

# *City of Mary Esther, Florida*

**Comprehensive Annual Financial Report  
with Compliance Matters and Responses for the  
Fiscal Year Ended September 30, 2020**



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

**Fiscal Year Ended  
September 30, 2020**

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

**The City of Mary Esther, Florida  
PRINCIPAL OFFICIALS  
Year Ended September 30, 2020**

**CITY COUNCIL 2019-2020**

Aaron Bacchi  
Susan Coxwell  
Charlotte McKamy  
Bernie Oder  
Chris Stein

**CITY OFFICIALS**

**Mayor**

Margaret McLemore

**Mayor Pro-Tem**

Bernie Oder

**City Manager**

Jared Cobb

**City Clerk**

Dana Williams

**City Attorney**

Hayward Dykes, Jr., Esq.

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- GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
- ORGANIZATIONAL CHART

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## CITY OF MARY ESTHER

195 CHRISTOBAL ROAD - N. ● MARY ESTHER, FLORIDA 32569  
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, 2020, 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**

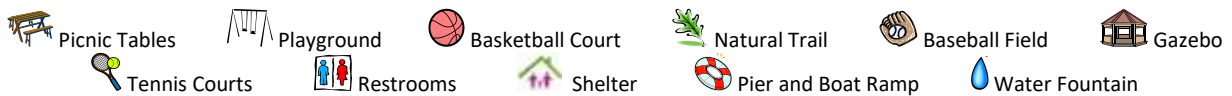
The City of Mary Esther has approximately 4,038 residents and is situated east of Hurlburt Field and west of Fort Walton Beach. Eglin Air Force Base, the largest military base in the world, surrounds these cities to the north and east. The Town of Mary Esther was established in 1946, with E. Roger Pryor 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 203,951, an increase of approximately 13.7% since 2010. The 2019 Okaloosa County millage rate was 3.8308 mils. In September 2020, Okaloosa County’s unemployment rate was 3.7%, compared to 7.2% 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 primary 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.

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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 \$9 billion 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 its commitment to improving the City's water and wastewater systems. Phase one of the Water and Sewer Masterplan is underway, which includes repairs and updates to the Wastewater Treatment Plant, the rehabilitation of Well 1, and replacement of water and sewer lines within the Mary Esther Drive Neighborhood. Capacity upgrades to lift stations 7 and 8 near Santa Rosa Mall have been completed to allow for new commercial and residential growth.



The City is proud to announce the opening of the new Renaissance Santa Rosa Apartments, located just behind the Santa Rosa Mall. The 229-unit complex promises growth and revitalization for the Santa Rosa Mall and for other businesses within the community.

Community engagement and revisioning will be a primary focus moving forward as we explore options for City enhancements. Community master plans for facilities, parks, and streets, as well as beautification projects will be implemented within the near future.

## **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.

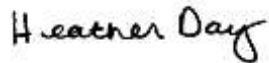
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mary Esther for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This was the 10<sup>th</sup> 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  
February 2, 2021



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

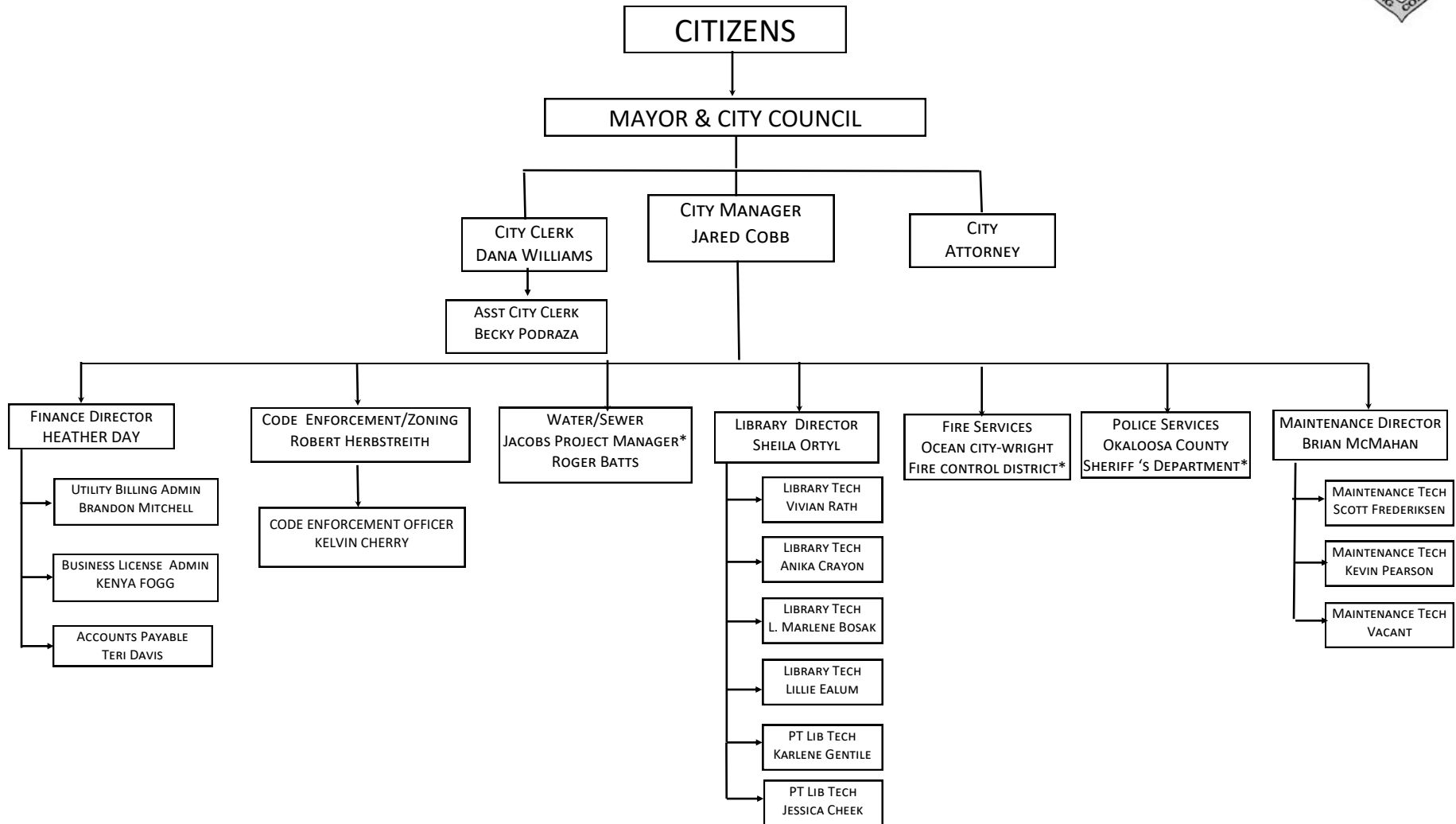
September 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# CITY OF MARY ESTHER ORGANIZATIONAL CHART

For the Year Ending September 30, 2020



\*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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, 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 February 2, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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  
February 2, 2021

## 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, 2020.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$21.6 million (net position), and represents an increase of \$1.4 million, or 6.8%, from the prior year. Of this amount, \$14.5 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, \$673 thousand is restricted for specific purposes by external sources, and \$6.4 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 \$685 thousand, or 6.2%, and the business-type activities increased \$703 thousand, or 7.7%. The increase in governmental activities net position is primarily attributable to CARES Act grant revenues received for the COVID-19 health pandemic. The increase in business-type activities net position is primarily attributable to an increase in rates charged for services.
- The City's governmental funds at September 30, 2020, reported ending fund balances of \$4.6 million, an increase in fund balance of \$983 thousand. \$3.3 million, or 71.4%, of ending fund balance, and 107.0% 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 \$21.6 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, 2020 AND 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 5,333,881	\$ 3,790,327	\$ 2,865,488	\$ 1,870,401	\$ 8,199,369	\$ 5,660,728
Capital assets	7,098,799	7,705,374	7,499,547	7,478,427	14,598,346	15,183,801
<b>Total assets</b>	<b>12,432,680</b>	<b>11,495,701</b>	<b>10,365,035</b>	<b>9,348,828</b>	<b>22,797,715</b>	<b>20,844,529</b>
<b>Total deferred outflows of resources</b>	<b>49,855</b>	<b>38,450</b>	<b>-</b>	<b>-</b>	<b>49,855</b>	<b>38,450</b>
Long-term liabilities						
outstanding	265,351	222,890	60,000	44,799	325,351	267,689
Other liabilities	420,590	199,573	461,016	162,630	881,606	362,203
<b>Total liabilities</b>	<b>685,941</b>	<b>422,463</b>	<b>521,016</b>	<b>207,429</b>	<b>1,206,957</b>	<b>629,892</b>
<b>Total deferred inflows of resources</b>	<b>7,368</b>	<b>7,651</b>	<b>-</b>	<b>-</b>	<b>7,368</b>	<b>7,651</b>
Net position						
Net investment in capital assets	7,098,799	7,705,374	7,439,547	7,431,027	14,538,346	15,136,401
Restricted	670,829	481,814	2,600	82,200	673,429	564,014
Unrestricted	4,019,598	2,916,849	2,401,872	1,628,172	6,421,470	4,545,021
<b>Total net position</b>	<b>\$ 11,789,226</b>	<b>\$ 11,104,037</b>	<b>\$ 9,844,019</b>	<b>\$ 9,141,399</b>	<b>\$ 21,633,245</b>	<b>\$ 20,245,436</b>

By far the largest portion of the City's net position, \$14.5 million, or 67.2%, 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

An additional portion of the City's net position of \$673 thousand, or 3.1%, represents resources that are subject to external restrictions on how they may be used. The City's unrestricted net position of \$6.4 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 \$1.4 million, or 6.8%, during fiscal year 2020. Governmental activities increased by \$685 thousand and business-type activities increased by \$703 thousand.

## 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, 2020 AND 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 361,535	\$ 365,176	\$ 2,485,042	\$ 2,269,101	\$ 2,846,577	\$ 2,634,277
Operating grants and contributions	567,713	105,549	-	-	567,713	105,549
Capital grants and contributions	7,830	239,996	175,100	85,450	182,930	325,446
General revenues						
Property taxes	1,451,359	1,175,646	-	-	1,451,359	1,175,646
Other taxes	1,897,818	1,761,755	-	-	1,897,818	1,761,755
Other revenue	205,016	242,267	21,545	63,841	226,561	306,108
<b>TOTAL REVENUES</b>	<b>4,491,271</b>	<b>3,890,389</b>	<b>2,681,687</b>	<b>2,418,392</b>	<b>7,172,958</b>	<b>6,308,781</b>
<b>EXPENSES</b>						
Governmental activities						
General government	1,153,899	925,389	-	-	1,153,899	925,389
Public safety	1,397,022	1,215,727	-	-	1,397,022	1,215,727
Transportation	427,272	407,587	-	-	427,272	407,587
Human services	1,005	4,145	-	-	1,005	4,145
Culture and recreation	385,617	412,488	-	-	385,617	412,488
Business-type activities						
Water and sewer	-	-	2,420,334	2,345,114	2,420,334	2,345,114
<b>TOTAL EXPENSES</b>	<b>3,364,815</b>	<b>2,965,336</b>	<b>2,420,334</b>	<b>2,345,114</b>	<b>5,785,149</b>	<b>5,310,450</b>
<b>CHANGE IN NET POSITION</b>	<b>685,189</b>	<b>925,053</b>	<b>702,620</b>	<b>73,278</b>	<b>1,387,809</b>	<b>998,331</b>
<b>NET POSITION AT BEGINNING 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>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 11,789,226</b>	<b>\$ 11,104,037</b>	<b>\$ 9,844,019</b>	<b>\$ 9,141,399</b>	<b>\$ 21,633,245</b>	<b>\$ 20,245,436</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 20% 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.

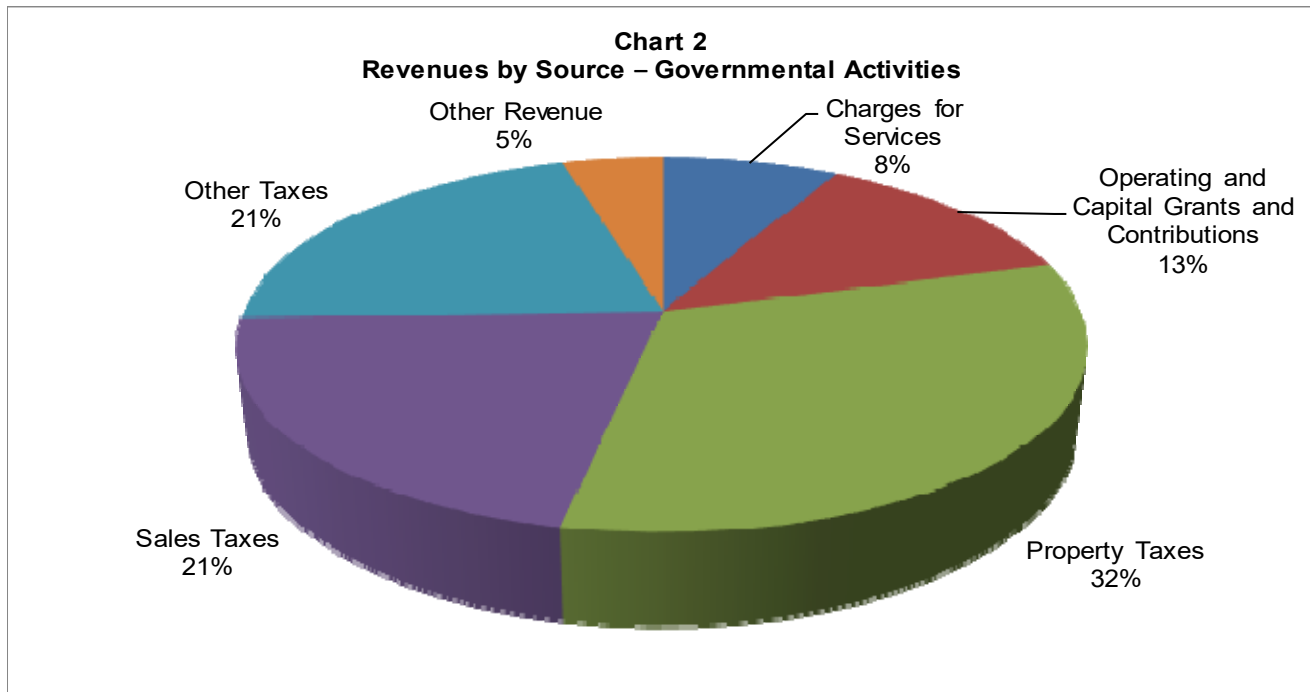
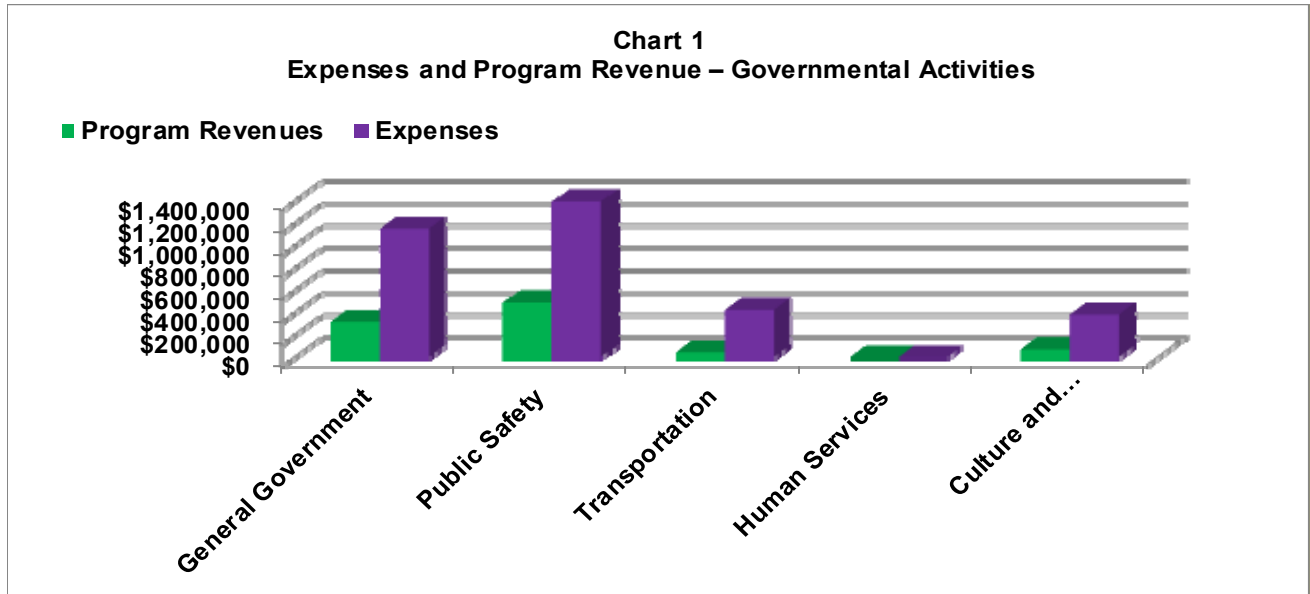
### **Current Year Impacts – Governmental Activities**

- Operating grants and contributions increased \$462 thousand, or 437.9%, primarily due to the City receiving CARES Act grant funding for direct costs incurred as a result of the COVID-19 health pandemic.
- Property tax revenues increased \$276 thousand, or 23.5%, which is attributable to the City increasing its millage rate charged to property owners for roll year 2020.

## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Governmental Activities – Continued

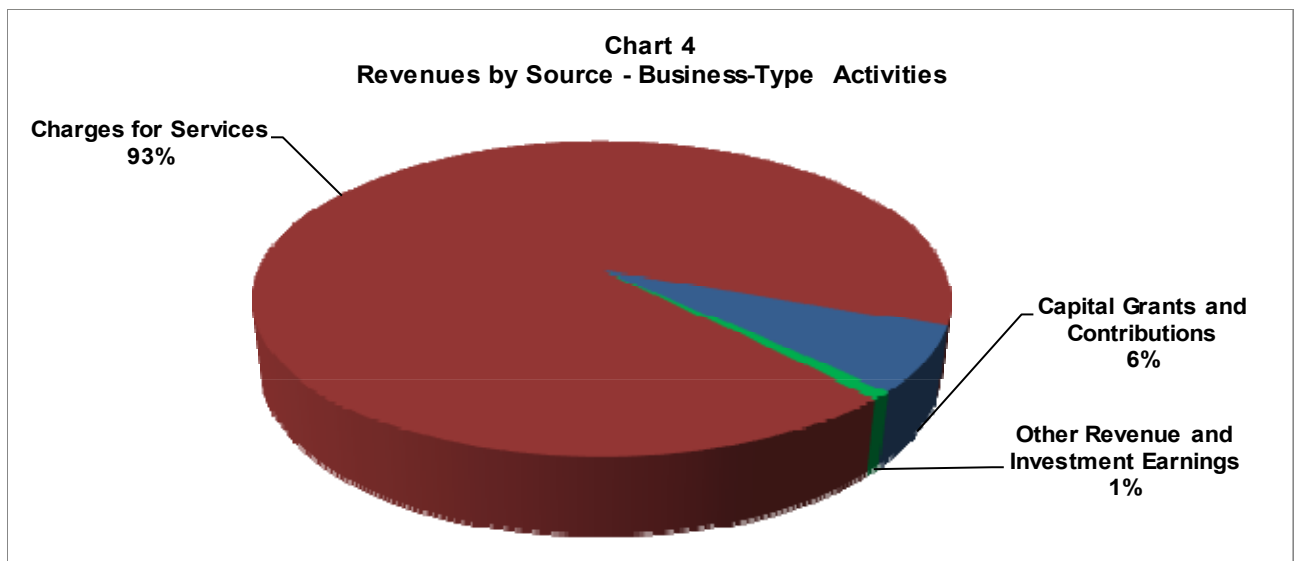
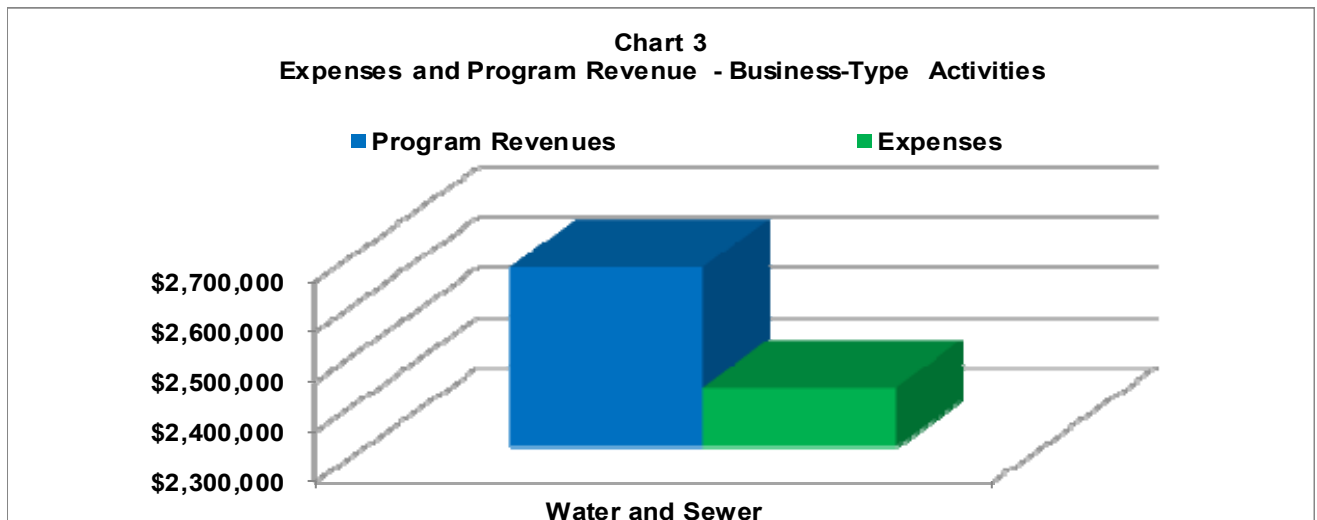
- Overall governmental activities expenses increased \$229 thousand, or 24.7%. The increase was mainly the result of City-wide increases in salaries and other employee-related costs as the result of raises approved by the City Council.



## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Business-Type Activities

- The net position from business-type activities increased \$703 thousand, or 7.7%.
- Charges for services increased \$216 thousand, or 9.5%, which is primarily the result of an increase in rates charged for water and sewer services.
- Water and sewer expenses increased \$75 thousand, or 3.2%. 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. 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 \$4.2 million, an increase in fund balance of \$802 thousand in comparison with the prior year. Included in this fund balance, \$4 thousand consists of nonspendable fund balance for prepaid items, \$247 thousand consists of fund balance restricted for specific purposes by external sources, \$641 thousand consists of committed fund balance for disaster and emergency reserves, which indicates that it is not available for current year operations. 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 \$423 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 107.0% of the total expenditures in the governmental funds, while total fund balances represent 149.9% of that same amount. Unassigned fund balance represents approximately 13 months of expenditures in the governmental funds.

### **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 \$2.4 million at the end of fiscal year 2020. Total net position for proprietary funds increased \$703 thousand during 2020.

## **BUDGETARY HIGHLIGHTS**

### **General Fund**

- The City passed budget amendments in the General Fund to increase appropriations by \$345 thousand from the original adopted budget for fiscal year 2020. These were made primarily to increase transfers to the Water and Sewer Fund to reimburse a portion of the costs incurred for the system expansion to support the Renaissance Project. Actual total expenditures were below budgetary expectations by \$430 thousand.

## BUDGETARY HIGHLIGHTS – CONTINUED

### General Fund – Continued

- Actual revenues were above budgetary expectations by \$712 thousand primarily due to unplanned CARES Act grant funding.

### Discretionary Sales Tax Fund

- Actual revenues were above budgetary expectations by \$40 thousand primarily due to an increase in sales taxes paid by consumers during 2020.

## 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, 2020, amounts to \$14.6 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 \$585 thousand, or 3.9%, with an overall 7.9% decrease for governmental activities, and a 0.3% increase 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, 2020 AND 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,363,248	\$ 4,363,248	\$ 77,878	\$ 77,878	\$ 4,441,126	\$ 4,441,126
Buildings	729,701	768,143	66,622	37,367	796,323	805,510
Improvements other than buildings	1,929,900	2,092,007	6,261,608	6,540,924	8,191,508	8,632,931
Machinery and equipment	75,950	481,976	640,289	728,264	716,239	1,210,240
Construction in progress	-	-	453,150	93,994	453,150	93,994
<b>Total</b>	<b>\$ 7,098,799</b>	<b>\$ 7,705,374</b>	<b>\$ 7,499,547</b>	<b>\$ 7,478,427</b>	<b>\$ 14,598,346</b>	<b>\$ 15,183,801</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 \$60 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 2020-2021 budget for the City:

- The local unemployment rate was 3.8%, which represents an approximate 1.4% increase from September 2019. The State of Florida's unemployment rate was 7.2%, which represents an approximate 4.2% increase from September 2019, when it was 3.0%. 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 updated its estimates of tax distributions to the City of Mary Esther for FY20-21. The revenue sharing distribution estimate is down 6.9% from last year, the half-cent sales tax distribution estimate is down 12.0%, the discretionary sales surtax distribution estimate is down 12.2%, and the communication service tax distribution estimate is up 49.4%.

## **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 4.0% as compared to roll year 2020 due to an increase in the assessed value of taxable property.

## **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, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,196,605	\$ 2,099,076	\$ 5,295,681
Investments	877,106	303,922	1,181,028
Receivables, net	55,236	335,107	390,343
Due from other governments	604,540	-	604,540
Prepaid items	3,592	2,728	6,320
Restricted assets			
Cash and cash equivalents	247,373	124,655	372,028
Capital assets			
Non-depreciable	4,363,248	531,028	4,894,276
Depreciable, net	2,735,551	6,968,519	9,704,070
Other assets, net	349,429	-	349,429
<b>TOTAL ASSETS</b>	<b>12,432,680</b>	<b>10,365,035</b>	<b>22,797,715</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>49,855</b>	<b>-</b>	<b>49,855</b>
<b>LIABILITIES</b>			
Accounts payable	283,961	327,913	611,874
Accrued expenses	20,581	-	20,581
Unearned revenue	82,409	11,048	93,457
Payable from restricted assets			
Customer deposits	-	122,055	122,055
Non-current liabilities			
Due within one year			
Compensated absences	33,639	-	33,639
Due in more than one year			
Compensated absences	100,916	-	100,916
State revolving loans payable	-	60,000	60,000
Other post-employment benefits	164,435	-	164,435
<b>TOTAL LIABILITIES</b>	<b>685,941</b>	<b>521,016</b>	<b>1,206,957</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>7,368</b>	<b>-</b>	<b>7,368</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,098,799	7,439,547	14,538,346
Restricted – capital expansion projects	247,373	2,600	249,973
Restricted – government infrastructure	423,456	-	423,456
Unrestricted	4,019,598	2,401,872	6,421,470
<b>TOTAL NET POSITION</b>	<b>\$ 11,789,226</b>	<b>\$ 9,844,019</b>	<b>\$ 21,633,245</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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	\$ 1,153,899	\$ 300,434	\$ 19,923	\$ 900	\$ (832,642)	\$ -	\$ (832,642)
Public safety	1,397,022	14,433	476,822	1,980	(903,787)	-	(903,787)
Transportation	427,272	43,158	-	4,500	(379,614)	-	(379,614)
Human services	1,005	-	-	-	(1,005)	-	(1,005)
Culture and recreation	385,617	3,510	70,968	450	(310,689)	-	(310,689)
Total governmental activities	<u>3,364,815</u>	<u>361,535</u>	<u>567,713</u>	<u>7,830</u>	<u>(2,427,737)</u>	<u>-</u>	<u>(2,427,737)</u>
Business-type activities							
Water and sewer	2,420,334	2,485,042	-	175,100	-	239,808	239,808
<b>Total primary government</b>	<u>\$ 5,785,149</u>	<u>\$ 2,846,577</u>	<u>\$ 567,713</u>	<u>\$ 182,930</u>	<u>(2,427,737)</u>	<u>239,808</u>	<u>(2,187,929)</u>
General revenues							
Taxes							
Property taxes					1,451,359	-	1,451,359
Sales taxes					953,897	-	953,897
Utility service taxes					623,740	-	623,740
Franchise fees					207,689	-	207,689
Other taxes					112,492	-	112,492
Intergovernmental, unrestricted					152,772	-	152,772
Miscellaneous					10,875	7,600	18,475
Investment earnings					41,369	13,945	55,314
Transfers					(441,267)	441,267	-
Total general revenues and transfers					<u>3,112,926</u>	<u>462,812</u>	<u>3,575,738</u>
<b>CHANGE IN NET POSITION</b>					<u>685,189</u>	<u>702,620</u>	<u>1,387,809</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>					<u>11,104,037</u>	<u>9,141,399</u>	<u>20,245,436</u>
<b>NET POSITION AT END OF YEAR</b>					<u>\$ 11,789,226</u>	<u>\$ 9,844,019</u>	<u>\$ 21,633,245</u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2020**

	<b>General Fund</b>	<b>Discretionary Sales Tax Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,807,439	\$ 389,166	\$ 3,196,605
Investments	877,106	-	877,106
Receivables	55,236	-	55,236
Due from other governments	570,250	34,290	604,540
Prepaid items	3,592	-	3,592
Restricted assets:			
Cash and cash equivalents	247,373	-	247,373
<b>TOTAL ASSETS</b>	<b>\$ 4,560,996</b>	<b>\$ 423,456</b>	<b>\$ 4,984,452</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 283,961	\$ -	\$ 283,961
Accrued liabilities	20,581	-	20,581
Unearned revenues	82,409	-	82,409
Total liabilities	386,951	-	386,951
<b>FUND BALANCE</b>			
Nonspendable - prepaid items	3,592	-	3,592
Restricted - capital expansion projects	247,373	-	247,373
Restricted - government infrastructure	-	423,456	423,456
Committed - natural disaster relief	640,579	-	640,579
Unassigned	3,282,501	-	3,282,501
Total fund balances	4,174,045	423,456	4,597,501
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,560,996</b>	<b>\$ 423,456</b>	<b>\$ 4,984,452</b>

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, 2020**

Fund balance, total governmental funds (page 16)	\$	4,597,501
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental non-depreciable assets	4,363,248	
Governmental depreciable assets	5,873,131	
Less accumulated depreciation	<u>(3,137,580)</u>	
		7,098,799
<p>Other long-term assets are not financial resources and therefore are not reported in the governmental funds.</p>		
Other long-term assets, net		349,429
<p>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.</p>		
Deferred outflows of resources	49,855	
Deferred inflows of resources	<u>(7,368)</u>	
		42,487
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Net OPEB obligation	(164,435)	
Compensated absences	<u>(134,555)</u>	
		<u>(298,990)</u>
Net position of governmental activities (page 14)	\$	<u><u>11,789,226</u></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, 2020**

	<u>General Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,363,845	\$ -	\$ 2,363,845
Licenses, fees, and permits	242,996	-	242,996
Intergovernmental	1,104,961	385,485	1,490,446
Charges for services	317,752	-	317,752
Fines	16,306	-	16,306
Miscellaneous	59,926	-	59,926
Total revenues	<u>4,105,786</u>	<u>385,485</u>	<u>4,491,271</u>
<b>EXPENDITURES</b>			
Current			
General government	799,801	-	799,801
Public safety	1,348,483	-	1,348,483
Transportation	352,430	-	352,430
Human services	1,005	-	1,005
Culture and recreation	350,092	-	350,092
Capital outlay	10,896	204,300	215,196
Total expenditures	<u>2,862,707</u>	<u>204,300</u>	<u>3,067,007</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,243,079</u>	<u>181,185</u>	<u>1,424,264</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(441,267)</u>	<u>-</u>	<u>(441,267)</u>
<b>NET CHANGE IN FUND BALANCE</b>	801,812	181,185	982,997
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>3,372,233</u>	<u>242,271</u>	<u>3,614,504</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 4,174,045</u>	<u>\$ 423,456</u>	<u>\$ 4,597,501</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, 2020**

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Net change in fund balance of governmental funds (page 18) \$ 982,997

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	215,196	
Less depreciation expense	<u>(261,016)</u>	
		(45,820)

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/transfers	(1,649,886)	
Accumulated depreciation associated with disposals/transfers	<u>1,089,131</u>	
		(560,755)

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 long-term assets	349,429	
Change in other post-employment benefits liability and related deferrals	(1,106)	
Change in long-term compensated absences	<u>(39,556)</u>	
		<u>308,767</u>

Change in net position of governmental activities (page 15) \$ 685,189

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, 2020**

	<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	\$ 2,256,506	\$ 2,256,506	\$ 2,363,845	\$ 107,339
Licenses, fees, and permits	224,700	224,700	242,996	18,296
Intergovernmental	578,500	578,500	1,104,961	526,461
Charges for services	310,435	310,435	317,752	7,317
Fines and forfeits	6,500	6,500	16,306	9,806
Miscellaneous	17,600	17,600	59,926	42,326
Total revenues	<u>3,394,241</u>	<u>3,394,241</u>	<u>4,105,786</u>	<u>711,545</u>
<b>EXPENDITURES</b>				
Current				
General government	1,125,294	1,065,876	799,801	266,075
Public safety	1,355,219	1,364,511	1,348,483	16,028
Transportation	407,601	427,211	352,430	74,781
Human services	4,000	4,000	1,005	2,995
Culture and recreation	338,915	370,178	350,092	20,086
Capital outlay	57,555	60,808	10,896	49,912
Total expenditures	<u>3,288,584</u>	<u>3,292,584</u>	<u>2,862,707</u>	<u>429,877</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>105,657</u>	<u>101,657</u>	<u>1,243,079</u>	<u>1,141,422</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	31,800	31,800	-	(31,800)
Transfers out	(100,000)	(441,267)	(441,267)	-
Total other financing sources (uses)	<u>(68,200)</u>	<u>(409,467)</u>	<u>(441,267)</u>	<u>(31,800)</u>
<b>NET CHANGE IN FUND BALANCE</b>	37,457	(307,810)	801,812	1,109,622
<b>FUND BALANCE – BEGINNING OF YEAR</b>	-	307,810	3,372,233	3,064,423
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 37,457</u>	<u>\$ -</u>	<u>\$ 4,174,045</u>	<u>\$ 4,174,045</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 345,000	\$ 345,000	\$ 385,485	\$ 40,485
Total revenues	345,000	345,000	385,485	40,485
<b>EXPENDITURES</b>				
Capital outlay	204,300	204,300	204,300	-
Total expenditures	204,300	204,300	204,300	-
<b>NET CHANGE IN FUND BALANCE</b>	140,700	140,700	181,185	40,485
<b>FUND BALANCE – BEGINNING OF YEAR</b>	-	-	242,271	242,271
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 140,700</u>	<u>\$ 140,700</u>	<u>\$ 423,456</u>	<u>\$ 282,756</u>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2020**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,099,076
Restricted assets – cash and cash equivalents	124,655
Investments	303,922
Receivables, net	335,107
Prepaid items	2,728
Total current assets	2,865,488
Noncurrent assets	
Capital assets	
Non-depreciable	531,028
Depreciable, net	6,968,519
Total noncurrent assets	7,499,547
<b>TOTAL ASSETS</b>	<b>10,365,035</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	327,913
Unearned revenues	11,048
Payable from restricted assets	
Customer deposits	122,055
Total current liabilities	461,016
Non-current liabilities	
State revolving loan payable	60,000
Total non-current liabilities	60,000
<b>TOTAL LIABILITIES</b>	<b>521,016</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,439,547
Restricted - capital expansion projects	2,600
Unrestricted	2,401,872
<b>TOTAL NET POSITION</b>	<b>\$ 9,844,019</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, 2020**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,316,157
<b>OPERATING EXPENSES</b>	
Administration	251,167
Operating	1,731,668
Depreciation	437,499
Total operating expenses	2,420,334
<b>OPERATING LOSS</b>	(104,177)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Impact fees	2,600
Rental income	168,885
Interest	13,945
Miscellaneous	7,600
Total non-operating revenues (expenses)	193,030
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	88,853
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	
Capital contributions	172,500
Transfers in	441,267
Total capital contributions and transfers	613,767
<b>CHANGE IN NET POSITION</b>	702,620
<b>NET POSITION AT BEGINNING OF YEAR</b>	9,141,399
<b>NET POSITION AT END OF YEAR</b>	\$ 9,844,019

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,291,837
Payments to suppliers/employees	(1,684,789)
Miscellaneous income	181,485
Net cash provided by operating activities	788,533
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers out	441,267
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(291,119)
Proceeds from state revolving fund loans	12,600
Proceeds from impact fees	2,600
Net cash used in capital and related financing activities	(275,919)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	13,945
Purchases of investments	(3,562)
Net cash flows provided by investing activities	10,383
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	964,264
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,259,467
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,223,731
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>	
Current	\$ 2,099,076
Restricted	124,655
Total cash and cash equivalents	\$ 2,223,731

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS – CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Water and Sewer Fund</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (104,177)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	437,499
Miscellaneous revenue	12,600
Rental income	168,885
Decrease (increase) in assets:	
Accounts receivable	(24,533)
Prepaid expenses	(2,728)
Increase (decrease) in liabilities:	
Customer deposits	3,135
Accounts payable	300,774
Unearned revenues	(2,922)
Net cash provided by operating activities	\$ 788,533
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>	
Contributions of assets from other funds	\$ 172,500

See notes to the financial statements.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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. In 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 be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB guidance for determining financial accountability of potential component units in evaluating all potential component units. Accordingly, 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, 2020, the City had no component units required to be presented in the City's financial statements.

**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, 2020**

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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, 2020**

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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 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

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

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 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, 2020**

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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, 2020**

---

**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 uncollectible accounts. At September 30, 2020, 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 uncollectible accounts. 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, 2020, an allowance for doubtful accounts of \$24,569 was recorded in the proprietary fund.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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**

***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
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, 2020**

**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:

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.*

Upon proper separation (termination) of employment, employees will be paid for all accumulated annual leave up to 240 hours.

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.

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. The liability for compensated absences is typically liquidated by the General Fund.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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**

***Unearned Revenue***

Unearned revenues are reported in connection with resources that have been received but not yet earned. At September 30, 2020, 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 type 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***

For 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. The OPEB liability is typically liquidated by the General Fund. See Note 8 for additional information about the City's other postemployment benefit plan.

***Classification of Fund Balance***

GASB literature establishes fund balance classifications using 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.

Fund balance classifications 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.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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***

- 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 General Fund's 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, 2020**

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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 February 2, 2021, which is the date the financial statements were available to be issued.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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 between 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, 2020.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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 \$5,668,603 at September 30, 2020, 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, 2020, 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	\$ 403,791	\$ 303,922	\$ 707,713	AAAm	48 days
FLCLASS	473,315	-	473,315	AAAm	51 days
Total investments	<u>\$ 877,106</u>	<u>\$ 303,922</u>	<u>\$ 1,181,028</u>		

**CITY OF MARY ESTHER, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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 authorizing the Finance Director to maintain a list of financial institutions approved 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, 2020**

**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, 2020, were as follows:

	Governmental Activities		Business-Type Activities	Total
	General Fund	Discretionary Sales Tax Fund	Water and Sewer Fund	
Taxes	\$ 53,120	\$ -	\$ -	\$ 53,120
Accounts	2,116	-	359,676	361,792
Less allowance for doubtful accounts	-	-	(24,569)	(24,569)
Total receivables	<u>55,236</u>	<u>-</u>	<u>335,107</u>	<u>390,343</u>
Due from other governments	<u>570,250</u>	<u>34,290</u>	<u>-</u>	<u>604,540</u>
Total receivables and due from other governments	<u><u>\$ 625,486</u></u>	<u><u>\$ 34,290</u></u>	<u><u>\$ 335,107</u></u>	<u><u>\$ 994,883</u></u>

**Due from Other Governments**

Amounts due from other governments primarily consist of half-cent sales taxes, discretionary sales taxes, local option fuel taxes, telecommunications service taxes, and various grant awards.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, 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	-	172,500	(172,500)	-
Total capital assets not being depreciated	<u>4,363,248</u>	<u>172,500</u>	<u>(172,500)</u>	<u>4,363,248</u>
Capital assets being depreciated				
Buildings	1,505,742	-	-	1,505,742
Improvements other than buildings	3,224,338	-	(1,840)	3,222,498
Machinery and equipment	2,577,741	42,696	(1,475,546)	1,144,891
Total capital assets being depreciated	<u>7,307,821</u>	<u>42,696</u>	<u>(1,477,386)</u>	<u>5,873,131</u>
Less accumulated depreciation				
Buildings	(737,599)	(38,442)	-	(776,041)
Improvements other than buildings	(1,132,331)	(162,107)	1,840	(1,292,598)
Machinery and equipment	(2,095,765)	(60,467)	1,087,291	(1,068,941)
Total accumulated depreciation	<u>(3,965,695)</u>	<u>(261,016)</u>	<u>1,089,131</u>	<u>(3,137,580)</u>
Total capital assets being depreciated, net	<u>3,342,126</u>	<u>(218,320)</u>	<u>(388,255)</u>	<u>2,735,551</u>
<b>Governmental activities, net</b>	<u>\$ 7,705,374</u>	<u>\$ (45,820)</u>	<u>\$ (560,755)</u>	<u>\$ 7,098,799</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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	191,656	167,500	453,150
Total capital assets not being depreciated	<u>171,872</u>	<u>191,656</u>	<u>167,500</u>	<u>531,028</u>
Capital assets being depreciated				
Buildings	95,875	32,643	-	128,518
Improvements other than buildings	14,290,590	28,929	-	14,319,519
Machinery and equipment	1,569,663	37,891	(1,440)	1,606,114
Total capital assets being depreciated	<u>15,956,128</u>	<u>99,463</u>	<u>(1,440)</u>	<u>16,054,151</u>
Less accumulated depreciation				
Buildings	(58,508)	(3,388)	-	(61,896)
Improvements other than buildings	(7,749,666)	(308,245)	-	(8,057,911)
Machinery and equipment	(841,399)	(125,866)	1,440	(965,825)
Total accumulated depreciation	<u>(8,649,573)</u>	<u>(437,499)</u>	<u>1,440</u>	<u>(9,085,632)</u>
Total capital assets being depreciated, net	<u>7,306,555</u>	<u>(338,036)</u>	<u>-</u>	<u>6,968,519</u>
<b>Business-type activities, net</b>	<u><u>\$ 7,478,427</u></u>	<u><u>\$ (146,380)</u></u>	<u><u>\$ 167,500</u></u>	<u><u>\$ 7,499,547</u></u>

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

<b>Governmental activities</b>	
General government	\$ 140,936
Public safety	9,713
Transportation	74,842
Culture and recreation	<u>35,525</u>
Total depreciation/amortization expense - governmental activities	<u><u>\$ 261,016</u></u>
<b>Business-type activities</b>	
Water and sewer	<u><u>\$ 437,499</u></u>



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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

**Construction Commitments**

During fiscal year 2020, construction was started on a water and sewer system expansion project related to the Renaissance Project. The total construction contract amount was \$795,982. At September 30, 2020, the remaining project costs were \$582,483. The project is expected to be completed in Spring 2021.

**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. 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 2020, the City remitted its required contributions totaling \$104,811. The total value of plan investments on September 30, 2020, was \$1,906,546.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**7. LONG-TERM DEBT**

**Changes in Long-Term Debt Liabilities**

Long-term debt activity for the year ended September 30, 2020, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 94,999	\$ 102,676	\$ (63,120)	\$ 134,555	\$ 33,639
<b>Total governmental activities</b>	<u>\$ 94,999</u>	<u>\$ 102,676</u>	<u>\$ (63,120)</u>	<u>\$ 134,555</u>	<u>\$ 33,639</u>
<b>Business-type activities</b>					
Florida DEP State Revolving Loan	\$ 47,400	\$ 12,600	\$ -	\$ 60,000	\$ -
<b>Total business-type activities</b>	<u>\$ 47,400</u>	<u>\$ 12,600</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</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	\$ 33,639	\$ 100,916	\$ 134,555
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 33,639</u>	<u>\$ 100,916</u>	<u>\$ 134,555</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 \$11,961 including interest at 2.11% beginning November 2021 through May 2041. Proceeds used for design and engineering services related to developing the City's water and sewer master plan.	\$ -	\$ 30,000	\$ 30,000
\$30,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$1,722 including interest at 2.24% beginning November 2021 through May 2031. Proceeds used for design and engineering services related to developing the City's water and sewer master plan.	-	30,000	30,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020, are as follows:

Year ending September 30,	<b>Business-Type Activities</b>	
	State Revolving Loans	
	Principal	Interest
2021	\$ -	\$ -
2022	42,667	2,691
2023	17,333	190
Total	\$ 60,000	\$ 2,881

**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, 2020

Inactive plan members or beneficiaries currently receivable benefits	12
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	16
	28

*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, 2020**

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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, 2020, using the following actuarial assumptions:

Prior measurement date                      September 30, 2019

Measurement date                              September 30, 2020

Valuation date                                  October 1, 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                           30 years

Asset valuation method                        Fair value

Inflation                                         2.5% annually

Dental / Life trend                             0%

Salary increase                                 3.0% annually

Prior discount rate                             2.66%

Discount rate                                    2.21%

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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	SOA RP-2014 combined mortality table
Turnover	Age specific table with an average of 5% 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, 2019	\$ 151,641	\$ -	\$ 151,641
Changes for the year:			
Service cost	1,128	-	1,128
Interest	4,049	-	4,049
Differences between expected and actual experience	1,031	-	1,031
Changes of assumptions	13,223	-	13,223
Benefit payments	(6,637)	-	(6,637)
Net changes	<u>12,794</u>	<u>-</u>	<u>12,794</u>
Balances at September 30, 2020	<u>\$ 164,435</u>	<u>\$ -</u>	<u>\$ 164,435</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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 1.21%</b>	<b>Current Discount Rate 2.21%</b>	<b>1% Increase 3.21%</b>
Total OPEB liability	\$ 172,755	\$ 164,435	\$ 134,366

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$7,743. On September 30, 2020, 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	\$ 14,728	\$ -
Changes of assumptions	35,127	7,368
Total	\$ 49,855	\$ 7,368

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:

2021	\$ 2,566
2022	2,566
2023	2,566
2024	2,566
2025	2,566
Thereafter	29,657
	\$ 42,487

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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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 \$168,885 for the year ended September 30, 2020.

Future minimum lease payments are as follows:

<b>Year Ending September 30</b>	<b>Business-Type Activities</b>
2021	\$ 133,286
2022	73,440
2023	51,290
Total minimum lease payments	<u>\$ 258,016</u>

**11. COMMITMENTS AND CONTINGENCIES**

**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, 2021 will be \$1,524,316. For subsequent contract years, annual escalation will be based on the existing base fee adjustment formula.

The City has a contract for law enforcement services with the Okaloosa County Sheriff's Department. The contract expires in September 2021, and the City's commitments under the contract for the fiscal year ended September 30, 2021 will be \$218,240.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**11. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Transfer of Operations – Fire Department**

In 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 ended September 30, 2020 was \$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 apparatuses was transferred to OCWFCD for use in fire protection operations during the term of the contract. The undepreciated value of the equipment transferred to OCWFCD is reported as other assets in the statement of net position and is being amortized over the life of the contract.

**Health Pandemic**

On March 11, 2020, the World Health Organization (WHO) declared the novel strain of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production of services across a range of industries, including but not limited to, tourism and travel. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. As of the date of this report, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain and cannot be estimated.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Total OPEB Liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,128	\$ 523	\$ 507
Interest	4,049	5,197	5,113
Difference between expected and actual experience	1,031	3,637	11,625
Changes in assumptions and other inputs	13,223	25,013	(8,218)
Benefit payments	<u>(6,637)</u>	<u>(6,789)</u>	<u>(6,789)</u>
Net change in total OPEB liability	12,794	27,581	2,238
Total OPEB liability – beginning	<u>151,641</u>	<u>124,060</u>	<u>121,822</u>
Total OPEB liability – ending	<u><u>\$ 164,435</u></u>	<u><u>\$ 151,641</u></u>	<u><u>\$ 124,060</u></u>
 Covered Employee Payroll	 \$ 728,042	 \$ 1,031,833	 \$ 1,001,780
 Total OPEB liability as a percentage of covered employee payroll	 22.59%	 14.70%	 12.38%

Notes to Schedule

*Benefit Changes* – There were no changes of benefit terms for the year ended September 30, 2020.

*Changes of Assumptions* – The discount rate assumption was reduced from 2.66% for the year ended September 30, 2019, to 2.21% for the year ended September 30, 2020.

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>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>	<u>2020</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 7,022	\$ 6,950	\$ 7,159	\$ 7,596	\$ 7,539	\$ 8,267	\$ 8,282	\$ 8,012	\$ 7,705	\$ 7,099
Restricted	24	25	13	-	-	-	-	-	482	671
Unrestricted	<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>	<u>4,019</u>
Total governmental activities net position	<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>	<u>\$ 11,789</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,489	\$ 8,025	\$ 8,681	\$ 8,376	\$ 8,132	\$ 8,001	\$ 7,892	\$ 7,729	\$ 7,431	\$ 7,439
Restricted	586	10	6	-	-	-	-	-	82	3
Unrestricted	<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>	<u>2,402</u>
Total business-type activities net position	<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>	<u>\$ 9,844</u>
Primary government										
Invested in capital assets, net of related debt	\$ 13,511	\$ 14,975	\$ 15,840	\$ 15,972	\$ 15,671	\$ 16,268	\$ 16,174	\$ 15,741	\$ 15,136	\$ 14,538
Restricted	610	35	19	-	-	-	-	-	564	674
Unrestricted	<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>	<u>6,421</u>
Total primary government net position	<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>	<u>\$ 21,633</u>

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

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

	Fiscal Year									
	<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>	<u>2020</u>
<b>Expenses</b>										
Governmental activities										
General government	\$ 464,628	\$ 639,016	\$ 506,077	\$ 516,555	\$ 574,449	\$ 628,258	\$ 764,696	\$ 775,739	\$ 925,389	\$ 1,153,899
Public safety	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	1,397,022
Transportation	353,180	383,961	388,736	399,040	413,256	427,770	448,873	434,462	407,587	427,272
Human services	18,037	17,083	17,067	16,831	17,250	2,644	3,000	2,335	4,145	1,005
Culture and recreation	226,967	263,338	278,985	285,407	293,490	301,825	361,790	386,544	412,488	385,617
Unallocated depreciation/loss on disposal	185,962	202,084	207,212	301,458	282,069	281,248	-	-	-	-
Total governmental activities expenses	<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>	<u>3,364,815</u>
Business-type activities										
Water and sewer	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	2,420,334
Total business-type activities expenses	<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>	<u>2,420,334</u>
Total primary government expenses	<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>	<u>\$ 5,785,149</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 147,542	\$ 178,535	\$ 189,929	\$ 199,880	\$ 206,501	\$ 205,482	\$ 364,467	\$ 216,320	\$ 303,685	\$ 300,434
Public safety	113,250	4,117	7,897	3,990	8,183	12,195	7,544	10,796	15,544	14,433
Transportation	45,124	50,097	52,267	52,770	54,352	67,295	72,119	67,770	42,013	43,158
Culture and recreation	33,717	4,872	4,475	2,490	5,289	7,864	4,304	4,406	3,934	3,510
Operating grants and contributions	331,810	40,023	40,314	42,876	45,651	47,125	59,070	88,190	105,549	567,713
Capital grants and contributions	-	-	-	92,150	158,023	835,263	278,108	27,591	239,996	7,830
Total governmental activities program revenues	<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>	<u>937,078</u>
Business-type activities										
Charges for services										
Water and sewer	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	2,485,042
Operating grants and contributions	-	-	-	-	-	-	-	90,650	-	-
Capital grants and contributions	-	-	-	-	-	-	14,000	6,500	85,450	175,100
Total business-type activities program revenues	<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>	<u>2,660,142</u>
Total primary government program revenues	<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>	<u>\$ 3,597,220</u>

Continued...

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net (Expenses) Revenues</b>										
Governmental activities	\$ (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)	\$ (2,427,737)
Business-type activities	(310,817)	(542,180)	(341,293)	(369,584)	(427,658)	(123,971)	22,940	6,759	9,437	239,808
Total primary government net expense	<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>	<u>\$ (2,187,929)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 708,658	\$ 682,845	\$ 640,503	\$ 641,188	\$ 661,214	\$ 904,952	\$ 1,026,840	\$ 1,150,825	\$ 1,175,646	\$ 1,451,359
Municipal revenue sharing	113,936	130,293	126,208	136,637	138,137	137,755	147,143	154,858	162,448	152,772
Sales taxes	410,767	439,838	444,407	468,942	495,084	518,053	533,776	563,890	875,315	953,897
Utility service taxes	-	375,625	490,919	487,133	489,944	497,107	494,613	509,667	557,404	623,740
Franchise taxes	-	161,368	198,614	224,189	235,000	225,542	206,167	217,481	213,733	207,689
Other taxes	-	153,215	124,475	144,675	135,313	128,449	127,864	121,656	115,303	112,492
Gain (loss) on disposal of asset	-	(499)	3,341	38,942	1,437	2,868	4,016	3,424	1,160	-
Miscellaneous	49,645	14,267	35,762	86,086	31,795	15,491	13,579	16,075	31,550	10,875
Investment earnings	10,218	44,727	12,089	2,192	5,748	7,405	7,802	31,636	47,109	41,369
Transfers	505,311	(809,201)	57,511	271,303	474,268	3,295	-	-	-	(441,267)
Total governmental activities	<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>	<u>3,112,926</u>
Business-type activities										
Miscellaneous	111,413	164,398	787,060	138,281	155,773	148,378	16,905	1,907	47,305	7,600
Franchise fees	237,835	50,066	-	-	-	-	-	-	-	-
Utility service fees	532,609	129,165	-	-	-	9,400	-	-	-	-
Loss on disposal of assets	-	-	-	-	-	-	(17,482)	-	-	-
Investment earnings	20,600	14,463	8,082	4,866	5,097	1,865	3,088	5,511	16,536	13,945
Transfers	(505,311)	809,201	(57,511)	(271,303)	(474,268)	(3,295)	-	-	-	441,267
Total business-type activities	<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>	<u>462,812</u>
Total primary government	<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>	<u>\$ 3,575,738</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 123,527	\$ (1,173,441)	\$ (145,887)	\$ 131,790	\$ 345,454	\$ 742,790	\$ 316,918	\$ 411,537	\$ 925,053	\$ 685,189
Business-type activities	86,329	625,113	396,338	(497,740)	(741,056)	32,377	25,451	14,177	73,278	702,620
Total primary government	<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>	<u>\$ 1,387,809</u>

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

	Fiscal Year									
	<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>	<u>2020</u>
General Fund										
Restricted	\$ 23,824	\$ 24,584	\$ 13,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,543	\$ 247,373
Committed	-	-	560,802	-	-	604,613	598,875	565,189	657,717	640,579
Assigned	15,649	1,357	28,755	12,074	169,605	66,779	187	141,267	141,267	-
Nonspendable	27,771	32,453	30,045	22,946	21,479	23,762	2,940	2,036	309	3,592
Unassigned	2,795,978	1,703,713	776,314	966,813	1,219,813	735,030	1,133,320	1,695,305	2,333,397	3,282,501
Total General Fund	<u>\$ 2,863,222</u>	<u>\$ 1,762,107</u>	<u>\$ 1,409,349</u>	<u>\$ 1,001,833</u>	<u>\$ 1,410,897</u>	<u>\$ 1,430,184</u>	<u>\$ 1,735,322</u>	<u>\$ 2,403,797</u>	<u>\$ 3,372,233</u>	<u>\$ 4,174,045</u>
Discretionary Sales Tax Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,271	\$ 423,456
Total Discretionary Sales Tax Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,271</u>	<u>\$ 423,456</u>
Total all other governmental funds	<u>\$ 2,863,222</u>	<u>\$ 1,762,107</u>	<u>\$ 1,409,349</u>	<u>\$ 1,001,833</u>	<u>\$ 1,410,897</u>	<u>\$ 1,430,184</u>	<u>\$ 1,735,322</u>	<u>\$ 2,403,797</u>	<u>\$ 3,614,504</u>	<u>\$ 4,597,501</u>

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

	Fiscal Year									
	<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>	<u>2020</u>
<b>Revenues</b>										
Taxes	\$ 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	\$ 2,363,845
Licenses, fees and permits	144,292	175,784	217,003	242,354	255,745	257,505	240,538	243,309	506,322	242,996
Intergovernmental	871,791	472,516	479,777	589,367	682,493	1,373,923	832,403	644,564	949,028	1,490,446
Charges for services	170,731	187,614	204,633	207,314	215,806	229,305	264,017	255,646	284,610	317,752
Fines	33,717	35,592	31,546	33,808	37,774	31,568	163,096	20,428	27,520	16,306
Demutualization	-	-	-	88,278	32,181	19,896	25,505	-	-	-
Miscellaneous	35,478	58,992	47,851	-	-	-	-	59,291	93,501	59,926
<b>Total revenues</b>	<u>1,964,667</u>	<u>2,279,821</u>	<u>2,367,859</u>	<u>2,585,355</u>	<u>2,670,234</u>	<u>3,609,978</u>	<u>3,343,396</u>	<u>3,181,161</u>	<u>3,890,389</u>	<u>4,491,271</u>
<b>Expenditures</b>										
General government	457,979	638,359	504,423	519,438	567,820	623,843	617,706	638,422	802,802	799,801
Public safety	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	1,348,483
Transportation	353,180	383,961	388,736	399,040	413,256	427,770	386,592	374,517	338,736	352,430
Human services	18,037	-	-	16,831	17,250	2,644	3,000	2,335	4,145	1,005
Economic environment	-	17,083	17,067	285,407	293,491	301,825	-	-	-	-
Culture and recreation	226,967	263,338	278,985	747,021	225,087	1,009,166	311,142	342,340	350,042	350,092
Capital outlay	418,713	130,914	415,737	-	-	-	406,085	118,704	87,332	215,196
<b>Total expenditures</b>	<u>2,572,553</u>	<u>2,571,736</u>	<u>2,781,469</u>	<u>3,212,099</u>	<u>2,736,875</u>	<u>3,596,854</u>	<u>3,042,274</u>	<u>2,516,110</u>	<u>2,679,682</u>	<u>3,067,007</u>
Excess of revenues over (under) expenditures	(607,886)	(291,915)	(413,610)	(626,744)	(66,641)	13,124	301,122	665,051	1,210,707	1,424,264
<b>Other Financing Sources (Uses)</b>										
Transfers in	1,213,604	-	57,511	271,303	474,268	3,295	-	-	-	-
Transfers out	(708,293)	(809,201)	-	-	-	-	-	-	-	(441,267)
Proceeds from sale of assets	-	-	3,341	47,585	1,437	2,868	4,016	3,424	-	-
<b>Total other financing sources (uses)</b>	<u>505,311</u>	<u>(809,201)</u>	<u>60,852</u>	<u>318,888</u>	<u>475,705</u>	<u>6,163</u>	<u>4,016</u>	<u>3,424</u>	<u>-</u>	<u>(441,267)</u>
<b>Net changes in fund balances</b>	<u>\$ (102,575)</u>	<u>\$ (1,101,116)</u>	<u>\$ (352,758)</u>	<u>\$ (307,856)</u>	<u>\$ 409,064</u>	<u>\$ 19,287</u>	<u>\$ 305,138</u>	<u>\$ 668,475</u>	<u>\$ 1,210,707</u>	<u>\$ 982,997</u>



**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		
2011	\$247,678,730	\$ 291,386,741	\$ 15,354,132	\$15,354,132	\$ 263,032,862	\$ 306,740,873	85%	2.6435
2012	\$236,084,822	\$ 271,497,545	\$ 14,090,823	\$14,090,823	\$ 250,175,645	\$ 285,588,368	85%	2.6435
2013	\$237,111,129	\$ 272,677,798	\$ 13,269,617	\$13,269,617	\$ 250,380,746	\$ 285,947,415	85%	2.6435
2014	\$244,180,450	\$ 287,271,118	\$ 14,136,059	\$14,136,596	\$ 258,316,509	\$ 301,407,714	85%	2.6435
2015	\$266,854,872	\$ 313,946,908	\$ 16,278,265	\$16,278,265	\$ 283,133,137	\$ 330,225,173	85%	3.5000
2016	\$258,648,526	\$ 304,292,384	\$ 14,213,196	\$14,213,196	\$ 272,861,722	\$ 318,505,580	85%	3.8880
2017	\$265,698,860	\$ 312,586,894	\$ 13,527,257	\$13,527,257	\$ 279,226,117	\$ 326,114,151	85%	4.2347
2018	\$272,827,106	\$ 320,973,065	\$ 13,808,898	\$13,808,898	\$ 286,636,004	\$ 334,781,963	85%	4.2347
2019	\$284,134,531	\$ 334,275,918	\$ 14,564,031	\$14,564,031	\$ 298,698,562	\$ 348,839,949	85%	5.0261
2020	\$298,856,409	\$ 351,595,775	\$ 13,743,311	\$13,743,311	\$ 312,599,720	\$ 365,339,086	85%	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
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	\$ 1,420,290	94.59%	\$ 31,154	\$ 1,451,444	96.67%
2020	\$ 1,568,410	*	*	*	*	*

\*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	
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
2020	5.0261	3.8308	0.0311	6.0350	14.9230

**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	\$ 148,085,452	0.33%	\$ 494,902
Private Bank Notes	\$ 4,268,324	0.33%	\$ 14,265
Okaloosa County School District			
Certificates of Participation	\$ 9,334,000	1.86%	\$ 173,788
Revenue Bonds	\$ 2,275,000	1.86%	\$ 42,358
State School Bonds	\$ 571,000	1.86%	\$ 10,631
Subtotal: Overlapping Debt	<u>\$ 164,533,776</u>		<u>\$ 735,944</u>
<b>Direct Debt</b>			
City of Mary Esther SRF Loans	60,000	100.00%	60,000
Subtotal: Direct Debt	<u>60,000</u>		<u>60,000</u>
Total direct and overlapping debt	<u><u>\$ 164,593,776</u></u>		<u><u>\$ 795,944</u></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			
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
2020	\$ -	60,000	\$ 60,000	0.04%	\$ 15

**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	
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	\$ -	\$ -	N/A
2020	\$ 2,332,551	\$ -	\$ 1,982,835	\$ -	\$ 349,716	\$ -	\$ -	N/A

**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**

<b>Taxpayer</b>	<b>2020</b>			<b>2011</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
SRM-SPE LLC / Santa Rosa Mall LLC	\$ 11,912,640	1	3.81%	\$ 35,144,665	1	13.36%
Peacock Hotel LLC	7,423,455	2	2.37%			
Target Corp T-0740	4,016,703	3	1.28%			
Gulf Power Company	3,722,091	4	1.19%	2,719,933	7	1.03%
Mary Esther Leasing, Inc.	2,592,919	5	0.83%	2,897,579	5	1.10%
Hood, A Preston & Ann O	2,551,263	6	0.82%	2,193,068	8	0.83%
Mary Esther LLC	2,255,606	7	0.72%			
Pellegrini, Jay A Jr & Suzette	2,173,537	8	0.70%			
Mercantile Property Group LLC	1,932,855	9	0.62%	3,894,840	2	1.48%
Crimson Fish Properties of NW Florida LLC	1,899,207	10	0.61%			
Dayton Hudson Co.				3,779,331	3	1.44%
Mary Esther Shopping Center				3,766,117	4	1.43%
Belk, Inc.				2,808,527	6	1.07%
Shivaram, Inc.				2,171,336	9	0.83%
Mary Esther Restaurant Park				1,947,719	10	0.74%
<b>Total</b>	<b>\$ 40,480,276</b>		<b>12.95%</b>	<b>\$ 61,323,115</b>		<b>23.31%</b>
<b>Total Taxable Assessed Value of Other Taxpayer</b>	<b>\$ 272,119,444</b>		<b>87.05%</b>	<b>\$ 201,709,747</b>		<b>76.69%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 312,599,720</b>		<b>100.00%</b>	<b>\$ 263,032,862</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**

<b>Year</b>	<b>Population</b>	<b>Okaloosa County Population</b>	<b>Per Capita Personal Income (x \$1,000)</b>	<b>Mary Esther Total Personal Income</b>	<b>City of Mary Esther Population as % of County</b>	<b>Okaloosa County School Enrollment</b>	<b>Okaloosa County Unemployment Rate</b>
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%
2020	4,038	203,951	34.0	\$137,292,000	1.98%	32,118	4.0%

**Sources:** Population estimate as of April 1, 2020 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>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>	<u>2020</u>
Police										
Physical arrests	210	598	450	227	208	214	151	120	116	108
Traffic violations	2,357	2,525	1,824	1748	1,425	1,536	1,253	479	769	909
Fire										
Emergency responses	864	784	890	1025	1,039	1,018	1,075	1,082	838	997
Annual inspections	406	254	157	198	288	312	295	61	27	365
Re-inspections	19	39	60	35	30	56	10	2	7	186
Plan reviews	12	55	19	18	12	33	19	4	-	-
Site inspections	20	112	60	20	12	88	22	10	-	-
Permits issued	3	4	4	5	1	9	3	-	-	-
New Inspections	10	29	16	12	22	25	24	6	1	29
Building										
Permits issued	89	75	100	137	133	232	161	202	184	160
Library										
Items in collection	28,319	26,802	28,387	26,409	28,171	28,822	30,456	32,362	33,902	34,044
Water										
New connections	260	265	289	346	335	361	356	309	339	299
Average daily consumption (x1,000)	335	330	304	302	304	327	288	282	287	277

\*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>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>	<u>2020</u>
General government										
Executive	1	1	1	1	1	1	1	1	1	1
Financial and administrative	6	6	5	6	6	6	6	6	6	6
Planning	1	1	1	1	1	1	2	2	2	2
Public safety										
Fire	11	11	12	11	11	13	13	11	-	-
Maintenance	6	7	6	7	7	7	4	4	4	4
Library	6	6	6	6	6	6	6	5	5	5
Water	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>31</u>	<u>31</u>	<u>31</u>	<u>32</u>	<u>32</u>	<u>34</u>	<u>32</u>	<u>29</u>	<u>18</u>	<u>18</u>

**Source:** City Budget Department

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

<b>Function/Program</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Police (contracted with Okaloosa County Sheriff's Office)										
Stations in Mary Esther	-	-	-	-	-	-	-	-	-	-
Patrol units assigned	5	5	4	4	4	4	4	-	2	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	19.4	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	168	168	168	169	170	170	170	182
Number of service connections	1,840	1,846	1,989	1,989	1,989	1,991	1,963	1,967	1,954	1,974
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	1,840	1,846	1,989	1,989	1,869	1,854	1,963	1,963	1,940	1,951

**Sources:** City departments managers

<sup>1</sup> Department of Transportation

<sup>2</sup> Jacobs Engineering

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

<u>Taxpayer</u>	<u>2020</u>			<u>2011</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	133	1	0.15%			
Emerald Coast Animal Hospital	94	2	0.10%			
Dillard's	81	3	0.09%	43	5	0.05%
Mary Esther Elementary School	53	4	0.06%	65	3	0.07%
Old Navy	43	5	0.05%	50	4	0.05%
McDonald's	32	6	0.04%			
Piggly Wiggly	29	7	0.03%			
Burger King	21	8	0.02%			
Wendy's	20	9	0.02%			
Starbucks	15	10	0.02%			
Logan's Roadhouse, Inc.				79	1	0.09%
Food World (dba Publix Supermarkets)				65	2	0.07%
Belk, Inc.				30	6	0.03%
Eglin Federal Credit Union				21	7	0.02%
United States Postal Service				18	8	0.02%
CVS, Inc.				16	9	0.02%
Hampton Inn				15	10	0.02%
<b>Total</b>	<b>521</b>		<b>0.57%</b>	<b>402</b>		<b>0.44%</b>
<b>Total County Employment</b>	<b>90,611</b>			<b>91,108</b>		

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 regard to investments for the year ended September 30, 2020.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements. 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, 2020.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 2, 2021

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 2, 2021.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Warren Averett, LLC*

Fort Walton Beach, Florida

February 2, 2021



## 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, 2020, and have issued our report thereon dated February 2, 2021.

### **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 of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 2, 2021, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

**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 as of September 30, 2020. 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 address in the management letter 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 note any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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 Ancelet, LLC*

Fort Walton Beach, Florida  
February 2, 2021