

City of Mary Esther, Florida

**Annual Comprehensive Financial Report
with Compliance Matters and Responses for the
Fiscal Year Ended September 30, 2024**



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

**Fiscal Year Ended
September 30, 2024**

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

**The City of Mary Esther, Florida
PRINCIPAL OFFICIALS
Year Ended September 30, 2024**

CITY COUNCIL 2023-2024

April Sutton
Larry Carter
Susan Coxwell
Richard Lawson
Bernie Oder

CITY OFFICIALS

Mayor

Chris Stein

Mayor Pro-Tem

April Sutton

City Manager

Jared Cobb

City Clerk

Dillon Morris

City Attorney

Hayward Dykes, Jr., Esq.

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CITY OF MARY ESTHER

195 Christobal Road, North ♦ Mary Esther, Florida 32569

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, covering the fiscal year ending September 30, 2024. 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 of Mary Esther. 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 of Mary Esther, with approximately 4,400 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, our 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 of Mary Esther 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, Mary Esther 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 Azalea Drive | 1.81 |  |  |  |  | | | |
| Elliot Park Mary Esther Manor Subdivision | 3.02 |  |  |  |  |  |  | |
| North Bryn Mawr Park North End of Bryn Mawr Drive | 2.69 |  |  |  |  |  |  | |
| Oak Tree Nature Park Between Hwy. 98 and Hollywood Blvd., West of Doolittle Blvd. | 13.84 |  |  |  | | | | |
| Oak Tree Park West End of N. Lorraine Drive | 0.38 |  |  |  |  | | | |
| Pier Park South End of Misty Water Lane | 0.10 |  |  |  | | | | |
| Pryor Park South Side of City Hall, West of Christobal Road | 0.61 |  | | | | | | |
| South Bryn Mawr Park South End of Bryn Mawr Blvd. | 2.44 |  |  |  | | | | |
| South Bryn Mawr Gazebo South End of Bryn Mawr Blvd. | 0.25 |  |  |  | | | | |
| Springdale Park Northwest End of Mary Esther Drive | 3.67 |  |  |  | | | | |
| Total Park Acreage | 28.81 | | | | | | | |


 Picnic Tables


 Playground


 Basketball Court


 Nature Trail


 Baseball Field


 Gazebo

 Tennis Courts

 Restrooms

 Shelter

 Pier and Boat Ramp

 Water Fountain

COUNTY PROFILE

Okaloosa County, our broader community, has experienced positive growth with an estimated population of 219,260, marking a 11% 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, 2024, Okaloosa County's millage rate stood at 3.8308 mills, reflecting the County's commitment to fiscal responsibility and efficient resource allocation. Furthermore, the County's unemployment rate was 3.1%, outperforming the state of Florida, which reported a rate of 3.3%. This favorable economic indicator underscores Okaloosa 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 Okaloosa County's economic landscape, attracting defense contracting firms and fostering substantial employment and investments.

HISTORICAL SIGNIFICANCE

The City of Mary Esther, strategically located for easy access to local waterways, 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 Okaloosa County's first superintendent of schools. The Pryor family maintains a deep connection to Mary Esther, 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 Council member 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 serves as the Chief Financial Officer and Chief Investment Officer, overseeing funds management and executing the City Council's investment policies. The City Manager 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 City Manager also suggesting eligible investment dealers and brokers, subject to Council review. The City Manager safeguards security holdings in accordance with Council policies, rules, regulations, and directives. Reporting to the City Manager, the Finance Director evaluates City investments for adherence to Council objectives, reviewing transactions, performance, asset mix, and portfolio strategy each quarter. The Finance Director 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 budget process begins with the preparation of proposed budgets by Department Managers. These requested budgets are then reviewed and revised by the City Manager and Finance Director. The City Manager is responsible for presenting a balanced budget to Council members for review and discussion during the budget workshops. In compliance with the Truth in Millage (TRIM) procedures, two public meetings are held to discuss the city's millage rate and proposed budget. The millage rate and final budget are adopted at the final budget hearing in September, prior to the start of the new fiscal year.

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 City Manager, City Clerk, or Finance Director is present at City Hall. Two signers, including the City Manager, Permit Technician, and City Mayor, are required for all checks. The Finance Director prepares bank reconciliations, reviewed and signed by the City Manager. A closed-circuit camera system monitors sensitive areas, with vault access limited to pre-authorized personnel. Two individuals, the City Manager and Finance Director, are involved in the payroll process, and any pay rate adjustments require the City Manager's authorization before entry into the accounting system.

ECONOMIC ENVIRONMENT AND PROJECTIONS

The City of Mary Esther 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 Mary Esther 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 Okaloosa County, supports approximately 192,000 jobs in Northwest Florida.

LOOKING FORWARD

The city proactively manages and updates its Capital Improvement Plan each year to anticipate the maintenance and replacement of high-cost assets vital for providing transportation and utility services to residents. This approach ensures that funds are available when necessary. The plan covers various depreciable assets, including streets, sidewalks, vehicles, equipment, and buildings, assessing their life expectancy and the costs for maintenance and replacement. During the annual budget process, the City Council reviews and decides which capital assets will be repaired or replaced.

The City Council remains committed to revitalizing the City's infrastructure, including water and wastewater systems, streets, sidewalks, parks, and City facilities. Infrastructure upgrades in the Springdale Park neighborhood are nearing completion, while improvements in the Azalea Park neighborhood are about to enter the bidding stage. The Public Works Department continues to prioritize streets, sidewalks, and parks, with many streets having undergone crack sealing and sidewalk repairs. Additional street and sidewalk improvements will proceed in the next fiscal year.

Improvements to Azalea Park have begun, with more enhancements planned for the next fiscal year, including a new walking trail, pavilion, seating, and a firepit. The City is also collaborating with Okaloosa County on the waterfront park project on South Christobal Rd., which will soon be entering the construction phase and is expected to be completed next year.

Community redevelopment remains a key priority. The Council and staff will continue to collaborate with property and business owners to support redevelopment efforts within the city, fostering revitalization and beautification projects.

INDEPENDENT AUDIT

Florida municipalities are required to undergo annual audits conducted by an independent certified public accounting firm. Warren Averett 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 of Mary Esther 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 annual comprehensive financial report for the fiscal year ended September 30, 2023. This prestigious award has been achieved for the 14th consecutive year, demonstrating the City's commitment to publishing an annual comprehensive 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 Finance Department of the City of Mary Esther, along with City Management and Department Managers, has 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 21, 2025



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, 2023

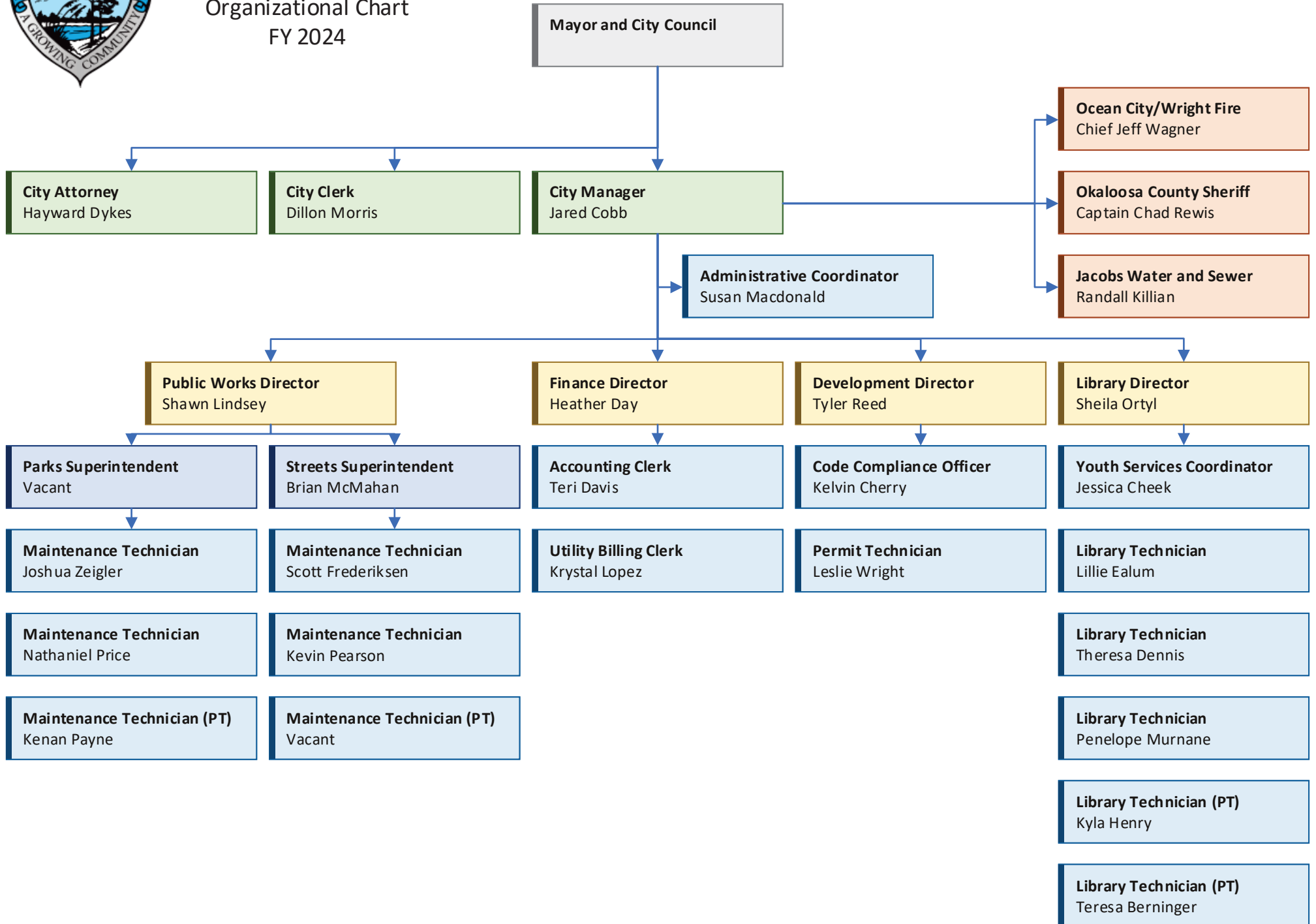
Christopher P. Morrill

Executive Director/CEO



City of Mary Esther

Organizational Chart
FY 2024



II. FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Audit of Financial Statements

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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof 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.

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, the budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' 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 21, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
February 21, 2025

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, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$32.9 million (net position), and represents an increase of \$3.8 million, or 13.2%, from the prior year. Of this amount, \$17.4 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, \$2.5 million is restricted for specific purposes, and \$13.0 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 \$2.8 million, or 17.4%, and the business-type activities increased \$1.0 million, or 8.0%. The increase in governmental activities net position is primarily attributable to the large amount of capital assets purchased and constructed during fiscal year 2024 as capital outlay costs do not reduce net position in the government-wide financial statements. The increase in business-type activities net position is primarily attributable to expending American Rescue Plan Act (ARPA) grant funds on capital projects.
- As of September 30, 2024, the City's governmental funds reported ending fund balances of \$11.0 million, an increase in fund balance of \$2.4 million, or 28.0%. Of this amount, \$5.3 million, or 48.0%, of ending fund balance (and 64.0% 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.

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 17-20 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 21-24 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 25 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 \$32.9 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, 2024 AND 2023

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 12,615,548 | \$ 9,900,117 | \$ 8,503,890 | \$ 8,325,255 | \$ 21,119,438 | \$ 18,225,372 |
| Capital assets | 11,722,618 | 7,570,243 | 11,178,820 | 9,969,481 | 22,901,438 | 17,539,724 |
| Total assets | 24,338,166 | 17,470,360 | 19,682,710 | 18,294,736 | 44,020,876 | 35,765,096 |
| Total deferred outflows of resources | 62,146 | 49,052 | - | - | 62,146 | 49,052 |
| Long-term liabilities | | | | | | |
| outstanding | 3,963,440 | 225,806 | 2,175,296 | 1,095,450 | 6,138,736 | 1,321,256 |
| Other liabilities | 1,365,537 | 1,107,094 | 868,600 | 1,500,169 | 2,234,137 | 2,607,263 |
| Total liabilities | 5,328,977 | 1,332,900 | 3,043,896 | 2,595,619 | 8,372,873 | 3,928,519 |
| Total deferred inflows of resources | 126,440 | 43,843 | 2,725,270 | 2,819,870 | 2,851,710 | 2,863,713 |
| Net position | | | | | | |
| Net investment in capital assets | 8,760,015 | 7,504,016 | 8,612,498 | 8,864,327 | 17,372,513 | 16,368,343 |
| Restricted | 2,494,453 | 2,195,464 | 8,194 | 7,700 | 2,502,647 | 2,203,164 |
| Unrestricted | 7,690,427 | 6,443,189 | 5,285,495 | 4,007,220 | 12,975,922 | 10,450,409 |
| Total net position | \$ 18,944,895 | \$ 16,142,669 | \$ 13,906,187 | \$ 12,879,247 | \$ 32,851,082 | \$ 29,021,916 |

By far the largest portion of the City's net position, \$17.4 million, or 52.9%, 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.

An additional portion of the City's net position of \$2.5 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 \$13.0 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 \$3.8 million, or 13.2%, during fiscal year 2024. Governmental activities increased by \$2.8 million and business-type activities increased by \$1.0 million.

GOVERNMENTAL ACTIVITIES

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

Table 2
CITY OF MARY ESTHER, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 74,426 | \$ 85,885 | \$ 3,140,241 | \$ 3,185,063 | \$ 3,214,667 | \$ 3,270,948 |
| Operating grants and contributions | 74,366 | 157,072 | - | - | 74,366 | 157,072 |
| Capital grants and contributions | 1,458,811 | 91,520 | 461,781 | 825,352 | 1,920,592 | 916,872 |
| General revenues | | | | | | |
| Property taxes | 2,129,476 | 1,968,163 | - | - | 2,129,476 | 1,968,163 |
| Other taxes | 2,357,183 | 2,537,282 | - | - | 2,357,183 | 2,537,282 |
| Other revenue | 758,256 | 543,601 | 424,194 | 385,365 | 1,182,450 | 928,966 |
| TOTAL REVENUES | 6,852,518 | 5,383,523 | 4,026,216 | 4,395,780 | 10,878,734 | 9,779,303 |
| EXPENSES | | | | | | |
| Governmental activities | | | | | | |
| General government | 1,187,133 | 1,032,690 | - | - | 1,187,133 | 1,032,690 |
| Public safety | 1,554,329 | 1,465,151 | - | - | 1,554,329 | 1,465,151 |
| Physical environment | 103,717 | 75,179 | - | - | 103,717 | 75,179 |
| Transportation | 242,955 | 244,156 | - | - | 242,955 | 244,156 |
| Culture and recreation | 799,457 | 641,247 | - | - | 799,457 | 641,247 |
| Debt service interest | 162,701 | 3,615 | - | - | 162,701 | 3,615 |
| Business-type activities | | | | | | |
| Water and sewer | - | - | 2,999,276 | 2,951,143 | 2,999,276 | 2,951,143 |
| TOTAL EXPENSES | 4,050,292 | 3,462,038 | 2,999,276 | 2,951,143 | 7,049,568 | 6,413,181 |
| CHANGE IN NET POSITION | 2,802,226 | 1,921,485 | 1,026,940 | 1,444,637 | 3,829,166 | 3,366,122 |
| NET POSITION AT BEGINNING OF YEAR | 16,142,669 | 14,221,184 | 12,879,247 | 11,434,610 | 29,021,916 | 25,655,794 |
| NET POSITION AT END OF YEAR | \$ 18,944,895 | \$ 16,142,669 | \$ 13,906,187 | \$ 12,879,247 | \$ 32,851,082 | \$ 29,021,916 |

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 24% of the City's operating costs.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the City to strive for a competitive salary range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil and parts. Some fluctuations may experience commodity specific increases.

Current Year Impacts – Governmental Activities

- Capital grants and contributions increased by \$1.4 million, which is a result of nonrecurring Community Development Block Grant (CDBG) funding to make certain capital improvements to the Springdale Park Neighborhood.
- Other revenues increased by \$215 thousand, or 39.5%. This increase is almost entirely attributable to an increase in interest earned on deposits and investments. The increase in interest income is a function of rising market interest rates earned on invested funds and an increase in the average balance of deposits and investments during fiscal year 2024.
- Debt service interest expense increased by \$159 thousand, which is the result of issuing new debt during fiscal year 2024 and making the first semi-annual payment in September 2024.

Chart 1
Expenses and Program Revenue – Governmental Activities

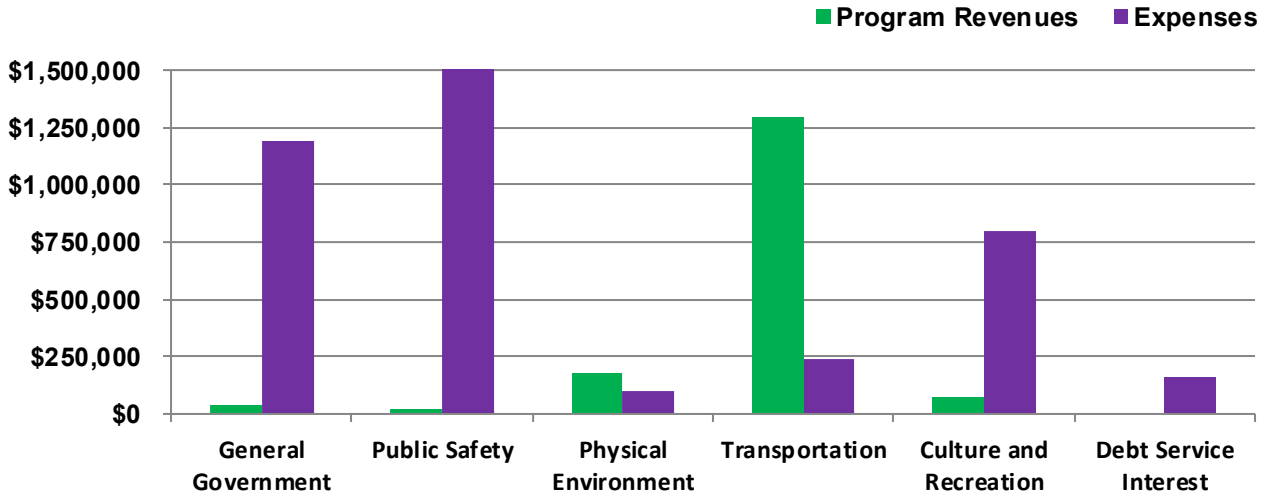
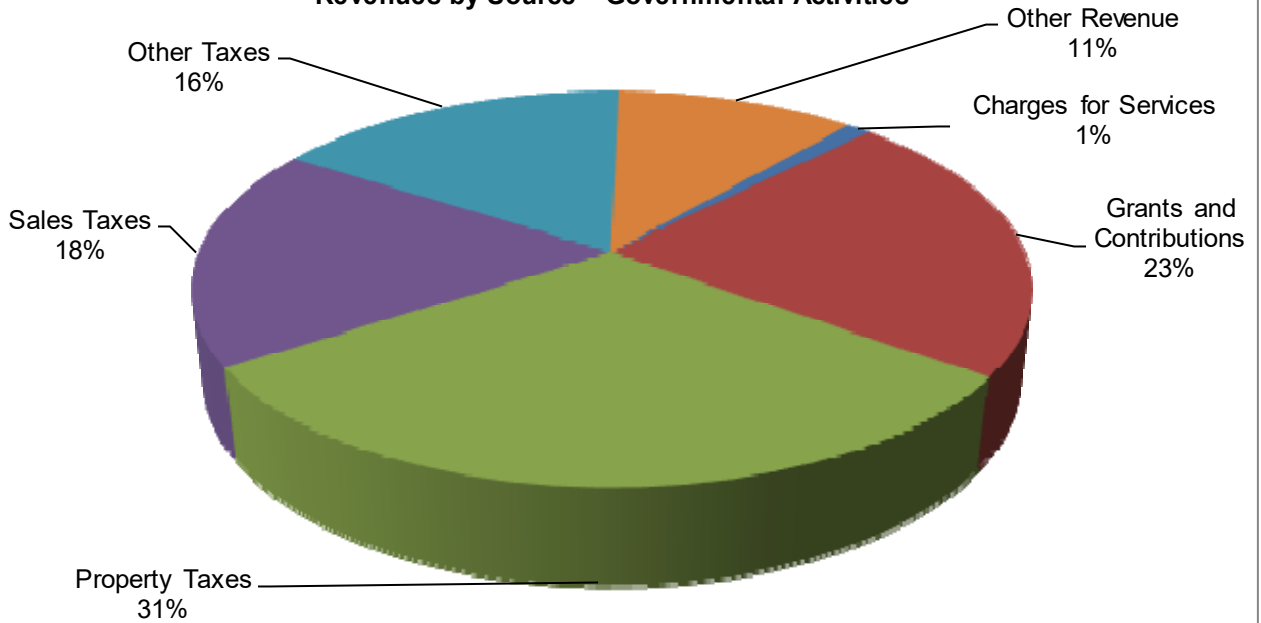
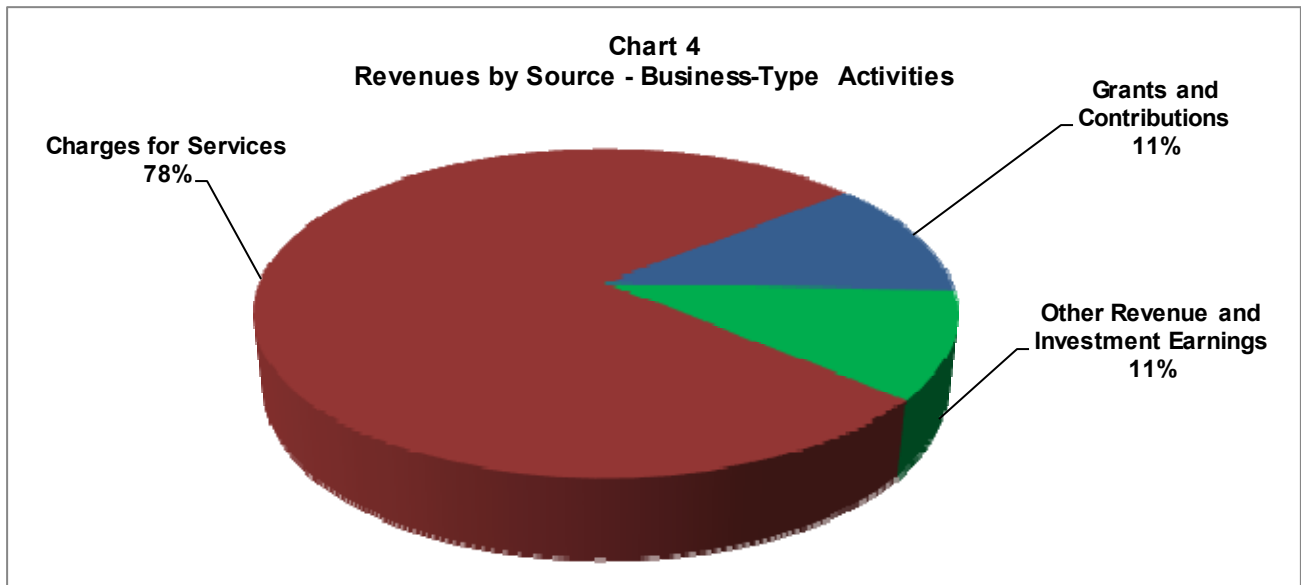
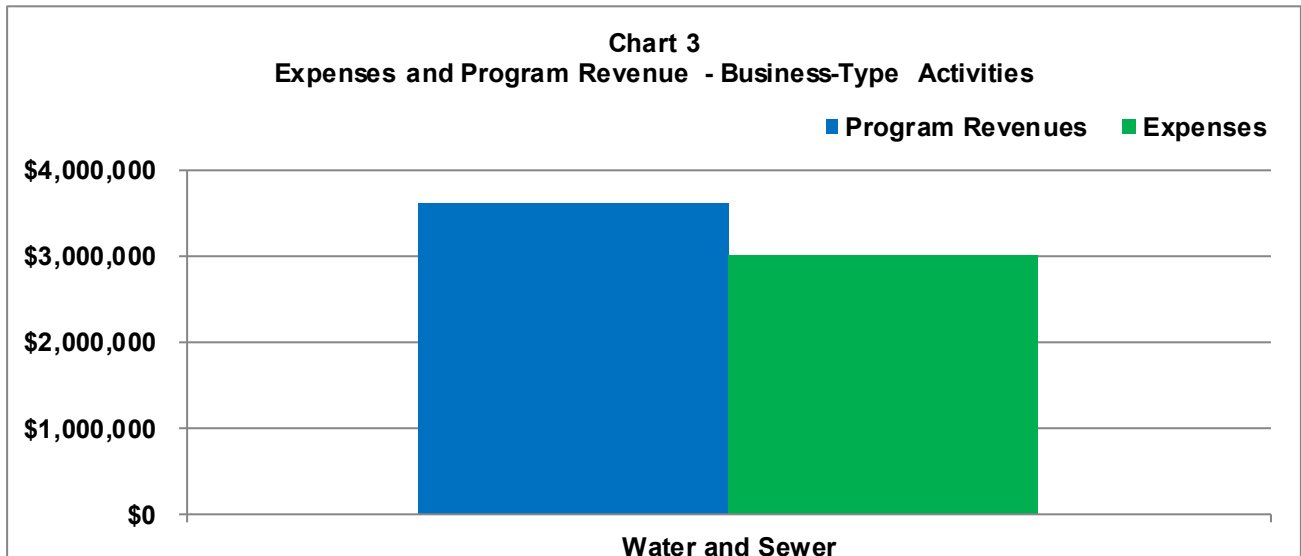


Chart 2
Revenues by Source – Governmental Activities



Current Year Impacts – Business-Type Activities

- Capital grants and contributions decreased by \$364 thousand, or 44.1%. This decrease is primarily attributable to a reduction in American Rescue Plan Act (ARPA) grant funds expended to rehabilitate Well #1 during fiscal year 2024.
- Operating expenses for personnel increased by \$27 thousand, or 10.4%, which is primarily attributable to an increase in payroll and related employee benefit costs.
- Interest and investment income increased by \$89 thousand, or 33.7%. The increase in interest income is a function of rising market interest rates earned on invested funds and an increase in the average balance of deposits and investments during fiscal year 2024.



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 September 30, 2024, the City's General Fund reported ending fund balance of \$8.7 million, an increase in fund balance of \$2.0 million from the prior year. The increase in fund balance was primarily driven by the issuance of long-term debt to purchase and renovate the future City Hall building as well as to fund a portion of the City's share of costs on a joint project with Okaloosa County to construct Christobal Waterfront Park. At the end of fiscal year 2024, the City had not yet expended more than \$1.4 million of the proceeds received from the issuance of long-term debt. The unspent debt proceeds are primarily cause for the \$1.3 million increase in restricted fund balance.

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. As of September 30, 2024, the fund reported ending fund balance of \$2.3 million, an increase of \$417 thousand from the prior year. The increase in fund balance is attributable to the City's share of discretionary sales tax proceeds significantly exceeding related expenditures. The City plans to use the surplus in the Discretionary Sales Tax Fund to finance planned future capital infrastructure projects.

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 64.0% of the total expenditures in the governmental funds, while total fund balances represent 133.2% of total expenditures in the governmental funds. Unassigned and assigned fund balances represent approximately 8 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 \$5.3 million at the end of fiscal year 2024. Total net position for proprietary funds increased \$1.0 million, or 8.0%, during 2024.

BUDGETARY HIGHLIGHTS

General Fund

- Actual expenditures fell short of budgetary expectations by \$6.1 million, which is primarily attributable to delays in the commencement (and progress) of planned capital projects.
- Actual revenues exceeded budgetary expectations by \$663 thousand for the year ended September 30, 2024, which is primarily attributable to conservative budgeting practices used by management for revenues. In addition, grant revenues and shared tax revenues significantly exceeded budgetary estimates.

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, 2024, amounts to \$22.9 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 \$5.4 million, or 30.6%, with an overall 54.9% increase for governmental activities and a 12.1% 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, 2024 AND 2023

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 6,111,851 | \$ 5,015,449 | \$ 77,878 | \$ 77,878 | \$ 6,189,729 | \$ 5,093,327 |
| Buildings | 1,895,513 | 659,106 | 62,558 | 57,378 | 1,958,071 | 716,484 |
| Improvements other than buildings | 1,389,180 | 1,432,073 | 6,174,106 | 6,504,279 | 7,563,286 | 7,936,352 |
| Machinery and equipment | 109,014 | 7,160 | 799,793 | 674,014 | 908,807 | 681,174 |
| Subscription assets | 46,723 | 72,209 | 23,461 | 36,259 | 70,184 | 108,468 |
| Construction in progress | 2,170,337 | 384,246 | 4,041,024 | 2,619,673 | 6,211,361 | 3,003,919 |
| Total | \$ 11,722,618 | \$ 7,570,243 | \$ 11,178,820 | \$ 9,969,481 | \$ 22,901,438 | \$ 17,539,724 |

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

Debt

As of September 30, 2024, the City reported outstanding long-term debt from revenue notes and State Revolving Fund loans totaling \$5.9 million. The debt is secured by pledged non-ad valorem revenues of the City. 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.

Table 4
CITY OF MARY ESTHER, FLORIDA
LONG-TERM LIABILITIES OUTSTANDING
AS OF SEPTEMBER 30, 2024 AND 2023

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenue note | \$ 3,733,828 | \$ - | \$ - | \$ - | \$ 3,733,828 | \$ - |
| State Revolving Fund loans | - | - | 2,170,409 | 1,071,899 | 2,170,409 | 1,071,899 |
| Subscription liabilities | 33,791 | 66,227 | 16,968 | 33,255 | 50,759 | 99,482 |
| Compensated absences | 119,674 | 94,933 | 29,428 | 31,308 | 149,102 | 126,241 |
| Total | \$ 3,887,293 | \$ 161,160 | \$ 2,216,805 | \$ 1,136,462 | \$ 6,104,098 | \$ 1,297,622 |

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 2024-2025 budget for the City:

- The local unemployment rate was 3.2%, which represents an approximate 0.5% increase from September 2023. The State of Florida's unemployment rate was 3.3%, which represents an approximate 0.3% increase from September 2023. The unemployment rate will impact the City's fee and usage-based revenues and shared portions of the State of Florida's usage-based taxes.

- The Florida Department of Revenue’s Office of Tax Research has updated its estimates of tax distributions the City is expected to receive for the upcoming fiscal year. The table below summarizes the fiscal year 2025 revenue estimates compared to the actual revenues reported for fiscal year 2024.

| Revenue Source | FY2025 Estimate | FY2024 Actual | Variance (\$) | Variance (%) |
|----------------------------|----------------------------|--------------------------|----------------------|---------------------|
| Municipal Revenue Sharing | \$ 224,837 | \$ 223,212 | \$ 1,625 | 0.7% |
| Half-Cent Sales Tax | 579,555 | 519,461 | 60,094 | 11.6% |
| Communications Service Tax | 200,132 | 186,996 | 13,136 | 7.0% |

- Moderate increases in property tax revenues are anticipated by most regional municipalities. Property tax revenues in Mary Esther are expected to be up 7.1% 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.

**CITY OF MARY ESTHER, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

| | Primary Government | | |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,630,777 | \$ 4,709,926 | \$ 9,340,703 |
| Investments | 2,879,605 | 340,379 | 3,219,984 |
| Receivables, net | 63,912 | 483,892 | 547,804 |
| Due from other governments | 826,027 | - | 826,027 |
| Prepaid items | 4,997 | 42,163 | 47,160 |
| Restricted assets | | | |
| Cash and cash equivalents | 4,016,105 | 141,754 | 4,157,859 |
| Other assets | | | |
| Leases receivable | - | 2,785,776 | 2,785,776 |
| Other, net | 194,125 | - | 194,125 |
| Capital assets | | | |
| Non-depreciable | 8,282,188 | 4,118,902 | 12,401,090 |
| Depreciable, net | 3,440,430 | 7,059,918 | 10,500,348 |
| TOTAL ASSETS | 24,338,166 | 19,682,710 | 44,020,876 |
| DEFERRED OUTFLOW OF RESOURCES | 62,146 | - | 62,146 |
| LIABILITIES | | | |
| Accounts payable | 860,426 | 473,168 | 1,333,594 |
| Accrued liabilities | 43,230 | (70) | 43,160 |
| Accrued interest payable | 115 | 3,495 | 3,610 |
| Unearned revenues | 296,785 | 216,938 | 513,723 |
| Payable from restricted assets | | | |
| Customer deposits | - | 133,560 | 133,560 |
| Retainage payable | 101,271 | - | 101,271 |
| Non-current liabilities | | | |
| Due within one year | | | |
| Compensated absences | 29,919 | 7,357 | 37,276 |
| Subscription liabilities | 33,791 | 16,968 | 50,759 |
| State revolving fund loans payable | - | 17,184 | 17,184 |
| Due in more than one year | | | |
| Compensated absences | 89,755 | 22,071 | 111,826 |
| State revolving fund loans payable | - | 2,153,225 | 2,153,225 |
| Revenue note payable | 3,733,828 | - | 3,733,828 |
| Other post-employment benefits | 139,857 | - | 139,857 |
| TOTAL LIABILITIES | 5,328,977 | 3,043,896 | 8,372,873 |
| DEFERRED INFLOWS OF RESOURCES | 126,440 | 2,725,270 | 2,851,710 |
| NET POSITION | | | |
| Net investment in capital assets | 8,760,015 | 8,612,498 | 17,372,513 |
| Restricted for: | | | |
| Capital expansion projects | 183,421 | 8,194 | 191,615 |
| Government infrastructure | 2,304,968 | - | 2,304,968 |
| Other purposes | 6,064 | - | 6,064 |
| Unrestricted | 7,690,427 | 5,285,495 | 12,975,922 |
| TOTAL NET POSITION | \$ 18,944,895 | \$ 13,906,187 | \$ 32,851,082 |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| Function/program activities | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Governmental Activities | | | | | | | |
| General government | \$ 1,187,133 | \$ 34,697 | \$ 5,000 | \$ - | \$ (1,147,436) | \$ - | \$ (1,147,436) |
| Public safety | 1,554,329 | 14,551 | - | 4,323 | (1,535,455) | - | (1,535,455) |
| Physical environment | 103,717 | - | - | 178,300 | 74,583 | - | 74,583 |
| Transportation | 242,955 | 21,839 | - | 1,276,188 | 1,055,072 | - | 1,055,072 |
| Culture and recreation | 799,457 | 3,339 | 69,366 | - | (726,752) | - | (726,752) |
| Debt service interest | 162,701 | - | - | - | (162,701) | - | (162,701) |
| Total governmental activities | 4,050,292 | 74,426 | 74,366 | 1,458,811 | (2,442,689) | - | (2,442,689) |
| Business-type activities | | | | | | | |
| Water and sewer | 2,999,276 | 3,140,241 | - | 461,781 | - | 602,746 | 602,746 |
| Total primary government | \$ 7,049,568 | \$ 3,214,667 | \$ 74,366 | \$ 1,920,592 | (2,442,689) | 602,746 | (1,839,943) |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | | 2,129,476 | - | 2,129,476 |
| Sales taxes | | | | | 1,237,394 | - | 1,237,394 |
| Utility service taxes | | | | | 592,119 | - | 592,119 |
| Other taxes | | | | | 527,670 | - | 527,670 |
| Municipal revenue sharing program | | | | | 231,251 | - | 231,251 |
| Miscellaneous | | | | | 7,756 | 72,051 | 79,807 |
| Investment earnings | | | | | 519,249 | 352,143 | 871,392 |
| Total general revenues | | | | | 5,244,915 | 424,194 | 5,669,109 |
| CHANGE IN NET POSITION | | | | | 2,802,226 | 1,026,940 | 3,829,166 |
| NET POSITION AT BEGINNING OF YEAR | | | | | 16,142,669 | 12,879,247 | 29,021,916 |
| NET POSITION AT END OF YEAR | | | | | \$ 18,944,895 | \$ 13,906,187 | \$ 32,851,082 |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2024**

| | <u>General Fund</u> | <u>Discretionary Sales Tax Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,670,506 | \$ 2,366,510 | \$ 7,037,016 |
| Investments | 2,879,605 | - | 2,879,605 |
| Receivables | 63,912 | - | 63,912 |
| Due from other governments | 786,298 | 39,729 | 826,027 |
| Prepaid items | 4,997 | - | 4,997 |
| Restricted assets: | | | |
| Cash and cash equivalents | 1,609,866 | - | 1,609,866 |
| TOTAL ASSETS | <u>\$ 10,015,184</u> | <u>\$ 2,406,239</u> | <u>\$ 12,421,423</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 860,426 | \$ 101,271 | \$ 961,697 |
| Accrued liabilities | 43,230 | - | 43,230 |
| Unearned revenues | 296,785 | - | 296,785 |
| Total liabilities | <u>1,200,441</u> | <u>101,271</u> | <u>1,301,712</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>88,232</u> | <u>-</u> | <u>88,232</u> |
| FUND BALANCE | | | |
| Nonspendable - prepaid items | 4,997 | - | 4,997 |
| Restricted | | | |
| Capital expansion projects | 183,421 | - | 183,421 |
| Government infrastructure | - | 2,304,968 | 2,304,968 |
| City Hall building renovations | 559,108 | - | 559,108 |
| Christobal Waterfront Park improvements | 861,273 | - | 861,273 |
| Other purposes | 6,064 | - | 6,064 |
| Committed - natural disaster relief | 1,813,711 | - | 1,813,711 |
| Assigned – FY25 appropriations | 2,531,521 | - | 2,531,521 |
| Unassigned | 2,766,416 | - | 2,766,416 |
| Total fund balances | <u>8,726,511</u> | <u>2,304,968</u> | <u>11,031,479</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 10,015,184</u> | <u>\$ 2,406,239</u> | <u>\$ 12,421,423</u> |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITIOIN
SEPTEMBER 30, 2024**

| | | |
|---|--------------------|----------------------|
| Fund balance, total governmental funds (page 17) | | \$ 11,031,479 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | | |
| Governmental non-depreciable assets | 8,282,188 | |
| Governmental depreciable assets | 7,577,751 | |
| Less accumulated depreciation | <u>(4,137,321)</u> | |
| | | 11,722,618 |
| <p>Other long-term assets are not financial resources and therefore are not reported in the governmental funds.</p> | | |
| Other long-term assets, net | | 194,125 |
| <p>Deferred inflows of resources and deferred outflow of resources related to OPEB are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.</p> | | |
| Deferred outflows of resources | 62,146 | |
| Deferred inflows of resources | <u>(38,208)</u> | |
| | | 23,938 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p> | | |
| Subscription liabilities | (33,791) | |
| Accrued interest on subscription liabilities | (115) | |
| OPEB obligation | (139,857) | |
| Compensated absences | (119,674) | |
| Revenue note payable | <u>(3,733,828)</u> | |
| | | <u>(4,027,265)</u> |
| Net position of governmental activities (page 15) | | <u>\$ 18,944,895</u> |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | <u>General Fund</u> | <u>Discretionary Sales Tax Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| REVENUES | | | |
| Taxes | \$ 3,018,479 | \$ - | \$ 3,018,479 |
| Licenses, fees, and permits | 377,791 | - | 377,791 |
| Intergovernmental | 2,337,236 | 526,329 | 2,863,565 |
| Charges for services | 39,710 | - | 39,710 |
| Fines | 19,722 | - | 19,722 |
| Miscellaneous | 437,769 | 95,482 | 533,251 |
| Total revenues | <u>6,230,707</u> | <u>621,811</u> | <u>6,852,518</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 956,463 | - | 956,463 |
| Public safety | 1,507,900 | - | 1,507,900 |
| Physical environment | 103,717 | - | 103,717 |
| Transportation | 201,740 | - | 201,740 |
| Culture and recreation | 753,313 | - | 753,313 |
| Capital outlay | 4,247,959 | 205,105 | 4,453,064 |
| Debt service | | | |
| Principal | 141,932 | - | 141,932 |
| Interest | 116,676 | - | 116,676 |
| Other | 46,025 | - | 46,025 |
| Total expenditures | <u>8,075,725</u> | <u>205,105</u> | <u>8,280,830</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,845,018)</u> | <u>416,706</u> | <u>(1,428,312)</u> |
| OTHER FINANCING SOURCES | | | |
| Proceeds from issuance of revenue note | <u>3,843,324</u> | <u>-</u> | <u>3,843,324</u> |
| NET CHANGE IN FUND BALANCE | 1,998,306 | 416,706 | 2,415,012 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>6,728,205</u> | <u>1,888,262</u> | <u>8,616,467</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 8,726,511</u> | <u>\$ 2,304,968</u> | <u>\$ 11,031,479</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, 2024**

Net change in fund balance of governmental funds (page 19) \$ 2,415,012

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 | 4,453,064 | |
| Less depreciation expense | <u>(280,895)</u> | |
| | | 4,172,169 |

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 | (53,367) | |
| Accumulated depreciation associated with disposals/transfers | <u>33,573</u> | |
| | | (19,794) |

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.

| | | |
|--|---------------|-------------|
| Proceeds from issuance of revenue note | (3,843,324) | |
| Principal payment on revenue note | 109,496 | |
| Principal payments on subscription liabilities | <u>32,436</u> | |
| | | (3,701,392) |

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 | (313) | |
| Change in accrued interest on subscription liabilities | 111 | |
| Change in long-term compensated absences | <u>(24,741)</u> | |
| | | <u>(63,769)</u> |

Change in net position of governmental activities (page 16) \$ 2,802,226

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF SEPTEMBER 30, 2024**

| | Water and Sewer Fund |
|---|---------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 4,709,926 |
| Investments | 340,379 |
| Receivables, net | 483,892 |
| Prepaid items | 42,163 |
| Leases receivable | 64,473 |
| Restricted assets – cash and cash equivalents | 141,754 |
| Total current assets | 5,782,587 |
| Noncurrent assets | |
| Leases receivable | 2,721,303 |
| Capital assets | |
| Non-depreciable | 4,118,902 |
| Depreciable, net | 7,059,918 |
| Total noncurrent assets | 13,900,123 |
| TOTAL ASSETS | 19,682,710 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 473,168 |
| Accrued interest payable | 3,495 |
| Accrued liabilities | 7,287 |
| Compensated absences | 7,357 |
| Unearned revenues | 216,938 |
| State revolving fund loans payable | 17,184 |
| Subscription liabilities | 16,968 |
| Payable from restricted assets | |
| Customer deposits | 133,560 |
| Total current liabilities | 875,957 |
| Non-current liabilities | |
| State revolving fund loans payable | 2,153,225 |
| Compensated absences | 22,071 |
| Total non-current liabilities | 2,175,296 |
| TOTAL LIABILITIES | 3,051,253 |
| DEFERRED INFLOW OF RESOURCES | |
| Leases | 2,725,270 |
| NET POSITION | |
| Net investment in capital assets | 8,612,498 |
| Restricted - capital expansion projects | 8,194 |
| Unrestricted | 5,285,495 |
| TOTAL NET POSITION | \$ 13,906,187 |

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, 2024**

| | Water and Sewer Fund |
|---|---------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 3,045,641 |
| OPERATING EXPENSES | |
| Personnel | 287,622 |
| Operating | 2,278,866 |
| Depreciation | 425,055 |
| Total operating expenses | 2,991,543 |
| OPERATING INCOME | 54,098 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest expense | (7,733) |
| Rental income | 94,600 |
| Interest and investment income | 352,143 |
| Miscellaneous | 72,051 |
| Total non-operating revenues (expenses) | 511,061 |
| INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS | 565,159 |
| CAPITAL GRANTS AND CONTRIBUTIONS | |
| Capital grants | 460,793 |
| Impact fees | 988 |
| Total capital grants and contributions | 461,781 |
| CHANGE IN NET POSITION | 1,026,940 |
| NET POSITION AT BEGINNING OF YEAR | 12,879,247 |
| NET POSITION AT END OF YEAR | \$ 13,906,187 |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | Water and Sewer Fund |
|---|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 2,998,291 |
| Payments to suppliers and contractors | (2,442,471) |
| Payments to employees | (289,384) |
| Miscellaneous income | 126,570 |
| | 393,006 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisitions of capital assets | (1,634,394) |
| Proceeds from impact fees | 988 |
| Proceeds from state revolving fund loans | 1,114,928 |
| Principal payments on state revolving fund loans | (16,418) |
| Principal payments on subscription liabilities | (16,287) |
| Interest paid | (8,350) |
| | (559,533) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | 352,143 |
| Proceeds from sale of investments | 3,495 |
| Purchases of investments | (18,299) |
| | 337,339 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | |
| | 170,812 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | |
| | 4,680,868 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | |
| | \$ 4,851,680 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF | |
| Current | \$ 4,709,926 |
| Restricted | 141,754 |
| | \$ 4,851,680 |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | Water and Sewer Fund |
|--|---------------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 54,098 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 425,055 |
| Miscellaneous revenue | 72,051 |
| Rental income | 94,600 |
| Decrease (increase) in assets: | |
| Accounts receivable | (53,230) |
| Prepaid expenses | 9,187 |
| Leases receivable | 54,519 |
| Increase (decrease) in liabilities: | |
| Customer deposits | 5,880 |
| Accounts payable | (172,792) |
| Accrued liabilities | 118 |
| Compensated absences | (1,880) |
| Increase in deferred inflows of resources | (94,600) |
| Net cash provided by operating activities | \$ 393,006 |

See notes to the financial statements.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, 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, 2024**

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.

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).

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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 2024 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.

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.

CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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.

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, 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, 2024, an allowance for doubtful accounts of \$19,890 was recorded in the Water and Sewer Fund.

The City recognizes a lease receivable and a deferred inflow of resources for noncancellable leases in which the City is the lessor. At the commencement of the lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. The deferred inflow of resources is measured at the initial amount of the lease receivable adjusted for lease payments received at or before the lease commencement date. In subsequent periods, the lease receivable is reduced by the principal portion of lease payments received and the deferred inflow of resources is recognized as revenue over the life of the lease term.

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Capital Assets

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

| | | |
|-----------------------------------|----|-------|
| Land | \$ | 1 |
| Buildings | \$ | 1,000 |
| Improvements other than buildings | \$ | 1,000 |
| Machinery and equipment | \$ | 1,000 |

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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.

Subscription-Based Information Technology Arrangements (SBITA’s)

The City records a subscription asset and a related subscription liability for subscription-based information technology arrangements at the commencement of the agreement. The subscription liability is measured at the present value of payments expected to be made during the subscription term. The subscription asset is measured at the initial amount of the subscription liability adjusted for any payments made at or before the beginning of the subscription term. The City monitors changes in circumstances that would require remeasurement of subscription assets and liabilities.

CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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.

Classifications 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.
- 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.

CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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.

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Subsequent Events

Subsequent events were evaluated through February 21, 2025, 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.

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, 2024.

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*.

The City had \$13,722,143 of deposits with financial institutions on September 30, 2024, 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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Investments

As of September 30, 2024, the City's investments consist of pooled accounts with Florida PRIME and FLCLASS, external intergovernmental 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:

| Investments – Governmental and Business-Type Activities | | | | | |
|--|--------------|-------------------------|--------------|---------------|---------------------|
| | General Fund | Water and Sewer Fund | Total | S&P Rating | Average Maturity |
| Florida PRIME | \$ 2,350,888 | \$ 340,379 | \$ 2,691,267 | AAAm | 39 days |
| FLCLASS | 528,717 | - | 528,717 | AAAm | 30 days |
| Total investments | \$ 2,879,605 | \$ 340,379 | \$ 3,219,984 | | |

Funds are placed with the State Board of Administration (SBA) for participation in the Florida PRIME Investment Pool (Florida PRIME), created by Chapter 218, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in Florida 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. Since the fair value of the City's investment is reported at NAV per share, it is not required to be categorized within the fair value hierarchy in accordance with GASB Statement No. 72.

As of September 30, 2024, 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, 2024, 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, 2024**

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, 2024, 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 | \$ 57,698 | \$ - | \$ - | \$ 57,698 |
| Accounts | 6,214 | - | 503,782 | 509,996 |
| Less allowance for doubtful accounts | - | - | (19,890) | (19,890) |
| Total receivables, net | <u>63,912</u> | <u>-</u> | <u>483,892</u> | <u>547,804</u> |
| Due from other governments | <u>786,298</u> | <u>39,729</u> | <u>-</u> | <u>826,027</u> |
| Leases receivable | <u>-</u> | <u>-</u> | <u>2,785,776</u> | <u>2,785,776</u> |
| Total | <u>\$ 850,210</u> | <u>\$ 39,729</u> | <u>\$ 3,269,668</u> | <u>\$ 4,159,607</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, 2024**

5. UNEARNED REVENUES

Unearned revenues as of September 30, 2024, 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 | \$ 296,785 | \$ 216,938 | \$ 513,723 |

6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and inflows of resources as of September 30, 2024, were as follows:

| | <u>General Fund</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|---------------------|------------------------------------|-------------------------------------|
| | | | <u>Water and Sewer Fund</u> |
| Deferred outflows of resources | | | |
| Changes in assumptions related to OPEB plan | \$ - | \$ 30,593 | \$ - |
| Differences between expected and actual experience on OPEB plan actuarial assumptions | - | 31,553 | - |
| Total deferred outflows of resources | <u>\$ -</u> | <u>\$ 62,146</u> | <u>\$ -</u> |
| Deferred inflows of resources | | | |
| Changes in assumptions related to OPEB plan | \$ - | \$ 30,812 | \$ - |
| Differences between expected and actual experience on OPEB plan actuarial assumptions | - | 7,396 | - |
| Business license taxes collected for subsequent fiscal year | 88,232 | 88,232 | - |
| Cell tower leases | - | - | 2,725,270 |
| Total deferred inflows of resources | <u>\$ 88,232</u> | <u>\$ 126,440</u> | <u>\$ 2,725,270</u> |

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

7. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

| | Beginning Balance | Increases | Decreases/ Reclassifications | Ending Balance |
|---|----------------------|---------------------|---------------------------------|----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 5,015,449 | \$ 1,096,402 | \$ - | \$ 6,111,851 |
| Construction in progress | 384,246 | 1,798,841 | (12,750) | 2,170,337 |
| Total capital assets not being depreciated | <u>5,399,695</u> | <u>2,895,243</u> | <u>(12,750)</u> | <u>8,282,188</u> |
| Capital assets being depreciated | | | | |
| Buildings | 1,509,002 | 1,290,009 | - | 2,799,011 |
| Improvements other than buildings | 3,180,764 | 126,097 | (28,435) | 3,278,426 |
| Machinery and equipment | 1,273,086 | 141,715 | (12,182) | 1,402,619 |
| Subscription assets | 97,695 | - | - | 97,695 |
| Total capital assets being depreciated | <u>6,060,547</u> | <u>1,557,821</u> | <u>(40,617)</u> | <u>7,577,751</u> |
| Less accumulated depreciation | | | | |
| Buildings | (849,896) | (53,602) | - | (903,498) |
| Improvements other than buildings | (1,748,691) | (161,946) | 21,391 | (1,889,246) |
| Machinery and equipment | (1,265,926) | (39,861) | 12,182 | (1,293,605) |
| Subscription assets | (25,486) | (25,486) | - | (50,972) |
| Total accumulated depreciation | <u>(3,889,999)</u> | <u>(280,895)</u> | <u>33,573</u> | <u>(4,137,321)</u> |
| Total capital assets being depreciated, net | <u>2,170,548</u> | <u>1,276,926</u> | <u>(7,044)</u> | <u>3,440,430</u> |
| Governmental activities, net | <u>\$ 7,570,243</u> | <u>\$ 4,172,169</u> | <u>\$ (19,794)</u> | <u>\$ 11,722,618</u> |

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

| | Beginning Balance | Increases | Decreases/ Reclassifications | Ending Balance |
|---|----------------------|---------------------|---------------------------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 77,878 | \$ - | \$ - | \$ 77,878 |
| Construction in progress | 2,619,673 | 1,421,351 | - | 4,041,024 |
| Total capital assets not being depreciated | <u>2,697,551</u> | <u>1,421,351</u> | <u>-</u> | <u>4,118,902</u> |
| Capital assets being depreciated | | | | |
| Buildings | 128,519 | 8,775 | - | 137,294 |
| Improvements other than buildings | 15,607,392 | - | - | 15,607,392 |
| Machinery and equipment | 1,791,109 | 204,268 | - | 1,995,377 |
| Subscription assets | 49,057 | - | - | 49,057 |
| Total capital assets being depreciated | <u>17,576,077</u> | <u>213,043</u> | <u>-</u> | <u>17,789,120</u> |
| Less accumulated depreciation | | | | |
| Buildings | (71,141) | (3,595) | - | (74,736) |
| Improvements other than buildings | (9,103,113) | (330,173) | - | (9,433,286) |
| Machinery and equipment | (1,117,095) | (78,489) | - | (1,195,584) |
| Subscription assets | (12,798) | (12,798) | - | (25,596) |
| Total accumulated depreciation | <u>(10,304,147)</u> | <u>(425,055)</u> | <u>-</u> | <u>(10,729,202)</u> |
| Total capital assets being depreciated, net | <u>7,271,930</u> | <u>(212,012)</u> | <u>-</u> | <u>7,059,918</u> |
| Business-type activities, net | <u>\$ 9,969,481</u> | <u>\$ 1,209,339</u> | <u>\$ -</u> | <u>\$ 11,178,820</u> |

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

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 192,977 |
| Public safety | 7,603 |
| Transportation | 41,215 |
| Culture and recreation | 39,100 |
| Total depreciation/amortization expense - governmental activities | <u>\$ 280,895</u> |
| Business-type activities | |
| Water and sewer | <u>\$ 425,055</u> |

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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 \$4,733,592. As of September 30, 2024, the City has incurred contract costs of \$3,546,119, which includes unbilled retainage of \$354,612. The project is expected to be completed in fiscal year 2025.

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 2024, the City remitted its required contributions totaling \$107,046. The total value of plan investments on September 30, 2024, was \$1,362,678.

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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 35 years, with years remaining ranging from 7 to 24 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:

| Inflows of Resources - Leases | Water and Sewer Fund |
|--|---------------------------------|
| Lease revenue | \$ 94,600 |
| Interest revenue | 138,835 |
| Total inflows of resources - leases | <u>\$ 233,435</u> |

10. LONG-TERM DEBT

Changes in Long-Term Debt

Long-term debt activity for the year ended September 30, 2024, is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|---------------------|---------------------|------------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 94,933 | \$ 120,301 | \$ (95,560) | \$ 119,674 | \$ 29,919 |
| <i>Direct borrowings</i> | | | | | |
| Capital improvement revenue note, Series 2024 | - | 3,843,324 | (109,496) | 3,733,828 | - |
| Subscription liability - software | 66,227 | - | (32,436) | 33,791 | 33,791 |
| Total governmental activities | \$ 161,160 | \$ 3,963,625 | \$ (237,492) | \$ 3,887,293 | \$ 63,710 |
| Business-type activities | | | | | |
| Compensated absences | \$ 31,308 | \$ 20,285 | \$ (22,165) | \$ 29,428 | \$ 7,357 |
| <i>Direct borrowings</i> | | | | | |
| State Revolving Fund Loan CW-460200 | 143,533 | - | (7,323) | 136,210 | 7,394 |
| State Revolving Fund Loan CW-460201 | 226,130 | 74,891 | - | 301,021 | - |
| State Revolving Fund Loan DW-460210 | 78,720 | - | (9,095) | 69,625 | 9,790 |
| State Revolving Fund Loan DW-460211 | 623,516 | 1,040,037 | - | 1,663,553 | - |
| Subscription liability - software | 33,255 | - | (16,287) | 16,968 | 16,968 |
| Total business-type activities | \$ 1,136,462 | \$ 1,135,213 | \$ (54,870) | \$ 2,216,805 | \$ 41,509 |

CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Borrowings

\$3,843,324 Capital Improvement Revenue Note, Series 2024; semi-annual payments ranging from \$5,161 to \$298,108, including interest at 4.61% through maturity in October 2043; The City has pledged non-ad valorem revenues to secure the note. Proceeds are to be used to purchase and renovate the new City Hall building and to fund the City's share of the new Christobal Waterfront Park project costs discussed further in Note 13 to the financial statements. There are no significant finance-related consequences in the event of default or termination, and there are no subjective acceleration clauses.

The City has a subscription-based information technology arrangement with a software vendor. 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% 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.

\$301,021 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual zero-interest bearing payments of \$126,825 beginning November 2025. 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.

\$99,478 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$5,404 including interest at 2.24% 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.

\$1,663,553 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual zero-interest bearing payments of \$63,265 beginning November 2025. 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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

The City has a subscription-based information technology arrangement with a software vendor. 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, 2024, are as follows:

| Year ending September 30, | Governmental Activities | | | |
|------------------------------|--------------------------------|---------------------|--------------------------|-----------------|
| | Revenue Notes | | Subscription Liabilities | |
| | Principal | Interest | Principal | Interest |
| 2025 | - | 86,065 | 33,791 | 1,292 |
| 2026 | 174,226 | 168,114 | - | - |
| 2027 | 182,257 | 159,897 | - | - |
| 2028 | 190,660 | 151,301 | - | - |
| 2029 | 199,449 | 142,309 | - | - |
| 2030-2034 | 1,143,940 | 561,468 | - | - |
| 2035-2039 | 818,241 | 333,975 | - | - |
| 2040-2044 | 1,025,055 | 122,393 | - | - |
| Total | \$ 3,733,828 | \$ 1,725,522 | \$ 33,791 | \$ 1,292 |

| Year ending September 30, | Business-Type Activities | | | |
|------------------------------|---------------------------------|------------------|--------------------------|---------------|
| | State Revolving Fund Loans | | Subscription Liabilities | |
| | Principal | Interest | Principal | Interest |
| 2025 | 17,184 | 2,931 | 16,968 | 649 |
| 2026 | 390,158 | 10,136 | - | - |
| 2027 | 187,437 | 6,577 | - | - |
| 2028 | 140,714 | 5,930 | - | - |
| 2029 | 141,368 | 5,277 | - | - |
| 2030-2034 | 678,097 | 17,280 | - | - |
| 2035-2039 | 598,176 | 5,903 | - | - |
| 2040-2041 | 17,275 | 221 | - | - |
| Total | \$ 2,170,409 | \$ 54,255 | \$ 16,968 | \$ 649 |

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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 Plan is administered by the City, and the authority to establish or amend the Plan rests with the City Council. The City pays 100% of the retiree's dental insurance premium but not 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, 2024

| | |
|--|------------------|
| Inactive plan members or beneficiaries currently receivable benefits | 9 |
| Active plan members | <u>20</u> |
| | <u><u>29</u></u> |

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.

Total OPEB Liability

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2024, using the following actuarial assumptions shown on the next page.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

| | |
|------------------------|--|
| Prior measurement date | September 30, 2023 |
| Measurement date | September 30, 2024 |
| Valuation date | October 1, 2023 |
| | 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 | Average remaining service life of actives and retirees |
| Asset valuation method | Fair value |
| Inflation | 3.0% annually |
| Healthcare trend | 4.0% dental |
| Salary increases | 3.0% annually |
| Prior discount rate | 4.09% |
| Discount rate | 3.81% |
| Retirement age | Employees are covered by retirement system whose retirement eligibility provisions attainment of age 55 and completion of 25 years of service. Based on past experience, it has been assumed that entitlement to benefits will commence 5 years after eligibility provisions are attained. |
| Mortality | 120% of Pub-2010 for General Employees and Healthy Retirees with MP-2021 scale |
| Turnover | Age specific table with an average of 10% when applied to the active census. |

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Change in Total OPEB Liability

| | Increase (Decrease) | | |
|---|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Total OPEB Liability (a) - (b) |
| Balances at September 30, 2023 | \$ 120,815 | \$ - | \$ 120,815 |
| Changes for the year: | | | |
| Service cost | 741 | - | 741 |
| Interest | 4,956 | - | 4,956 |
| Differences between expected and actual experience | 15,927 | - | 15,927 |
| Changes of assumptions | 4,061 | - | 4,061 |
| Benefit payments | (6,643) | - | (6,643) |
| Net changes | 19,042 | - | 19,042 |
| Balances at September 30, 2024 | <u>\$ 139,857</u> | <u>\$ -</u> | <u>\$ 139,857</u> |

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|--------------------|----------------------------------|--------------------|
| | 2.81% | 3.81% | 4.81% |
| Total OPEB liability | \$ 161,432 | \$ 139,857 | \$ 122,339 |

Sensitivity of Total OPEB Liability to Changes in the Healthcare Trend Rate

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------|--------------------|---------------------|--------------------|
| | 3.00% | 4.00% | 5.00% |
| Total OPEB liability | \$ 129,731 | \$ 139,857 | \$ 152,306 |

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$6,956. On September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 31,553 | \$ 7,396 |
| Changes of assumptions | 30,593 | 30,812 |
| Total | \$ 62,146 | \$ 38,208 |

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:

| | |
|------------|-----------|
| 2025 | \$ 1,257 |
| 2026 | 1,257 |
| 2027 | 1,257 |
| 2028 | 1,257 |
| 2029 | 1,257 |
| Thereafter | 17,653 |
| | \$ 23,938 |

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.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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 March 2025, and the City's commitment under the contract for the subsequent fiscal year is \$884,181.

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 2025, and the City's commitment under the contract for the subsequent fiscal year is \$299,129.

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, 2024, was \$1,153,294. 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.

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.

The City completed the in-kind penalty projects during the fiscal year ended September 30, 2024. As of the date of this report, the City is currently awaiting notification of final approval from FDEP that the consent order has been satisfied.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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. The City's share of remaining project costs will be funded by proceeds from the Capital Improvement Revenue Note, Series 2024.

During the year ended September 30, 2024, closing costs, demolition, and permitting and design fees were incurred on the real estate for the waterfront park site in the total amount of \$154,869. Accordingly, for the year ended September 30, 2024, the City has reported capital outlay expenditures of \$77,434 in the General Fund for its share of the project costs. The City's share of total costs incurred on the project through September 30, 2024, was \$729,635. 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

Construction Contract for Ray's Pond Rehabilitation

In November 2024, the City Council entered into an agreement with a construction contractor to perform services related to stormwater drainage improvements at Ray's Pond. The total contract amount is \$598,868, and the work on the project is expected to be completed in fiscal year 2025.

Construction Contract for City Hall Building Renovations

In December 2024, the City Council entered into an agreement with a construction contractor to renovate the new City Hall building purchased in February 2024. The total contract amount is \$563,784 and the work on the project is expected to be completed in fiscal year 2025. The project costs will be funded with the proceeds from the Capital Improvement Revenue Note, Series 2024.

Settlement Agreement

In November 2024, the City executed a settlement agreement with one of its engineering contractors related to a dispute over calculations performed for the Springdale Park Neighborhood Improvements project. Under the terms of the settlement agreement, the contractor agreed to perform in-kind engineering and repair services for the City in an amount equal to \$300,000 in exchange for being released from any future liabilities related to the work performed on the project.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MARY ESTHER, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 3,103,867 | \$ 3,103,867 | \$ 3,018,479 | \$ (85,388) |
| Licenses, fees, and permits | 322,500 | 322,500 | 377,791 | 55,291 |
| Intergovernmental | 2,050,275 | 1,964,420 | 2,337,236 | 372,816 |
| Charges for services | 31,939 | 31,939 | 39,710 | 7,771 |
| Fines and forfeits | 7,000 | 7,000 | 19,722 | 12,722 |
| Miscellaneous | 121,000 | 137,870 | 437,769 | 299,899 |
| Total revenues | <u>5,636,581</u> | <u>5,567,596</u> | <u>6,230,707</u> | <u>663,111</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,338,976 | 1,214,526 | 956,463 | 258,063 |
| Public safety | 1,636,348 | 1,651,881 | 1,507,900 | 143,981 |
| Physical environment | 128,469 | 120,970 | 103,717 | 17,253 |
| Transportation | 220,043 | 240,892 | 201,740 | 39,152 |
| Human services | 5,000 | 5,000 | - | 5,000 |
| Culture and recreation | 783,150 | 945,621 | 753,313 | 192,308 |
| Capital outlay | 7,361,066 | 9,925,318 | 4,247,959 | 5,677,359 |
| Debt service | | | | |
| Principal | 93,834 | - | 141,932 | (141,932) |
| Interest | 86,166 | - | 116,676 | (116,676) |
| Other | - | 46,025 | 46,025 | - |
| Total expenditures | <u>11,653,052</u> | <u>14,150,233</u> | <u>8,075,725</u> | <u>6,074,508</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | | | | |
| | <u>(6,016,471)</u> | <u>(8,582,637)</u> | <u>(1,845,018)</u> | <u>6,737,619</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from issuance of debt | 1,177,779 | 3,843,324 | 3,843,324 | - |
| Transfers in | 2,411,145 | 2,411,145 | - | (2,411,145) |
| Total other financing sources | <u>3,588,924</u> | <u>6,254,469</u> | <u>3,843,324</u> | <u>(2,411,145)</u> |
| NET CHANGE IN FUND BALANCE | <u>(2,427,547)</u> | <u>(2,328,168)</u> | <u>1,998,306</u> | <u>4,326,474</u> |
| FUND BALANCE – BEGINNING OF YEAR | <u>6,297,636</u> | <u>6,728,205</u> | <u>6,728,205</u> | <u>-</u> |
| FUND BALANCE – END OF YEAR | <u>\$ 3,870,089</u> | <u>\$ 4,400,037</u> | <u>\$ 8,726,511</u> | <u>\$ 4,326,474</u> |

See notes to the budgetary comparison schedules.

**CITY OF MARY ESTHER, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
DISCRETIONARY SALES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 475,000 | \$ 475,000 | \$ 526,329 | \$ 51,329 |
| Miscellaneous | 20,000 | 20,000 | 95,482 | 75,482 |
| Total revenues | <u>495,000</u> | <u>495,000</u> | <u>621,811</u> | <u>126,811</u> |
| EXPENDITURES | | | | |
| Capital outlay | <u>-</u> | <u>-</u> | <u>205,105</u> | <u>(205,105)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>495,000</u> | <u>495,000</u> | <u>416,706</u> | <u>(78,294)</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(2,411,145)</u> | <u>(2,411,145)</u> | <u>-</u> | <u>2,411,145</u> |
| Total other financing uses | <u>(2,411,145)</u> | <u>(2,411,145)</u> | <u>-</u> | <u>2,411,145</u> |
| NET CHANGE IN FUND BALANCE | <u>(1,916,145)</u> | <u>(1,916,145)</u> | <u>416,706</u> | <u>2,332,851</u> |
| FUND BALANCE – BEGINNING OF YEAR | <u>1,916,145</u> | <u>1,916,145</u> | <u>1,888,262</u> | <u>(27,883)</u> |
| FUND BALANCE – END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,304,968</u> | <u>\$ 2,304,968</u> |

See notes to the budgetary comparison schedules.

**CITY OF MARY ESTHER, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Budgetary data reflected in the accompanying schedules of revenues, expenditures, and changes in fund balance – budget and actual are established by the following procedures:

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.

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

| Total OPEB Liability | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Service cost | \$ 741 | \$ 735 | \$ 1,275 | \$ 1,214 | \$ 1,128 | \$ 523 | \$ 507 |
| Interest | 4,956 | 4,821 | 3,635 | 3,647 | 4,049 | 5,197 | 5,113 |
| Difference between expected and actual experience | 15,927 | 4,014 | (11,093) | 4,738 | 1,031 | 3,637 | 11,625 |
| Changes in assumptions and other inputs | 4,061 | (1,008) | (35,786) | 1,413 | 13,223 | 25,013 | (8,218) |
| Benefit payments | <u>(6,643)</u> | <u>(7,302)</u> | <u>(6,921)</u> | <u>(7,002)</u> | <u>(6,637)</u> | <u>(6,789)</u> | <u>(6,789)</u> |
| Net change in total OPEB liability | 19,042 | 1,260 | (48,890) | 4,010 | 12,794 | 27,581 | 2,238 |
| Total OPEB liability – beginning | <u>120,815</u> | <u>119,555</u> | <u>168,445</u> | <u>164,435</u> | <u>151,641</u> | <u>124,060</u> | <u>121,822</u> |
| Total OPEB liability – ending | <u>\$ 139,857</u> | <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 | \$ 1,228,257 | \$ 840,457 | \$ 815,978 | \$ 749,883 | \$ 728,042 | \$ 1,031,833 | \$ 1,001,780 |
| Total OPEB liability as a percentage of covered employee payroll | 11.39% | 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:

- 2024 - 3.81%
- 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 annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

| | Fiscal Year* | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>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> | <u>2024</u> |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 7,539 | \$ 8,267 | \$ 8,282 | \$ 8,012 | \$ 7,705 | \$ 7,099 | \$ 6,911 | \$ 6,771 | \$ 7,504 | \$ 8,760 |
| Restricted | - | - | - | - | 482 | 671 | 1,155 | 1,766 | 2,195 | 2,495 |
| Unrestricted | <u>1,277</u> | <u>1,292</u> | <u>1,594</u> | <u>2,167</u> | <u>2,917</u> | <u>4,019</u> | <u>4,994</u> | <u>5,684</u> | <u>6,443</u> | <u>7,690</u> |
| Total governmental activities net position | <u>\$ 8,816</u> | <u>\$ 9,559</u> | <u>\$ 9,876</u> | <u>\$ 10,179</u> | <u>\$ 11,104</u> | <u>\$ 11,789</u> | <u>\$ 13,060</u> | <u>\$ 14,221</u> | <u>\$ 16,142</u> | <u>\$ 18,945</u> |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 8,132 | \$ 8,001 | \$ 7,892 | \$ 7,729 | \$ 7,431 | \$ 7,439 | \$ 7,687 | \$ 7,714 | \$ 8,864 | \$ 8,612 |
| Restricted | - | - | - | - | 82 | 3 | 5 | 7 | 8 | 8 |
| Unrestricted | <u>864</u> | <u>1,028</u> | <u>1,162</u> | <u>1,339</u> | <u>1,628</u> | <u>2,402</u> | <u>2,875</u> | <u>3,714</u> | <u>4,007</u> | <u>5,286</u> |
| Total business-type activities net position | <u>\$ 8,996</u> | <u>\$ 9,029</u> | <u>\$ 9,054</u> | <u>\$ 9,068</u> | <u>\$ 9,141</u> | <u>\$ 9,844</u> | <u>\$ 10,567</u> | <u>\$ 11,435</u> | <u>\$ 12,879</u> | <u>\$ 13,906</u> |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 15,671 | \$ 16,268 | \$ 16,174 | \$ 15,741 | \$ 15,136 | \$ 14,538 | \$ 14,598 | \$ 14,485 | \$ 16,368 | \$ 17,372 |
| Restricted | - | - | - | - | 564 | 674 | 1,160 | 1,773 | 2,203 | 2,503 |
| Unrestricted | <u>2,141</u> | <u>2,320</u> | <u>2,756</u> | <u>3,506</u> | <u>4,545</u> | <u>6,421</u> | <u>7,869</u> | <u>9,398</u> | <u>10,450</u> | <u>12,976</u> |
| Total primary government net position | <u>\$ 17,812</u> | <u>\$ 18,588</u> | <u>\$ 18,930</u> | <u>\$ 19,247</u> | <u>\$ 20,245</u> | <u>\$ 21,633</u> | <u>\$ 23,627</u> | <u>\$ 25,656</u> | <u>\$ 29,021</u> | <u>\$ 32,851</u> |

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

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 574,449 | \$ 628,258 | \$ 764,696 | \$ 775,739 | \$ 925,389 | \$ 1,153,899 | \$ 1,009,345 | \$ 939,409 | \$ 1,032,690 | 1,187,133 |
| Public safety | 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 | 1,554,329 |
| Physical environment | - | - | - | - | - | - | - | 57,473 | 75,179 | 103,717 |
| Transportation | 413,256 | 427,770 | 448,873 | 434,462 | 407,587 | 427,272 | 480,385 | 211,782 | 244,156 | 242,955 |
| Human services | 17,250 | 2,644 | 3,000 | 2,335 | 4,145 | 1,005 | - | - | - | - |
| Culture and recreation | 293,490 | 301,825 | 361,790 | 386,544 | 412,488 | 385,617 | 391,647 | 540,836 | 641,247 | 799,457 |
| Debt service interest | - | - | - | - | - | - | - | - | 3,615 | 162,701 |
| Unallocated depreciation/loss on disposal | 282,069 | 281,248 | - | - | - | - | - | - | - | - |
| Total governmental activities expenses | <u>2,800,485</u> | <u>2,873,351</u> | <u>3,030,494</u> | <u>2,773,048</u> | <u>2,965,336</u> | <u>3,364,815</u> | <u>3,308,295</u> | <u>3,210,249</u> | <u>3,462,038</u> | <u>4,050,292</u> |
| Business-type activities | | | | | | | | | | |
| Water and sewer | 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 | 2,999,276 |
| Total business-type activities expenses | <u>2,043,507</u> | <u>2,031,425</u> | <u>2,159,179</u> | <u>2,302,718</u> | <u>2,345,114</u> | <u>2,420,334</u> | <u>2,690,308</u> | <u>2,897,543</u> | <u>2,951,143</u> | <u>2,999,276</u> |
| Total primary government expenses | <u>\$ 4,843,992</u> | <u>\$ 4,904,776</u> | <u>\$ 5,189,673</u> | <u>\$ 5,075,766</u> | <u>\$ 5,310,450</u> | <u>\$ 5,785,149</u> | <u>\$ 5,998,603</u> | <u>\$ 6,107,792</u> | <u>\$ 6,413,181</u> | <u>\$ 7,049,568</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 206,501 | \$ 205,482 | \$ 364,467 | \$ 216,320 | \$ 303,685 | \$ 300,434 | \$ 358,955 | \$ 45,912 | \$ 54,438 | \$ 34,697 |
| Public safety | 8,183 | 12,195 | 7,544 | 10,796 | 15,544 | 14,433 | 10,368 | 6,984 | 13,582 | 14,551 |
| Transportation | 54,352 | 67,295 | 72,119 | 67,770 | 42,013 | 43,158 | 44,332 | 45,575 | 13,467 | 21,839 |
| Culture and recreation | 5,289 | 7,864 | 4,304 | 4,406 | 3,934 | 3,510 | 2,195 | 4,289 | 4,398 | 3,339 |
| Operating grants and contributions | 45,651 | 47,125 | 59,070 | 88,190 | 105,549 | 567,713 | 354,262 | 71,628 | 157,072 | 74,366 |
| Capital grants and contributions | 158,023 | 835,263 | 278,108 | 27,591 | 239,996 | 7,830 | 8,330 | 46,835 | 91,520 | 1,458,811 |
| Total governmental activities program revenues | <u>477,999</u> | <u>1,175,224</u> | <u>785,612</u> | <u>415,073</u> | <u>710,721</u> | <u>937,078</u> | <u>778,442</u> | <u>221,223</u> | <u>334,477</u> | <u>1,607,603</u> |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water and sewer | 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 | 3,140,241 |
| Operating grants and contributions | - | - | - | 90,650 | - | - | - | 41,931 | - | - |
| Capital grants and contributions | - | - | 14,000 | 6,500 | 85,450 | 175,100 | 312,200 | 222,602 | 825,352 | 461,781 |
| Total business-type activities program revenues | <u>1,615,849</u> | <u>1,907,454</u> | <u>2,182,119</u> | <u>2,309,477</u> | <u>2,354,551</u> | <u>2,660,142</u> | <u>3,135,950</u> | <u>3,439,202</u> | <u>4,010,415</u> | <u>3,602,022</u> |
| Total primary government program revenues | <u>\$ 2,093,848</u> | <u>\$ 3,082,678</u> | <u>\$ 2,967,731</u> | <u>\$ 2,724,550</u> | <u>\$ 3,065,272</u> | <u>\$ 3,597,220</u> | <u>\$ 3,914,392</u> | <u>\$ 3,660,425</u> | <u>\$ 4,344,892</u> | <u>\$ 5,209,625</u> |

Continued...

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net (Expenses) Revenues | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (2,442,689) |
| Business-type activities | (427,658) | (123,971) | 22,940 | 6,759 | 9,437 | 239,808 | 445,642 | 541,659 | 1,059,272 | 602,746 |
| Total primary government net expense | <u>\$ (2,750,144)</u> | <u>\$ (1,822,098)</u> | <u>\$ (2,221,942)</u> | <u>\$ (2,351,216)</u> | <u>\$ (2,245,178)</u> | <u>\$ (2,187,929)</u> | <u>\$ (2,084,211)</u> | <u>\$ (2,447,367)</u> | <u>\$ (2,068,289)</u> | <u>\$ (1,839,943)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 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 | \$ 2,129,476 |
| Municipal revenue sharing | 138,137 | 137,755 | 147,143 | 154,858 | 162,448 | 152,772 | 179,006 | 228,306 | 235,535 | 231,251 |
| Sales taxes | 495,084 | 518,053 | 533,776 | 563,890 | 875,315 | 953,897 | 1,177,693 | 1,237,199 | 1,189,708 | 1,237,394 |
| Utility service taxes | 489,944 | 497,107 | 494,613 | 509,667 | 557,404 | 623,740 | 639,775 | 675,825 | 643,751 | 592,119 |
| Other taxes | 370,313 | 353,991 | 334,031 | 339,137 | 329,036 | 320,181 | 325,594 | 345,428 | 703,823 | 527,670 |
| Gain on disposal of asset | 1,437 | 2,868 | 4,016 | 3,424 | 1,160 | - | - | - | 2,221 | - |
| Miscellaneous | 31,795 | 15,491 | 13,579 | 16,075 | 31,550 | 10,875 | 39,516 | 17,890 | 3,371 | 7,756 |
| Investment earnings | 5,748 | 7,405 | 7,802 | 31,636 | 47,109 | 41,369 | 17,280 | 24,540 | 302,474 | 519,249 |
| Transfers | 474,268 | 3,295 | - | - | - | (441,267) | (100,000) | - | - | - |
| Total governmental activities | <u>2,667,940</u> | <u>2,440,917</u> | <u>2,561,800</u> | <u>2,769,512</u> | <u>3,179,668</u> | <u>3,112,926</u> | <u>3,800,968</u> | <u>4,149,869</u> | <u>5,049,046</u> | <u>5,244,915</u> |
| Business-type activities | | | | | | | | | | |
| Miscellaneous | 155,773 | 148,378 | 16,905 | 1,907 | 47,305 | 7,600 | 166,632 | 212,580 | 121,942 | 72,051 |
| Utility service fees | - | 9,400 | - | - | - | - | - | - | - | - |
| Gain on disposal of asset | - | - | (17,482) | - | - | - | - | 2,350 | - | - |
| Investment earnings | 5,097 | 1,865 | 3,088 | 5,511 | 16,536 | 13,945 | 10,218 | 12,703 | 145,039 | 213,308 |
| Interest income - leases | - | - | - | - | - | - | - | 98,807 | 118,384 | 138,835 |
| Transfers | (474,268) | (3,295) | - | - | - | 441,267 | 100,000 | - | - | - |
| Total business-type activities | <u>(313,398)</u> | <u>156,348</u> | <u>2,511</u> | <u>7,418</u> | <u>63,841</u> | <u>462,812</u> | <u>276,850</u> | <u>326,440</u> | <u>385,365</u> | <u>424,194</u> |
| Total primary government | <u>\$ 2,354,542</u> | <u>\$ 2,597,265</u> | <u>\$ 2,564,311</u> | <u>\$ 2,776,930</u> | <u>\$ 3,243,509</u> | <u>\$ 3,575,738</u> | <u>\$ 4,077,818</u> | <u>\$ 4,476,309</u> | <u>\$ 5,434,411</u> | <u>\$ 5,669,109</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 345,454 | \$ 742,790 | \$ 316,918 | \$ 411,537 | \$ 925,053 | \$ 685,189 | \$ 1,271,115 | \$ 1,160,843 | \$ 1,921,485 | \$ 2,802,226 |
| Business-type activities | (741,056) | 32,377 | 25,451 | 14,177 | 73,278 | 702,620 | 722,492 | 868,099 | 1,444,637 | 1,026,940 |
| Total primary government | <u>\$ (395,602)</u> | <u>\$ 775,167</u> | <u>\$ 342,369</u> | <u>\$ 425,714</u> | <u>\$ 998,331</u> | <u>\$ 1,387,809</u> | <u>\$ 1,993,607</u> | <u>\$ 2,028,942</u> | <u>\$ 3,366,122</u> | <u>\$ 3,829,166</u> |

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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 21,479 | \$ 23,762 | \$ 2,940 | \$ 2,036 | \$ 309 | \$ 3,592 | \$ 31,417 | \$ 31,632 | \$ 2,640 | \$ 4,997 |
| Restricted | - | - | - | - | 239,543 | 247,373 | 262,866 | 367,274 | 307,202 | 1,609,866 |
| Committed | - | 604,613 | 598,875 | 565,189 | 657,717 | 640,579 | 1,060,701 | 1,246,788 | 2,330,610 | 1,813,711 |
| Assigned | 169,605 | 66,779 | 187 | 141,267 | 141,267 | - | 822,575 | 832,070 | 2,427,547 | 2,531,521 |
| Unassigned | 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 | 2,766,416 |
| Total General Fund | 1,410,897 | 1,430,184 | 1,735,322 | 2,403,797 | 3,372,233 | 4,174,045 | 5,207,783 | 5,980,722 | 6,728,205 | 8,726,511 |
| Discretionary Sales Tax Fund | | | | | | | | | | |
| Restricted | - | - | - | - | 242,271 | 423,456 | 892,949 | 1,398,730 | 1,888,262 | 2,304,968 |
| Total all governmental funds | \$ 1,410,897 | \$ 1,430,184 | \$ 1,735,322 | \$ 2,403,797 | \$ 3,614,504 | \$ 4,597,501 | \$ 6,100,732 | \$ 7,379,452 | \$ 8,616,467 | \$ 11,031,479 |

* Source: City's comprehensive annual financial reports for the relevant year

Note: The City established the Discretionary Sales Tax Fund in fiscal year 2019.

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

| | Fiscal Year | | | | | | | | | |
|---|-------------------|------------------|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 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 | \$ 3,018,479 |
| Licenses, fees and permits | 255,745 | 257,505 | 240,538 | 243,309 | 506,322 | 242,996 | 259,373 | 293,156 | 265,791 | 377,791 |
| Intergovernmental | 682,493 | 1,373,923 | 832,403 | 644,564 | 949,028 | 1,490,446 | 1,503,944 | 1,369,473 | 1,811,821 | 2,863,565 |
| Charges for services | 215,806 | 229,305 | 264,017 | 255,646 | 284,610 | 317,752 | 361,614 | 59,861 | 30,268 | 39,710 |
| Fines | 37,774 | 31,568 | 163,096 | 20,428 | 27,520 | 16,306 | 19,369 | 7,828 | 41,016 | 19,722 |
| Demutualization | 32,181 | 19,896 | 25,505 | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | 59,291 | 93,501 | 59,926 | 61,296 | 43,730 | 308,259 | 533,251 |
| Total revenues | 2,670,234 | 3,609,978 | 3,343,396 | 3,181,161 | 3,890,389 | 4,491,271 | 4,679,410 | 4,371,092 | 5,383,716 | 6,852,518 |
| Expenditures | | | | | | | | | | |
| General government | 567,820 | 623,843 | 617,706 | 638,422 | 802,802 | 799,801 | 853,159 | 855,747 | 854,705 | 956,463 |
| Public safety | 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 | 1,507,900 |
| Physical environment | - | - | - | - | - | - | - | 57,473 | 75,179 | 103,717 |
| Transportation | 413,256 | 427,770 | 386,592 | 374,517 | 338,736 | 352,430 | 405,718 | 154,395 | 196,948 | 201,740 |
| Human services | 17,250 | 2,644 | 3,000 | 2,335 | 4,145 | 1,005 | - | - | - | - |
| Culture and recreation | 293,491 | 301,825 | 311,142 | 342,340 | 350,042 | 350,092 | 355,228 | 504,086 | 604,388 | 753,313 |
| Capital outlay | 225,087 | 1,009,166 | 406,085 | 118,704 | 87,332 | 215,196 | 82,139 | 106,998 | 961,919 | 4,453,064 |
| Debt Service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | 31,468 | 141,932 |
| Interest | - | - | - | - | - | - | - | - | 3,615 | 116,676 |
| Other | - | - | - | - | - | - | - | - | - | 46,025 |
| Total expenditures | 2,736,875 | 3,596,854 | 3,042,274 | 2,516,110 | 2,679,682 | 3,067,007 | 3,076,179 | 3,092,372 | 4,146,701 | 8,280,830 |
| Excess of revenues over (under) expenditures | (66,641) | 13,124 | 301,122 | 665,051 | 1,210,707 | 1,424,264 | 1,603,231 | 1,278,720 | 1,237,015 | (1,428,312) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 474,268 | 3,295 | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (441,267) | (100,000) | - | - | - |
| Proceeds from issuance of debt | - | - | - | - | - | - | - | - | - | 3,843,324 |
| Proceeds from sale of assets | 1,437 | 2,868 | 4,016 | 3,424 | - | - | - | - | - | - |
| Total other financing sources (uses) | 475,705 | 6,163 | 4,016 | 3,424 | - | (441,267) | (100,000) | - | - | 3,843,324 |
| Net changes in fund balances | \$ 409,064 | \$ 19,287 | \$ 305,138 | \$ 668,475 | \$ 1,210,707 | \$ 982,997 | \$ 1,503,231 | \$ 1,278,720 | \$ 1,237,015 | \$ 2,415,012 |
| Debt service as a percentage of noncapital expenditures | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% | 9.9% |

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 | | |
| 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 |
| 2024 | \$442,558,127 | \$ 520,656,620 | \$ 21,421,416 | \$25,201,666 | \$ 463,979,543 | \$ 545,858,286 | 85% | 5.0261 |

Source: Okaloosa County Property Appraiser's Office

* The 2024 tax roll is the basis for fiscal year 2025 property tax revenues

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

| Tax Levy Year | Taxes Levied for the Fiscal Year | Collected within the Levy Fiscal Year <i>(By March 31 of Year After Levy)</i> | | Collections in Subsequent Years | Total Collections to Date | |
|---------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 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 | \$ 2,061,199 | 93.72% | \$ 67,684 | \$ 2,128,883 | 96.80% |
| 2024 | \$ 2,332,508 | * | * | * | * | * |

*Not Available

Source: Okaloosa County Property Appraiser and Okaloosa County Tax Collector

Note: Fiscal year 2024 property tax revenues are derived from the 2023 tax levy

City of Mary Esther, Florida
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$1,000 OF ASSESSED VALUE
(UNAUDITED)
Last Ten Fiscal Years

| Fiscal Year | City Rate | Overlapping Rates ¹ | | | Total Millage |
|-------------|-------------------|--------------------------------|-------------------------|-----------------|---------------|
| | Operating Millage | Okaloosa County | Northwest Florida Water | School District | |
| 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 |
| 2024 | 5.0261 | 3.8308 | 0.0218 | 5.3790 | 14.2577 |

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, 2024**

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|------------------------------|--|--|
| Overlapping Debt | | | |
| Okaloosa County | | | |
| Revenue Bonds | \$ 71,779,943 | 1.60% | \$ 1,148,052 |
| Revenue Notes | \$ 19,303,000 | 1.60% | \$ 308,733 |
| Financing Contracts | \$ 79,341 | 1.60% | \$ 1,269 |
| Okaloosa County School District | | | |
| Certificates of Participation | \$ 2,317,000 | 1.36% | \$ 31,511 |
| Financing Contracts | \$ 80,670,000 | 1.36% | \$ 1,097,112 |
| Lease and Subscription Liabilities | \$ 4,436,353 | 1.36% | \$ 60,334 |
| Subtotal: Overlapping Debt | <u>\$ 178,585,637</u> | | <u>\$ 2,647,011</u> |
| City Direct Debt | | | |
| Revenue Notes | \$ 3,733,828 | 100.00% | \$ 3,733,828 |
| Subscription Liabilities | \$ 33,791 | 100.00% | \$ 33,791 |
| Subtotal: Direct Debt | <u>\$ 3,767,619</u> | | <u>\$ 3,767,619</u> |
| Total Direct and Overlapping Debt | <u><u>\$ 182,353,256</u></u> | | <u><u>\$ 6,414,630</u></u> |
| Taxable Value of All Okaloosa County Property: | \$ 29,009,508,574 | | |

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 |
|-------------|----------------------------------|--------------------------|--|--------------------------|--------------------------|-------------------------------|-----------------|
| | Capital Improvement Revenue Note | Subscription Liabilities | Water and Sewer State Revolving Fund Loans | Subscription Liabilities | | | |
| 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 | \$ 425,375 | \$ 49,057 | \$ 572,127 | 0.38% | \$ 130 |
| 2023 | \$ - | \$ 66,227 | \$ 1,071,899 | \$ 33,255 | \$ 1,171,381 | 0.62% | \$ 256 |
| 2024 | \$ 3,733,828 | \$ 33,791 | \$ 2,170,409 | \$ 16,968 | \$ 5,954,996 | 2.75% | \$ 1,325 |

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

Note: Beginning in FY2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Sources: Office of Economic & Demographic Research

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

| Fiscal Year | Water and Sewer Utility Charges | Plus Utility Service Fee and Franchise Fee Revenues | Less Operating Expenses | Net Available Revenue | Water and Sewer Debt Service | | Total Coverage |
|-------------|---------------------------------|---|-------------------------|-----------------------|------------------------------|----------|----------------|
| | | | | | Principal | Interest | |
| 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 |
| 2024 | \$ 3,045,641 | \$ - | \$ 2,566,488 | \$ 479,153 | \$ 16,418 | \$ 6,061 | 21.32 |

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

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

| <u>Taxpayer</u> | <u>2024</u> | | | <u>2015</u> | | |
|--|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| SRM-SPE, LLC | \$ 14,528,737 | 1 | 3.32% | \$ 26,835,195 | 1 | 10.39% |
| Peacock Hotel LLC | 6,701,306 | 2 | 1.53% | | | |
| Target Corp T-0740 | 4,418,373 | 3 | 1.01% | | | |
| Florida Power & Light Co (Formerly Gulf Power) | 4,296,831 | 4 | 0.98% | 2,978,373 | 5 | 1.15% |
| Mary Esther Leasing Inc. | 2,449,731 | 5 | 0.56% | 2,750,256 | 6 | 1.06% |
| Mary Esther LLC | 2,360,500 | 6 | 0.54% | | | |
| Crimson Fish Prop of NW FL LLC | 2,013,347 | 7 | 0.46% | | | |
| Target Store | 1,970,936 | 8 | 0.45% | | | |
| Moore, William M. | 1,864,931 | 9 | 0.43% | 1,583,595 | 10 | 0.61% |
| Shivaram, Inc. | 1,822,353 | 10 | 0.42% | 1,987,241 | 9 | 0.77% |
| Mary Esther Shopping Center | | | | 3,645,257 | 2 | 1.41% |
| Dayton Hudson Co. | | | | 3,538,229 | 3 | 1.37% |
| Mercantile Properties Inc. | | | | 3,053,353 | 4 | 1.18% |
| Hood, Preston A. and Ann O. | | | | 2,259,290 | 7 | 0.87% |
| Belk, Inc. | | | | 2,118,975 | 8 | 0.82% |
| Total | \$ 42,427,045 | | 9.69% | \$ 50,749,764 | | 19.65% |
| Total Taxable Assessed Value of Other Taxpayers | \$ 395,570,145 | | 90.31% | \$ 207,567,240 | | 80.35% |
| Total Taxable Assessed Value | \$ 437,997,190 | | 100.00% | \$ 258,317,004 | | 100.00% |

Source: Okaloosa County Property Appraiser's Office

DEMOGRAPHIC ECONOMIC INFORMATION - Table 12

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

| <u>Year</u> | <u>City Population</u> | <u>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> |
|-------------|------------------------|--------------------------|---|--|--|--|--|
| 2015 | 3,859 | 190,550 | 32.3 | \$124,645,700 | 2.03% | 31,263 | 4.3% |
| 2016 | 3,905 | 191,582 | 32.3 | \$126,131,500 | 2.04% | 30,639 | 4.1% |
| 2017 | 3,973 | 194,111 | 36.8 | \$146,206,400 | 2.05% | 31,718 | 3.3% |
| 2018 | 3,971 | 196,775 | 56.2 | \$223,170,200 | 2.02% | 33,503 | 3.5% |
| 2019 | 4,013 | 200,171 | 56.2 | \$225,530,600 | 2.00% | 32,432 | 2.3% |
| 2020 | 4,038 | 202,656 | 34.0 | \$137,292,000 | 1.99% | 32,118 | 4.0% |
| 2021 | 4,027 | 211,961 | 33.0 | \$132,891,000 | 1.90% | 32,519 | 3.2% |
| 2022 | 4,396 | 214,335 | 34.4 | \$151,222,400 | 2.05% | 33,000 | 2.2% |
| 2023 | 4,571 | 217,882 | 41.2 | \$188,325,200 | 2.10% | 32,413 | 2.7% |
| 2024 | 4,493 | 220,603 | 48.2 | \$216,562,600 | 2.04% | 32,426 | 3.2% |

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.

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

| <u>Employer</u> | <u>2024</u> | | | <u>2015</u> | | |
|--------------------------------|------------------|-------------|---------------------------------------|------------------|-------------|---------------------------------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Employment</u> |
| Target | 128 | 1 | 0.12% | 106 | 1 | 0.12% |
| Mary Esther Elementary | 66 | 2 | 0.06% | | | |
| Piggly Wiggly | 51 | 3 | 0.05% | | | |
| Panera Bread | 45 | 4 | 0.04% | | | |
| Old Navy | 30 | 5 | 0.03% | 38 | 6 | 0.04% |
| Heritage Lock | 30 | 6 | 0.03% | | | |
| Gentiva | 28 | 7 | 0.03% | | | |
| McDonald's | 25 | 8 | 0.02% | 35 | 7 | 0.04% |
| City of Mary Esther | 24 | 9 | 0.02% | 35 | 7 | 0.04% |
| Starbuck's | 22 | 10 | 0.02% | | | |
| Sears | | | | 67 | 2 | 0.08% |
| Securitas | | | | 60 | 3 | 0.07% |
| Logan's Roadhouse, Inc. | | | | 59 | 4 | 0.07% |
| JC Penney | | | | 56 | 5 | 0.06% |
| Wendy's | | | | 33 | 9 | 0.04% |
| Animal Hospital | | | | 30 | 10 | 0.03% |
| Total | 449 | | 0.42% | 519 | | 0.60% |
| Total County Employment | 105,964 | | | 87,223 | | |

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

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

OPERATING INFORMATION - Table 14

| <u>Function/Program</u> | <u>Fiscal Year</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> | <u>2024</u> |
| Police | | | | | | | | | | |
| Physical arrests | 208 | 214 | 151 | 120 | 116 | 108 | 137 | 197 | 93 | 123 |
| Traffic violations | 1,425 | 1,536 | 1,253 | 479 | 769 | 909 | 801 | 815 | 753 | 835 |
| Fire | | | | | | | | | | |
| Emergency responses | 1,039 | 1,018 | 1,075 | 1,082 | 838 | 997 | 1,011 | 1,020 | 1,052 | 915 |
| Annual inspections | 288 | 312 | 295 | 61 | 27 | 365 | 222 | 281 | 367 | 318 |
| Re-inspections | 30 | 56 | 10 | 2 | 7 | 186 | 174 | 135 | 105 | 123 |
| Plan reviews | 12 | 33 | 19 | 4 | - | - | 34 | 33 | 31 | 19 |
| Site inspections | 12 | 88 | 22 | 10 | - | - | - | - | 12 | 3 |
| Permits issued | 1 | 9 | 3 | - | - | - | - | - | - | - |
| New Inspections | 22 | 25 | 24 | 6 | 1 | 29 | 33 | 23 | 33 | 20 |
| Building | | | | | | | | | | |
| Permits issued | 133 | 232 | 161 | 202 | 184 | 160 | 307 | 259 | 151 | 53 |
| Library | | | | | | | | | | |
| Items in collection | 28,171 | 28,822 | 30,456 | 32,362 | 33,902 | 34,044 | 34,044 | 34,668 | 35,151 | 33,186 |
| Water | | | | | | | | | | |
| New connections | 335 | 361 | 356 | 309 | 339 | 299 | 329 | 278 | 335 | 345 |
| Average daily consumption (x1,000) | 304 | 327 | 288 | 282 | 287 | 277 | 292 | 354 | 344 | 320 |

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 EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 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 | 5 |
| Planning | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 3 |
| Public safety | | | | | | | | | | |
| Fire | 11 | 13 | 13 | 11 | - | - | - | - | - | - |
| Maintenance | 7 | 7 | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 8 |
| Library | 6 | 6 | 6 | 5 | 5 | 5 | 6 | 6 | 6 | 6 |
| Total | 32 | 34 | 32 | 29 | 18 | 18 | 19 | 19 | 20 | 23 |

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>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> | <u>2024</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police (contracted with Okaloosa County Sheriff's Office) | | | | | | | | | | |
| Patrol units assigned | 4 | 4 | 4 | - | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other public works | | | | | | | | | | |
| Paved streets (miles) ¹ | 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 | 28.8 |
| 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 ² | | | | | | | | | | |
| Water mains (miles) | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Fire hydrants | 168 | 169 | 170 | 170 | 170 | 182 | 182 | 182 | 182 | 182 |
| Number of service connections | 1,989 | 1,991 | 1,963 | 1,967 | 1,954 | 1,974 | 2,133 | 1,987 | 1,949 | 1,943 |
| Storage capacity (thousands of gallons) | 776 | 776 | 776 | 776 | 776 | 776 | 776 | 776 | 776 | 766 |
| Wastewater ² | | | | | | | | | | |
| 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 | 1,869 | 1,854 | 1,963 | 1,963 | 1,940 | 1,951 | 2,109 | 1,967 | 1,945 | 1,945 |

Sources: City departments managers

¹ Department of Transportation

² Jacobs Engineering

IV. COMPLIANCE SECTION

- COMPLIANCE MATTERS
- MANAGEMENT LETTER
- RESPONSES TO MANAGEMENT LETTER

**CITY OF MARY ESTHER, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| Federal / State Agency Pass-Through Entity Federal Program / State Project | Assistance Listing No. / CSFA | Contract / Grant Number | Expenditures | Passed Through to Subrecipients |
|---|-------------------------------------|----------------------------|---------------------|---------------------------------------|
| U.S. Department of Housing & Urban Development | | | | |
| Indirect programs: | | | | |
| <i>Pass-through from Florida Department of Commerce:</i> | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 22DB-OP-01-56-02-N24 | \$ 660,650 | \$ - |
| COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 22CV-S33 | 614,550 | - |
| | | | <u>1,275,200</u> | <u>-</u> |
| U.S. Department of Treasury | | | | |
| Indirect programs: | | | | |
| <i>Pass-through from Florida Division of Emergency Management:</i> | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund | 21.027 | Y5205 | 538,718 | - |
| U.S. Department of Homeland Security | | | | |
| Indirect programs: | | | | |
| <i>Pass-through from Florida Division of Emergency Management:</i> | | | | |
| Disaster Grants - Public Assistance | 97.036 | Z2619 | 94,145 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,908,063</u> | <u>\$ -</u> |
| Florida Department of Environmental Protection | | | | |
| Direct programs: | | | | |
| Drinking Water Facility Construction | 37.076 | DW-460211 | \$ 1,040,037 | \$ - |
| Wastewater Treatment Facility Construction | 37.077 | CW-460201 | 74,891 | - |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u>\$ 1,114,928</u> | <u>\$ -</u> |

See notes to the schedule of expenditures of federal awards and state financial assistance.

**CITY OF MARY ESTHER, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state grant activity of the City of Mary Esther, Florida (the City) for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. FEDERAL AWARD EXPENDITURES INCURRED IN PRIOR FISCAL YEARS

Expenditures of \$94,145 reported for assistance listing number (ALN) 97.036 in the accompanying Schedule were expended in a previous fiscal year to repair damage sustained from Hurricane Sally.

5. STATE REVOLVING FUND LOAN PROJECTS

The City has entered into various loan agreements with the State Revolving Fund (SRF) administered by the Florida Department of Environmental Protection (FDEP) for the rehabilitation of water and sewer treatment facilities and related improvements. Expenditures reported on the Schedule related to this project are considered expended when the funds are drawn down, which occurs upon approval of loan draw requests by FDEP, regardless of when the underlying expenditure is incurred under the modified accrual basis of accounting. As a result, a portion of the project expenditures for the state financial assistance reported in the Schedule were incurred in a prior period, but the related loan draw requests for such expenditures were not approved by FDEP until the fiscal year ended September 30, 2024. As of September 30, 2024, the City reported total outstanding SRF loan balances of \$2,170,409.

**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 City Council
City of Mary Esther, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Mary Esther, Florida (the "City"), as of and for the year ended September 30, 2024, 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 21, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
February 21, 2025

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

To the City Council
City of Mary Esther, Florida

Report on Compliance for the Major Federal Program and State Project

Opinion on the Major Federal Program and State Project

We have audited the City of Mary Esther, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on the City's major federal program and state project for the year ended September 30, 2024. The City's major federal program and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program and state project for the year ended September 30, 2024.

Basis for Opinion on the Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, *Rules of the Florida Auditor General*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program and state project as a whole.

In performing our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
February 21, 2025

**CITY OF MARY ESTHER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major program and project:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major program and project: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.557, *Rules of the Florida Auditor General*? _____ Yes X No

Identification of major program and project:

| Assistance Listing No. | Name of Federal Program |
|-------------------------------|---|
| 14.228 | Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii |
| CSFA No. | Name of State Project |
| 37.076 | Drinking Water Facility Construction |

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

Dollar threshold used to distinguish between type A and type B projects for state financial assistance: \$ 334,478

Auditee qualified as federal low-risk auditee? _____ Yes X No

**CITY OF MARY ESTHER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

II. FINANCIAL STATEMENT FINDINGS

There were no findings which were required to be reported in accordance with *Government Auditing Standards*.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

There were no findings which were required to be reported in accordance with the Uniform Guidance or Chapter 10.557, *Rules of the Florida Auditor General*.

**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, 2024.

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, 2024.

Warren Averett, LLC
Fort Walton Beach, Florida
February 21, 2025

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, 2024, and have issued our report thereon dated February 21, 2025.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida 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*; Independent Auditors' Report on Compliance for the Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 Florida Auditor General*. Disclosures in those reports, which are dated February 21, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Pursuant to Sections 10.554(1)(i)5.b., and 10.556(8), *Rules of the Florida Auditor General*, we applied financial condition assessment procedures for the City as of September 30, 2024. 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 Florida 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.

Property Assessed Clean Energy (PACE) Programs

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

Special District Component Units

Section 10.554(1)(i)2., *Rules of the Florida 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 Florida 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.



Fort Walton Beach, Florida
February 21, 2025

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 10th day
of March 2025.



NOTARY PUBLIC
Print Name Leslie J. Wright

Personally know or produced identification _____

Type of identification produced: _____

My Commission Expires: 04-27-2026

