

# *City of Mary Esther, Florida*

**Annual Comprehensive Financial Report  
with Compliance Matters and Responses for the  
Fiscal Year Ended September 30, 2023**



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

**Fiscal Year Ended  
September 30, 2023**

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

**The City of Mary Esther, Florida  
PRINCIPAL OFFICIALS  
Year Ended September 30, 2023**

**CITY COUNCIL 2022-2023**

Larry Carter  
Susan Coxwell  
Jan Lipscomb  
Bernie Oder  
April Sutton

**CITY OFFICIALS**

**Mayor**

Chris Stein

**Mayor Pro-Tem**

Larry Carter

**City Manager**

Jared Cobb

**City Clerk**

Valerie Broxson

**City Attorney**

Hayward Dykes, Jr., Esq.

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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

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of Mary Esther, Florida (the City), covering the fiscal year ending September 30, 2023. This document is a testament to our commitment to transparency, accountability, and effective financial stewardship.

The enclosed ACFR provides a comprehensive and detailed account of the City's financial performance, fiscal policies, and strategic initiatives during the fiscal year. This document is designed to serve as a valuable resource for our stakeholders, including members of the City Council, citizens, and external auditors.

The responsibility for the accuracy, completeness, and fairness of the financial data and disclosures within this report rests with the City. We have undertaken rigorous efforts to ensure that the information presented is reliable, transparent, and in compliance with applicable accounting standards.

### **CITY PROFILE**

The City, with approximately 4,600 residents, continues to thrive as a coastal community with a rich history and a promising future. Situated east of Hurlburt Field and west of Fort Walton Beach, the City plays a vital role in the regional landscape, surrounded by the largest military base in the world, Eglin Air Force Base.

Established in 1946, the City of Mary Esther was officially incorporated on June 5, 1984, following a referendum vote by our citizens. Operating under a council-manager form of government, our City Council members play a pivotal role in shaping policies, creating ordinances, and appointing key administrative positions, including the City Manager and City Clerk.

### **CITY SERVICES**

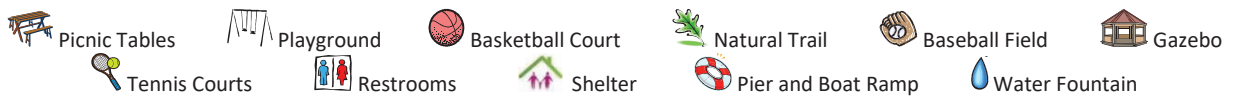
Our commitment to providing essential services remains unwavering. From police and fire protection to code enforcement, maintenance of city roadways, and water and sewer utilities services, the City continues to enhance the quality of life for our residents. Collaborations with the Okaloosa County Sheriff's Office and the Ocean City-Wright Fire Control District further bolster public safety efforts.

The Mary Esther Public Library, a proud member of the Okaloosa County Public Library Cooperative, serves as a hub for education and cultural enrichment, offering free access to the internet, educational classes, recreational materials, and more.

### **INFRASTRUCTURE AND PARKS**

Spanning 1.5 square miles, the City is characterized by small residential neighborhoods interspersed with ten beautiful parks, including a 14-acre nature park and a public boat ramp and pier. These parks contribute significantly to the community's well-being, offering recreational amenities and green spaces for residents to enjoy.

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 (the County), our broader community, has experienced positive growth with an estimated population of 219,260, marking a 14% increase over the last decade. The region's sugar-white sand beaches and emerald-green waters attract millions of visitors annually, contributing to its economic vitality.

As of September 30, 2023, the County's millage rate stood at 3.8308 mils, reflecting its commitment to fiscal responsibility and efficient resource allocation. Furthermore, the County's unemployment rate was 2.7%, outperforming the State of Florida, which reported a rate of 2.8%. This favorable economic indicator underscores the County's resilience and robust employment opportunities, further solidifying its status as an economic hub within the region.

Eglin Air Force Base, one of the world's largest military reservations, plays a crucial role in the County's economic landscape, attracting defense contracting firms and fostering substantial employment and investments.



## HISTORICAL SIGNIFICANCE

Strategically located for easy access to local waterways, the City holds historical significance as one of the earliest settled areas in Northwest Florida. In 1842, Jesse Rogers and his family, leading a substantial cattle herd from Louisiana, became the first settlers on the shores of Santa Rosa Sound. In the mid-1850s, Reverend John Newton, a minister and teacher, established the Narrows, known today as Mary Esther, where he founded the first school doubling as a church during the Civil War. On October 10, 1871, Reverend Newton also initiated the city's first post office, likely doubling as his residence.

The naming of Mary Esther has three versions, with old-timers suggesting that Reverend Newton named the community to honor his daughters and wife. Evidence in 2014 from tombstones in the local cemetery for Mary Christine Newton and Esther Newton supports the possibility that the city was named after Reverend Newton's daughters.



Thomas Jefferson Pryor, a deckhand from Greenville, Alabama, arrived in Mary Esther in 1854, marrying Ona Rogers and later becoming the town's postmaster. The Pryor family's significant role continued, with Mary Pryor serving as Postmistress from 1938 to 1972. William C. Pryor, a pioneer and educator, contributed to the city's history, eventually becoming the County's first superintendent of schools. The Pryor family maintains a deep connection to the City, residing on the original property purchased by the City's founders in the early 1800s along the north bank of Santa Rosa Sound.

The discovery of Oak Tree Nature Park is credited to William Lazarus, featuring a 14-acre site protected under Florida Statutes. Between 1999 and 2002, the University of West Florida and community volunteers conducted a cultural resources study under the leadership of UWF Archaeology Institute professor Norma Harris, uncovering artifacts such as bone, shell, pottery shards, and stone tools.

A scenic trail featuring two bridges over Silver Sands Creek is adorned with markers that showcase the diverse plant and animal life, offering visitors an educational experience during their leisurely walks through this historic park. In November 2010, Eagle Scout N. Klaus, a local Boy Scout, utilized donated lumber and hardware from CH2M Hill, Inc., to construct a deck at the park's Southeast corner, providing a scenic view of the Silver Sands Creek floodplain.



The inauguration of Santa Rosa Mall in 1976 ignited a surge in commercial construction along Mary Esther Cutoff, subsequently renamed Mary Esther Boulevard, within the City's limits.





Initiated in 2013, the City's community garden at Springdale Park, spearheaded by Councilmember Sykes, has flourished into a thriving reality. This endeavor has not only reached full capacity at its location but has also become a catalyst for community cooperation, teamwork, and goodwill, as participants contribute their horticultural knowledge and skills to nurture the garden.

## **FINANCIAL POLICIES AND INTERNAL CONTROLS**

The City Manager (CM) serves as the Chief Financial Officer and Chief Investment Officer, overseeing funds management and executing the City Council's investment policies. The CM is responsible for the City Finance Department, ensuring compliance with Personal Conduct Standards. Budget recommendations and investment strategies are presented to the City Council based on the written investment policy, with the CM also suggesting eligible investment dealers and brokers, subject to Council review. The CM safeguards security holdings in accordance with Council policies, rules, regulations, and directives. Reporting to the CM, the Finance Director (FD) evaluates City investments for adherence to Council objectives, reviewing transactions, performance, asset mix, and portfolio strategy each quarter. The FD advises the City Council on investment strategies and recommends specific investments for the city portfolio.

The City's primary investment objectives, in order of priority, focus on ensuring the safety of principal, maintaining liquidity to meet operational needs, and optimizing return on investment within specified risk constraints and cash flow considerations.

The City prioritizes internal control objectives to minimize the risk of fraud, waste, or abuse, recognizing that no system can entirely eliminate these risks. The City Manager leads a small senior management team, leveraging available staff to enhance internal control processes in response to evolving threats and technology. During business hours, at least one of the CM, City Clerk, or Finance Director is present at City Hall. Two signers, including the CM, Permit Technician, and City Mayor, are required for all checks. The Finance Director prepares bank reconciliations, which are reviewed and signed by the CM. A closed-circuit camera system monitors sensitive areas, with vault access limited to pre-authorized personnel. Two individuals, the CM and the Finance Director, are involved in the payroll process, and any pay rate adjustments require the CM's authorization before entry into the accounting system.

## **ECONOMIC ENVIRONMENT AND PROJECTIONS**

The City stands as a beacon for businesses supported by a skilled and diversified labor force. Military veterans and their families, comprising at least 33% of our population, contribute to the vibrant economic landscape. We actively support the Okaloosa Economic Development Council's commitment to growth and diversification through various incentives, making the City a business-friendly environment.

Eglin Air Force Base and Hurlburt Field, with an estimated annual economic impact exceeding \$9 billion, play a pivotal role in our local economy. The defense industry, representing 73% of economic activity in the County, supports approximately 192,000 jobs in Northwest Florida.

## **LOOKING FORWARD**

The City actively manages and annually updates a capital improvement plan to forecast the maintenance and replacement of high-cost assets crucial for providing transportation and utility services to residents. This ensures the availability of funds when needed. The plan encompasses various depreciable assets, such as streets, sidewalks, vehicles, equipment, and buildings, evaluating their life expectancy along with associated maintenance and replacement costs. During the annual budget cycle, the City Council deliberates and decides on which capital assets will undergo repair or replacement.

A steadfast commitment is maintained by the City Council to enhance the water and wastewater systems, with the first phase of the water and sewer master plan in progress. Rehabilitation of Well #1 nears completion, and the retired package plant at the wastewater treatment facility has been demolished. Ongoing infrastructure improvements for water, sewer, stormwater, and streets are happening in the Springdale Park neighborhood. Design work for infrastructure enhancements in the Azalea Park neighborhood is finished, with the project set for bidding in the near term. Collaborative efforts with the County include the acquisition of property to establish a waterfront park for the City.

Emphasizing community engagement and revitalization, the City has focused on envisioning methods for development. A comprehensive community visioning plan, encompassing master plans for facilities, parks, streets, and beautification projects, has been completed to guide future city improvements. Key priorities identified include water and sewer infrastructure enhancements, addressing congestion on US Highway 98 near Mary Esther Elementary, improving pedestrian accessibility, and establishing a centrally located community center for events. The City Council will collaborate with staff to develop projects aligning with the goals and priorities outlined in the community visioning plan.

## **INDEPENDENT AUDIT**

Florida municipalities are required to undergo annual audits conducted by an independent certified public accounting firm. Warren Averett, LLC has been engaged to conduct the annual audits for the City's financial reports and provide Single Audits, as necessary for state and federal grants, covering fiscal years ending September 30, 2022, through 2024.

The City received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive financial report for the fiscal year ended September 30, 2022. This prestigious award has been achieved for the 13th consecutive year, demonstrating the City's commitment to publishing a comprehensive annual financial report that is easily readable, efficiently organized, and compliant with both generally accepted accounting principles and applicable legal requirements.

While a Certificate of Achievement is valid for one year only, we are confident that our current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program. We are submitting it to GFOA for evaluation to determine its eligibility for another certificate.

## **ACKNOWLEDGEMENTS**

The City's Finance Department, the City Manager, and the department heads have dedicated significant efforts to compile the necessary information for this year's Annual Comprehensive Financial Report. We extend our sincere appreciation 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, the Ocean City-Wright Fire Department, and our auditing firm, Warren Averett, for their valuable contributions and assistance in the preparation of this report.

This letter of transmittal is designed to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Respectfully submitted,

A handwritten signature in black ink that reads "Heather Day". The signature is written in a cursive, flowing style.

Heather Day, Finance Director  
February 7, 2024



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Mary Esther  
Florida**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

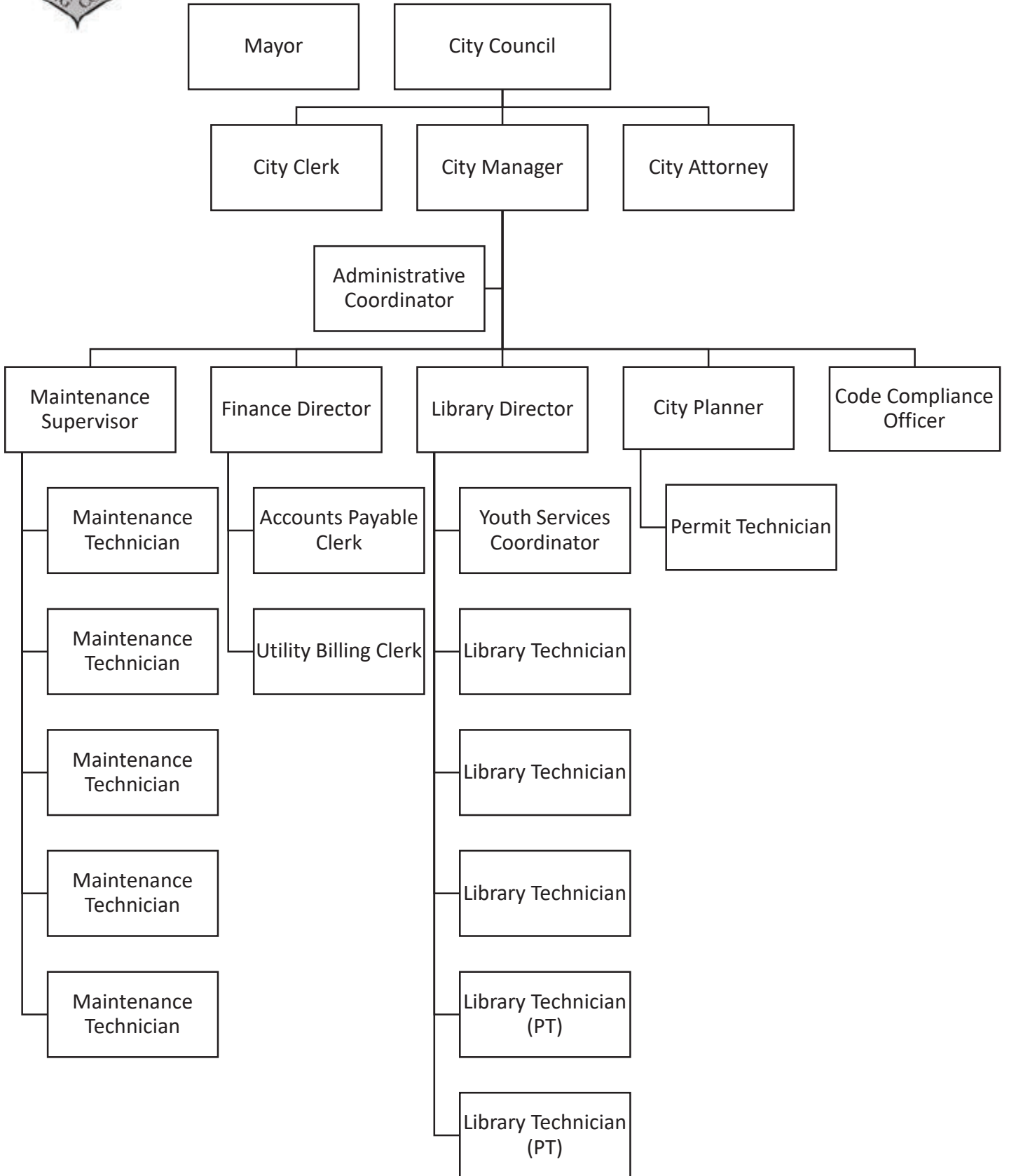
September 30, 2022

*Christopher P. Morrill*

Executive Director/CEO



City of Mary Esther, Florida  
Organizational Chart  
FY 2023



## **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

### Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Mary Esther, Florida, as of September 30, 2023, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

### Responsibilities of Management 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.



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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, 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.



Fort Walton Beach, Florida  
February 7, 2024

## 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, 2023.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$29.0 million (net position), and represents an increase of \$3.4 million, or 13.1%, from the prior year. Of this amount, \$16.4 million represents investments in capital assets (e.g., land, construction in progress, infrastructure, buildings, machinery and equipment) less any related debt used to acquire these assets that is still outstanding, \$2.2 million is restricted for specific purposes, and \$10.4 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 \$1.9 million, or 13.5%, and the business-type activities increased \$1.4 million, or 12.6%. The increase in governmental activities net position is attributable to several factors, most notably, an increase in investment earnings and revenues from property and sales taxes. The increase in business-type activities net position is primarily attributable to American Rescue Plan Act (ARPA) grant funds that were expended on capital system improvements.
- As of September 30, 2023, the City's governmental funds reported ending fund balances of \$8.6 million, an increase in fund balance of \$1.2 million, or 16.8%. Of this amount, \$4.1 million, or 47.4%, of ending fund balance (and 98.6% of the total expenditures for governmental funds), is assigned or unassigned and thus, available for spending at the City Council's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the 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 the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City.

### **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.

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 15-16 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 the City's funds 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 17-22 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.

## 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 23-26 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 27 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 \$29.0 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, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,900,117	\$ 8,555,899	\$ 8,325,255	\$ 7,422,042	\$ 18,225,372	\$ 15,977,941
Capital assets	7,570,243	6,869,052	9,969,481	8,188,476	17,539,724	15,057,528
<b>Total assets</b>	<b>17,470,360</b>	<b>15,424,951</b>	<b>18,294,736</b>	<b>15,610,518</b>	<b>35,765,096</b>	<b>31,035,469</b>
<b>Total deferred outflows of resources</b>	<b>49,052</b>	<b>49,076</b>	<b>-</b>	<b>-</b>	<b>49,052</b>	<b>49,076</b>
Long-term liabilities						
outstanding	225,806	247,620	1,095,450	459,865	1,321,256	707,485
Other liabilities	1,107,094	956,751	1,500,169	1,750,711	2,607,263	2,707,462
<b>Total liabilities</b>	<b>1,332,900</b>	<b>1,204,371</b>	<b>2,595,619</b>	<b>2,210,576</b>	<b>3,928,519</b>	<b>3,414,947</b>
<b>Total deferred inflows of resources</b>	<b>43,843</b>	<b>48,472</b>	<b>2,819,870</b>	<b>1,965,332</b>	<b>2,863,713</b>	<b>2,013,804</b>
Net position						
Net investment in						
capital assets	7,504,016	6,771,357	8,864,327	7,714,044	16,368,343	14,485,401
Restricted	2,195,464	1,766,004	7,700	6,900	2,203,164	1,772,904
Unrestricted	6,443,189	5,683,823	4,007,220	3,713,666	10,450,409	9,397,489
<b>Total net position</b>	<b>\$ 16,142,669</b>	<b>\$ 14,221,184</b>	<b>\$ 12,879,247</b>	<b>\$ 11,434,610</b>	<b>\$ 29,021,916</b>	<b>\$ 25,655,794</b>

By far the largest portion of the City's net position, \$16.4 million, or 56.4%, 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 \$2.2 million, or 7.6%, represents resources that are subject to external restrictions on how they may be used. The City's unrestricted net position of \$10.4 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 \$3.4 million, or 13.1%, during fiscal year 2023. Governmental activities increased by \$1.9 million and business-type activities increased by \$1.4 million.

## GOVERNMENTAL ACTIVITIES

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 85,885	\$ 102,760	\$ 3,185,063	\$ 3,174,669	\$ 3,270,948	\$ 3,277,429
Operating grants and contributions	157,072	71,628	-	41,931	157,072	113,559
Capital grants and contributions	91,520	46,835	825,352	222,602	916,872	269,437
General revenues						
Property taxes	1,968,163	1,620,681	-	-	1,968,163	1,620,681
Other taxes	2,537,282	2,258,452	-	-	2,537,282	2,258,452
Other revenue	543,601	270,736	385,365	326,440	928,966	597,176
<b>TOTAL REVENUES</b>	5,383,523	4,371,092	4,395,780	3,765,642	9,779,303	8,136,734
<b>EXPENSES</b>						
Governmental activities						
General government	1,032,690	939,409	-	-	1,032,690	939,409
Public safety	1,465,151	1,460,749	-	-	1,465,151	1,460,749
Physical environment	75,179	57,473	-	-	75,179	57,473
Transportation	244,156	211,782	-	-	244,156	211,782
Culture and recreation	641,247	540,836	-	-	641,247	540,836
Debt service interest	3,615	-	-	-	3,615	-
Business-type activities						
Water and sewer	-	-	2,951,143	2,897,543	2,951,143	2,897,543
<b>TOTAL EXPENSES</b>	3,462,038	3,210,249	2,951,143	2,897,543	6,413,181	6,107,792
<b>CHANGE IN NET POSITION</b>	1,921,485	1,160,843	1,444,637	868,099	3,366,122	2,028,942
<b>NET POSITION AT BEGINNING OF YEAR</b>	14,221,184	13,060,341	11,434,610	10,566,511	25,655,794	23,626,852
<b>NET POSITION AT END OF YEAR</b>	\$ 16,142,669	\$ 14,221,184	\$ 12,879,247	\$ 11,434,610	\$ 29,021,916	\$ 25,655,794

## 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 approximately 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.

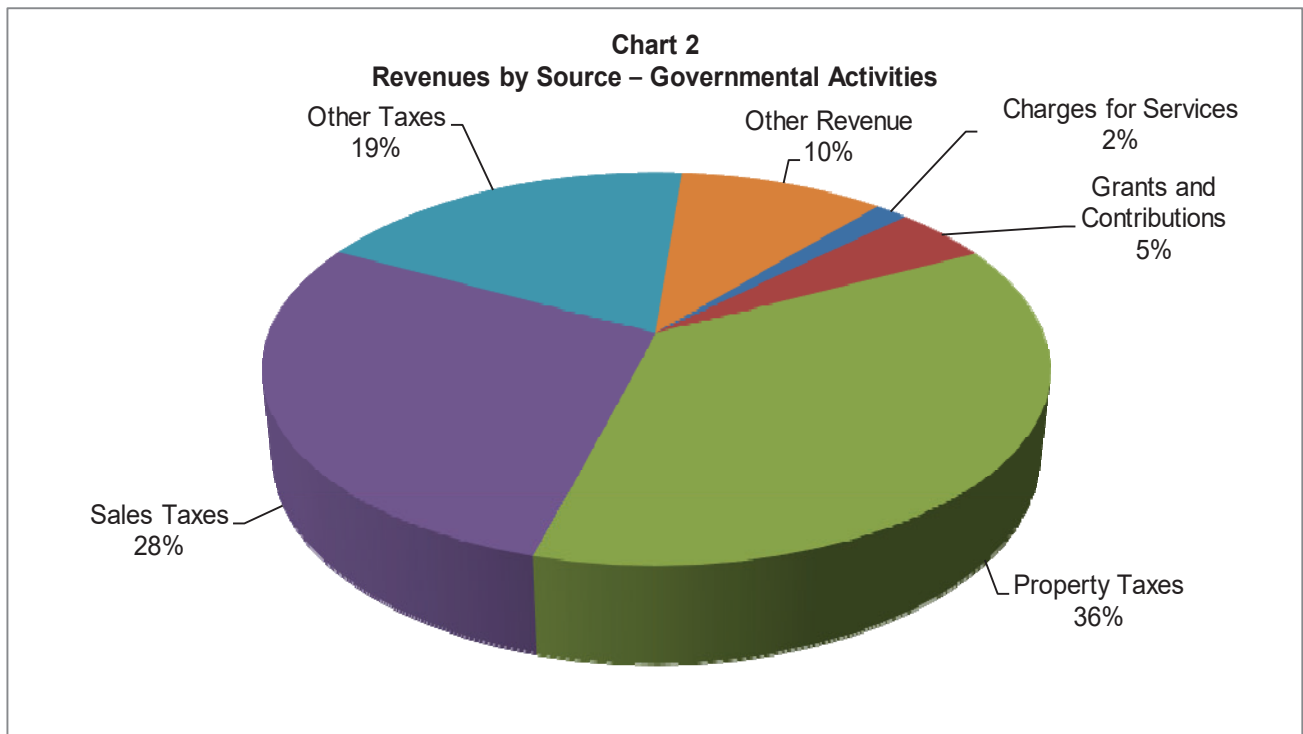
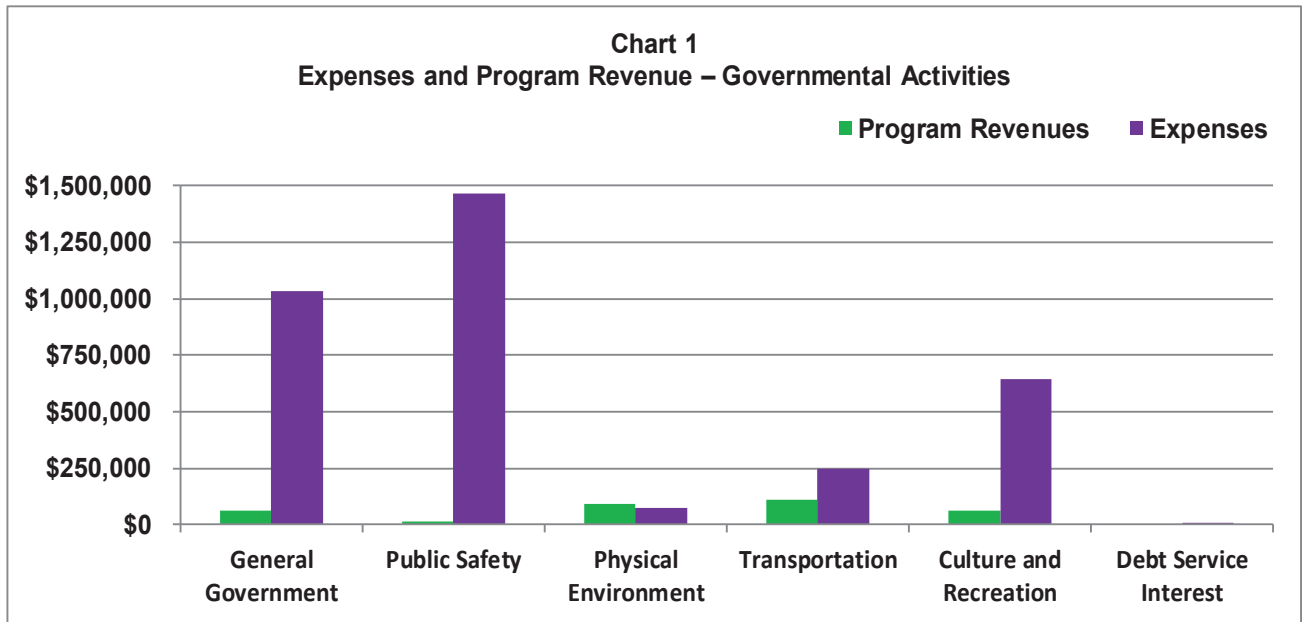
### **Current Year Impacts – Governmental Activities**

- Property tax revenues increased by \$347 thousand, or 21.4%. This is primarily attributable to an increase in the assessed value of taxable property within the City's boundaries.
- Other revenues increased by \$273 thousand, or 100.8%. This increase is almost entirely attributable to rising interest rates which resulted in much better returns on invested funds.
- Culture and recreation expenses increased by \$100 thousand, or 18.6%. This increase is the result of several factors, most notably, an increase in payroll and employee benefit costs.



**FINANCIAL IMPACTS – CONTINUED**

**Current Year Impacts – Governmental Activities – Continued**

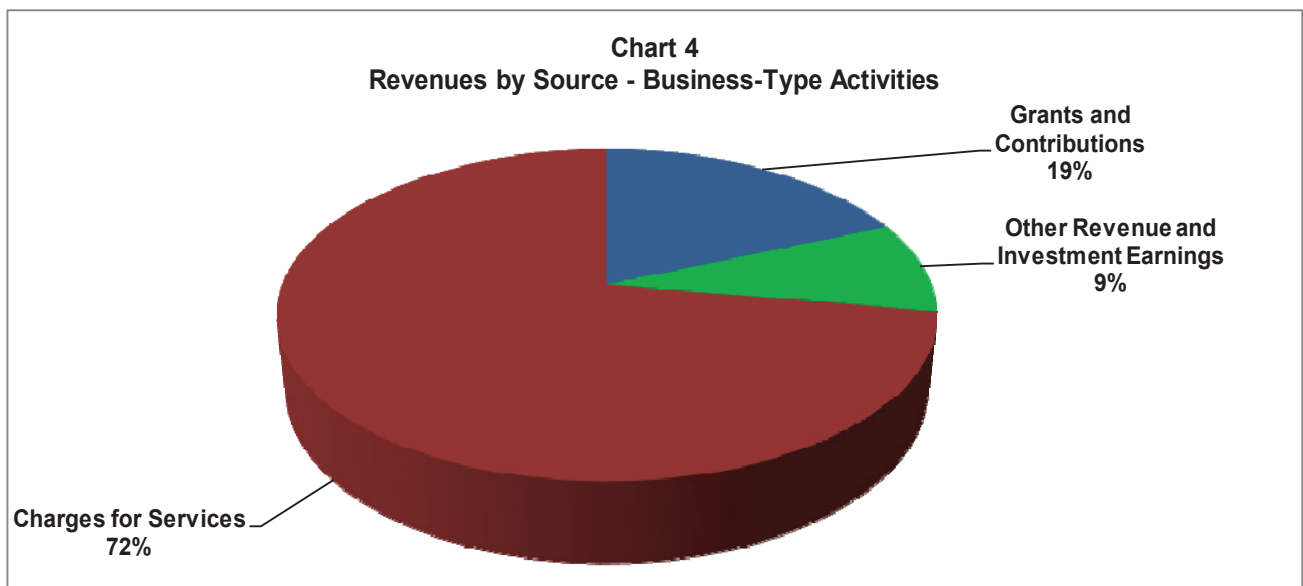
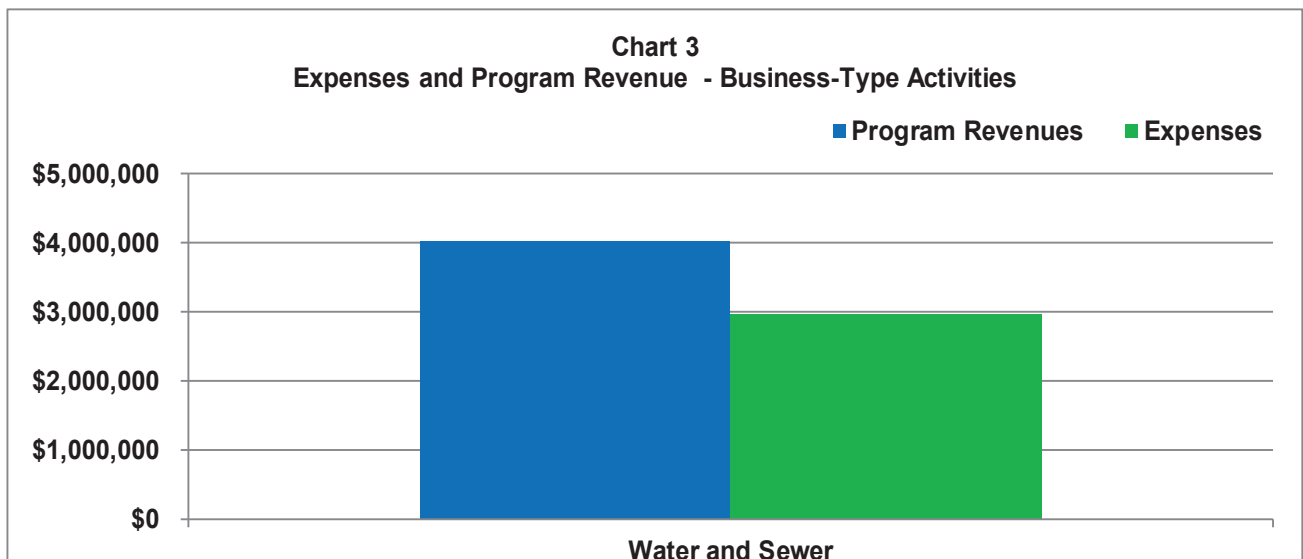




## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Business-Type Activities

- The net position from business-type activities increased \$1.4 million, or 12.6%.
- Capital grants and contributions increased by \$603 thousand, or 270.8%. This increase is the result of the City expending ARPA grant funds on water system improvements.
- Other revenues increased \$59 thousand, or 18.1%. This increase is almost entirely attributable to rising interest rates which resulted in much better returns on invested funds.
- Water and sewer expenses increased \$54 thousand, or 1.8%, which indicates that there were no significant changes to the water and sewer operations.



## 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 \$6.7 million, an increase in fund balance of \$747 thousand in comparison with the prior year. This increase was primarily driven by property and sales tax revenues, which significantly exceeded budgetary expectations.

Included in ending fund balance in the General Fund, \$3 thousand consists of nonspendable fund balance for prepaid items; \$307 thousand consists of fund balance restricted for specific purposes; \$2.3 million consists of committed fund balance for disaster and emergency reserves, which indicates that it is not available for current year operations; \$2.4 million is assigned fund balance for a projected budget deficit in the subsequent fiscal year. The remainder of fund balance is unassigned, which is available for future spending at the Council's discretion.

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 a local option tax. At the end of the fiscal year, the ending fund balance was \$1.9 million, an increase of \$490 thousand in comparison with the prior year. The increase in fund balance is attributable to delays in the commencement of the Springdale Park neighborhood improvement project.

As a measure of the liquidity in the governmental funds, it may be useful to compare both unassigned and assigned fund balance and total fund balance to total expenditures. Unassigned and assigned fund balances represent 98.6% of the total expenditures in the governmental funds, while total fund balances represent 207.8% of that same amount. Unassigned and assigned fund balances represent approximately 12 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 \$4.0 million at the end of fiscal year 2023. Total net position for proprietary funds increased \$1.4 million during 2023.

## BUDGETARY HIGHLIGHTS

### General Fund

- Actual total expenditures were below budgetary expectations by \$2.1 million, which is primarily attributable to unexpected delays in the commencement of planned capital projects.
- Actual revenues exceeded budgetary expectations by \$52 thousand, which is primarily attributable to significant increases in revenues from property taxes and sales taxes.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES OUTSTANDING

### Capital Assets

The City's investments in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$17.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads and highways, etc. The total increase in the City's investment in capital assets for the current fiscal year was \$2.5 million, or 17.0%, with an overall 11.3% increase for governmental activities, and a 21.8% 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, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 5,015,449	\$ 4,363,248	\$ 77,878	\$ 77,878	\$ 5,093,327	\$ 4,441,126
Buildings	659,106	695,517	57,378	60,753	716,484	756,270
Improvements other than buildings	1,432,073	1,590,910	6,504,279	6,808,151	7,936,352	8,399,061
Machinery and equipment	7,160	36,442	674,014	647,503	681,174	683,945
Subscription assets	72,209	97,695	36,259	49,057	108,468	146,752
Construction in progress	384,246	85,240	2,619,673	545,134	3,003,919	630,374
<b>Total</b>	<b>\$ 7,570,243</b>	<b>\$ 6,869,052</b>	<b>\$ 9,969,481</b>	<b>\$ 8,188,476</b>	<b>\$ 17,539,724</b>	<b>\$ 15,057,528</b>

Additional information on the capital assets of the City can be found in Note 7 of this report.

### Debt

At the end of the current fiscal year, the City had long-term debt from State Revolving Fund loans outstanding of \$1.1 million, 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. The City's outstanding long-term liabilities are summarized in Table 4 on the next page.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES OUTSTANDING – CONTINUED

### Debt – Continued

**Table 4**  
**CITY OF MARY ESTHER, FLORIDA**  
**LONG-TERM LIABILITIES OUTSTANDING**  
**AS OF SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
State Revolving Fund loans	\$ -	\$ -	\$ 1,071,899	\$ 425,375	\$ 1,071,899	\$ 425,375
Subscription liabilities	66,227	97,695	33,255	49,057	99,482	146,752
Compensated absences	94,933	82,451	31,308	23,802	126,241	106,253
<b>Total</b>	<b>\$ 161,160</b>	<b>\$ 180,146</b>	<b>\$ 1,136,462</b>	<b>\$ 498,234</b>	<b>\$ 1,297,622</b>	<b>\$ 678,380</b>

Additional information on the City's long-term liabilities can be found in Note 10 of this report.

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

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, 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 2022-2023 budget for the City:

- The local unemployment rate was 2.7%, which represents an approximate 0.4% increase from September 2022. The State of Florida's unemployment rate was 3.0%, which represents an approximate 0.3% increase from September 2022. 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.

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

- The Florida Department of Revenue's Office of Tax Research has updated its estimates of tax distributions to the City of Mary Esther for the upcoming fiscal year. The revenue sharing distribution estimate is up 7.9% from the previous year, the half-cent sales tax distribution estimate is up 17.4%, the discretionary sales surtax distribution estimate is up 9.3%, and the communication service tax distribution estimate is down 1.6%.
- Significant increases in property tax revenues are anticipated by most regional municipalities. Property tax revenues in Mary Esther are expected to be up 9.5% as compared to roll year 2023 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, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,337,047	\$ 4,545,488	\$ 10,882,535
Investments	2,725,334	322,080	3,047,414
Receivables, net	81,033	430,662	511,695
Due from other governments	213,910	-	213,910
Prepaid items	2,640	51,350	53,990
Restricted assets			
Cash and cash equivalents	307,202	135,380	442,582
Other assets			
Leases receivable	-	2,840,295	2,840,295
Other, net	232,951	-	232,951
Capital assets			
Non-depreciable	5,399,695	2,697,551	8,097,246
Depreciable, net	2,170,548	7,271,930	9,442,478
<b>TOTAL ASSETS</b>	<b>17,470,360</b>	<b>18,294,736</b>	<b>35,765,096</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>49,052</b>	<b>-</b>	<b>49,052</b>
<b>LIABILITIES</b>			
Accounts payable	573,690	645,960	1,219,650
Accrued liabilities	26,492	7,169	33,661
Accrued interest payable	226	617	843
Unearned revenues	450,517	677,731	1,128,248
Payable from restricted assets			
Customer deposits	-	127,680	127,680
Non-current liabilities			
Due within one year			
Compensated absences	23,733	7,827	31,560
Subscription liabilities	32,436	16,288	48,724
State revolving fund loans payable	-	16,897	16,897
Due in more than one year			
Compensated absences	71,200	23,481	94,681
Subscription liabilities	33,791	16,967	50,758
State revolving fund loans payable	-	1,055,002	1,055,002
Other post-employment benefits	120,815	-	120,815
<b>TOTAL LIABILITIES</b>	<b>1,332,900</b>	<b>2,595,619</b>	<b>3,928,519</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>43,843</b>	<b>2,819,870</b>	<b>2,863,713</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,504,016	8,864,327	16,368,343
Restricted for:			
Capital expansion projects	268,768	7,700	276,468
Government infrastructure	1,888,262	-	1,888,262
Other purposes	38,434	-	38,434
Unrestricted	6,443,189	4,007,220	10,450,409
<b>TOTAL NET POSITION</b>	<b>\$ 16,142,669</b>	<b>\$ 12,879,247</b>	<b>\$ 29,021,916</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 1,032,690	\$ 54,438	\$ 6,000	\$ 300	\$ (971,952)	\$ -	\$ (971,952)
Public safety	1,465,151	13,582	-	660	(1,450,909)	-	(1,450,909)
Physical environment	75,179	-	-	88,910	13,731	-	13,731
Transportation	244,156	13,467	91,713	1,500	(137,476)	-	(137,476)
Culture and recreation	641,247	4,398	59,359	150	(577,340)	-	(577,340)
Debt service interest	3,615	-	-	-	(3,615)	-	(3,615)
Total governmental activities	3,462,038	85,885	157,072	91,520	(3,127,561)	-	(3,127,561)
Business-type activities							
Water and sewer	2,951,143	3,185,063	-	825,352	-	1,059,272	1,059,272
<b>Total primary government</b>	<b>\$ 6,413,181</b>	<b>\$ 3,270,948</b>	<b>\$ 157,072</b>	<b>\$ 916,872</b>	<b>(3,127,561)</b>	<b>1,059,272</b>	<b>(2,068,289)</b>
General revenues							
Taxes							
Property taxes					1,968,163	-	1,968,163
Sales taxes					1,529,835	-	1,529,835
Utility service taxes					643,751	-	643,751
Other taxes					363,696	-	363,696
Intergovernmental, unrestricted					235,535	-	235,535
Gain on sale of assets					2,221	-	2,221
Miscellaneous					3,371	121,942	125,313
Investment earnings					302,474	263,423	565,897
Total general revenues					5,049,046	385,365	5,434,411
<b>CHANGE IN NET POSITION</b>					1,921,485	1,444,637	3,366,122
<b>NET POSITION AT BEGINNING OF YEAR</b>					14,221,184	11,434,610	25,655,794
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 16,142,669</b>	<b>\$ 12,879,247</b>	<b>\$ 29,021,916</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2023**

	<b>General Fund</b>	<b>Discretionary Sales Tax Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,487,611	\$ 1,849,436	\$ 6,337,047
Investments	2,725,334	-	2,725,334
Receivables	75,710	5,323	81,033
Due from other governments	175,702	38,208	213,910
Prepaid items	2,640	-	2,640
Restricted assets:			
Cash and cash equivalents	307,202	-	307,202
<b>TOTAL ASSETS</b>	<b>\$ 7,774,199</b>	<b>\$ 1,892,967</b>	<b>\$ 9,667,166</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 568,985	\$ 4,705	\$ 573,690
Accrued liabilities	26,492	-	26,492
Unearned revenues	450,517	-	450,517
Total liabilities	1,045,994	4,705	1,050,699
<b>FUND BALANCE</b>			
Nonspendable - prepaid items	2,640	-	2,640
Restricted			
Capital expansion projects	268,768	-	268,768
Government infrastructure	-	1,888,262	1,888,262
Transportation	34,960	-	34,960
Other purposes	3,474	-	3,474
Committed - natural disaster relief	2,330,610	-	2,330,610
Assigned – FY24 appropriations	2,427,547	-	2,427,547
Unassigned	1,660,206	-	1,660,206
Total fund balances	6,728,205	1,888,262	8,616,467
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 7,774,199</b>	<b>\$ 1,892,967</b>	<b>\$ 9,667,166</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, 2023**

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Fund balance, total governmental funds (page 17)	\$	8,616,467
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental non-depreciable assets	5,399,695	
Governmental depreciable assets	6,060,547	
Less accumulated depreciation	<u>(3,889,999)</u>	
		7,570,243

Other long-term assets are not financial resources and therefore are not reported in the governmental funds.

Other long-term assets, net	232,951
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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 funds.

Deferred outflows of resources	49,052	
Deferred inflows of resources	<u>(43,843)</u>	
		5,209

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Subscription liabilities	(66,227)	
Accrued interest on subscription liabilities	(226)	
OPEB obligation	(120,815)	
Compensated absences	<u>(94,933)</u>	
		<u>(282,201)</u>

Net position of governmental activities (page 15)	\$	<u><u>16,142,669</u></u>
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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, 2023**

	<b>General Fund</b>	<b>Discretionary Sales Tax Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 2,926,561	\$ -	\$ 2,926,561
Licenses, fees, and permits	265,791	-	265,791
Intergovernmental	1,322,691	489,130	1,811,821
Charges for services	30,268	-	30,268
Fines	41,016	-	41,016
Miscellaneous	260,807	47,452	308,259
Total revenues	<u>4,847,134</u>	<u>536,582</u>	<u>5,383,716</u>
<b>EXPENDITURES</b>			
Current			
General government	854,705	-	854,705
Public safety	1,418,479	-	1,418,479
Physical environment	75,179	-	75,179
Transportation	196,948	-	196,948
Culture and recreation	604,388	-	604,388
Capital outlay	914,869	47,050	961,919
Debt service			
Principal	31,468	-	31,468
Interest	3,615	-	3,615
Total expenditures	<u>4,099,651</u>	<u>47,050</u>	<u>4,146,701</u>
<b>NET CHANGE IN FUND BALANCE</b>	747,483	489,532	1,237,015
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>5,980,722</u>	<u>1,398,730</u>	<u>7,379,452</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 6,728,205</u>	<u>\$ 1,888,262</u>	<u>\$ 8,616,467</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, 2023**

Net change in fund balance of governmental funds (page 19) \$ 1,237,015

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	961,919	
Less depreciation expense	<u>(260,535)</u>	
		701,384

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 disposed/transferred	(9,335)	
Accumulated depreciation associated with disposals/transfers	<u>9,142</u>	
		(193)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on subscription liabilities		31,468
--	--	--------

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	(38,826)	
Change in other post-employment benefits liability and related deferrals	3,345	
Change in accrued interest on subscription liabilities	(226)	
Change in long-term compensated absences	<u>(12,482)</u>	
		<u>(48,189)</u>

Change in net position of governmental activities (page 16)		<u><u>\$ 1,921,485</u></u>
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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, 2023**

	<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	\$ 2,857,616	\$ 2,857,616	\$ 2,926,561	\$ 68,945
Licenses, fees, and permits	314,900	314,900	265,791	(49,109)
Intergovernmental	1,537,509	1,537,509	1,322,691	(214,818)
Charges for services	58,317	58,317	30,268	(28,049)
Fines and forfeits	7,000	7,000	41,016	34,016
Miscellaneous	20,000	20,000	260,807	240,807
Total revenues	<u>4,795,342</u>	<u>4,795,342</u>	<u>4,847,134</u>	<u>51,792</u>
<b>EXPENDITURES</b>				
Current				
General government	1,157,560	1,157,560	854,705	302,855
Public safety	1,535,806	1,535,806	1,418,479	117,327
Physical environment	191,439	191,439	75,179	116,260
Transportation	586,999	586,999	196,948	390,051
Human services	5,000	5,000	-	5,000
Culture and recreation	668,708	668,708	604,388	64,320
Capital outlay	2,088,428	2,088,428	914,869	1,173,559
Debt service				
Principal	-	-	31,468	(31,468)
Interest	-	-	3,615	(3,615)
Total expenditures	<u>6,233,940</u>	<u>6,233,940</u>	<u>4,099,651</u>	<u>2,134,289</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(1,438,598)</u>	<u>(1,438,598)</u>	<u>747,483</u>	<u>2,186,081</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>606,528</u>	<u>606,528</u>	<u>-</u>	<u>(606,528)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(832,070)</u>	<u>(832,070)</u>	<u>747,483</u>	<u>1,579,553</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>832,070</u>	<u>832,070</u>	<u>5,980,722</u>	<u>5,148,652</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,728,205</u>	<u>\$ 6,728,205</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, 2023**

	<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	\$ 400,000	\$ 400,000	\$ 489,130	\$ 89,130
Miscellaneous	-	-	47,452	47,452
Total revenues	400,000	400,000	536,582	136,582
<b>EXPENDITURES</b>				
Capital outlay	-	-	47,050	(47,050)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	400,000	400,000	489,532	89,532
<b>OTHER FINANCING USES</b>				
Transfers out	(606,528)	(606,528)	-	606,528
<b>NET CHANGE IN FUND BALANCE</b>				
	(206,528)	(206,528)	489,532	696,060
<b>FUND BALANCE – BEGINNING OF YEAR</b>				
	206,528	206,528	1,398,730	1,192,202
<b>FUND BALANCE – END OF YEAR</b>				
	\$ -	\$ -	\$ 1,888,262	\$ 1,888,262

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 AS OF SEPTEMBER 30, 2023**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,545,488
Investments	322,080
Receivables, net	430,662
Prepaid items	51,350
Leases receivable	56,772
Restricted assets – cash and cash equivalents	135,380
Total current assets	5,541,732
Noncurrent assets	
Leases receivable	2,783,523
Capital assets	
Non-depreciable	2,697,551
Depreciable, net	7,271,930
Total noncurrent assets	12,753,004
<b>TOTAL ASSETS</b>	18,294,736
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	645,960
Accrued interest payable	617
Accrued liabilities	14,996
Unearned revenues	677,731
State revolving fund loans payable	16,897
Subscription liabilities	16,288
Payable from restricted assets	
Customer deposits	127,680
Total current liabilities	1,500,169
Non-current liabilities	
State revolving fund loans payable	1,055,002
Subscription liabilities	16,967
Compensated absences	23,481
Total non-current liabilities	1,095,450
<b>TOTAL LIABILITIES</b>	2,595,619
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable resources	2,819,870
<b>NET POSITION</b>	
Net investment in capital assets	8,864,327
Restricted - capital expansion projects	7,700
Unrestricted	4,007,220
<b>TOTAL NET POSITION</b>	\$ 12,879,247

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, 2023**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,093,906
<b>OPERATING EXPENSES</b>	
Personnel	260,509
Operating	2,241,747
Depreciation	427,818
Total operating expenses	2,930,074
<b>OPERATING INCOME</b>	<b>163,832</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest expense	(5,665)
Rental income	91,157
Interest and investment income	263,423
Loss on disposal of capital assets	(15,404)
Miscellaneous	121,942
Total non-operating revenues (expenses)	455,453
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>619,285</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
Capital grants	822,052
Impact fees	800
Tap fees	2,500
Total capital grants and contributions	825,352
<b>CHANGE IN NET POSITION</b>	<b>1,444,637</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>11,434,610</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 12,879,247</b>

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 3,265,553
Payments to suppliers and contractors	(1,714,635)
Payments to employees	(251,565)
Miscellaneous income	192,674
	1,492,027
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(2,224,227)
Proceeds from impact fees	800
Proceeds from tap fees	2,500
Proceeds from state revolving fund loans	662,694
Principal payments on state revolving fund loans	(16,170)
Principal payments on subscription liabilities	(15,802)
Interest paid	(5,190)
	(1,595,395)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	250,706
Purchases of investments	(15,093)
	235,613
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	132,245
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	4,548,623
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 4,680,868
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>	
Current	\$ 4,545,488
Restricted	135,380
	\$ 4,680,868
	\$ 4,680,868

See notes to the financial statements.



**CITY OF MARY ESTHER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS – CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Water and Sewer Fund</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 163,832
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	427,818
Miscellaneous revenue	121,942
Rental income	91,157
Decrease (increase) in assets:	
Accounts receivable	149,837
Prepaid expenses	(35,257)
Due from other governments	17,225
Leases receivable	(874,963)
Increase (decrease) in liabilities:	
Customer deposits	4,585
Accounts payable	562,369
Accrued liabilities	1,438
Compensated absences	7,506
Increase in deferred inflows of resources	854,538
Net cash provided by operating activities	\$ 1,492,027

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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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, 2023, 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, 2023**

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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, 2023**

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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 2023 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, 2023**

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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, and Net Position or Fund Balance**

***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.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

---

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

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***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. 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, which is 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. On September 30, 2023, 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, 2023, an allowance for doubtful accounts of \$26,116 was recorded in the Water and Sewer Fund.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – 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.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***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:

Assets	Years
Buildings	20-50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-10 years
Subscription assets	3-5 years



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – 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. Employees may accumulate a maximum of 960 hours of sick leave. 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.

***Unearned Revenues***

Unearned revenues are reported in connection with resources that have been received but not yet earned. See Note 5 for additional information about the City’s unearned revenues.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***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 total 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 11 for additional information about the City's other postemployment benefit plan.

***Classification of Fund Balance***

GASB Statement No. 54 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.
- **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.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

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

- 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.

***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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. See Note 6 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. See Note 6 for additional information on the City's deferred inflows of resources.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Change in Accounting Principle**

In 2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 enhances the relevance and consistency of information on the government's software subscription activities. In accordance with the new guidance, the City is required to recognize a subscription asset and a subscription liability equal to the present value of subscription payments during the subscription term. These changes were incorporated in the City's 2023 financial statements but had no effect on the beginning fund balances or net position since the carrying amount of subscription assets was equal to the subscription liabilities recorded upon implementation as of October 1, 2022.

**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.

**Reclassifications**

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balances or net position previously reported.

**Subsequent Events**

Subsequent events were evaluated through February 7, 2024, which is the date the financial statements were available to be issued.

**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.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

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. The City had no encumbrances reported as assigned fund balance for the year ended September 30, 2023.

**3. DEPOSITS AND INVESTMENTS**

**Deposits**

The investment of surplus funds is governed by provisions of Section 218.415, Florida Statutes, 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.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

The City held deposits of \$11,325,618 on September 30, 2023, 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, 2023, the City's investments consist of pooled accounts with Florida PRIME and FLCLASS, 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:

<i>Investments – Governmental and Business-Type Activities</i>					
	General Fund	Water and Sewer Fund	Total	S&P Rating	Average Maturity
Local Government Investment Pools					
Trust Fund – Florida PRIME	\$ 2,224,496	\$ 322,080	\$ 2,546,576	AAAm	35 days
FLCLASS	500,838	-	500,838	AAAm	43 days
Total investments	<u>\$ 2,725,334</u>	<u>\$ 322,080</u>	<u>\$ 3,047,414</u>		

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 fair value.

As of September 30, 2023, 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, 2023, all the City's investments were held in Florida PRIME or FLCLASS pooled accounts.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The City has 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 of 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.

*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 on September 30, 2023, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Total</u>
	<u>General Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Water and Sewer Fund</u>	
Taxes	\$ 60,652	\$ -	\$ -	\$ 60,652
Interest	13,011	5,323	12,717	31,051
Accounts	2,047	-	444,061	446,108
Less allowance for doubtful accounts	-	-	(26,116)	(26,116)
Total receivables, net	<u>75,710</u>	<u>5,323</u>	<u>430,662</u>	<u>511,695</u>
Due from other governments	<u>175,702</u>	<u>38,208</u>	<u>-</u>	<u>213,910</u>
Leases receivable	<u>-</u>	<u>-</u>	<u>2,840,295</u>	<u>2,840,295</u>
Total	<u>\$ 251,412</u>	<u>\$ 43,531</u>	<u>\$ 3,270,957</u>	<u>\$ 3,565,900</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, 2023**

**5. UNEARNED REVENUES**

Unearned revenues as of September 30, 2023, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	
Federal grant proceeds received in advance of meeting eligibility requirements under the American Rescue Plan (ARP) Act	\$ 374,709	\$ 677,731	\$ 1,052,440
Business license taxes collected for subsequent fiscal year	75,808	-	75,808
Total unearned revenues	<u>\$ 450,517</u>	<u>\$ 677,731</u>	<u>\$ 1,128,248</u>

**6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources as of September 30, 2023, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Deferred outflows		
Changes in assumptions related to OPEB plan	\$ 29,469	\$ -
Differences between expected and actual experience on OPEB plan actuarial assumptions	19,583	-
Total deferred outflows	<u>\$ 49,052</u>	<u>\$ -</u>
Deferred inflows		
Changes in assumptions related to OPEB plan	\$ 35,215	\$ -
Differences between expected and actual experience on OPEB plan actuarial assumptions	8,628	-
Unavailable revenue – cell tower leases	-	2,819,870
Total deferred inflows	<u>\$ 43,843</u>	<u>\$ 2,819,870</u>



**CITY OF MARY ESTHER, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**7. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,363,248	\$ 652,201	\$ -	\$ 5,015,449
Construction in progress	85,240	299,006	-	384,246
Total capital assets not being depreciated	<u>4,448,488</u>	<u>951,207</u>	<u>-</u>	<u>5,399,695</u>
Capital assets being depreciated				
Buildings	1,509,002	-	-	1,509,002
Improvements other than buildings	3,181,772	-	(1,008)	3,180,764
Machinery and equipment	1,270,701	10,712	(8,327)	1,273,086
Subscription assets <sup>(1)</sup>	97,695	-	-	97,695
Total capital assets being depreciated	<u>6,059,170</u>	<u>10,712</u>	<u>(9,335)</u>	<u>6,060,547</u>
Less accumulated depreciation				
Buildings	(813,485)	(36,411)	-	(849,896)
Improvements other than buildings	(1,590,862)	(158,837)	1,008	(1,748,691)
Machinery and equipment	(1,234,259)	(39,801)	8,134	(1,265,926)
Subscription assets	-	(25,486)	-	(25,486)
Total accumulated depreciation	<u>(3,638,606)</u>	<u>(260,535)</u>	<u>9,142</u>	<u>(3,889,999)</u>
Total capital assets being depreciated, net	<u>2,420,564</u>	<u>(249,823)</u>	<u>(193)</u>	<u>2,170,548</u>
<b>Governmental activities, net</b>	<u><u>\$ 6,869,052</u></u>	<u><u>\$ 701,384</u></u>	<u><u>\$ (193)</u></u>	<u><u>\$ 7,570,243</u></u>

<sup>(1)</sup> Beginning balances were the result of implementing GASB Statement No. 96 as of October 1, 2022. Subscription assets were offset by a related subscription liability associated with them. See Note 10 for further details on subscription liabilities.



**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 77,878	\$ -	\$ -	\$ 77,878
Construction in progress	545,134	2,074,539	-	2,619,673
Total capital assets not being depreciated	<u>623,012</u>	<u>2,074,539</u>	<u>-</u>	<u>2,697,551</u>
Capital assets being depreciated				
Buildings	128,519	-	-	128,519
Improvements other than buildings	15,582,546	25,362	(516)	15,607,392
Machinery and equipment	1,717,794	124,326	(51,011)	1,791,109
Subscription assets <sup>(1)</sup>	49,057	-	-	49,057
Total capital assets being depreciated	<u>17,477,916</u>	<u>149,688</u>	<u>(51,527)</u>	<u>17,576,077</u>
Less accumulated depreciation				
Buildings	(67,766)	(3,375)	-	(71,141)
Improvements other than buildings	(8,774,395)	(329,079)	361	(9,103,113)
Machinery and equipment	(1,070,291)	(82,566)	35,762	(1,117,095)
Subscription assets	-	(12,798)	-	(12,798)
Total accumulated depreciation	<u>(9,912,452)</u>	<u>(427,818)</u>	<u>36,123</u>	<u>(10,304,147)</u>
Total capital assets being depreciated, net	<u>7,565,464</u>	<u>(278,130)</u>	<u>(15,404)</u>	<u>7,271,930</u>
<b>Business-type activities, net</b>	<u>\$ 8,188,476</u>	<u>\$ 1,796,409</u>	<u>\$ (15,404)</u>	<u>\$ 9,969,481</u>

(1) Beginning balances were the result of implementing GASB Statement No. 96 as of October 1, 2022. Subscription assets were offset by a related subscription liability associated with them. See Note 10 for further details on subscription liabilities.

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

<b>Governmental activities</b>	
General government	\$ 168,622
Public safety	7,846
Transportation	47,208
Culture and recreation	<u>36,859</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 260,535</u>
<b>Business-type activities</b>	
Water and sewer	<u>\$ 427,818</u>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Construction Commitments**

In November 2022, the City entered into a contract with a construction company to perform various infrastructure improvements to the Springdale Park neighborhood. The total contract price was \$4,562,643. As of September 30, 2023, the City has incurred contract costs of \$1,248,524, which includes unbilled retainage of \$124,852. The project is expected to be completed in fiscal year 2024.

**8. 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 2023, the City remitted its required contributions totaling \$78,599. The total value of plan investments on September 30, 2023, was \$1,018,030.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**9. CELLULAR TOWER LEASES**

**Lessor**

The City leases real property to various unrelated parties for maintaining cellular communication towers. The City is a lessor under five real property leases.

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The lease terms range from 10 to 40 years, with years remaining ranging from 8 to 25 years, and the discount rate to calculate the present value of the lease payments is 4.94%. The total amount of inflows of resources recognized and reflected in the financial statements were as follows:

<b>Inflows of Resources - Leases</b>	<b>Water and Sewer Fund</b>
Lease revenue	\$ 91,157
Interest revenue	118,384
Total inflows of resources - leases	<u>\$ 209,541</u>

**10. LONG-TERM DEBT**

**Changes in Long-Term Debt**

Long-term debt activity for the year ended September 30, 2023, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 82,451	\$ 87,369	\$ (74,887)	\$ 94,933	\$ 23,733
<i>Direct borrowings</i>					
Subscription liability - software <sup>(1)</sup>	97,695	-	(31,468)	66,227	32,436
<b>Total governmental activities</b>	<u>\$ 180,146</u>	<u>\$ 87,369</u>	<u>\$ (106,355)</u>	<u>\$ 161,160</u>	<u>\$ 56,169</u>

<sup>(1)</sup> Beginning balances were the result of implementing GASB Statement No. 96 as of October 1, 2022. Subscription liabilities were offset by a related subscription asset associated with them. See Note 7 for further details on subscription assets.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**10. LONG-TERM DEBT – CONTINUED**

**Changes in Long-Term Debt – Continued**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Compensated absences	\$ 23,802	\$ 24,729	\$ (17,223)	\$ 31,308	\$ 7,827
<i>Direct borrowings</i>					
State Revolving Fund Loan CW-460200	150,786	-	(7,253)	143,533	7,323
State Revolving Fund Loan CW-460201	186,952	39,178	-	226,130	9,574
State Revolving Fund Loan DW-460210	87,637	-	(8,917)	78,720	-
State Revolving Fund Loan DW-460211	-	623,516	-	623,516	-
Subscription liability - software <sup>(1)</sup>	49,057	-	(15,802)	33,255	16,288
<b>Total business-type activities</b>	<b>\$ 498,234</b>	<b>\$ 687,423</b>	<b>\$ (49,195)</b>	<b>\$ 1,136,462</b>	<b>\$ 41,012</b>

<sup>(1)</sup> Beginning balances were the result of implementing GASB Statement No. 96 as of October 1, 2022. Subscription liabilities were offset by a related subscription asset associated with them. See Note 7 for further details on subscription liabilities.

**Description of Long-Term Debt Outstanding**

*Governmental Activities – Direct Borrowings*

The City has entered into a subscription-based information technology arrangement with a software vendor as the result of implementing GASB Statement No. 96 as of October 1, 2022. The City's subscription liability is measured using the present value of subscription payments expected to be remitted to the vendor during the subscription term, including options reasonably certain to be exercised. The agreement requires annual base payments of \$35,083 throughout the subscription term which expires in July 2026. The discount rate used to calculate the present value of the subscription payments was 4.10%, which is the City's estimated incremental borrowing rate for vehicles, equipment, and similar assets. The carrying value of the subscription asset is disclosed in Note 7 to the financial statements. In the event of default (non-payment), the lender may revoke the City's license to the underlying software. This agreement does not contain any subjective acceleration clauses.

*Business-Type Activities – Direct Borrowings*

\$154,884 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$4,368 including interest at 2.11% beginning March 2022 through September 2041. Proceeds were used for design and engineering services related to developing the City's water and sewer master plan. The City has pledged net revenues of the City's water and sewer system to secure the loan.

\$226,130 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual zero-interest bearing payments of \$70,063 beginning November 2024. Proceeds were used for design and engineering services related to rehabilitation of the City's water distribution system. The City has pledged net revenues of the City's water and sewer system to secure the loan.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**10. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding – Continued**

*Business-Type Activities – Direct Borrowings – Continued*

\$97,639 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$5,404 including interest at 2.24% beginning March 2022 through September 2041. Proceeds were used for design and engineering services related to rehabilitation of the City’s water distribution system. The City has pledged net revenues of the City’s water and sewer system to secure the loan.

\$623,516 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual zero-interest bearing payments of \$63,265 beginning November 2024. Proceeds were used for design and engineering services related to rehabilitation of the City’s water distribution system. The City has pledged net revenues of the City’s water and sewer system to secure the loan.

For the State of Florida Department of Environmental Protection Revolving Loan Fund issuances, in the event of default (non-payment), the lender may notify financial market credit rating agencies, file suit for past due amounts, and accelerate repayment of unpaid principal to as much as 1.667 times the financing rate. These loans do not contain any subjective acceleration clauses.

The City has entered into a subscription-based information technology arrangement with a software vendor as the result of implementing GASB Statement No. 96 as of October 1, 2022. The City’s subscription liability is measured using the present value of subscription payments expected to be remitted to the vendor during the subscription term, including options reasonably certain to be exercised. The agreement requires annual base payments of \$17,617 throughout the subscription term which expires in July 2026. The discount rate used to calculate the present value of the subscription payments was 4.10%, which is the City’s estimated incremental borrowing rate for vehicles, equipment, and similar assets. The carrying value of the subscription asset is disclosed in Note 7 to the financial statements. In the event of default (non-payment), the lender may revoke the City’s license to the underlying software. This agreement does not contain any subjective acceleration clauses.

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2023, are as follows:

Year ending September 30,	Governmental Activities	
	Subscription Liabilities	
	Principal	Interest
2024	\$ 32,436	\$ 2,647
2025	33,791	1,292
Total	\$ 66,227	\$ 3,939

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**10. LONG-TERM DEBT – CONTINUED**

**Annual Requirements to Amortize Debt Outstanding – Continued**

Year ending September 30,	<b>Business-Type Activities</b>			
	State Revolving Fund Loans		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 16,897	\$ 3,217	\$ 16,288	\$ 1,329
2025	281,085	5,686	16,967	649
2026	228,698	3,950	-	-
2027	143,344	3,299	-	-
2028	144,001	2,643	-	-
2029-2033	190,889	5,942	-	-
2034-2038	41,215	2,466	-	-
2039-2042	25,770	462	-	-
Total	\$ 1,071,899	\$ 27,665	\$ 33,255	\$ 1,978

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

**Plan Description**

The City provides dental and life insurance benefits to eligible employees upon retirement through a single-employer defined benefit health care plan (the Plan). 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, 2023

Inactive plan members or beneficiaries currently receivable benefits	11
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	16
	27

***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, 2023**

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**11. 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, 2023, using the following actuarial assumptions:

Prior measurement date                      September 30, 2022

Measurement date                              September 30, 2023

Valuation date                                  October 1, 2021

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    3.0% annually

Dental / Life trend                              0%

Salary increase                                  3.0% annually

Prior discount rate                              2.15%

Discount rate                                    4.09%





**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

**Total OPEB Liability - Continued**

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

	<b>1% Decrease 3.09%</b>	<b>Current Discount Rate 4.09%</b>	<b>1% Increase 5.09%</b>
Total OPEB liability	\$ 136,632	\$ 120,815	\$ 107,769

*OPEB Plan Fiduciary Net Position*

The plan is unfunded, so the OPEB plan's fiduciary net position is \$0. There are no OPEB assets accumulated in a GASB compliant trust to pay for related plan benefits.

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$3,957. On September 30, 2023, 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	\$ 19,583	\$ 8,628
Changes of assumptions	29,469	35,215
<b>Total</b>	<b>\$ 49,052</b>	<b>\$ 43,843</b>

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:

2024	\$ (1,599)
2025	(1,599)
2026	(1,599)
2027	(1,596)
2028	(1,595)
Thereafter	13,197
	<b>\$ 5,209</b>

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**12. 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.

**13. COMMITMENTS AND CONTINGENCIES**

**Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

**Water and Sewer System Management Contract**

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, 2024, are \$1,688,364.

**Law Enforcement Services Contract**

The City has a contract for law enforcement services with the Okaloosa County Sheriff's Department. The contract expires in September 2024, and the City's commitments under the contract for the fiscal year ended September 30, 2024, are \$274,040.

**Fire Department Service Contract**

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, 2023, was \$1,119,703. 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.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**13. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Wastewater Treatment Plant Environmental Violations**

In fiscal year 2023, the City was notified of potential violations with state environmental regulations. The violations included alleged noncompliance at the City’s wastewater treatment plant related to nuisance conditions created by the old package plant and unauthorized discharges or unpermitted sanitation sewer overflows during the period beginning March 2019 and ending January 2021.

The Florida Department of Environmental Protection (FDEP) issued a consent order in November 2022, which included fines. Under the terms of the consent order, the City was assessed a penalty in the amount of \$90,043 to settle the violations. In lieu of paying the penalties assessed in the consent order, the City has the option to implement an in-kind penalty project at a minimum cost of \$133,565, which is contingent on approval from FDEP.

The FDEP issued an amended consent order in November 2023, which included fines in addition to those assessed in the original consent order. Under the terms of the amended consent order, the City was assessed a penalty in the amount of \$4,636 to settle the violations. In lieu of paying the penalties assessed in the amended consent order, the City has the option to implement an in-kind penalty project at a minimum cost of \$6,204, which is contingent on approval from FDEP.

In January 2024, the City Council approved management’s proposal for various in-kind projects to replace the generator at the wastewater treatment plant as well as replace various manholes. The proposed in-kind projects are pending FDEP’s approval as of the date of this report.

**Christobal Waterfront Park – Joint Project**

In August 2023, the City entered into a cost-sharing interlocal agreement with Okaloosa County, Florida (the County) for a project to jointly develop a waterfront park. Under the terms of the agreement, the City and the County will equally share the costs of the project, which are estimated to be \$3 million. The City has pledged its allocation of tourist development taxes collected by the County on its behalf in subsequent years to fund a significant portion of its share of the project costs. During the year ended September 30, 2023, the real estate for the waterfront park site was purchased by the County for a total cost of \$1,304,402. Accordingly, for the year ended September 30, 2023, the City has reported capital outlay expenditures of \$652,201 in the General Fund for its share of the project costs. Upon completion of the project, the County will convey the land and property, and the responsibility for its maintenance, to the City.

**14. SUBSEQUENT EVENTS**

**Issuance of Debt – State Revolving Fund Loan Modification**

In November 2023, the City Council approved an amendment to a State of Florida Department of Environmental Protection Revolving Loan Fund program loan. The amendment increased the authorized financing amount by \$1,167,430 to fund the construction phase of the project to rehabilitate the City’s water and wastewater distribution systems. The City has pledged net revenues of the City’s water and sewer system to secure the loan.

**CITY OF MARY ESTHER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**14. SUBSEQUENT EVENTS – CONTINUED**

**Issuance of Debt – State Revolving Fund Construction Loan Agreement**

In January 2024, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for a Revolving Loan Fund program loan to fund the construction phase of the project to rehabilitate the City's water and wastewater distribution systems. The total amount of financing authorized in the agreement is \$2,363,650. The loan requires semiannual payments of principal and interest totaling \$69,044 beginning February 2026 through maturity in August 2046. The interest rate on the loan is 1.26% per annum. The City has pledged net revenues of the City's water and sewer system to secure the loan.

**Issuance of Debt – Capital Improvement Revenue Note, Series 2024**

In February 2024, the City authorized the issuance of Capital Improvement Revenue Note, Series 2024, in the amount of \$3,843,324 to 1) fund its share of the acquisition and development of the waterfront park and 2) purchase the land at 302 Mary Esther Boulevard and the building thereon and to renovate the building, which will be used as City Hall. As of the date of this report, the City has not completed the final closing on the revenue note, which is scheduled to be completed in February 2024.

**Purchase of Real Estate – New City Hall Site**

In December 2023, the City Council approved the purchase of the land and building at 302 Mary Esther Boulevard to serve as the new site for City Hall. The purchase price of the property is \$2,375,000. Before the City's administrative personnel can relocate to the new site, substantial renovations to the building will be necessary. The estimated costs to renovate the property are \$574,500. As of the date of this report, the City has not closed on the property but has executed a purchase contract with the seller indicating its intent to close upon acquisition of financing, as discussed in the previous paragraph.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 735	\$ 1,275	\$ 1,214	\$ 1,128	\$ 523	\$ 507
Interest	4,821	3,635	3,647	4,049	5,197	5,113
Difference between expected and actual experience	4,014	(11,093)	4,738	1,031	3,637	11,625
Changes in assumptions and other inputs	(1,008)	(35,786)	1,413	13,223	25,013	(8,218)
Benefit payments	(7,302)	(6,921)	(7,002)	(6,637)	(6,789)	(6,789)
Net change in total OPEB liability	1,260	(48,890)	4,010	12,794	27,581	2,238
Total OPEB liability – beginning	119,555	168,445	164,435	151,641	124,060	121,822
Total OPEB liability – ending	<u>\$ 120,815</u>	<u>\$ 119,555</u>	<u>\$ 168,445</u>	<u>\$ 164,435</u>	<u>\$ 151,641</u>	<u>\$ 124,060</u>
Covered employee payroll	\$ 840,457	\$ 815,978	\$ 749,883	\$ 728,042	\$ 1,031,833	\$ 1,001,780
Total OPEB liability as a percentage of covered employee payroll	14.37%	14.65%	22.46%	22.59%	14.70%	12.38%

Notes to Schedule

*Changes of Assumptions* – The following discount rate assumption was used for each measurement date:

2023 - 4.09%
2022 - 4.02%
2021 - 2.15%
2020 - 2.21%
2019 - 2.66%
2018 - 4.18%

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

\*\* There are no OPEB plan assets accumulated in a GASB compliant trust to pay for related plan benefits.

### 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.*

FINANCIAL TRENDS - Table 1

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

	Fiscal Year*									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 7,596	\$ 7,539	\$ 8,267	\$ 8,282	\$ 8,012	\$ 7,705	\$ 7,099	\$ 6,911	\$ 6,771	\$ 7,504
Restricted	-	-	-	-	-	482	671	1,155	1,766	2,195
Unrestricted	875	1,277	1,292	1,594	2,167	2,917	4,019	4,994	5,684	6,443
Total governmental activities net position	\$ 8,471	\$ 8,816	\$ 9,559	\$ 9,876	\$ 10,179	\$ 11,104	\$ 11,789	\$ 13,060	\$ 14,221	\$ 16,142
Business-type activities										
Invested in capital assets, net of related debt	\$ 8,376	\$ 8,132	\$ 8,001	\$ 7,892	\$ 7,729	\$ 7,431	\$ 7,439	\$ 7,687	\$ 7,714	\$ 8,864
Restricted	-	-	-	-	-	82	3	5	7	8
Unrestricted	1,361	864	1,028	1,162	1,339	1,628	2,402	2,875	3,714	4,007
Total business-type activities net position	\$ 9,737	\$ 8,996	\$ 9,029	\$ 9,054	\$ 9,068	\$ 9,141	\$ 9,844	\$ 10,567	\$ 11,435	\$ 12,879
Primary government										
Invested in capital assets, net of related debt	\$ 15,972	\$ 15,671	\$ 16,268	\$ 16,174	\$ 15,741	\$ 15,136	\$ 14,538	\$ 14,598	\$ 14,485	\$ 16,368
Restricted	-	-	-	-	-	564	674	1,160	1,773	2,203
Unrestricted	2,236	2,141	2,320	2,756	3,506	4,545	6,421	7,869	9,398	10,450
Total primary government net position	\$ 18,208	\$ 17,812	\$ 18,588	\$ 18,930	\$ 19,247	\$ 20,245	\$ 21,633	\$ 23,627	\$ 25,656	\$ 29,021

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



FINANCIAL TRENDS - Table 2

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities										
General government	\$ 516,555	\$ 574,449	\$ 628,258	\$ 764,696	\$ 775,739	\$ 925,389	\$ 1,153,899	\$ 1,009,345	\$ 939,409	\$ 1,032,690
Public safety	1,244,362	1,219,971	1,231,606	1,452,135	1,173,968	1,215,727	1,397,022	1,426,918	1,460,749	1,465,151
Physical environment	-	-	-	-	-	-	-	-	57,473	75,179
Transportation	399,040	413,256	427,770	448,873	434,462	407,587	427,272	480,385	211,782	244,156
Human services	16,831	17,250	2,644	3,000	2,335	4,145	1,005	-	-	-
Culture and recreation	285,407	293,490	301,825	361,790	386,544	412,488	385,617	391,647	540,836	641,247
Debt service interest	-	-	-	-	-	-	-	-	-	3,615
Unallocated depreciation/loss on disposal	301,458	282,069	281,248	-	-	-	-	-	-	-
Total governmental activities expenses	2,763,653	2,800,485	2,873,351	3,030,494	2,773,048	2,965,336	3,364,815	3,308,295	3,210,249	3,462,038
Business-type activities										
Water and sewer	1,934,716	2,043,507	2,031,425	2,159,179	2,302,718	2,345,114	2,420,334	2,690,308	2,897,543	2,951,143
Total business-type activities expenses	1,934,716	2,043,507	2,031,425	2,159,179	2,302,718	2,345,114	2,420,334	2,690,308	2,897,543	2,951,143
Total primary government expenses	\$ 4,698,369	\$ 4,843,992	\$ 4,904,776	\$ 5,189,673	\$ 5,075,766	\$ 5,310,450	\$ 5,785,149	\$ 5,998,603	\$ 6,107,792	\$ 6,413,181
<b>Program Revenues</b>										
Governmental activities										
Charges for services	\$ 199,880	\$ 206,501	\$ 205,482	\$ 364,467	\$ 216,320	\$ 303,685	\$ 300,434	\$ 358,955	\$ 45,912	\$ 54,438
General government	3,990	8,183	12,195	7,544	10,796	15,544	14,433	10,368	6,984	13,582
Public safety	52,770	54,352	67,295	72,119	67,770	42,013	43,158	44,332	45,575	13,467
Transportation	2,490	5,289	7,864	4,304	4,406	3,934	3,510	2,195	4,289	4,398
Culture and recreation	42,876	45,651	47,125	59,070	88,190	105,549	567,713	354,262	71,628	157,072
Operating grants and contributions	92,150	158,023	835,263	278,108	27,591	239,996	7,830	8,330	46,835	91,520
Capital grants and contributions	394,156	477,999	1,175,224	785,612	415,073	710,721	937,078	778,442	221,223	334,477
Total governmental activities program revenues	1,565,132	1,615,849	1,907,454	2,168,119	2,212,327	2,269,101	2,485,042	2,823,750	3,174,669	3,185,063
Business-type activities										
Charges for services	-	-	-	-	90,650	-	-	-	41,931	-
Water and sewer	-	-	-	-	6,500	85,450	175,100	312,200	222,602	825,352
Operating grants and contributions	-	-	-	14,000	2,309,477	2,354,551	2,660,142	3,135,950	3,439,202	4,010,415
Capital grants and contributions	1,565,132	1,615,849	1,907,454	2,182,119	2,309,477	2,354,551	2,660,142	3,135,950	3,439,202	4,010,415
Total business-type activities program revenues	1,565,132	1,615,849	1,907,454	2,182,119	2,309,477	2,354,551	2,660,142	3,135,950	3,439,202	4,010,415
Total primary government program revenues	\$ 1,959,288	\$ 2,093,848	\$ 3,082,678	\$ 2,967,731	\$ 2,724,550	\$ 3,065,272	\$ 3,597,220	\$ 3,914,392	\$ 3,660,425	\$ 4,344,892

Continued...

**FINANCIAL TRENDS - Table 2**

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net (Expenses) Revenues</b>										
Governmental activities	\$ (2,369,497)	\$ (2,322,486)	\$ (1,698,127)	\$ (2,244,882)	\$ (2,357,975)	\$ (2,254,615)	\$ (2,427,737)	\$ (2,529,853)	\$ (2,989,026)	\$ (3,127,561)
Business-type activities	(368,584)	(427,658)	(123,971)	22,940	6,759	9,437	239,808	445,642	541,659	1,059,272
Total primary government net expense	\$ (2,738,081)	\$ (2,750,144)	\$ (1,822,098)	\$ (2,221,942)	\$ (2,351,216)	\$ (2,245,178)	\$ (2,187,929)	\$ (2,084,211)	\$ (2,447,367)	\$ (2,068,289)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 641,188	\$ 661,214	\$ 904,952	\$ 1,026,840	\$ 1,150,825	\$ 1,175,646	\$ 1,451,359	\$ 1,522,104	\$ 1,620,681	\$ 1,968,163
Municipal revenue sharing	136,637	138,137	137,755	147,143	154,858	162,448	152,772	179,006	228,306	235,535
Sales taxes	468,942	495,084	518,053	533,776	563,890	875,315	953,897	1,177,693	1,237,199	1,529,835
Utility service taxes	487,133	489,944	497,107	494,613	509,667	557,404	623,740	639,775	675,825	643,751
Other taxes	368,864	370,313	353,991	334,031	338,137	329,036	320,181	325,594	345,428	363,696
Gain on disposal of asset	38,942	1,437	2,868	4,016	3,424	1,160	-	-	-	2,221
Miscellaneous	86,086	31,795	15,491	13,579	16,075	31,550	10,875	39,516	17,890	3,371
Investment earnings	2,192	5,748	7,405	7,802	31,636	47,109	41,369	17,280	24,540	302,474
Transfers	271,303	474,268	3,295	-	-	-	(441,267)	(100,000)	-	-
Total governmental activities	2,501,287	2,667,940	2,440,917	2,561,800	2,769,512	3,179,668	3,112,926	3,800,968	4,149,869	5,049,046
Business-type activities										
Miscellaneous	138,281	155,773	148,378	16,905	1,907	47,305	7,600	166,632	212,580	121,942
Utility service fees	-	-	9,400	-	-	-	-	-	-	-
Gain on disposal of asset	-	-	-	(17,482)	-	-	-	-	2,350	-
Investment earnings	4,866	5,097	1,865	3,088	5,511	16,536	13,945	10,218	12,703	145,039
Interest income - leases	-	-	-	-	-	-	-	-	98,807	118,384
Transfers	(271,303)	(474,268)	(3,295)	-	-	-	441,267	100,000	-	-
Total business-type activities	(128,156)	(313,398)	(156,348)	2,511	7,418	63,841	462,812	276,850	326,440	385,365
Total primary government	\$ 2,373,131	\$ 2,354,542	\$ 2,597,265	\$ 2,564,311	\$ 2,776,930	\$ 3,243,509	\$ 3,575,738	\$ 4,077,818	\$ 4,476,309	\$ 5,434,411
<b>Change in Net Position</b>										
Governmental activities	\$ 131,790	\$ 345,454	\$ 742,790	\$ 316,918	\$ 411,537	\$ 925,053	\$ 685,189	\$ 1,271,115	\$ 1,160,843	\$ 1,921,485
Business-type activities	(497,740)	(741,056)	32,377	25,451	14,177	73,278	702,620	722,492	868,099	1,444,637
Total primary government	\$ (365,950)	\$ (395,602)	\$ 775,167	\$ 342,369	\$ 425,714	\$ 998,331	\$ 1,387,809	\$ 1,993,607	\$ 2,028,942	\$ 3,366,122

FINANCIAL TRENDS - Table 3

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

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund										
Nonspendable	\$ 22,946	\$ 21,479	\$ 23,762	\$ 2,940	\$ 2,036	\$ 309	\$ 3,592	\$ 31,417	\$ 31,632	\$ 2,640
Restricted	-	-	-	-	-	239,543	247,373	262,866	367,274	307,202
Committed	-	-	604,613	598,875	565,189	657,717	640,579	1,060,701	1,246,788	2,330,610
Assigned	12,074	169,605	66,779	187	141,267	141,267	-	822,575	832,070	2,427,547
Unassigned	966,813	1,219,813	735,030	1,133,320	1,695,305	2,333,397	3,282,501	3,030,224	3,502,958	1,660,206
<b>Total General Fund</b>	<b>\$ 1,001,833</b>	<b>\$ 1,410,897</b>	<b>\$ 1,430,184</b>	<b>\$ 1,735,322</b>	<b>\$ 2,403,797</b>	<b>\$ 3,372,233</b>	<b>\$ 4,174,045</b>	<b>\$ 5,207,763</b>	<b>\$ 5,980,722</b>	<b>\$ 6,728,205</b>
Discretionary Sales Tax Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,271	\$ 423,456	\$ 892,949	\$ 1,398,730	\$ 1,888,262
<b>Total Discretionary Sales Tax Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 242,271</b>	<b>\$ 423,456</b>	<b>\$ 892,949</b>	<b>\$ 1,398,730</b>	<b>\$ 1,888,262</b>
<b>Total all governmental funds</b>	<b>\$ 1,001,833</b>	<b>\$ 1,410,897</b>	<b>\$ 1,430,184</b>	<b>\$ 1,735,322</b>	<b>\$ 2,403,797</b>	<b>\$ 3,614,504</b>	<b>\$ 4,597,501</b>	<b>\$ 6,100,732</b>	<b>\$ 7,379,452</b>	<b>\$ 8,616,467</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes	\$ 1,424,234	\$ 1,446,235	\$ 1,697,781	\$ 1,817,837	\$ 1,957,923	\$ 2,029,408	\$ 2,363,845	\$ 2,473,814	\$ 2,597,044	\$ 2,926,561
Licenses, fees and permits	242,354	255,745	257,505	240,538	243,309	506,322	242,996	259,373	293,156	265,791
Intergovernmental	589,367	682,493	1,373,923	832,403	644,564	949,028	1,490,446	1,503,944	1,369,473	1,811,821
Charges for services	207,314	215,806	229,305	264,017	255,646	284,610	317,752	361,614	59,861	30,268
Fines	33,808	37,774	31,568	163,096	20,428	27,520	16,306	19,369	7,828	41,016
Demutualization	88,278	32,181	19,896	25,505	-	-	-	-	-	-
Miscellaneous	-	-	-	-	59,291	93,501	59,926	61,296	43,730	308,259
<b>Total revenues</b>	<b>2,585,355</b>	<b>2,670,234</b>	<b>3,609,978</b>	<b>3,343,396</b>	<b>3,181,161</b>	<b>3,890,389</b>	<b>4,491,271</b>	<b>4,679,410</b>	<b>4,371,092</b>	<b>5,383,716</b>
<b>Expenditures</b>										
General government	519,438	567,820	623,843	617,706	638,422	802,802	799,801	853,159	855,747	854,705
Public safety	1,244,362	1,219,971	1,231,606	1,317,749	1,039,792	1,096,625	1,348,483	1,379,935	1,413,673	1,418,479
Physical environment	-	-	-	-	-	-	-	-	-	-
Transportation	399,040	413,256	427,770	386,592	374,517	338,736	352,430	405,718	154,395	196,948
Human services	16,831	17,250	2,644	3,000	2,335	4,145	1,005	-	57,473	75,179
Economic environment	285,407	293,491	301,825	-	-	-	-	-	-	-
Culture and recreation	747,021	225,087	1,009,166	311,142	342,340	350,042	350,092	355,228	504,086	604,388
Capital outlay	-	-	-	406,085	118,704	87,332	215,196	82,139	106,998	961,919
Debt Service	-	-	-	-	-	-	-	-	-	31,468
Principal	-	-	-	-	-	-	-	-	-	3,615
Interest	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,212,099</b>	<b>2,736,875</b>	<b>3,596,854</b>	<b>3,042,274</b>	<b>2,516,110</b>	<b>2,679,682</b>	<b>3,067,007</b>	<b>3,076,179</b>	<b>3,092,372</b>	<b>4,146,701</b>
Excess of revenues over (under) expenditures	(626,744)	(66,641)	13,124	301,122	665,051	1,210,707	1,424,264	1,603,231	1,278,720	1,237,015
<b>Other Financing Sources (Uses)</b>										
Transfers in	271,303	474,268	3,295	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(441,267)	(100,000)	-	-
Proceeds from sale of assets	47,585	1,437	2,868	4,016	3,424	-	-	-	-	-
Total other financing sources (uses)	318,888	475,705	6,163	4,016	3,424	-	(441,267)	(100,000)	-	-
<b>Net changes in fund balances</b>	<b>\$ (307,856)</b>	<b>\$ 409,064</b>	<b>\$ 19,287</b>	<b>\$ 305,138</b>	<b>\$ 668,475</b>	<b>\$ 1,210,707</b>	<b>\$ 982,997</b>	<b>\$ 1,503,231</b>	<b>\$ 1,278,720</b>	<b>\$ 1,237,015</b>

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

Fiscal Year Ended September 30	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value		Total Direct Tax Rate
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Estimated Actual Value	Actual Value	
2014	\$244,180,450	\$ 287,271,118	\$ 14,136,059	\$16,630,658	\$ 258,316,509	\$ 303,901,775	85%	2.6435	
2015	\$266,854,872	\$ 313,946,908	\$ 16,278,265	\$19,150,900	\$ 283,133,137	\$ 333,097,808	85%	3.5000	
2016	\$258,648,526	\$ 304,292,384	\$ 14,213,196	\$16,721,407	\$ 272,861,722	\$ 321,013,791	85%	3.8880	
2017	\$265,698,860	\$ 312,586,894	\$ 13,527,257	\$15,914,420	\$ 279,226,117	\$ 328,501,314	85%	4.2347	
2018	\$272,827,106	\$ 320,973,066	\$ 13,808,898	\$16,245,762	\$ 286,636,004	\$ 337,218,828	85%	4.2347	
2019	\$284,134,531	\$ 334,275,919	\$ 14,564,031	\$17,134,154	\$ 298,698,562	\$ 351,410,073	85%	5.0261	
2020	\$298,856,409	\$ 351,595,775	\$ 13,743,311	\$16,168,601	\$ 312,599,720	\$ 367,764,376	85%	5.0261	
2021	\$316,881,960	\$ 372,802,306	\$ 14,312,047	\$16,837,702	\$ 331,194,007	\$ 389,640,008	85%	5.0261	
2022	\$389,132,527	\$ 457,802,973	\$ 15,728,083	\$18,503,627	\$ 404,860,610	\$ 476,306,600	85%	5.0261	
2023	\$419,694,928	\$ 493,758,739	\$ 18,302,262	\$21,532,073	\$ 437,997,190	\$ 515,290,812	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			Collections in Subsequent Years	Total Collections to Date	
		Levy Fiscal Year		Percentage of Levy		Amount	Percentage of Levy
		Amount	(By March 31 of Year After Levy)				
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	\$ 1,492,482	95.16%	\$ 25,328	\$ 1,517,810	96.77%	
2021	\$ 1,661,873	\$ 1,582,868	95.25%	\$ 26,260	\$ 1,609,128	96.83%	
2022	\$ 2,037,280	\$ 1,917,556	94.12%	\$ 49,886	\$ 1,967,442	96.57%	
2023	\$ 2,199,350	*	*	*	*	*	

\*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	
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
2021	5.0261	3.8308	0.0294	5.9430	14.8293
2022	5.0261	3.8308	0.0261	5.5790	14.4620
2023	5.0261	3.8308	0.0234	5.4770	14.3573

**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, 2022**

<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	\$ 123,505,214	0.35%	\$ 432,268
Private Bank Notes	\$ 18,849,140	0.35%	\$ 65,972
Okaloosa County School District			
Certificates of Participation	\$ 97,390,000	1.69%	\$ 1,645,891
Revenue Bonds	\$ 2,060,000	1.69%	\$ 34,814
State School Bonds	\$ 403,000	1.69%	\$ 6,811
Subtotal: Overlapping Debt	<u>\$ 242,207,354</u>		<u>\$ 2,185,756</u>
<b>City Direct Debt</b>			
State Revolving Loans	\$ 1,071,899	100.00%	\$ 1,071,899
Subscription Liabilities	\$ 99,482	100.00%	\$ 99,482
Subtotal: Direct Debt	<u>\$ 1,171,381</u>		<u>\$ 1,171,381</u>
<b>Total Direct and Overlapping Debt</b>	<u>\$ 243,378,735</u>		<u>\$ 3,357,137</u>
Taxable Value of All Okaloosa County Property:	<u>\$ 192,026,411</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	Governmental Activities	Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita Debt
	Subscription Liabilities	Subscription Liabilities	Water and Sewer State Revolving Fund Loans				
2014	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2016	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2017	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2018	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2019	\$ -	\$ -	\$ -	\$ 47,400	\$ 47,400	0.02%	\$ 12
2020	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000	0.04%	\$ 15
2021	\$ -	\$ -	\$ -	\$ 259,378	\$ 259,378	0.20%	\$ 64
2022	\$ 97,695	\$ 49,057	\$ -	\$ 425,375	\$ 572,127	0.38%	\$ 130
2023	\$ 66,227	\$ 33,255	\$ -	\$ 1,071,899	\$ 1,171,381	0.62%	\$ 256

**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**  
**PLEGGED REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Utility Charges	Plus Utility Service Fee and Franchise Fee Revenues	Less Operating Expenses	Net Available Revenue	Water and Sewer Debt Service Principal	Water and Sewer Debt Service Interest	Total Coverage
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	\$ 2,188,039	\$ -	\$ 1,917,066	\$ 270,973	\$ -	\$ -	N/A
2020	\$ 2,332,551	\$ -	\$ 1,982,835	\$ 349,716	\$ -	\$ -	N/A
2021	\$ 2,662,060	\$ -	\$ 2,207,534	\$ 454,526	\$ -	\$ 8,521	53.34
2022	\$ 3,090,157	\$ -	\$ 2,489,256	\$ 600,901	\$ 15,938	\$ 3,860	30.35
2023	\$ 3,093,906	\$ -	\$ 2,502,256	\$ 591,650	\$ 16,170	\$ 3,261	30.45

**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**

	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Renaissance Mary Esther	\$ 42,112,172	1	9.75%			
SRM-SPE, LLC	12,164,913	2	2.96%	\$ 27,651,771	1	10.70%
Peacock Hotel LLC	6,927,330	3	1.66%			
Florida Power & Light Co (Formerly Gulf Power)	5,464,797	4	1.11%	2,883,418	5	1.12%
Target Corp T-0740	4,999,830	5	1.19%			
Mary Esther LLC	2,856,205	6	0.64%			
Powell, Gillis E Jr & Cheryl C	2,571,816	7	0.56%			
Stor MarFL Mary LLC	2,494,866	8	0.59%			
Crimson Fish Prop of NW FL LLC	2,436,150	9	0.55%			
Mary Esther Leasing Inc.	2,234,394	10	0.54%	2,641,911	6	1.02%
Mary Esther Shopping Center				3,603,159	2	1.39%
Dayton Hudson Co.				3,487,886	3	1.35%
Mercantile Properties Inc.				3,151,559	4	1.22%
Belk, Inc.				2,360,838	7	0.91%
Shivaram, Inc.				2,386,302	8	0.92%
Hood, Preston A. and Ann O.				2,251,410	9	0.87%
Mary Esther Restaurant Park				1,903,223	10	0.74%
<b>Total</b>	<b>\$ 84,262,473</b>		<b>19.55%</b>	<b>\$ 52,321,477</b>		<b>20.25%</b>
<b>Total Taxable Assessed Value of Other Taxpayers</b>	<b>\$ 353,734,717</b>		<b>80.45%</b>	<b>\$ 205,995,032</b>		<b>79.75%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 437,997,190</b>		<b>100.00%</b>	<b>\$ 258,316,509</b>		<b>100.00%</b>

Source: Okaloosa County Property Appraiser's Office

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

<u>Year</u>	<u>Population</u>	<u>Okaloosa County Population</u>	<u>Per Capita Personal Income (x \$1,000)</u>	<u>Mary Esther Total Personal Income</u>	<u>City of Mary Esther Population as % of County</u>	<u>Okaloosa County School Enrollment</u>	<u>Okaloosa County Unemployment Rate</u>
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%
2021	4,027	212,404	33.0	\$132,891,000	1.90%	32,519	3.2%
2022	4,396	215,751	34.4	\$151,222,400	2.04%	33,000	2.2%
2023	4,571	220,923	41.2	\$188,325,200	2.07%	32,413	2.7%

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

OPERATING INDICATORS BY FUNCTION/PROGRAM  
(UNAUDITED)

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Last Ten Fiscal Years										
Police										
Physical arrests	227	208	214	151	120	116	108	137	197	93
Traffic violations	1748	1,425	1,536	1,253	479	769	909	801	815	753
Fire										
Emergency responses	1025	1,039	1,018	1,075	1,082	838	997	1,011	1,020	1,052
Annual inspections	198	288	312	295	61	27	365	222	281	367
Re-inspections	35	30	56	10	2	7	186	174	135	105
Plan reviews	18	12	33	19	4	-	-	34	33	31
Site inspections	20	12	88	22	10	-	-	-	-	12
Permits issued	5	1	9	3	-	-	-	-	-	-
New Inspections	12	22	25	24	6	1	29	33	23	33
Building										
Permits issued	137	133	232	161	202	184	160	307	259	151
Library										
Items in collection	26,409	28,171	28,822	30,456	32,362	33,902	34,044	34,044	34,668	35,151
Water										
New connections	346	335	361	356	309	339	299	329	278	335
Average daily consumption (x1,000)	302	304	327	288	282	287	277	292	354	344

\*Not Available

Sources: Various City departments, Jacobs OMI for Water section, OCSO for Police section, and OCWFD for Fire 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General government										
Executive	1	1	1	1	1	1	1	1	1	1
Financial and administrative	6	6	6	6	6	6	6	6	6	6
Planning	1	1	1	2	2	2	2	2	2	1
Public safety										
Fire	11	11	13	13	11	-	-	-	-	-
Maintenance	7	7	7	4	4	4	4	4	4	6
Library	6	6	6	6	5	5	5	6	6	6
Water	-	-	-	-	-	-	-	-	-	-
Total	<u>32</u>	<u>32</u>	<u>34</u>	<u>32</u>	<u>29</u>	<u>18</u>	<u>18</u>	<u>19</u>	<u>19</u>	<u>20</u>

Source: City Budget Department

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

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Police (contracted with Okaloosa County Sheriff's Office)										
Patrol units assigned	4	4	4	4	-	2	2	2	2	2
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Paved Streets (miles) <sup>1</sup>	19.4	19.4	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	168	168	169	170	170	170	182	182	182	182
Number of service connections	1,989	1,989	1,991	1,963	1,967	1,954	1,974	2,133	1,987	1,949
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	1,989	1,869	1,854	1,963	1,963	1,940	1,951	2,109	1,967	1,945

**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>Employer</u>	2023			2014		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Target	122	1	0.13%	109	1	0.11%
Mary Esther Elementary	55	2	0.06%			
Panera Bread	42	3	0.04%			
Old Navy	30	4	0.03%	42	6	0.04%
Pedro's	30	5	0.03%			
Piggly Wiggly	29	6	0.03%	31	10	0.03%
McDonalds	25	7	0.03%	37	7	0.04%
Starbucks	20	8	0.02%			
Sonic	20	9	0.02%			
El Paso	18	10	0.02%			
Sears				88	2	0.09%
JC Penney				75	3	0.07%
Logan's Roadhouse, Inc.				66	4	0.07%
Securitas				62	5	0.06%
Wendy's				35	8	0.03%
Hickory River Smokehouse				35	9	0.03%
Total	391		0.41%	580		0.57%
Total County Employment	96,349			101,509		

Employee counts include full and part time.  
**Sources:** Survey of Local Businesses by City Staff



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

- COMPLIANCE MATTERS
- MANAGEMENT LETTER
- RESPONSES TO MANAGEMENT LETTER

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT  
OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS  
PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF  
COMPLIANCE EXAMINATION ENGAGEMENT**

To the Honorable Mayor and  
Members of the City Council

We have examined the City of Mary Esther, Florida's (the City) compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB *Compliance Supplement* during the year ended September 30, 2023.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative Compliance Examination Engagement." Those standards and requirements 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.

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

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 specified requirements for the year ended September 30, 2023.

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

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

**Intended Purpose**

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2023. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 7, 2024

**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, 2023.

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.

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

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 specified requirements for the year ended September 30, 2023.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 7, 2024

**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, 2023, 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 7, 2024.

**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 or significant deficiencies 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.



Fort Walton Beach, Florida  
February 7, 2024

## 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, 2023, and have issued our report thereon dated February 7, 2024.

### 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 Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 7, 2024, 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.

### **Financial Condition and Management – Continued**

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, 2023. 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.

### **Special District Component Units**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of 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 Averett, LLC*

Fort Walton Beach, Florida  
February 7, 2024



**IMPACT FEE AFFIDAVIT**

BEFORE ME, the undersigned authority, personally appeared Jared Cobb, who being duly sworn, deposes and says on oath that:


1. I am the Chief Financial Officer of the City of Mary Esther which is a local governmental entity of the State of Florida.
2. The governing body of the City of Mary Esther adopted Resolution No. 2015-04 implementing an impact fee.
3. The City of Mary Esther has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

  
 \_\_\_\_\_  
 Jared Cobb, City Manager

STATE OF FLORIDA  
COUNTY OF OKALOOSA

SWORN TO AND SUBSCRIBED before me this 14<sup>th</sup> day  
of March 2024.

  
 \_\_\_\_\_  
 NOTARY PUBLIC  
 Print Name Leslie J. Wright

Personally know  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires: April 27<sup>th</sup>, 2026

\_\_\_\_\_

