation	<u>(3,655,000)</u>	<u>(367,043)</u>	<u>56,348</u>	<u>(3,965,695)</u>
Total capital assets being depreciated, net	<u>3,648,301</u>	<u>(279,711)</u>	<u>(26,464)</u>	<u>3,342,126</u>
<b>Governmental activities, net</b>	<u><u>\$ 8,011,549</u></u>	<u><u>\$ (279,711)</u></u>	<u><u>\$ (26,464)</u></u>	<u><u>\$ 7,705,374</u></u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**5. CHANGES IN CAPITAL ASSETS – CONTINUED**

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 77,878	\$ -	\$ -	\$ 77,878
Construction in progress	-	93,994	-	93,994
Total capital assets not being depreciated	<u>77,878</u>	<u>93,994</u>	<u>-</u>	<u>171,872</u>
Capital assets being depreciated				
Buildings	95,875	-	-	95,875
Improvements other than buildings	14,290,590	-	-	14,290,590
Machinery and equipment	1,496,405	83,229	(9,971)	1,569,663
Total capital assets being depreciated	<u>15,882,870</u>	<u>83,229</u>	<u>(9,971)</u>	<u>15,956,128</u>
Less accumulated depreciation				
Buildings	(56,751)	(1,757)	-	(58,508)
Improvements other than buildings	(7,445,352)	(304,314)	-	(7,749,666)
Machinery and equipment	(729,243)	(121,977)	9,821	(841,399)
Total accumulated depreciation	<u>(8,231,346)</u>	<u>(428,048)</u>	<u>9,821</u>	<u>(8,649,573)</u>
Total capital assets being depreciated, net	<u>7,651,524</u>	<u>(344,819)</u>	<u>(150)</u>	<u>7,306,555</u>
<b>Business-type activities, net</b>	<u>\$ 7,729,402</u>	<u>\$ (250,825)</u>	<u>\$ (150)</u>	<u>\$ 7,478,427</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 143,108
Public safety	119,102
Transportation	68,851
Culture and recreation	<u>35,982</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 367,043</u>
<b>Business-type activities</b>	
Water and sewer	<u>\$ 428,048</u>



**CITY OF MARY ESTHER, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**6. DEFINED CONTRIBUTION PLAN**

The City offers its employees an Employee Thrift Plan (the Plan), a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) and 501(a), as amended from time to time. The Plan is administered by Mass Mutual. The City Council has the authority for establishing Plan provisions, and contribution requirements under the Plan. To be eligible for the Plan, employees must be a minimum of 18 years of age, work at least 1,000 hours during the year, and work for the City at least 6 months. As long as the employee completes the required paperwork, the City's contribution to the Plan is an amount equal to 6% of the eligible portion of the participant's compensation, during the plan year. For the fire department employees the City's contribution to the Plan is up to 10%. In addition, the City contributes on behalf of each participant who makes a contribution to the Plan \$1 for every \$1 of said contributions to the Plan in increments of 1% of compensation, up to 8%\*. Any forfeiture during the year may be used to fund the City's contribution requirement.

The vesting percentage of City contributions is determined in accordance with the following schedule:

<u>Number of Years of Service Credit for Purposes of Vesting</u>	<u>Vested Percentage</u>
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

During fiscal year 2019, the City remitted its required contributions totaling \$112,880. The City's required contributions were reduced by forfeitures totaling \$2,306. The total value of plan investments on September 30, 2019, was \$1,753,854.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**7. LONG-TERM DEBT**

**Changes in Long-Term Debt Liabilities**

Long-term debt activity for the year ended September 30, 2019, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 115,591	\$ 50,555	\$ (71,147)	\$ 94,999	\$ 23,750
<b>Total governmental activities</b>	<u>\$ 115,591</u>	<u>\$ 50,555</u>	<u>\$ (71,147)</u>	<u>\$ 94,999</u>	<u>\$ 23,750</u>
<b>Business-type activities</b>					
Florida DEP State Revolving Loan	\$ -	\$ 47,400	\$ -	\$ 47,400	\$ 2,601
<b>Total business-type activities</b>	<u>\$ -</u>	<u>\$ 47,400</u>	<u>\$ -</u>	<u>\$ 47,400</u>	<u>\$ 2,601</u>

**Description of Long-Term Debt Outstanding**

	Current	Long-Term	Total
<b>GOVERNMENTAL ACTIVITIES</b>			
<b><i>Accrued Compensated Absences</i></b>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	\$ 23,750	\$ 71,249	\$ 94,999
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 23,750</u>	<u>\$ 71,249</u>	<u>\$ 94,999</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b><i>State Revolving Fund Loans</i></b>			
\$30,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$951 including interest at 2.11% beginning March 2020 through March 2036. Proceeds used for planning and engineering services related to developing the City's water and sewer master plan.	\$ 1,339	\$ 25,661	\$ 27,000
\$30,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$1,722 including interest at 2.24% beginning August 2020 through February 2026. Proceeds used for planning and engineering services related to developing the City's water and sewer master plan.	1,262	19,138	20,400
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 2,601</u>	<u>\$ 44,799</u>	<u>\$ 47,400</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**7. LONG-TERM DEBT – CONTINUED**

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2019, are as follows:

<b>Business-Type Activities</b>		State Revolving Loans	
Year ending September 30,	Principal	Interest	
2020	\$ 2,601	\$	1,022
2021	4,400		946
2022	4,498		848
2023	4,596		850
2024	4,699		647
2025-2029	14,352		1,916
2030-2034	8,619		891
2035-2039	3,635		86
Total	\$ 47,400	\$	7,206

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The City's provides dental and life insurance benefits to eligible employees upon retirement. The City pays 100% of the retiree's dental insurance premium but not for the premium for dependent coverage. The City also pays the premium for life insurance coverage after retirement. Employees are covered by a retirement system whose retirement eligibility provisions require the attainment of age 55 or completion of 25 years of service. The plan does not issue a separate report.

Plan Membership as of September 30, 2019

Inactive plan members or beneficiaries currently receivable benefits	12
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	28
	40

*Benefits Provided*

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are not eligible for medical coverage. All employees of the City are eligible to receive postretirement health care benefits.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Total OPEB Liability**

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions:

Prior measurement date                      September 30, 2018

Measurement date                              September 30, 2019

Valuation date                                  September 30, 2019

Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported.

Actuarial cost method                          Individual Entry Age Normal

Amortization method                          Level dollar, open

Amortization period                            29 years

Asset valuation method                        Market value

Inflation    2.5% annually

Dental / Life trend                              0%

Salary increase                                 3% annually

Prior discount rate                              4.18%

Discount rate                                    2.66%

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Total OPEB Liability - Continued**

*Actuarial Assumptions – Continued*

Retirement age	Employees are covered by retirement system whose retirement eligibility provisions attainment of age 55 and completion of 25 years of service. Based on past experience, it has been assumed that entitlement to benefits will commence at the later of attainment of age 59.5 years and completion of 25 years of service.
Mortality	RP-2000 table without projection with 50% / 50% unisex blend.
Turnover	Age specific table with an average of 10% when applied to the active census.

*Change in Total OPEB liability*

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Total OPEB Liability (a) - (b)</b>
Balances at September 30, 2018	\$ 124,060	\$ -	\$ 124,060
Changes for the year:			
Service cost	523	-	523
Interest	5,197	-	5,197
Differences between expected and actual experience	3,637	-	3,637
Changes of assumptions	25,013	-	25,013
Benefit payments	(6,789)	-	(6,789)
Net changes	<u>27,581</u>	<u>-</u>	<u>27,581</u>
Balances at September 30, 2019	<u>\$ 151,641</u>	<u>\$ -</u>	<u>\$ 151,641</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Total OPEB Liability - Continued**

*Sensitivity of Total OPEB Liability to Changes in the Discount Rate:*

	<b>1% Decrease 1.66%</b>	<b>Current Discount Rate 2.66%</b>	<b>1% Increase 3.66%</b>
Total OPEB liability	\$ 172,755	\$ 151,641	\$ 134,366

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$6,860. On September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,330	\$ -
Changes of assumptions	24,120	7,651
Total	<u>\$ 38,450</u>	<u>\$ 7,651</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2020	\$ 1,141
2021	1,141
2022	1,141
2023	1,141
2024	1,141
Thereafter	25,094
	<u>\$ 30,799</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the Florida Municipal Insurance Trust and other commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. For the commercial insurance purchased from independent third parties, the amount of settlements has not exceeded the insurance coverage in each of the past three years.

**10. OPERATING LEASES**

**Lessor**

The City receives rental income from various leases with cellular service providers to place cellular equipment on the City's water tanks under noncancelable operating lease agreements. Rental income recognized under these leases was \$166,513 for the year ended September 30, 2019.

Future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>
2020	\$ 169,073
2021	133,286
2022	73,440
2023	51,290
Total minimum lease payments	<u>\$ 427,089</u>

**11. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

At September 30, 2019, the City is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect on the financial position of the City.

**Contract Commitments**

The City has a contract for operation, maintenance, and management services for its water and sewer system with Operations Management International (OMI). The contract expires in September 2024, and the City's commitments under the contract for the fiscal year ended September 30, 2020 will be \$1,494,427. For subsequent contract years, annual escalation will be based on the existing base fee adjustment formula.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**11. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Contract Commitments – Continued**

The City has a contract for law enforcement services with the Okaloosa County Sheriff's Department. The contract expires in September 2020, and the City's commitments under the contract for the fiscal year ended September 30, 2020 will be \$217,958.

**12. TAX ABATEMENT**

The City utilizes tax abatements to promote economic development and growth. Tax abatements are granted by the City Council on a case-by-case basis, and the amount of taxes abated is based on a number of factors, most notably, the projected economic impact on the community. During the fiscal year ended September 30, 2019, the City Council approved an abatement of impact fees for a developer's residential condominium project. The total taxes abated by the City were \$334,350.

**13. SUBSEQUENT EVENT**

**Transfer of Operations – Fire Department**

In June 2019, the City Council approved an interlocal agreement with the Ocean City-Wright Fire Control District (OCWFCD) to provide fire protection and emergency medical services to residents of the City. The agreement took effect in October 2019 and calls for quarterly payments through September 2029. The base contract amount for the fiscal year ending September 30, 2020 is \$1,029,700. For subsequent contract years, the base rate will be adjusted in accordance with the consumer price index (CPI) subject to a 3% cap.

As part of this agreement, OCWFCD executed a lease for the City's fire station effective October 2019. The lease expires in September 2029 and calls for base annual rent of \$1. Additionally, ownership of the City's tools, equipment, safety gear, vehicles, and apparatus be transferred to OCWFCD for use in fire protection operations during the term of the contract. The value of equipment was estimated at approximately \$572,000 upon transfer.



**CITY OF MARY ESTHER, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIO (UNAUDITED)**

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service cost	\$ 523	\$ 507
Interest	5,197	5,113
Difference between expected and actual experience	3,637	11,625
Changes in assumptions and other inputs	25,013	(8,218)
Benefit payments	<u>(6,789)</u>	<u>(6,789)</u>
Net change in total OPEB liability	27,581	2,238
Total OPEB liability – beginning	<u>124,060</u>	<u>121,822</u>
Total OPEB liability – ending	<u><u>\$ 151,641</u></u>	<u><u>\$ 124,060</u></u>
 Covered Employee Payroll	 \$ 1,031,833	 \$ 1,001,780
 Total OPEB liability as a percentage of covered employee payroll	 14.70%	 12.38%

**Notes to Schedule**

*Benefit Changes* – There were no changes of benefit terms for the year ended September 30, 2019.

*Changes of Assumptions* – The discount rate assumption was reduced from 4.18% for the year ended September 30, 2018, to 2.66% for the year ended September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

### **III. STATISTICAL SECTION**

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**City of Mary Esther, Florida**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year*									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 6,789	\$ 7,022	\$ 6,950	\$ 7,159	\$ 7,596	\$ 7,539	\$ 8,267	\$ 8,282	\$ 8,012	\$ 7,705
Restricted	-	24	25	13	-	-	-	-	-	482
Unrestricted	<u>2,845</u>	<u>2,712</u>	<u>1,609</u>	<u>1,266</u>	<u>875</u>	<u>1,277</u>	<u>1,292</u>	<u>1,594</u>	<u>2,167</u>	<u>2,917</u>
Total governmental activities net position	<u>\$ 9,634</u>	<u>\$ 9,758</u>	<u>\$ 8,584</u>	<u>\$ 8,438</u>	<u>\$ 8,471</u>	<u>\$ 8,816</u>	<u>\$ 9,559</u>	<u>\$ 9,876</u>	<u>\$ 10,179</u>	<u>\$ 11,104</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,557	\$ 6,489	\$ 8,025	\$ 8,681	\$ 8,376	\$ 8,132	\$ 8,001	\$ 7,892	\$ 7,729	\$ 7,431
Restricted	652	586	10	6	-	-	-	-	-	82
Unrestricted	<u>1,918</u>	<u>2,139</u>	<u>1,803</u>	<u>1,548</u>	<u>1,361</u>	<u>864</u>	<u>1,028</u>	<u>1,162</u>	<u>1,339</u>	<u>1,628</u>
Total business-type activities net position	<u>\$ 9,127</u>	<u>\$ 9,214</u>	<u>\$ 9,838</u>	<u>\$ 10,235</u>	<u>\$ 9,737</u>	<u>\$ 8,996</u>	<u>\$ 9,029</u>	<u>\$ 9,054</u>	<u>\$ 9,068</u>	<u>\$ 9,141</u>
Primary government										
Invested in capital assets, net of related debt	\$ 13,346	\$ 13,511	\$ 14,975	\$ 15,840	\$ 15,972	\$ 15,671	\$ 16,268	\$ 16,174	\$ 15,741	\$ 15,136
Restricted	652	610	35	19	-	-	-	-	-	564
Unrestricted	<u>4,763</u>	<u>4,851</u>	<u>3,412</u>	<u>2,814</u>	<u>2,236</u>	<u>2,141</u>	<u>2,320</u>	<u>2,756</u>	<u>3,506</u>	<u>4,545</u>
Total primary government net position	<u>\$ 18,761</u>	<u>\$ 18,972</u>	<u>\$ 18,422</u>	<u>\$ 18,673</u>	<u>\$ 18,208</u>	<u>\$ 17,812</u>	<u>\$ 18,588</u>	<u>\$ 18,930</u>	<u>\$ 19,247</u>	<u>\$ 20,245</u>

\*Amounts shown should be multiplied by 1,000  
Source: Audited Financial Statements

FINANCIAL TRENDS - Table 2

City of Mary Esther, Florida  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Expenses</b>										
Governmental activities										
General government	\$ 457,152	\$ 464,628	\$ 639,016	\$ 506,077	\$ 516,555	\$ 574,449	\$ 628,258	\$ 764,696	\$ 775,739	\$ 925,389
Public safety	1,091,671	1,097,677	1,138,081	1,176,521	1,244,362	1,219,971	1,231,606	1,452,135	1,173,968	1,215,727
Transportation	364,826	353,180	383,961	388,736	399,040	413,256	427,770	448,873	434,462	407,587
Human services	18,037	18,037	17,083	17,067	16,831	17,250	2,644	3,000	2,335	4,145
Culture and recreation	248,399	226,967	263,338	278,985	285,407	293,490	301,825	361,790	386,544	412,488
Unallocated depreciation/loss on disposal	173,656	185,962	202,084	207,212	301,458	282,069	281,248	-	-	-
Total governmental activities expenses	<u>2,353,741</u>	<u>2,346,451</u>	<u>2,643,563</u>	<u>2,574,598</u>	<u>2,763,653</u>	<u>2,800,485</u>	<u>2,873,351</u>	<u>3,030,494</u>	<u>2,773,048</u>	<u>2,965,336</u>
Business-type activities										
Water and sewer	1,917,633	1,971,980	2,057,978	1,831,202	1,934,716	2,043,507	2,031,425	2,159,179	2,302,718	2,345,114
Total business-type activities expenses	<u>1,917,633</u>	<u>1,971,980</u>	<u>2,057,978</u>	<u>1,831,202</u>	<u>1,934,716</u>	<u>2,043,507</u>	<u>2,031,425</u>	<u>2,159,179</u>	<u>2,302,718</u>	<u>2,345,114</u>
Total primary government expenses	<u>\$ 4,271,374</u>	<u>\$ 4,318,431</u>	<u>\$ 4,701,541</u>	<u>\$ 4,405,800</u>	<u>\$ 4,698,369</u>	<u>\$ 4,843,992</u>	<u>\$ 4,904,776</u>	<u>\$ 5,189,673</u>	<u>\$ 5,075,766</u>	<u>\$ 5,310,450</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 129,722	\$ 147,542	\$ 178,535	\$ 189,929	\$ 199,880	\$ 206,501	\$ 205,482	\$ 364,467	\$ 216,320	\$ 303,685
Public safety	109,099	113,250	4,117	7,897	3,990	8,183	12,195	7,544	10,796	15,544
Transportation	40,385	45,124	50,097	52,267	52,770	54,352	67,295	72,119	67,770	42,013
Human services	-	-	-	-	-	-	-	-	-	-
Culture and recreation	36,334	33,717	4,872	4,475	2,490	5,289	7,864	4,304	4,406	3,934
Operating grants and contributions	80,288	331,810	40,023	40,314	42,876	45,651	47,125	59,070	88,190	105,549
Capital grants and contributions	36,567	-	-	-	92,150	158,023	835,263	278,108	27,591	239,996
Total governmental activities program revenues	<u>432,395</u>	<u>671,443</u>	<u>277,644</u>	<u>294,882</u>	<u>394,156</u>	<u>477,999</u>	<u>1,175,224</u>	<u>785,612</u>	<u>415,073</u>	<u>710,721</u>
Business-type activities										
Charges for services										
Water and sewer	1,527,867	1,661,163	1,515,798	1,489,909	1,565,132	1,615,849	1,907,454	2,168,119	2,212,327	2,269,101
Operating grants and contributions	-	-	-	-	-	-	-	-	90,650	-
Capital grants and contributions	550,474	-	-	-	-	-	-	14,000	6,500	85,450
Total business-type activities program revenues	<u>2,078,341</u>	<u>1,661,163</u>	<u>1,515,798</u>	<u>1,489,909</u>	<u>1,565,132</u>	<u>1,615,849</u>	<u>1,907,454</u>	<u>2,182,119</u>	<u>2,309,477</u>	<u>2,354,551</u>
Total primary government program revenues	<u>\$ 2,510,736</u>	<u>\$ 2,332,606</u>	<u>\$ 1,793,442</u>	<u>\$ 1,784,791</u>	<u>\$ 1,959,288</u>	<u>\$ 2,093,848</u>	<u>\$ 3,082,678</u>	<u>\$ 2,967,731</u>	<u>\$ 2,724,550</u>	<u>\$ 3,065,272</u>

Continued...

**City of Mary Esther, Florida  
CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expenses) Revenues</b>										
Governmental activities	\$ (1,921,346)	\$ (1,675,008)	\$ (2,365,919)	\$ (2,279,716)	\$ (2,369,497)	\$ (2,322,486)	\$ (1,698,127)	\$ (2,244,882)	\$ (2,357,975)	\$ (2,254,615)
Business-type activities	160,708	(310,817)	(542,180)	(341,293)	(369,584)	(427,658)	(123,971)	22,940	6,759	9,437
Total primary government net expense	<u>\$ (1,760,638)</u>	<u>\$ (1,985,825)</u>	<u>\$ (2,908,099)</u>	<u>\$ (2,621,009)</u>	<u>\$ (2,739,081)</u>	<u>\$ (2,750,144)</u>	<u>\$ (1,822,098)</u>	<u>\$ (2,221,942)</u>	<u>\$ (2,351,216)</u>	<u>\$ (2,245,178)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 776,649	\$ 708,658	\$ 682,845	\$ 640,503	\$ 641,188	\$ 661,214	\$ 904,952	\$ 1,026,840	\$ 1,150,825	\$ 1,175,646
Municipal revenue sharing	113,703	113,936	130,293	126,208	136,637	138,137	137,755	147,143	154,858	162,448
Sales taxes	389,868	410,767	439,838	444,407	468,942	495,084	518,053	533,776	563,890	875,315
Utility service taxes	-	-	375,625	490,919	487,133	489,944	497,107	494,613	509,667	557,404
Franchise taxes	-	-	161,368	198,614	224,189	235,000	225,542	206,167	217,481	213,733
Other taxes	-	-	153,215	124,475	144,675	135,313	128,449	127,864	121,656	115,303
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of asset	-	-	(499)	3,341	38,942	1,437	2,868	4,016	3,424	1,160
Miscellaneous	51,933	49,645	14,267	35,762	86,086	31,795	15,491	13,579	16,075	31,550
Investment earnings	35,331	10,218	44,727	12,089	2,192	5,748	7,405	7,802	31,636	47,109
Transfers	459,289	505,311	(809,201)	57,511	271,303	474,268	3,295	-	-	-
Total governmental activities	<u>1,826,773</u>	<u>1,798,535</u>	<u>1,192,478</u>	<u>2,133,829</u>	<u>2,501,287</u>	<u>2,667,940</u>	<u>2,440,917</u>	<u>2,561,800</u>	<u>2,769,512</u>	<u>3,179,668</u>
Business-type activities										
Miscellaneous	172,476	111,413	164,398	787,060	138,281	155,773	148,378	16,905	1,907	47,305
Franchise fees	250,140	237,835	50,066	-	-	-	-	-	-	-
Utility service fees	549,835	532,609	129,165	-	-	-	9,400	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Loss on disposal of assets	(95,379)	-	-	-	-	-	-	(17,482)	-	-
Investment earnings	25,133	20,600	14,463	8,082	4,866	5,097	1,865	3,088	5,511	16,536
Transfers	(454,717)	(505,311)	809,201	(57,511)	(271,303)	(474,268)	(3,295)	-	-	-
Total business-type activities	<u>447,488</u>	<u>397,146</u>	<u>1,167,293</u>	<u>737,631</u>	<u>(128,156)</u>	<u>(313,398)</u>	<u>156,348</u>	<u>2,511</u>	<u>7,418</u>	<u>63,841</u>
Total primary government	<u>\$ 2,274,261</u>	<u>\$ 2,195,681</u>	<u>\$ 2,359,771</u>	<u>\$ 2,871,460</u>	<u>\$ 2,373,131</u>	<u>\$ 2,354,542</u>	<u>\$ 2,597,265</u>	<u>\$ 2,564,311</u>	<u>\$ 2,776,930</u>	<u>\$ 3,243,509</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (94,573)	\$ 123,527	\$ (1,173,441)	\$ (145,887)	\$ 131,790	\$ 345,454	\$ 742,790	\$ 316,918	\$ 411,537	\$ 925,053
Business-type activities	608,196	86,329	625,113	396,338	(497,740)	(741,056)	32,377	25,451	14,177	73,278
Total primary government	<u>\$ 513,623</u>	<u>\$ 209,856</u>	<u>\$ (548,328)</u>	<u>\$ 250,451</u>	<u>\$ (365,950)</u>	<u>\$ (395,602)</u>	<u>\$ 775,167</u>	<u>\$ 342,369</u>	<u>\$ 425,714</u>	<u>\$ 998,331</u>

**City of Mary Esther Florida  
FUND BALANCES - GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Reserved	\$ 20,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,236,978	-	-	-	-	-	-	-	-	-
Restricted (a)	-	23,824	24,584	13,433	-	-	-	-	-	239,543
Committed (a)	-	-	-	560,802	-	-	604,613	598,875	565,189	657,717
Assigned (a)	-	15,649	1,357	28,755	12,074	169,605	66,779	187	141,267	141,267
Nonspendable (a)	-	27,771	32,453	30,045	22,946	21,479	23,762	2,940	2,036	309
Unassigned (a)	-	2,795,978	1,703,713	776,314	966,813	1,219,813	735,030	1,133,320	1,695,305	2,333,397
<b>Total General Fund</b>	<b><u>\$ 2,257,504</u></b>	<b><u>\$ 2,863,222</u></b>	<b><u>\$ 1,762,107</u></b>	<b><u>\$ 1,409,349</u></b>	<b><u>\$ 1,001,833</u></b>	<b><u>\$ 1,410,897</u></b>	<b><u>\$ 1,430,184</u></b>	<b><u>\$ 1,735,322</u></b>	<b><u>\$ 2,403,797</u></b>	<b><u>\$ 3,372,233</u></b>
Capital Improvement Fund										
Reserved	\$ 14,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in Capital Improvement Fund	693,835	-	-	-	-	-	-	-	-	-
<b>Total Capital Improvement Fund</b>	<b><u>\$ 708,293</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Discretionary Sales Tax Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,271
<b>Total Discretionary Sales Tax Fund</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 242,271</u></b>
<b>Total all other governmental funds</b>	<b><u>\$ 2,965,797</u></b>	<b><u>\$ 2,863,222</u></b>	<b><u>\$ 1,762,107</u></b>	<b><u>\$ 1,409,349</u></b>	<b><u>\$ 1,001,833</u></b>	<b><u>\$ 1,410,897</u></b>	<b><u>\$ 1,430,184</u></b>	<b><u>\$ 1,735,322</u></b>	<b><u>\$ 2,403,797</u></b>	<b><u>\$ 3,614,504</u></b>

(a) In 2011, the City adopted GASB 54, which expanded fund balance categories as noted.

**City of Mary Esther, Florida**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues</b>										
Taxes	\$ 776,649	\$ 708,658	\$ 1,349,323	\$ 1,387,049	\$ 1,424,234	\$ 1,446,235	\$ 1,697,781	\$ 1,817,837	\$ 1,957,923	\$ 2,029,408
Licenses, fees and permits	129,722	144,292	175,784	217,003	242,354	255,745	257,505	240,538	243,309	506,322
Intergovernmental	643,494	871,791	472,516	479,777	589,367	682,493	1,373,923	832,403	644,564	949,028
Charges for services	147,758	170,731	187,614	204,633	207,314	215,806	229,305	264,017	255,646	284,610
Fines	36,334	33,717	35,592	31,546	33,808	37,774	31,568	163,096	20,428	27,520
Demutualization	-	-	-	-	88,278	32,181	19,896	25,505	-	-
Miscellaneous	65,923	35,478	58,992	47,851	-	-	-	-	59,291	93,501
<b>Total revenues</b>	<b>1,799,880</b>	<b>1,964,667</b>	<b>2,279,821</b>	<b>2,367,859</b>	<b>2,585,355</b>	<b>2,670,234</b>	<b>3,609,978</b>	<b>3,343,396</b>	<b>3,181,161</b>	<b>3,890,389</b>
<b>Expenditures</b>										
General government	466,439	457,979	638,359	504,423	519,438	567,820	623,843	617,706	638,422	802,802
Public safety	1,091,671	1,097,677	1,138,081	1,176,521	1,244,362	1,219,971	1,231,606	1,317,749	1,039,792	1,096,625
Physical environment	-	-	-	-	-	-	-	-	-	-
Transportation	364,826	353,180	383,961	388,736	399,040	413,256	427,770	386,592	374,517	338,736
Internal Service	-	-	-	-	-	-	-	-	-	-
Human services	18,037	18,037	-	-	16,831	17,250	2,644	3,000	2,335	4,145
Economic environment	-	-	17,083	17,067	285,407	293,491	301,825	-	-	-
Culture and recreation	248,399	226,967	263,338	278,985	747,021	225,087	1,009,166	311,142	342,340	350,042
Capital outlay	93,901	418,713	130,914	415,737	-	-	-	406,085	118,704	87,332
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,283,273</b>	<b>2,572,553</b>	<b>2,571,736</b>	<b>2,781,469</b>	<b>3,212,099</b>	<b>2,736,875</b>	<b>3,596,854</b>	<b>3,042,274</b>	<b>2,516,110</b>	<b>2,679,682</b>
Excess of revenues over (under) expenditures	(483,393)	(607,886)	(291,915)	(413,610)	(626,744)	(66,641)	13,124	301,122	665,051	1,210,707
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-	-	-	-	-
Transfers in	459,289	1,213,604	-	57,511	271,303	474,268	3,295	-	-	-
Transfers out	-	(708,293)	(809,201)	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	3,341	47,585	1,437	2,868	4,016	3,424	-
<b>Total other financing sources (uses)</b>	<b>459,289</b>	<b>505,311</b>	<b>(809,201)</b>	<b>60,852</b>	<b>318,888</b>	<b>475,705</b>	<b>6,163</b>	<b>4,016</b>	<b>3,424</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>\$ (24,104)</b>	<b>\$ (102,575)</b>	<b>\$ (1,101,116)</b>	<b>\$ (352,758)</b>	<b>\$ (307,856)</b>	<b>\$ 409,064</b>	<b>\$ 19,287</b>	<b>\$ 305,138</b>	<b>\$ 668,475</b>	<b>\$ 1,210,707</b>

**City of Mary Esther, Florida**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**(UNAUDITED)**  
**Last Ten Fiscal Years**

Fiscal Year Ended September 30	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value		
2010	\$260,387,512	\$ 306,338,249	\$ 16,477,664	\$16,477,664	\$ 276,865,176	\$ 322,815,913	85.00%	2.6435
2011	\$247,678,730	\$ 291,386,741	\$ 15,354,132	\$15,354,132	\$ 263,032,862	\$ 306,740,873	85.00%	2.6435
2012	\$236,084,822	\$ 271,497,545	\$ 14,090,823	\$14,090,823	\$ 250,175,645	\$ 285,588,368	85.00%	2.6435
2013	\$237,111,129	\$ 272,677,798	\$ 13,269,617	\$13,269,617	\$ 250,380,746	\$ 285,947,415	85.00%	2.6435
2014	\$244,180,450	\$ 287,271,118	\$ 14,136,059	\$14,136,596	\$ 258,316,509	\$ 301,407,714	85.00%	2.6435
2015	\$266,854,872	\$ 313,946,908	\$ 16,278,265	\$16,278,265	\$ 283,133,137	\$ 330,225,173	85.00%	3.5000
2016	\$258,648,526	\$ 304,292,384	\$ 14,213,196	\$14,213,196	\$ 272,861,722	\$ 318,505,580	85.00%	3.8880
2017	\$265,698,860	\$ 312,586,894	\$ 13,527,257	\$13,527,257	\$ 279,226,117	\$ 328,501,314	85.00%	4.2347
2018	\$272,827,106	\$ 320,973,065	\$ 13,808,898	\$13,808,898	\$ 286,636,004	\$ 337,218,828	85.00%	4.2347
2019	\$284,134,531	\$ 334,275,918	\$ 14,564,031	\$14,564,031	\$ 298,698,562	\$ 351,410,072	85.00%	5.0261

Source: Okaloosa County Property Appraiser's Office



**City of Mary Esther Florida  
PROPERTY TAX LEVIES AND COLLECTIONS  
(UNAUDITED)  
Last Ten Fiscal Years**

Tax Levy Year	Taxes Levied for the Fiscal Year	Collected within the Levy Fiscal Year <i>(By March 31 of Year After Levy)</i>		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 731,108	\$ 688,140	94.12%	\$ 18,411	\$ 706,551	96.64%
2011	\$ 695,328	\$ 654,640	94.15%	\$ 12,801	\$ 667,441	95.99%
2012	\$ 661,089	\$ 619,606	93.73%	\$ 21,091	\$ 640,697	96.92%
2013	\$ 662,902	\$ 623,764	94.10%	\$ 17,811	\$ 641,575	96.78%
2014	\$ 682,860	\$ 615,411	90.12%	\$ 46,318	\$ 661,729	96.91%
2015	\$ 933,992	\$ 839,888	89.92%	\$ 62,494	\$ 902,382	96.62%
2016	\$ 1,064,789	\$ 956,506	89.83%	\$ 69,871	\$ 1,026,377	96.39%
2017	\$ 1,186,060	\$ 1,098,585	92.62%	\$ 42,637	\$ 1,141,222	96.22%
2018	\$ 1,235,484	\$ 1,141,557	92.40%	\$ 33,868	\$ 1,175,425	95.14%
2019	\$ 1,501,501	*	*	*	*	*

\*Not Available

Source: Okaloosa County Property Appraiser and Okaloosa County Tax Collector

**City of Mary Esther, Florida**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**PER \$100 OF ASSESSED VALUE**  
**(UNAUDITED)**  
**Last Ten Fiscal Years**

Fiscal Year	City Rate		Overlapping Rates <sup>1</sup>			Total Millage
	Operating Millage	Okaloosa County	Northwest Florida Water	School District		
2010	2.6435	3.2899	0.0450	7.5340	13.5124	
2011	2.6435	3.2899	0.0400	7.7690	13.7424	
2012	2.6435	3.2899	0.0400	7.4760	13.4494	
2013	2.6435	3.4308	0.0400	7.5510	13.6653	
2014	2.6435	3.4308	0.0390	7.4410	13.5543	
2015	3.5000	3.4308	0.0378	7.2790	14.2476	
2016	3.8880	3.4308	0.0366	6.9070	14.2624	
2017	4.2347	3.8308	0.0353	6.5880	14.6888	
2018	4.2347	3.8308	0.0338	6.3610	14.4603	
2019	5.0261	3.8308	0.0327	6.2060	15.0956	

**Source:** Okaloosa County Property Appraiser's Office

Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all statistical property owners; for example, although the county property tax rates apply to all City property owners, the Flood Control District rates apply only to approximately one-third of City property owners whose property is located within that district's geographic boundaries.

**City of Mary Esther Florida**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Overlapping Debt</b>			
Okaloosa County			
Revenue Bonds	\$ 163,699,407	0.33%	\$ 533,822
Private Bank Notes	\$ 3,552,103	0.33%	\$ 11,583
Okaloosa County School District			
Certificates of Participation	\$ 15,157,000	1.84%	\$ 279,474
Revenue Bonds	\$ 2,340,000	1.84%	\$ 43,056
State School Bonds	\$ 647,000	1.84%	\$ 11,905
Subtotal: Overlapping Debt	<u>\$ 185,395,510</u>		<u>\$ 879,840</u>
<b>Direct Debt</b>			
City of Mary Esther SRF Loans	52,500	100%	52,500
Subtotal: Direct Debt	<u>52,500</u>		<u>52,500</u>
Total direct and overlapping debt	<u>\$ 185,448,010</u>		<u>\$ 932,340</u>
Taxable Value of All Okaloosa County Property:	<u>\$ 87,898,463,760</u>		

**Sources:** Okaloosa County, Okaloosa County School Board

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mary Esther. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**City of Mary Esther Florida**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita Debt
	Water and Sewer Revenue Bonds	Water and Sewer State Revolving Fund Loan			
2010	\$ 2,026,646		\$ 2,026,646	1.62%	\$ 497
2011	\$ 1,966,334		\$ 1,966,334	1.68%	\$ 512
2012	\$ -		\$ -	0.00%	\$ -
2013	\$ -		\$ -	0.00%	\$ -
2014	\$ -		\$ -	0.00%	\$ -
2015	\$ -		\$ -	0.00%	\$ -
2016	\$ -		\$ -	0.00%	\$ -
2017	\$ -		\$ -	0.00%	\$ -
2018	\$ -		\$ -	0.00%	\$ -
2019	\$ -	52,500	\$ 52,500	0.02%	\$ 13

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Sources:** Office of Economic & Demographic Research

**City of Mary Esther, Florida**  
**PLEDGED REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Utility Charges	Plus Utility Service Fee and Franchise Fee Revenues	Less Operating Expenses	Less Other Financing Uses	Net Available Revenue	Water and Sewer Debt Service		Total Coverage
						Principal	Interest	
2010	\$ 1,527,867	\$ 799,975	\$ 1,529,086	\$ 426,542	\$ 372,214	\$ 235,000	\$ 80,141	1.18
2011	\$ 1,659,813	\$ 770,444	\$ 1,562,321	\$ 503,961	\$ 363,975	\$ 250,000	\$ 71,807	1.13
2012	\$ 1,519,798	\$ 179,231	\$ 1,522,008	\$ -	\$ 177,021	\$ 1,995,000	\$ 54,763	0.09
2013	\$ 1,489,909	\$ -	\$ 1,538,654	\$ -	\$ (48,745)	\$ -	\$ -	N/A
2014	\$ 1,565,132	\$ -	\$ 1,583,163	\$ -	\$ (18,031)	\$ -	\$ -	N/A
2015	\$ 1,608,357	\$ -	\$ 1,664,355	\$ -	\$ (55,998)	\$ -	\$ -	N/A
2016	\$ 1,907,454	\$ -	\$ 1,673,444	\$ -	\$ 234,010	\$ -	\$ -	N/A
2017	\$ 2,013,363	\$ -	\$ 1,783,940	\$ -	\$ 229,423	\$ -	\$ -	N/A
2018	\$ 2,050,951	\$ -	\$ 1,885,776	\$ -	\$ 165,175	\$ -	\$ -	N/A
2019	\$ 2,105,800	\$ -	\$ 2,050,966	\$ -	\$ 54,834	\$ 52,500	\$ 281	1.04

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

**City of Mary Esther, Florida  
PRINCIPAL PROPERTY TAXPAYERS  
(UNAUDITED)  
Current and Ten Years Ago**

<u>Taxpayer</u>	<u>2019</u>			<u>2009</u>			
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	
SRM-SPE, LLC	\$ 12,581,292	1	4.21%	SRM-SPE, LLC	\$ 44,000,733	1	10.84%
Peacock Hotel LLC	7,559,867	2	2.53%	Mercantile Prop Inc.	4,891,062	2	1.20%
target Corp T-0740	3,651,548	3	1.22%	Dayton Hudson Co.	4,753,484	3	1.17%
Gulf Power Company	3,366,866	4	1.13%	Mary Esther Shopping Ctr	3,901,000	4	0.96%
Mary Esther Leasing Inc.	2,596,802	5	0.87%	Mary Esther Leasing Inc.	3,496,347	5	0.86%
Hood A Preston & Ann O	2,492,779	6	0.83%	Belk Inc	3,471,750	6	0.85%
Mary Esther LLC	2,278,150	7	0.76%	Shivaram Inc	2,867,397	7	0.71%
Pellegrini Jay A Jr & Suzette	2,051,382	8	0.69%	Gulf Power Company	2,865,367	8	0.71%
Mercantile Prop Inc.	1,963,541	9	0.66%	Hood A Preston & Ann O	2,377,105	9	0.59%
Moore, William M.	1,754,878	10	0.59%	Mary Esther Restaurant Park	2,293,523	10	0.56%
<b>Total</b>	<b>\$ 40,297,105</b>		<b>13.49%</b>		<b>\$ 74,917,768</b>		<b>18.45%</b>
<b>Total Taxable Assessed Value of Other Taxpayer</b>	<b>\$ 258,401,457</b>		<b>86.51%</b>		<b>\$ 331,158,561</b>		<b>81.55%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 298,698,562</b>		<b>100.00%</b>		<b>\$ 406,076,329</b>		<b>100.00%</b>

Source: Okaloosa County Property Appraiser's Office

DEMOGRAPHIC ECONOMIC INFORMATION - Table 12

**City of Mary Esther, Florida**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>Okaloosa County Population</u>	<u>Per Capita Personal Income (x \$1,000)</u>	<u>Mary Esther Total Personal Income</u>	<u>City of Mary Esther Population as % of County</u>	<u>Okaloosa County School Enrollment</u>	<u>Okaloosa County Unemployment Rate</u>
2010	3,851	179,257	32.5	\$125,157,500	2.15%	28,967	8.2%
2011	3,844	180,280	30.5	\$117,242,000	2.13%	29,441	7.0%
2012	3,857	187,280	30.3	\$116,867,100	2.06%	29,384	5.9%
2013	3,860	188,349	35.2	\$135,872,000	2.05%	29,454	4.4%
2014	3,845	196,512	28.6	\$109,967,000	1.96%	31,645	4.6%
2015	3,859	192,925	32.3	\$124,645,700	2.00%	31,263	4.3%
2016	3,905	193,133	32.3	\$126,131,500	2.02%	30,639	4.1%
2017	3,973	195,488	36.8	\$146,206,400	2.03%	31,718	3.3%
2018	4,386	204,600	56.2	\$246,493,200	2.14%	33,503	3.5%
2019	4,013	200,171	56.2	\$225,530,600	2.00%	32,432	2.3%

\*Not Available

**Sources:** Population estimate as of April 1, 2019 provided by the Office of Economic & Demographic Research. School enrollment data provided by the Okaloosa County School Board.

**City of Mary Esther, Florida**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**(UNAUDITED)**  
**Last Ten Fiscal Years**

**OPERATING INFORMATION - Table 13**

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police										
Physical arrests	291	210	598	450	227	208	214	151	120	116
Traffic violations	1,925	2,357	2,525	1,824	1748	1,425	1,536	1,253	479	769
Fire										
Emergency responses	884	864	784	890	1025	1,039	1,018	1,075	1,082	838
Annual inspections	419	406	254	157	198	288	312	295	61	27
Re-inspections	27	19	39	60	35	30	56	10	2	7
Plan reviews	16	12	55	19	18	12	33	19	4	-
Site inspections	48	20	112	60	20	12	88	22	10	-
Permits issued	7	3	4	4	5	1	9	3	-	-
New Inspections	26	10	29	16	12	22	25	24	6	1
Building										
Permits issued	22	89	75	100	137	133	232	161	202	184
Library										
Items in collection	27,616	28,319	26,802	28,387	26,409	28,171	28,822	30,456	32,362	33,902
Water										
New connections	282	260	265	289	346	335	361	356	309	339
Average daily consumption (x1,000)	342.6	335.0	330.0	304.2	301.6	304.0	326.7	288	282	287

\*Not Available

**Sources:** Various City departments, Jacobs for W/S data and OCSO for Police section

**Note:** Indicators are not available for the general government function.



**City of Mary Esther, Florida**  
**FULL-TIME EQUIVALENT - CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government										
Executive	1	1	1	1	1	1	1	1	1	1
Financial and administrative	5	6	6	5	6	6	6	6	6	6
Planning	1	1	1	1	1	1	1	2	2	2
Public safety										
Fire	11	11	11	12	11	11	13	13	11	-
Maintenance	6	6	7	6	7	7	7	4	4	4
Library	6	6	6	6	6	6	6	6	5	5
Water	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>34</b>	<b>32</b>	<b>29</b>	<b>18</b>

**Source:** City Budget Department

**City of Mary Esther, Florida**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**(UNAUDITED)**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police (contracted with Okaloosa County Sheriff's Office)										
Stations in Mary Esther	-	-	-	-	-	-	-	-	-	-
Patrol units assigned	5	5	5	4	4	4	4	4	-	2
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Paved Streets (miles) <sup>1</sup>	19.3	19.3	19.3	19.4	19.4	19.4	19.4	19.4	19.4	19.4
Streetlights	373	373	373	373	373	373	373	373	373	373
Parks and recreation										
Acreage	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2
Neighborhood parks	7	7	7	7	7	7	7	7	7	7
Community parks	2	2	2	2	2	2	2	2	2	2
Other parks	1	1	1	1	1	1	1	1	1	1
Water <sup>2</sup>										
Water mains (miles)	18	18	18	18	18	18	18	18	18	18
Fire hydrants	202	202	202	168	168	168	169	170	170	170
Number of service connections	1,855	1,840	1,846	1,989	1,989	1,989	1,991	1,963	1,967	1,954
Storage capacity (thousands of gallons)	776	776	776	776	776	776	776	776	776	776
Wastewater <sup>2</sup>										
Miles of sanitary sewers	24	24	24	24	24	24	24	24	24	24
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	1,855	1,840	1,846	1,989	1,989	1,869	1,854	1,963	1,963	1,940

**Sources:** City departments managers

<sup>1</sup>Department of Transportation

<sup>2</sup>Jacobs

**City of Mary Esther, Florida  
PRINCIPAL EMPLOYERS - CURRENT YEAR  
(UNAUDITED)  
Current and Ten Years Ago**

<u>Taxpayer</u>	<u>2019</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Target	101	1	0.10%	*	*	*
Dillards	78	2	0.08%	*	*	*
JC Penny	50	3	0.05%	*	*	*
McDonald's	40	4	0.04%	*	*	*
Old Navy	38	5	0.04%	*	*	*
Starbucks	32	6	0.03%	*	*	*
Animal Hospital	30	7	0.03%	*	*	*
Piggly Wiggly	29	8	0.03%	*	*	*
Wendy's	21	9	0.02%	*	*	*
Burger King	21	10	0.02%	*	*	*
Hickory River Smokehouse	19		0.02%	*	*	*
<b>Total</b>	<u>440</u>		<u>0.47%</u>	<u>*</u>		<u>*</u>
<b>Total County Employment</b>	<u>97,610</u>			<u>*</u>		

Employee counts include full and part time.

\*Not available

**Sources:** Survey of Local Businesses by City Staff

#### **IV. COMPLIANCE SECTION**

- COMPLIANCE MATTERS
- MANAGEMENT LETTER
- RESPONSES TO MANAGEMENT LETTER

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF  
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER  
10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor and  
Members of the City Council

We have examined the City of Mary Esther, Florida's (the City) compliance with Section 218.415, Florida Statutes, with regards to investments for the year ended September 30, 2019.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements. 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 the 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 of the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

*Warren Averett, LLC*  
Fort Walton Beach, Florida  
March 2, 2020

**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***

To the Honorable Mayor and  
Members of the City Council

We have audited, 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, the financial statements of governmental activities, the business-type activities, and each major fund of the City of Mary Esther, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 2, 2020.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Warren Averett, LLC*

Fort Walton Beach, Florida

March 2, 2020

## MANAGEMENT LETTER

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the financial statements of the City of Mary Esther, Florida (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 2, 2020.

### **Auditors' Responsibility**

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 and Chapter 10.550, *Rules of the Auditor General*.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards* and our Independent Accountants' 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, which are dated March 2, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no recommendations made in the preceding financial audit report.

### **Official Title and Legal Authority**

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

### **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 identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



Pursuant to Sections 10.554(1)(i)5.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 same.

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

**Additional Matters**

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

**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, 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.

We greatly appreciate the assistance and cooperation extended to us during our audit.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
March 2, 2020



**CITY OF MARY ESTHER**  
195 CHRISTOBAL ROAD - N. • MARY ESTHER, FLORIDA 32569  
TELEPHONE (850) 243-3566 - FAX (850) 243-0736

March 10, 2020

For the fiscal year ending September 30, 2019, the City of Mary Esther has complied with the requirements of Section 163.31801, Florida Statutes, as references by section 10.557(3)(m), Rules of the Auditor General.

  
\_\_\_\_\_  
Dana Williams, MMC  
Interim City Manager

3/10/2020  
\_\_\_\_\_  
Date


STATE OF FLORIDA  
COUNTY OF Okaloosa

The foregoing instrument was acknowledged before me this 10<sup>th</sup> (numeric date) day of March (month), 2020 (year) by Kelvin Cherry (name of person acknowledging).

(Seal)



Kelvin Cherry  
NOTARY PUBLIC  
STATE OF FLORIDA  
Comm# GG054292  
Expires 12/12/2020

  
\_\_\_\_\_  
Signature of Notary Public  
Print, Type/Stamp Name of

Notary

Personally Known:  \_\_\_\_\_  
OR Produced Identification: \_\_\_\_\_  
Type of Identification Produced: \_\_\_\_\_