



City of Marco Island

CITY OF MARCO ISLAND, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2019**

**PREPARED BY:
THE CITY OF MARCO ISLAND'S FINANCE DEPARTMENT**

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INTRODUCTION SECTION



City of Marco Island

March 30, 2020

To the Members of the City Council and Citizens of the City of Marco Island, Florida:

Florida Statutes require that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of independent licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Marco Island, Florida (the "City"), for the fiscal year ended September 30, 2019.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Governmental Accounting Standards Board ("GASB") requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City and Its Services

The City was incorporated on August 28, 1997. Marco Island, Florida, is located in the southwestern part of the state, on the Gulf of Mexico side of the Ten Thousand Islands region of the Florida Everglades. Originally discovered by the Spanish and named Isla de San Marco (Saint Mark's Island), modern

development of the island began in the late 1960's by the Deltona Corporation. Prior to incorporation in 1997, the island was a part of unincorporated Collier County and was served by a local Fire Protection District. The City serves a permanent population of approximately 17,000, which grows up to approximately 45,000 in the peak winter season. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City has operated under the Council-Manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council consisting of a chairperson and six other members. City Council is responsible for passing ordinances and approving the budget, appointing boards and commissions and hiring both the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected at-large on a non-partisan basis to four-year staggered terms. Council members are eligible to serve a maximum of eight years during their lifetime. The City Council Chair is elected by the members of the City Council annually to a one-year term of office.

The City provides a full range of services authorized by statute and local charter. These include police, fire, parks, recreation, streets, drainage, capital improvements, planning, zoning, community affairs and development and general administrative services, as well as water production and distribution and wastewater collection and treatment. During the fiscal year ended September 30, 2004, as more fully described later in this report, the City acquired the water and wastewater operations on the island and now operates those services through the City's Water and Sewer Utility Department.

The Hideaway Beach Tax District was created as a component unit of the City in 2003. Voters in this private neighborhood approved a tax levy for re-nourishment of the beaches adjacent to the neighborhood.

Budget Process

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget and holds the public budget workshops with the City Council on the proposed budget. Two public hearings are held on the budget, with the final budget adopted no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and by department. Budget control is maintained at the fund level. Budgets are adopted for the following funds: General Fund, Water/Sewer Utility Enterprise Fund, Capital Projects Fund, Debt Service Fund, Building Services Fund, Self-Insurance Internal Service Fund, Hideaway Beach Special Taxing District Fund, and Police and Fire Pension Funds.

The City Manager may make transfers of appropriations within a fund or department. Budget amendments that increase fund appropriations require the approval of the City Council. The City Council has authorized the City Manager to amend, modify or otherwise adjust the operating budget to a maximum limit of \$50,000 in total amendments, modifications or adjustments during the year. A budget re-appropriation ordinance, consolidating all budget amendments approved during the course of the year and those recommended by the City Manager near the end of the fiscal year, officially amends the annual budget.

Capital planning for the community is accomplished through two separate long-term budget documents. The capital projects fund finances general government improvements to streets and intersections, storm drainage, bridges, park facilities, landscaping, vehicles, equipment, and general government buildings. A 5-year capital improvements plan is updated and adopted annually as part of the budget process. The

acquisition of Marco Island Utilities, discussed below, drove the need for an initial 10-year capital program to upgrade and expand both the water and wastewater systems. The comprehensive 10-year capital program is updated every 5 years and submitted to the State as required by Florida Statutes.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy: Marco Island was developed as a planned community of exclusive water-access and waterfront residences with hotels, condominiums, and commercial businesses to support the vitality of the island lifestyle. Originally marketed as a winter retreat for people with permanent homes in the north, Marco Island has evolved over the years into a community of diverse age groups and interests and an increasing number of permanent residents. The business community primarily provides goods and services to the seasonal, permanent, and visitor communities.

The City continues to enjoy the results of a planned, platted and deed-restricted community. A full 75% of the single-family building lots are located on man-made canals and bays affording easy boating access to the Gulf of Mexico and the Ten Thousand Islands forming the western boundary of the Everglades. The community offers public beach access at both ends of the island, an additional beach access for the exclusive use of island residents, and river access between the island and the mainland. Beachfront property is high-density, with multi-family and tourist-oriented accommodations.

The long-term economic outlook for the City is positive. Since the low point caused by the recession, the island economy has enjoyed an exceptionally strong residential real estate market with high growth in new home starts and home and condominium re-sales. Marco Island will never be duplicated because the U.S. Army Corps of Engineers now prohibits “dredge and fill” coastal development and mangrove forests are Federally-protected.

The 2018 assessed taxable valuations used for real property taxes in fiscal year 2019 showed a 4.0% increase from the prior year. The 2019 assessed taxable valuations to be used for real property taxes in fiscal year 2020 reflected an increase of 4.9% from the 2018 assessed valuations. It is projected that the 2020 valuations used to determine property taxes for fiscal year 2021 will again go up as the real estate market has seen an increase in values over the last year.

Long-term Financial Planning

The City includes a five-year capital improvement plan for both its governmental and enterprise activities. The budget reflects the emphasis on maintaining existing service levels and its present investment in facilities and people while attempting to fully fund the City’s pay go system, or “bucket plan”. A thorough review has resulted in a financial restructuring of capital projects and the development of a “bucket plan” that will be used to reduce reliance on debt financing and stabilize property tax millage rate increases in the future.

Marco Island: In July 2002, the City negotiated a fifteen-year inter-local agreement with Collier County to transfer ownership of public roads and rights-of-way from the County to the newly formed City. Additionally, the County agreed to pay the City \$15 million in return for the City assuming the roadway segments. The last \$2 million dollars were withheld by the County due to a disagreement on the intent of the inter-local agreement. In June 2017, the City amended the original agreement thereby transferring jurisdiction of Goodland Road, 92A, back to the County in lieu of receiving the last \$2 million. The City is a true island and has embarked on a repair and replacement process of all 15 bridges within the City’s

limits. Moreover, the City continues to include drainage improvements, street resurfacing, bike lane widening, and shared-use pathway construction as part of its Capital Improvement Plan each year. In November 2018 the residents of Collier County approved a referendum for an additional one cent sales tax over seven years for infrastructure purposes. The City expects to receive approximately \$3.2 million annually over the seven-year term.

A master plan for various city parks was approved in 2005. Improvements at Mackle Park and Veterans Community Park have occurred in phases over the past few years with grant funding and annual expenditures of capital improvements funds. During fiscal year 2014 a nonbinding referendum was held to determine if residents of the island wanted a new Mackle Park community building. The vote was 51% in favor to construct the center up to a maximum cost of \$3.5 million. The project plans were completed in fiscal year 2015 and the construction contract was awarded during fiscal year 2016. The building was substantially complete as of November 2017. The Veterans Community Park continues to be a major focal point for the island activities such as seasonal festivals and a weekly farmers' market. In April 2018 Kimley Horn was contracted to explore different conceptual plans based on community input. On August, 19 2019 Kimley Horn was awarded the design work, at estimated cost of \$594,950, for the facilities to be constructed at the Park based on the concept most supported by the community and its civic leaders.

Marco Island Utilities: In November 2003, the City achieved a long-term objective with the acquisition of the local water and wastewater operations from a private provider. Prior to that date, the City's utility fund was used to account for the wastewater distribution system serving approximately 1,200 accounts with central sewer on the island. Wastewater treatment was handled by Florida Water Services under contract. The City issued \$101 million in utility revenue bonds to purchase utility operations on Marco Island and at an adjacent area of unincorporated Collier County known as Marco Shores. Currently approximately 10,000 utility accounts are served. The cost of the utility acquisition was approximately \$85 million with additional funds raised to begin the upgrading of a neglected utility infrastructure. In March 2010 the City issued \$58 million in utility revenue bonds to fund and refund capital improvements on the City's utility investment. Additional funds for capital investment are provided through monthly revenue deposits to a capital reserve account and a renewal, replacement, and improvement account as required by bond covenants.

Financial Policies

The City's basic financial statements are prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting standards followed by governmental entities in the United States.

Investments: In 2002, the City Council approved an investment ordinance, and the City has a program of active portfolio management allowing for the purchase of investments as allowed by Florida Statutes to increase yields while maintaining safety and liquidity. Investments are limited to a maximum maturity of five years with the exception of the investment of debt service reserves, which is limited to the remaining life of the corresponding debt, and the investment of pension trust funds.

Financial Reserve Policy: The City established a financial reserve policy to handle the distinctive emergencies and contingencies of our barrier island. Per that policy the City will maintain emergency reserves of 25% of general fund's operating budget for the proposed fiscal year.

Charter Spending Cap: The City is unique in Florida with a spending cap included as part of the original charter of the City after the first four years of incorporation. Currently, increases in annual spending are limited to 3% annually plus the annual change in the Social Security cost-of-living adjustments, or COLAs. The charter was amended by the voters in 2002 to remove the expenditures of self-supporting enterprise

funds from the calculation of the spending cap. The City Council may approve emergency expenditures outside of the cap. Further information on the spending cap and the calculation of compliance is included in the Management Discussion and Analysis (MD&A) section of this report.

Risk Management: Through fiscal year 2004, the City purchased property, liability and workers' compensation insurance from the Florida League of Cities Municipal Insurance Trust. Beginning in fiscal year 2005, the City elected to self-insure a greater degree of risk, retaining the first \$100,000 per occurrence of general liability loss, the first \$50,000 per occurrence of property loss, and the first \$350,000 per occurrence of workers' compensation loss. This program, administered through the Public Risk Insurance Trust, reduces the fixed costs of premiums paid while limiting the financial exposure to the City with the purchase of an annual aggregate stop-loss beginning at \$1,000,000 in cumulative annual losses. The City is a Drug-Free Workplace and has safety programs in place to minimize risk exposures. To prevent and control improper conduct in government the City instituted an employee fraud hotline where any wrongdoing can be reported in an anonymous manner.

Major Initiatives: City staff again presented their pay go capital plan to City Council and the Community as part of an initiative to reduce the reliance on debt to fund the City's capital program. The plan involves the funding of items over their expected life term to have the funds available by the time they are fully depreciated. The plan provides the Department Directors the funding necessary to maintain an adequate level of service while allowing flexibility so that they may prioritize their expenditures.

Awards and Acknowledgements

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Marco Island, Florida, for our Comprehensive Annual Financial Report for the fiscal year ended September 30, 2018. This was the twelfth consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements: The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We also thank the City Manager, City Council, and Chair, for the interest and support in planning and conducting the financial operations of the City. Moreover, we wish to express our appreciation to the members of the Audit Advisory Committee for volunteering their time and input. In addition, we wish to express our appreciation to our audit firm, Mauldin & Jenkins, LLC, for their comprehensive and efficient examination of our accounts and suggestions for improvement.

Respectfully submitted,



Guillermo A. Polanco, CPA, MBA
Finance Director



Government Finance Officers Association

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

Presented to

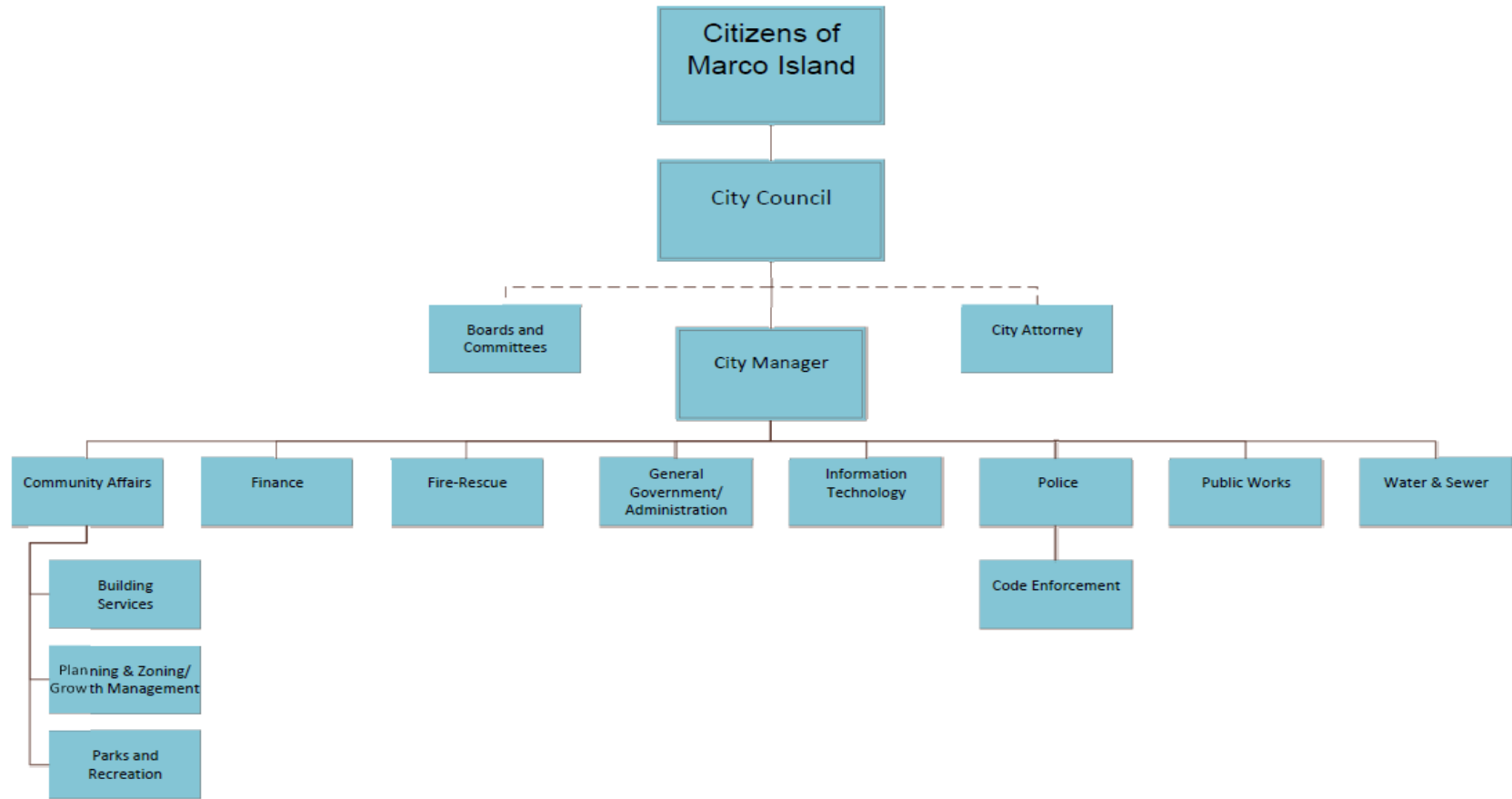
**City of Marco Island
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO





PRINCIPAL OFFICIALS:

ERIK BRECHNITZ, CITY COUNCIL CHAIR
VICTOR RIOS, CITY COUNCIL VICE-CHAIR
JARED GRIFONI, COUNCILOR
LARRY HONIG, CITY COUNCIL
HOWARD REED, COUNCILOR
CHARLETTE ROMAN, COUNCILOR
SAM YOUNG, COUNCILOR

ALAN L. GABRIEL, WEISS SEROTA, CONTRACTED CITY ATTORNEY

MICHAEL MCNEES, CITY MANAGER

GUILLERMO POLANCO, FINANCE DIRECTOR

TRACY FRAZZANO, POLICE CHIEF
LAURA M. LITZAN, CITY CLERK
JORDAN TUREK, PhD, IT DIRECTOR
MICHAEL MURPHY, FIRE CHIEF
JEFFREY POTEET, UTILITIES GENERAL MANAGER
TIMOTHY PINTER, PUBLIC WORKS DIRECTOR

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CITY OF MARCO ISLAND, FLORIDA

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

City Council and City Manager
City of Marco Island, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marco Island, Florida (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules on pages 7-22 and 89-99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also not a required part of the basic financial statements of the City.

The combining and individual fund statements and schedules and the schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bradenton, Florida
March 30, 2020

Mauldin & Jenkins, LLC

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CITY OF MARCO ISLAND, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of financial reporting, in general, is to provide the readers of the financial statements with information that will help them make decisions or draw conclusions about an entity. As management of the City of Marco Island, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found starting on page IV of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$191 million (*net position*). Of this amount, \$26.7 million, or 14% (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. Governmental activities accounts for 50.7% of total net position while business-type activities made up the remaining 49.3%.
- The City's total net position overall increased by \$9 million or 5% during the current fiscal year.
- The City's business-type activities reported total net position of \$94 million, which is an increase of \$0.7 million, or .8%, in comparison to the prior year.
- The City's governmental activities reported total net position of \$97 million, which is an increase of \$8.3 million, or 9.3%, in comparison to the prior year.
- As of the close of the current fiscal year as reported in the fund financial statements, the City's governmental funds reported combined ending fund balances of \$29.4 million, an increase of \$6.8 million in comparison with the prior year. Approximately 22.8% of this total amount, \$6.7 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, fund balance for the General Fund was \$13.4 million or 52.3% of the general fund expenditures and other financing uses. The \$11 million in *unassigned fund balance* includes \$5.1 million to meet the City's financial reserve policy.
- At the end of the current fiscal year, unrestricted net position of the water and sewer utility fund totals \$4.7 million compared to \$6.0 million in the prior year.
- The financial condition of the City continued to be strong in 2019. This strength allowed the City to repair and replace vital infrastructure damaged by Hurricane Irma. Major capital investments were made to both the utility system and the basic infrastructure of the community. Increased funding per the bucket plans for both governmental and business type capital infrastructure is reflected in the restricted fund balances. Professional department heads managed their operations within budgeted appropriations.

CITY OF MARCO ISLAND, FLORIDA

Overview of the Financial Statements

This management discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statement consists of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide Financial Statements: The focus of the *government-wide financial statements* is on the overall financial position and activities of the City. Reporting is similar to that of a private-sector business. The City's government-wide financial statements include the statement of net position and statement of activities. As described below, these statements do not include the City's fiduciary funds because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary funds are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The *Statement of Activities* presents the revenues and expenses of the City as well as information showing how the City's net position changed during the most recent fiscal year. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, law enforcement, fire/rescue services (emergency medical service and transport is provided by Collier County), planning and zoning, code compliance, building services, transportation, and parks. The business-type activities of the City include its water and wastewater treatment plants, water distribution, sewer collection services, sewer assessment districts, and its recreation services.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate special tax district for which the City is financially accountable. This *component unit* functions for all practicable purposes as an independent advisory board and special revenue fund of the City. The financial activity of this component unit is shown in a separate column from the primary government on the *Statement of Net Position* and *Statement of Activities*.

CITY OF MARCO ISLAND, FLORIDA

Fund Financial Statements: A *fund* is a grouping of related accounts that is 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. The City's fund financial statements are divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

Government Funds: *Governmental funds* are used to account for essentially the same functions 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 financing requirements.

Because the focus of the 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 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City presents in separate columns, funds that are the most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). As of September 30, 2019, the City has three major governmental funds: the General Fund, Debt Service, and Capital Projects Fund.

Proprietary Funds: The City has two proprietary funds: enterprise funds and internal service funds. For both types of funds, costs incurred are recovered through user fees and charges. *Enterprise funds* are used when the primary customers are citizens and businesses. *Internal service funds* are used when the fund provides benefits to the government's departments or other funds.

Enterprise funds are used to report the same functions as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The City's major proprietary fund accounts for the water and wastewater utility. A non-major fund reports the activities of the recreation programs and racquet center. The internal service fund accounts for the accumulation of reserves and payment of insurance premiums and claims.

Fiduciary Funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City has two fiduciary funds, a Firefighters' defined benefit pension trust fund and a Police Officers' defined benefit pension trust fund. Fiduciary funds are accounted for in a manner similar to proprietary funds.

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Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

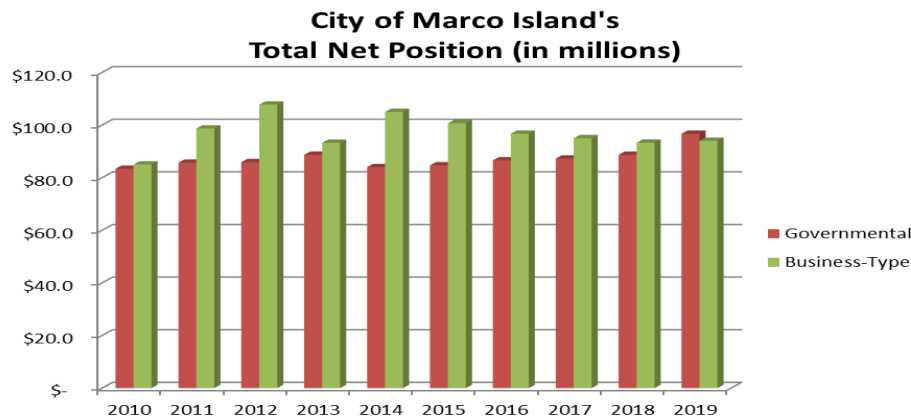
Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's defined benefit pension plans and budget-to-actual schedules for the City's General Fund.

This report contains other information including support schedules, a statistical section (unaudited) and other reports section.

Government-wide Financial Analysis

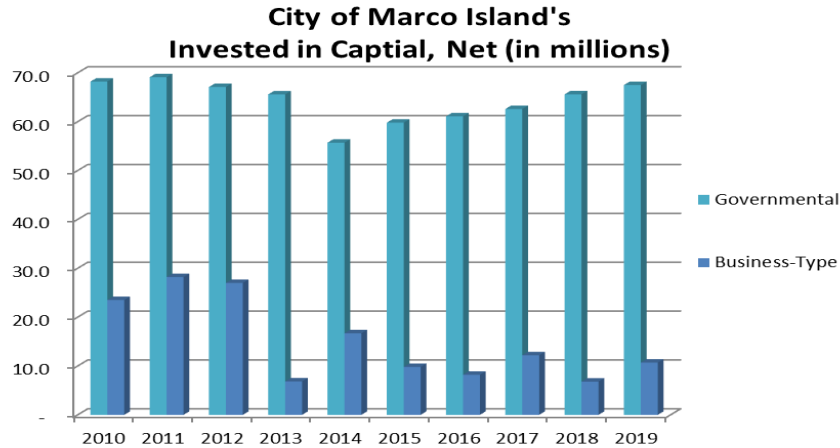
Net position serves as a useful indicator of the City's financial position. The City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$191 million at the close of the fiscal year. This was an increase of approximately 5% compared to last year's net position of \$182 million. The chart below shows the steady and gradual increase up to a plateau over the last ten fiscal years of both the governmental and business-type activities.

The relative stability of the City's governmental performance is reflected in the \$8.3 million, or 9.3%, increase in total net position of governmental activities. This steadiness is primarily due to Council's desire to limit governmental debt and curb expenditures while at same time maintain its infrastructure. In business-type activities, the \$0.7 million, or .8%, increase in total net position is due capital outlay costs recognized on the City's water and sewer infrastructure which has a direct relationship to the net investment in capital assets.



A substantial portion of the City's net position, \$78.2 million or 41%, reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment; all categories are net of depreciation), 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. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided primarily from tax and water rates sources since the capital assets themselves cannot be used to liquidate these liabilities.

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Some assets are subject to external restrictions on how they may be used. This portion of net position is earmarked for the completion of capital projects, debt service payments or growth-related expenses to parks, roads, police and fire rescue services. This amount totals \$86.1 million or 45.1% of net position as of the end of the fiscal year.

The remaining balance of unrestricted net position (\$26.7 million or 14%) may be used to meet the City’s ongoing obligations to citizens and creditors. The amount of the City’s total unrestricted position increased by \$4.6 million compared to last fiscal year, with the majority of the increase occurring in the governmental activities’ net position due to the amounts received or receivable related to Hurricane Irma expenditure reimbursements.

The following schedule is a summary of the fiscal 2019 Statement of Net Position with comparative information for fiscal 2018.

Summary Statement of Net Position (in \$ millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 35.3	\$ 28.3	\$ 89.1	\$ 91.0	\$ 124.4	\$ 119.3
Capital assets	75.5	75.4	167.2	171.3	242.7	246.7
Total Assets	110.8	103.7	256.3	262.3	367.1	366.0
Deferred outflows of resources	3.5	3.9	6.2	7.0	9.7	10.9
Current liabilities	3.5	4.3	4.9	3.6	8.4	7.9
Long-term debt and other liabilities	11.5	11.6	163.5	172.4	175.0	184.0
Total Liabilities	15.0	15.9	168.4	176.0	183.4	191.9
Deferred inflows of resources	2.3	3.0	-	-	2.3	3.0
Net Position:						
Net investment in capital assets	67.5	65.6	10.7	6.8	78.2	72.4
Restricted	7.8	7.6	78.3	79.9	86.1	87.5
Unrestricted	21.7	15.5	5.0	6.6	26.7	22.1
Total Net Position	\$ 97.0	\$ 88.7	\$ 94.0	\$ 93.3	\$ 191	\$ 182.0

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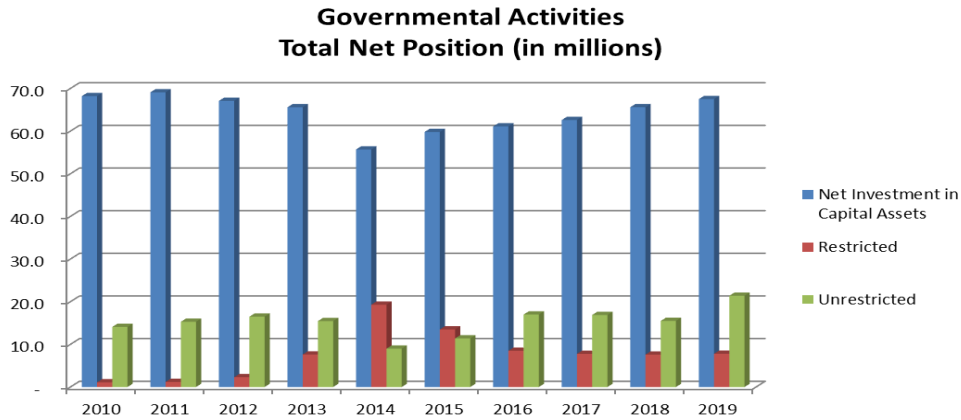
The table below summarizes the City’s Statement of Activities as of September 30, 2019 and 2018:

	Summary Statement of Activities (in \$ millions)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 5.6	5.0	34.5	33.9	40.1	38.9
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	6.2	1.9	0.8	0.2	7.0	2.1
General revenues:						
Taxes	21.7	21.7	-	-	21.7	21.7
Other general revenues	4.8	4.5	2.5	1.7	7.3	6.2
Total Revenues	<u>38.3</u>	<u>33.1</u>	<u>37.8</u>	<u>35.8</u>	<u>76.1</u>	<u>68.9</u>
Expenses:						
Governmental activities:						
General government	6.4	4.1	-	-	6.4	4.1
Public safety	14.9	13.7	-	-	14.9	13.7
Transportation	6.9	8.4	-	-	6.9	8.4
Disaster recovery	0.3	3.7	-	-	0.3	3.7
Culture and recreation	1.7	1.6	-	-	1.7	1.6
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Business-type activities:						
Water and sewer	-	-	36.8	37.3	36.8	37.3
Recreation	-	-	-	-	-	-
Total Expenses	<u>30.4</u>	<u>31.7</u>	<u>36.8</u>	<u>37.3</u>	<u>67.2</u>	<u>69.0</u>
Revenues over/(under) expenses before transfers	<u>7.9</u>	<u>1.4</u>	<u>1.0</u>	<u>(1.5)</u>	<u>8.9</u>	<u>(0.1)</u>
Transfers	<u>-</u>	<u>0.5</u>	<u>(0.1)</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>-</u>
Change in net position	7.9	1.9	0.9	(2.0)	8.8	(0.1)
Net position, beginning as previously stated	89.1	87.3	93.1	95.0	182.2	182.3
Restatement of fund balances; See note 1.(e)	-	(0.2)	0.0	0.1	0.0	(0.1)
Net position, beginning of year	<u>89.1</u>	<u>87.1</u>	<u>93.1</u>	<u>95.1</u>	<u>182.2</u>	<u>182.2</u>
Net Position, end of year	<u>\$ 97.0</u>	<u>89.0</u>	<u>94.0</u>	<u>93.1</u>	<u>191.0</u>	<u>182.1</u>

Government Activities:

The total net position of the City’s governmental activities increased \$8.3 million from \$88.7 million last fiscal year to \$97 million in the current fiscal year primarily due to the federal revenues received for the reimbursement of Hurricane related expenditures. The City continues to benefit from the City Council’s strategic direction, which has resulted in operating efficiencies and cost savings. The change in total net position over the past ten years is presented in the bar chart shown below:

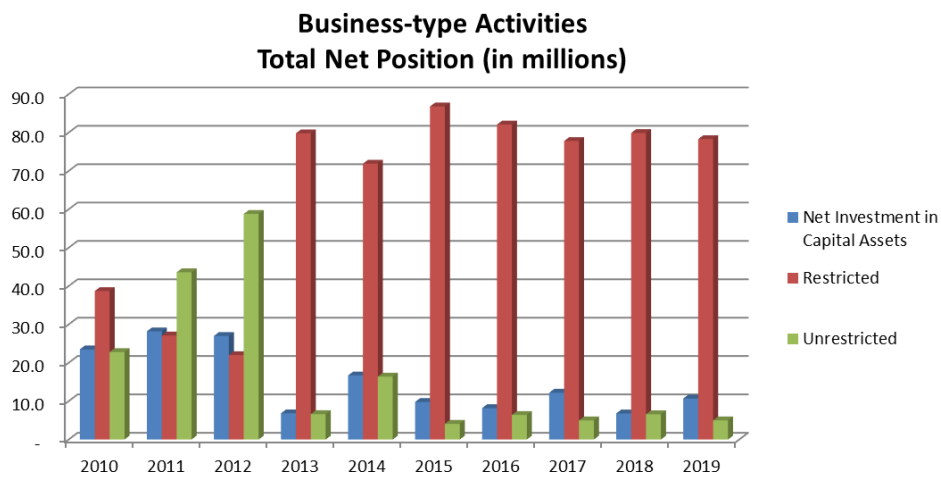
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Business-type Activities:

The City's total net position of the business-type activities increased by \$0.7 million, or .8%, from \$93.3 million last fiscal year to \$94 million in the current fiscal year. In 2003, the City issued \$101 million in bonds for the acquisition of the water and sewer utility system for the island and an area adjacent to the island. The seven-year STRP plan that started in 2006 to replace deteriorating septic systems and provide a city-wide central sewer system was completed during the fiscal year.

The City's business-type activities investment in capital assets increased from last year by \$3.9 million, or 57%, primarily due to the new capital projects being completed or still in progress.



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of the governmental financial statements will find the fund financial statement presentation more familiar. The focus of the fund financial statements is on major *funds*, rather than fund *types*.

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Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The governmental funds presentation is designed to show the sources and uses of liquid resources. This is the manner in which the budget is typically developed. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's current financial resources available to spend for City operations.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (non-spendable, restricted, assigned, and unassigned) of \$29.4 million, an increase of \$6.8 million in comparison with the prior year. This increase resulted primarily due to the federal funds received or that are due for the reimbursement of Hurricane Irma related expenditures.

Assigned and unassigned fund balance is the portion of fund balance available for spending at the City's discretion. This year 88.4% of the total governmental fund balance constitutes assigned and unassigned fund balance. Of this amount, the Council has assigned or indicated its intention that \$15 million be used for the use of on-going capital improvement projects. Approximately \$6.7 million is unassigned and available for future spending or emergencies and contingencies.

The remainder of fund balance is *committed* (internal) or *restricted* (external) to indicate it is not available for new spending because it has already been appropriated by enabling legislation for specific purposes, including debt service, parks construction, road construction, and public safety services.

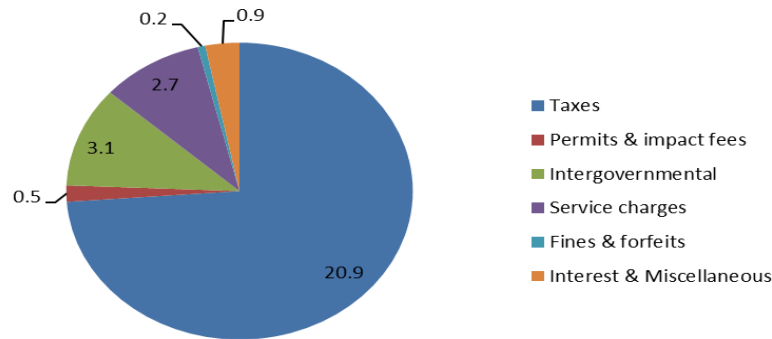
The *general fund* is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

At the end of the current fiscal year, the general fund's total fund balance is \$13.4 million. The City has a long history of planning for contingencies and has a financial reserve policy which sets aside a 25% reserve of the prior year's budget, currently \$5.1 million, or approximately four months of normal general fund operating expenditures to cover emergencies and other contingencies that may occur.

City Council has made a conscious decision to use ad valorem taxes (property taxes) as its primary revenue source for the general fund, instead of diversifying its revenue base, along with with other taxes, user fees, and charges for services. Total general fund revenues increased \$1.2 million compared to last year primarily due to interest earnings. The pie chart below shows the breakdown by percentage of general fund revenues by type.

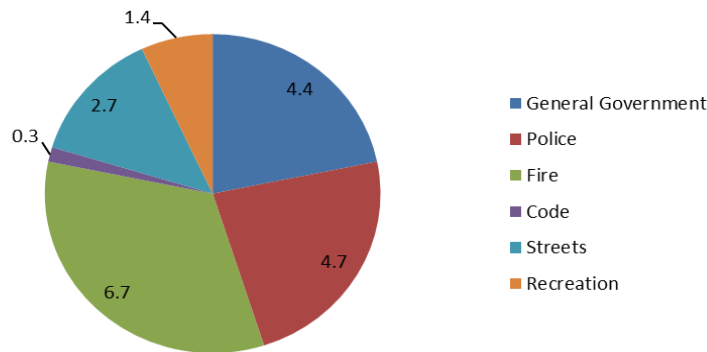
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**Fiscal Year 2019
General Fund Revenues (in millions)**



Total general fund operating expenditures increased by \$0.6 million. The increase was primarily due to Fire and Rescue expenditures related to the amounts contributed to pensions plans versus the prior year. Expenditures for the other departments remained comparatively stable due to management’s continued effort to operate in a more efficient manner. The pie chart below shows the breakdown of fiscal year 2019 general fund expenditures by department category.

**Fiscal Year 2019
General Fund Expenditures (in millions)**



The capital projects fund is one of the City’s major funds. Since its incorporation in 1997, the City has embarked upon major infrastructure projects throughout the city limits. Current projects focus on the on the repairs of bridges, road surfaces, drainage lines and maintenance of existing infrastructure and improvements to parks and open spaces for community events. The City continues to appropriate funds as part of its “bucket plan” or “pay as you go program” for capital needs in future years. During fiscal year ended September 30, 2019, \$6.4 million in capital projects were completed.

The debt service fund is another of the City’s major funds. The debt service fund primarily services debt related to funds issued for capital project purposes. The City did not issue any new debt during the fiscal year and will fully pay off two of its bonds in the next two fiscal years. Debt service for the year amounted to \$1.5 million for the year ended September 30, 2019.

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Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees and charges to customers. Proprietary funds are presented on a total economic resource basis. Proprietary fund statements provide both short-term and long-term financial information. The City's proprietary fund is composed of two enterprise funds and one internal service fund. Unrestricted net position for all enterprise funds at the end of the year was \$5 million. The City's major enterprise fund is the water and sewer utility fund and its non-major fund is the recreation fund.

The water and sewer utility has carried out several major multi-year capital construction projects since purchase of the system and has determined it is in the best interest of the City to use the City's available resources during construction, thereby delaying the need for the issuance of debt and incurring interest expenses. In addition, the City obtained State Revolving Fund Loans from the Florida Department of Environment Protection for the financing of sewer assessment districts constructed each fiscal year, as well as permanent financing with other financial institutions which will be paid from the various sewer assessment districts.

Overall, the water and sewer utility fund's net position as shown on the fund financial statements increased by \$1.2 million from \$92.5 million in the prior year to \$93.7 million at the end of this fiscal year. The majority of the increase is a result of capital outlay projects in progress or completed and their effect on net investment in capital assets. Operating revenues for the proprietary fund increased by \$0.6 million, or 1.8%, and operating expenses, not including depreciation and amortization costs, increased by \$0.8 million, or 6.3%, compared with the prior year. Interest income increased by \$0.9 million. Interest expense decreased by \$0.3 million, or 4.3%. Operating income before non-operating revenues, capital contributions, and transfers was \$4.8 million this fiscal year compared to \$3.9 million last fiscal year, representing an increase of \$.9 million primarily due to an increase in revenues and a decrease in depreciation. Staff is closely monitoring impacts on revenues due to conservation, record weather conditions, and elasticity in volumetric usage due to the system's compulsory rate increases.

General Fund Budgetary Highlights and Charter Spending Cap

There was an increase of \$320,548 in appropriations in the general fund during the year end September 30, 2019. Historically, the City develops a conservative budget based upon 96% of ad valorem taxes, and between 90% and 95% of the State's various state-shared revenue projections due to the uncertainty in the economy. Actual revenue received and use of reserves was \$1.3 million more than budgeted. This was primarily due to an increase in ad valorem tax revenues of \$.4 million, intergovernmental revenues of \$.8 million, permits and fees of \$.3 million, and interest revenues of \$.2 million. In the long term we expect a downward trend in CST revenue due to the reduction of the tax rate. Overall, departmental expenditures were in line with budgeted expenditures.

Charter Spending Cap: The City is governed by a spending cap in the City Charter, limiting the growth in expenditures to 3% plus the year-to-year change in the federal cost of living adjustment (COLA) from the preceding year. In September 2002, voters approved amending the spending cap by removing all expenditures of self-supporting or business-type enterprise funds and expenditures funded by grants, gifts, and impact fees from the calculation of expenditures covered by the spending cap.

Ordinance 14-08, approved by the City Council in August 2014, replaced Resolution 03-03 as adopted by City Council on January 13, 2003. The Ordinance establishes the legislative intent and procedures for the

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calculation of the expenditure limitations. Exhibit A of the Ordinance sets forth the following policies and procedures used to calculate the spending cap limits:

1. The term “operating expenditures” shall be interpreted as “expenditures from the operating budget of the City’s Government Fund.”
2. Expenditures from the operating budget shall include transfers into capital asset funds for future use.
 - a. GASB states that “expenditures represent the use or expected use of current financial resources” and that “expenditures of governmental fund resources” may give rise to general capital assets, which are defined as “capital assets of the government that are not specifically related to activities reported in proprietary or fiduciary funds.”
 - b. GASB Codification Chapter 1600.116 defines “expenditures” as decreases in net financial resources.”
3. The term “prior year’s expenditures” shall be interpreted as the City’s determination of actual expenditures for the current year at the time the spending cap calculation is to be undertaken.
4. The term “then current Federal COLA (Department of Labor, Bureau of Statistics, Consumer price Index)” shall be interpreted as the prior year’s COLA released by the Social Security Administration in October. That is starting with Fiscal Year 2015 the COLA used will be SSA COLA released in October 2013 (effective January 1, 2014).

As of September 30, 2019, any accumulated capital funds will remain in the capital projects assigned fund balance, as defined by the implementation of GASB 54, in order to exclude them in the future year’s spending cap calculation. For the fiscal year ended September 30, 2019, the City was in compliance with the Charter Spending Cap which was \$27,876,667.

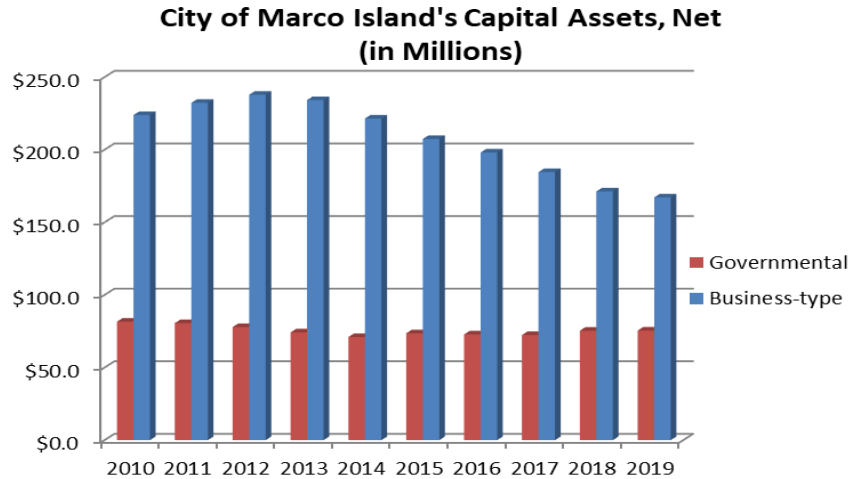
Expenditures fiscal year 2019	
General Fund	\$ 20,240,251
General Fund Transfer to Capital Projects Fund	4,210,434
Debt Service	1,214,493
TOTAL OF ALL FUNDS SUBJECT TO SPENDING CAP	<u>25,665,178</u>
Less expenditures funded by grants and gifts	(558,870)
Less expenditures funded by enterprise funds	<u>(1,284,996)</u>
Fiscal Year 2019 expenditures subject to Spending Cap	23,821,312
Plus percentages permitted by City Charter	
3% general expenditures increase	714,639
2.8% expected COLA released in October 2018	<u>666,997</u>
Total percentage increase permitted	<u>1,381,636</u>
Fiscal Year 2020 Spending Cap	<u>25,202,948</u>

Effective October 1, 2019, the fiscal year 2020 General Fund Budget approved by City Council was \$25,085,125. Annual contributions committed to the asset replacement reserve fund are covered by the spending cap while future expenditures from the fund will be exempt from the spending cap.

Capital Assets and Debt Administration

As expected, the City’s investment in capital assets and its use of debt financing has changed dramatically since the acquisition of the water and sewer system.

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Capital Assets: The City's capital assets balance (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2019, was \$242.7 million. The amount of net capital assets includes land, buildings, improvements other than buildings, machinery and equipment.

The \$.1 million decrease in governmental capital assets, net of depreciation, is primarily due to the disposal of old vehicles. The \$4.1 million decrease related to business-type net capital assets is primarily due to the depreciation of the Utility system assets. Additional information on capital assets can be found in Note 6 to the financial statements.

Long-term Debt: The City continues to have strong underlying bond ratings. Standard and Poor's, Moody's and Fitch have issued ratings of "AA+", "Aaa", and "AA+" for the City's general obligation bond issue; "AA", "Aa2", "AA" for the City's sales tax revenue bond issue; and "A+", "Aa3", and "AA-" for the Water and Sewer Utility system revenue bond issues, respectively.

At the end of the current year, the City had total long-term debt (excluding accrued compensated absences, OPEB liability, and deferred assessments) outstanding of \$175 million. Of this amount \$11.5 million is considered governmental obligations and the remaining \$163.5 million is business-type debt which is secured solely by specified water and sewer utility fund revenue sources.

Of the \$11.5 million in governmental debt, \$0.8 million was approved by referendum by the City's voters and an additional ad-valorem property tax is collected to retire this debt. This debt was refunded by the 2014 general obligation series. Sales tax revenue is pledged to cover the remaining \$0.8 million in governmental debt used for the construction of the Police Station. This debt was refunded by the 2015 sales tax revenue bond. Capital leases of \$1.8 million are secured by non-ad valorem revenue. In 2014 the City issued a non-ad valorem capital improvement revenue bond in the amount of \$6 million to finance the Smokehouse Bay Bridge/Herb Savage Bridge project. The capital improvement revenue bond has a balance of \$4.6 million.

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City of Marco Island's Total Debt (in Millions)



As is common for a newly acquired utility system, the City has significant debt related to its water and wastewater utility system. Utility Series 2003 Revenue Bonds were issued to finance the acquisition of the water and wastewater utility system from Florida Water Services, Inc. in November 2003. Utility Series 2006 and 2008 Revenue Bonds and State revolving loan funds from 2007 and 2010 were used to finance additional capital improvements to the City's water and wastewater systems. During fiscal year 2010, tax-exempt bonds were issued to refund and reimburse the water and sewer utility for projects previously committed and spent as well as for supplementary projects. In addition, taxable bonds were issued to refund the prior year's bonds and to fund a deposit to the required debt service reserve. The Series 2011 revenue bonds took advantage of favorable market conditions to refund a portion of the original 2003 acquisition revenue bonds. The Series 2013 revenue bonds also took advantage of favorable market conditions to refund the remainder of the original 2003 acquisition revenue bonds and the 2008 series.

The debt service of the assessment bonds and state revolving loans are secured solely by the special assessments charged to each district. Construction of all seventeen districts is complete and permanent financing with a balance totaling \$38.8 million is in place. The remaining \$124.7 million of the total \$163.5 million in business-type debt is secured by the general rate base customer fees. Additional information on long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budget and Rates

Collier County is located on the southwest coast of the Florida peninsula, across the state and directly west of the Miami-Fort Lauderdale area. The County's principal industries include tourism, agriculture, fishing and cattle ranching. Located on a barrier island along the Gulf of Mexico, the City's local economy is based primarily on upscale resort and retirement activities. It was originally marketed as a winter retreat for people with permanent homes in the north.

The region enjoys a climate that is classified as sub-tropical and the City has a permanent population of approximately 17,000 which grows to 45,000 in peak winter season with the influx of part-time residents and tourists. The City is the second largest municipality (after the City of Naples) located in Collier County.

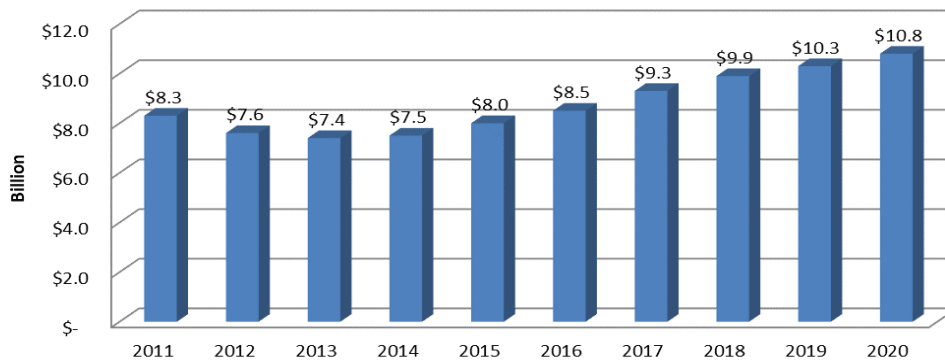
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More than 50.6% of the city's residents are age 65 or older, compared with 32.2% countywide, and 20.5% statewide. Per the U.S. Department of Labor, the unemployment rate for Collier County is currently 3.1%, down from 3.3% a year ago.

The Collier County Tourist Development Commission (Naples, Marco Island, Everglades City Convention and Visitors Bureau) reported that the number of visitors to the three Collier County cities increased by 7.2% compared to 2018 with the majority being Floridians at 43.5%, out-of-state at 28.3%, and the remaining 28.2% from other countries.

Property Values and Taxes: Real property values in Southwest Florida increased dramatically after incorporation in 1997 and prior to 2007. Taxable values on Marco Island increased from \$3.9 billion in 2001 to \$12 billion in 2007. As is true across the country, the growth proved to be unsustainable and eventually the housing bubble burst with values falling significantly. The City's assessed valuation decreased to approximately the 2005 values. The City's fiscal 2019 taxable value is approximately \$10.3 billion which reflects an increase of 4.0% from the fiscal 2018 value.

Taxable Values



In 1995, the State of Florida limited all local governments' ability to raise property assessments of homestead property in any given year to 3% or cost of living, whichever is lower. Statutory changes to the state's tax laws were passed by the Florida Legislature in 2007 to assist homeowners when the taxable valuations were increasing substantially each year. Implementation of a key provision of the law started for budgets beginning in fiscal year 2008 and provided maximum millage rates for all local governments. In effect, the State required all governments to decrease property taxes by rolling back the operating millage rate to fiscal year 2002 values. Further tax reform regulations allow municipalities to increase the tax rate to the point where tax revenues equal the rolled-back tax rate plus growth in Florida personal income with a simple majority vote of the City Council.

City residents enjoy a standard operating millage rate of 1.8057 mils in fiscal year 2020. That is .0648 less than the pre-incorporation millage rate of 1.8705 in 1997, which only covered fire and rescue services. Since then services have been expanded to include a local police presence, code enforcement with a magistrate, improved streets and drainage, and additional recreation capabilities. The City's charter mandated spending cap further limited increases to the City's millage rate during the years when the property values were increasing rapidly. During the housing bubble expansion, many local governments throughout the State increased services and expanded their budgets while the City of Marco Island made it a practice of living within limits set forth by the City Charter. Those same governments have endured

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severe cuts due to the unsustainable growth that the housing bubble created while the City has enjoyed a relative flat millage rate.

Additionally, City Council and residents prefer the use of ad valorem taxes rather than diversifying the City's revenue base with the use of franchise fees and other optional taxes. The City's share of the total ad valorem tax bill received by the residents from Collier County is 17%. The remainder of the property tax bill is spent by other taxing agencies including Collier County and the school board.

Water and Wastewater Utility: In November 2003, the City achieved a long-term objective with the acquisition of the local water and wastewater operations from a private provider. Prior to this date, the City's utilities fund was used to account for the wastewater distribution system serving approximately 1,200 accounts with central sewer on this island. Wastewater treatment was handled by Florida Water Services Inc. under contract. The City issued \$101 million in utility revenue bonds to purchase utility operations on Marco Island and at an adjacent area on the mainland of unincorporated Collier County also known as Marco Shores. The cost of the utility acquisition was approximately \$85 million and the additional funds were used to begin the upgrading of a neglected utility infrastructure. Annual funding for capital improvements are required by bond covenants and are deposited monthly to a renewal and replacement fund and a capital reserve fund. Likewise, subsequent project revenue was provided by bonds issued in 2006, 2007, 2008, 2010 and 2011.

The City's demand for water and wastewater services over the past few years has increased slightly; the demand for wastewater services grew as more properties connected to the central sewer system as part of the seven-year Septic Tank Replacement Program (STRP) that was completed in 2013. Infrastructure for the 17 sewer assessment districts has been connected to the central wastewater system, thereby providing more sewage for treatment. Rather than disposing the treated effluent into deep injection wells, the City expanded its investment in the re-use water distribution system. Re-use or effluent water sales lower the usage of potable water and thus defer some capacity improvements to a future date. This deferment of expensive improvements to the water plant lowers the costs to all the current and future system users even if each individual user does not have access to re-use distribution system.

During fiscal 2013 as part of refinancing the 2003 and 2008 bond issues, the City Council adopted Resolution No. 13-16 ratifying and confirming its acceptance and approval to increase rates through and including fiscal year 2018. The base and volumetric rate increases of 7%, 2.1%, 2.1%, 2.2%, and 2.3% are scheduled to take effect at the beginning of each fiscal year from 2014 through 2018 respectively. The 2013 refunding bonds resulted in the release of reserves in the amount of \$6.6 million and a debt service reduction in the amount of \$5.3 million over the remaining term of the bonds.

As of December 7, 2016 the City closed on the 2016 bond series which refunded the 2010A bond series. As of December 7, 2016 the City also fully paid off, legally defeased, the 2010B bond series with a balance of \$6.2 million by using available water and sewer impact fee funds that arose from several large commercial projects on the island. The 2016 refunding bonds resulted in the release of reserves in the amount of \$1.9 million and a debt service reduction in the amount of \$6.9 million over the remaining term of the bonds. The legal defeasance of the 2010B bonds resulted in the release of reserves in the amount of \$.6 million and interest savings in the amount of \$4.4 million. An additional \$1.3 million in reserves will be released in 2020, on the bonds callable date.

Hideaway Beach District: The City is responsible for a legally separate special tax district for which the City maintains accounting records and is financially accountable. This component unit is funded through

CITY OF MARCO ISLAND, FLORIDA

ad valorem taxes and has an independent advisory board that makes recommendations which are subsequently reviewed and ratified by City Council.

In 2003, voters in the Hideaway Beach neighborhood voted to tax themselves by establishing a special taxing district as the financing mechanism for the area's beach re-nourishment plan. The taxing district requested and received approval for a short-term loan from the City to implement the final phase of the plan in conjunction with funds received from the Collier County Tourist Development Council (TDC). Property values in Hideaway Beach decreased by .5% compared to last fiscal year, and the tax levy in the Hideaway Beach District was slightly increased to 1.4107 mils from the last fiscal year at 1.4000 mils.

Requests for Information

This financial report is designed to provide interested users with a general overview of the City finances. An electronic version of this report and prior year's reports can be found on the City's website at www.cityofmarcoisland.com. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 50 Bald Eagle Drive, Marco Island, Florida 34145.

CITY OF MARCO ISLAND, FLORIDA

BASIC FINANCIAL STATEMENTS

CITY OF MARCO ISLAND, FLORIDA

STATEMENT OF NET POSITION September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hideaway Beach District
ASSETS				
Cash and cash equivalents	\$ 11,535,583	21,567,722	33,103,305	1,697,778
Accounts receivable	51,198	3,106,508	3,157,706	-
Assessments - current portion	-	900,118	900,118	-
Assessments - interest	-	2,363,613	2,363,613	-
Accrued interest	-	99,540	99,540	-
Internal balances	(298,456)	298,456	-	-
Due from other governments	1,846,777	-	1,846,777	-
Prepaid items	22,472	3,750	26,222	-
Restricted cash and cash equivalents	20,386,119	47,654,525	68,040,644	-
Assessments receivable	-	13,110,477	13,110,477	-
Net pension asset	1,776,021	-	1,776,021	-
Capital assets (net of accumulated depreciation)				
Land	15,363,360	17,415,059	32,778,419	-
Buildings	18,768,010	7,198,654	25,966,664	-
Improvements other than buildings	-	127,744,816	127,744,816	-
Infrastructure	108,419,591	101,021,052	209,440,643	707,229
Equipment	14,542,236	76,910,754	91,452,990	-
Accumulated depreciation	(82,601,172)	(172,949,493)	(255,550,665)	-
Construction in progress	989,451	9,832,228	10,821,679	-
Net capital assets	75,481,476	167,173,070	242,654,546	707,229
Total assets	110,801,190	256,277,779	367,078,969	2,405,007
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts pensions	3,470,297	-	3,470,297	-
Deferred amounts OPEB	58,640	5,650	64,290	-
Deferred amounts on refunding	-	6,222,480	6,222,480	-
Total deferred outflows of resources	3,528,937	6,228,130	9,757,067	-
LIABILITIES				
Accounts payable and other	\$ 3,391,801	1,937,278	5,329,079	90
Due to pension funds	-	-	-	-
Customer deposits	10,850	16,000	26,850	-
Accrued interest	90,717	2,905,163	2,995,880	-
Total current	3,493,368	4,858,441	8,351,809	90
Noncurrent liabilities				
Bonds, notes, and capital leases, net of unamortized discounts and premiums				
Due within one year	1,762,260	9,214,605	10,976,865	-
Due in more than one year	6,224,413	153,451,813	159,676,226	-
Compensated absences				
Due within one year	344,638	143,076	487,714	-
Due in more than one year	1,320,182	415,318	1,735,500	-
Net pension liability	982,123	-	982,123	-
Total OPEB liability	903,415	282,296	1,185,711	-
Total noncurrent liabilities	11,537,031	163,507,108	175,044,139	-
Total liabilities	15,030,399	168,365,549	183,395,948	90
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts pensions	1,993,599	-	1,993,599	-
Deferred amounts OPEB	348,246	97,737	445,983	-
Total deferred inflows of resources	2,341,845	97,737	2,439,582	-
NET POSITION				
Net investment in capital assets	67,494,803	10,729,132	78,223,935	-
Restricted				
Capital outlay	-	16,836,130	16,836,130	-
Debt service	1,594,489	58,995,983	60,590,472	-
R&R	-	294,860	294,860	-
Impact and public safety programs	2,306,342	2,194,344	4,500,686	-
Building	3,888,169	-	3,888,169	-
Unrestricted	21,674,080	4,992,174	26,666,254	2,404,917
Total net position	\$ 96,957,883	94,042,623	191,000,506	2,404,917

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Hideaway Beach District
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 6,395,699	1,563,543	8,015	6,000,971	1,176,830	-	1,176,830	-
Police	4,709,895	133,453	-	40,028	(4,536,414)	-	(4,536,414)	-
Fire	7,515,505	808,313	16,000	146,789	(6,544,403)	-	(6,544,403)	-
Code	392,704	172,807	-	-	(219,897)	-	(219,897)	-
Building	2,306,676	2,236,380	-	-	(70,296)	-	(70,296)	-
Transportation	6,885,771	200,000	11,000	26,374	(6,648,397)	-	(6,648,397)	-
Disaster and recovery	309,148	-	-	-	(309,148)	-	(309,148)	-
Culture	1,690,540	456,668	-	-	(1,233,872)	-	(1,233,872)	-
Interest on long-term debt	216,026	-	-	-	(216,026)	-	(216,026)	-
Total governmental activities	30,421,964	5,571,164	35,015	6,214,162	(18,601,623)	-	(18,601,623)	-
Business-type activities								
Water and sewer	36,747,252	34,477,635	-	812,918	-	(1,456,699)	(1,456,699)	-
Total business-type activities	36,747,252	34,477,635	-	812,918	-	(1,456,699)	(1,456,699)	-
Total primary government	\$ 67,169,216	40,048,799	35,015	7,027,080	(18,601,623)	(1,456,699)	(20,058,322)	-
Component Unit								
Hideaway Beach District	\$ 216,426	-	-	-	-	-	-	(216,426)
Total component unit	\$ 216,426	-	-	-	-	-	-	(216,426)
General revenues								
Property taxes					\$ 19,281,256	-	19,281,256	656,626
Communication service tax					781,728	-	781,728	-
Other taxes					1,611,474	-	1,611,474	-
State shared revenue					2,922,672	-	2,922,672	-
Interest and investment earnings					1,576,265	2,391,168	3,967,433	35,060
Misc revenues					267,713	110,836	378,549	340
Transfers					62,856	(62,856)	-	-
Total general revenues and transfers					26,503,964	2,439,148	28,943,112	692,026
Changes in net position					7,902,341	982,449	8,884,790	475,600
Net position, beginning					89,055,542	93,060,174	182,115,716	1,929,317
Net position, ending					\$ 96,957,883	94,042,623	191,000,506	2,404,917

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Balance Sheet
Governmental Funds
September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets					
Pooled cash and cash equivalents	\$ 9,357,631	-	-	-	9,357,631
Receivables					
Accounts, net	37,980	-	-	13,218	51,198
Due from other governments	336,779	-	248,157	1,261,841	1,846,777
Due from other funds	5,636,128	-	-	-	5,636,128
Prepaid items	22,472	-	-	-	22,472
Restricted cash and cash equivalents	-	1,594,489	14,803,839	3,987,791	20,386,119
Total assets	\$ 15,390,990	1,594,489	15,051,996	5,262,850	37,300,325
Liabilities					
Accounts payable	\$ 1,851,177	-	101,409	60,878	2,013,464
Accrued liabilities	125,781	-	-	74,507	200,288
Customer deposits	10,850	-	-	-	10,850
Due to other funds	-	-	-	5,636,128	5,636,128
Total liabilities	1,987,808	-	101,409	5,771,513	7,860,730
Fund balances					
Nonspendable	22,472	-	-	-	22,472
Restricted					
Parks construction and operation	124,944	-	-	-	124,944
Road construction	1,673,300	-	-	-	1,673,300
Fire services	173,091	-	-	-	173,091
Police services	335,007	-	-	-	335,007
Debt service	-	1,594,489	-	-	1,594,489
Building services	-	-	-	3,888,170	3,888,170
Assigned					
Capital projects	-	-	14,950,587	-	14,950,587
Unassigned	11,074,368	-	-	(4,396,833)	6,677,535
Total fund balances	13,403,182	1,594,489	14,950,587	(508,663)	29,439,595
Total liabilities and fund balances	\$ 15,390,990	1,594,489	15,051,996	5,262,850	37,300,325

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Reconciliation of the Balance Sheet—Governmental Funds
to the Statement of Net Position

September 30, 2019

Total fund balances governmental funds	\$ 29,439,595
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	75,481,476
Accrued long-term interest expense is not a financial use and, therefore is not reported in the funds.	(90,717)
Long-term liabilities, including long-term debt, and compensated absences are not due and payable in the current period, and therefore are not reported in the funds.	(9,651,493)
Net pension assets are long-term and are not due and realizable in the current period, and therefore are not reported in the funds.	1,776,021
Net pension liabilities are long-term and are not due and payable in the current period, and therefore are not reported in the funds.	(982,123)
The total other post-employment benefit liability is long-term and not due and payable in the current period, and therefore is not reported in the funds.	(903,415)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	1,187,092
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This is the portion of net position included in governmental activities in the Statement of Net Position.	701,447
Net position of governmental activities	<u>\$ 96,957,883</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2019

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$ 20,878,681	795,777	-	-	21,674,458
Permits, fees and assessments	461,041	-	-	2,236,380	2,697,421
Intergovernmental	3,066,662	-	2,673,330	3,500,804	9,240,796
Charges for services	2,701,872	-	-	-	2,701,872
Fines and forfeitures	182,871	-	-	-	182,871
Interest	892,372	50,277	501,773	64,361	1,508,783
Miscellaneous	111,463	-	-	2,184	113,647
Total revenues	<u>28,294,962</u>	<u>846,054</u>	<u>3,175,103</u>	<u>5,803,729</u>	<u>38,119,848</u>
Expenditures					
Current					
General government	4,361,878	-	-	-	4,361,878
Police services	4,676,090	-	-	-	4,676,090
Fire and rescue	6,666,116	-	-	115,773	6,781,889
Code compliance	376,835	-	-	-	376,835
Building services	-	-	-	2,277,156	2,277,156
Transportation	2,692,835	-	-	-	2,692,835
Culture and recreation	1,466,497	-	-	-	1,466,497
Emergency and disaster recovery	-	-	-	309,148	309,148
Debt service					
Principal	-	1,839,753	-	-	1,839,753
Interest and fiscal charges	-	230,043	-	-	230,043
Capital outlay					
	-	-	5,459,840	909,982	6,369,822
Total expenditures	<u>20,240,251</u>	<u>2,069,796</u>	<u>5,459,840</u>	<u>3,612,059</u>	<u>31,381,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,054,711</u>	<u>(1,223,742)</u>	<u>(2,284,737)</u>	<u>2,191,670</u>	<u>6,737,902</u>
Other financing sources (uses)					
Transfers in	-	1,277,349	4,232,552	-	5,509,901
Transfers out	(5,424,928)	-	-	(22,117)	(5,447,045)
Total other financing sources (uses)	<u>(5,424,928)</u>	<u>1,277,349</u>	<u>4,232,552</u>	<u>(22,117)</u>	<u>62,856</u>
Change in fund balances	<u>2,629,783</u>	<u>53,607</u>	<u>1,947,815</u>	<u>2,169,553</u>	<u>6,800,758</u>
Fund balances, beginning	<u>10,773,399</u>	<u>1,540,882</u>	<u>13,002,772</u>	<u>(2,678,216)</u>	<u>22,638,837</u>
Fund balances, end of year	<u>\$ 13,403,182</u>	<u>1,594,489</u>	<u>14,950,587</u>	<u>(508,663)</u>	<u>29,439,595</u>

See accompanying notes to financial statements.

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CITY OF MARCO ISLAND, FLORIDA

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2019

Net change in fund balance - governmental funds	\$	6,800,758
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 allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$5,545,294) exceeded depreciation (\$5,434,768) in the current period.		110,526
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.		(73,540)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt payments during the current period.		
Principal payments on debt		1,535,000
Principal payments on capital leases		304,753
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.		
Changes in compensated absences		(98,425)
Accrued interest		14,017
Other post-employment benefits		(22,101)
Governmental funds report pension plan contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension expense		(13,593)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to the funds. This is the net revenue of internal service funds reported in governmental activities.		(655,054)
Change in net position of governmental activities	\$	7,902,341

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2019

	Business-type Activities - Enterprise Fund	Governmental Activities-
Assets	Water and Sewer	Internal Service Fund
Current assets		
Pooled cash and cash equivalents	\$ 21,567,722	2,177,952
Accounts receivable, net	3,106,508	-
Prepaid items	3,750	-
Assessments receivable - current portion	900,118	-
Assessments interest receivable	2,363,613	-
Interest receivable	99,540	-
Restricted cash and cash equivalents	32,480,004	-
Total current assets	60,521,255	2,177,952
Noncurrent assets		
Restricted cash and cash equivalents	15,174,521	-
Assessments receivable	13,110,477	-
Capital assets		
Land	17,415,059	-
Transmissions and distributions	127,744,816	-
Infrastructure	101,021,052	-
Buildings and improvements	7,198,654	-
Vehicles and equipment	76,910,754	-
Construction in progress	9,832,228	-
Accumulated depreciation	(172,949,493)	-
Net capital assets	167,173,070	-
Total noncurrent assets	195,458,068	-
Total assets	255,979,323	2,177,952
Deferred outflows of resources		
Deferred amounts OPEB	5,650	-
Deferred amounts on refunding debt	6,222,480	-
Total deferred outflows of resources	6,228,130	-

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2019

	<u>Business-type Activities - Enterprise Fund</u>	<u>Governmental Activities— Internal</u>
	<u>Water and Sewer</u>	<u>Service Fund</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,671,261	3,168
Accrued liabilities	266,017	1,174,881
Accrued interest	2,905,163	-
Customer deposits	16,000	-
Compensated absences, current portion	143,076	-
Bonds payable, current portion	5,965,155	-
Notes payable, current portion	3,249,450	-
Total current liabilities	<u>14,216,122</u>	<u>1,178,049</u>
Noncurrent liabilities		
Compensated absences	415,318	-
Bonds payable	114,350,104	-
Notes payable	39,101,709	-
Other post-employment benefits	282,296	-
Total noncurrent liabilities	<u>154,149,427</u>	<u>-</u>
Total liabilities	<u>168,365,549</u>	<u>1,178,049</u>
Deferred inflows of resources		
Deferred amounts on OPEB	97,737	-
Total deferred inflows of resources	<u>97,737</u>	<u>-</u>
Net Position		
Net investment in capital assets	10,729,132	-
Restricted		
Capital reserve	16,836,130	-
Debt service	58,995,983	-
Renewal and replacement	294,860	-
Impact and public safety programs	2,194,344	-
Unrestricted	4,693,718	999,903
Net position	<u>\$ 93,744,167</u>	<u>999,903</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds	298,456	
Net position of business-type activities	<u>\$ 94,042,623</u>	

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended September 30, 2019

	<u>Business-type Activities - Enterprise Fund</u>	<u>Governmental Activities-</u>
	<u>Water and Sewer</u>	<u>Internal Service Fund</u>
Operating revenues		
Charges for services		
Total operating revenues	\$ 34,477,635	1,413,024
Operating expenses		
Personal services	6,462,082	-
Insurance	662,940	2,476,554
Utilities	2,111,511	-
Contractual fees	884,766	-
Repairs and maintenance	976,259	11,768
Supplies	1,239,080	-
Rental and lease costs	19,562	-
Other expenses	1,265,713	-
Amortization	79,132	-
Depreciation	15,973,254	-
Total operating expenses	29,674,299	2,488,322
Operating income	4,803,336	(1,075,298)
Nonoperating revenues (expenses)		
Interest income	2,391,168	67,482
Interest expense	(6,692,562)	-
Miscellaneous expense	(101,703)	(45)
Other nonoperating income	109,872	74,119
Gain on sale of capital assets	964	-
Total nonoperating revenues (expenses)	(4,292,261)	141,556
Income (loss) before contributions and transfers	511,075	(933,742)
Capital contributions	812,918	-
Transfers in	-	-
Transfers out	(62,856)	-
Change in net position	1,261,137	(933,742)
Net position, beginning of year	92,483,030	1,933,645
Net position, end of year	\$ 93,744,167	999,903
Adjustment for the net effect of current year activity between the internal service funds and the enterprise funds.	(278,688)	
Changes in net position of business-type activities	982,449	

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019

	Business-type Activities - Enterprise Fund	Governmental Activities-
	Water and Sewer	Internal Service Fund
Cash flows from operating activities		
Cash received from customers and users	\$ 34,290,702	1,413,024
Cash payments to suppliers	(5,884,052)	(1,526,538)
Cash payments to employees for services	(6,396,952)	-
Net cash provided(used) by operating activities	<u>22,009,698</u>	<u>(113,514)</u>
Cash flows from noncapital financing activities		
Transfers	(62,856)	-
Net cash used by noncapital financing activities	<u>(62,856)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Proceeds from special assessments	2,140,351	-
Proceeds from sale of capital assets	965	-
Proceeds from insurance	-	74,074
Principal paid on long-term debt	(8,317,705)	-
Interest paid on long-term debt	(6,805,455)	-
Capital contribution	812,918	-
Acquisition and construction of capital assets	(11,825,969)	-
Net cash provided(used) by capital and related financing activities	<u>(23,994,895)</u>	<u>74,074</u>
Cash flows from investing activities		
Interest and investment earnings	2,390,246	67,482
Net cash provided by investing activities	<u>2,390,246</u>	<u>67,482</u>
Net change in cash and cash equivalents	342,193	28,042
Cash and cash equivalents, beginning of year	68,880,054	2,149,910
Cash and cash equivalents, end of year	\$ <u>69,222,247</u>	<u>2,177,952</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities		
Operating income(loss)	\$ 4,803,336	(1,075,298)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities		
Depreciation and amortization	16,052,386	-
Changes in assets and liabilities:		
Accounts receivable	(187,933)	-
Prepays and other assets	2,630	10,493
Accounts payable	1,273,149	(1,418)
Accrued liabilities	28,801	952,709
Customer deposits	1,000	-
Compensated absences	8,235	-
Other post-employment benefits	28,094	-
Net cash provided(used) by operating activities	\$ <u>22,009,698</u>	<u>(113,514)</u>
Reconciliation of cash and cash equivalents		
Pooled cash and cash equivalents	\$ 21,567,722	2,177,952
Restricted cash and cash equivalents	47,654,525	-
	\$ <u>69,222,247</u>	<u>2,177,952</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Fiduciary Net Position

Fiduciary Funds

September 30, 2019

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 1,524,679
Investments, at fair value	
Government bonds	5,021,777
Corporate bonds	5,385,870
Common stock	24,008,707
Real estate trust	3,388,128
Accrued interest	<u>22,080</u>
Total investments	<u>37,826,562</u>
Total assets	<u>39,351,241</u>
Net position	
Net position restricted for pensions	\$ <u>39,351,241</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2019

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 1,664,273
Employee	37,384
State of Florida	<u>558,870</u>
Total contributions	<u>2,260,527</u>
Investment earnings	
Interest and dividend income	830,675
Net change in fair value of investments	735,744
Less investment expense	<u>(274,125)</u>
Net investment earnings	<u>1,292,294</u>
Total additions	<u>3,552,821</u>
Deductions	
Benefits paid	1,019,827
General administration	<u>101,990</u>
Total deductions	<u>1,121,817</u>
Change in net position	2,431,004
Net position, beginning of year	<u>36,920,237</u>
Net position, end of year	<u>\$ 39,351,241</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(A) Reporting Entity

The City of Marco Island, Florida (the City), was established in a special election by mail ballot per Florida House of Representatives HB 1729 on August 28, 1997. The City is located on the Gulf of Mexico in the westernmost portion of Collier County. The City operates and is governed by the laws of the State of Florida and its own Charter, which provides for a Council/Manager form of government.

As required by Governmental Accounting Standards Board (GASB), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

The accompanying financial statements present the City and its component unit, Hideaway Beach District (Hideaway), an entity for which the City is considered to be financially accountable. The Hideaway Beach District was established on April 19, 2004, by the voters within the Hideaway Beach neighborhood to assess a special ad valorem tax within Hideaway.

Hideaway is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Separate statements are not issued.

In addition to the discretely presented component unit, this report also includes the accounts and transactions of the City of Marco Island Firefighters' and Police Officers' Pension Plans (the Firefighters' Pension Plan and the Police Officers' Pension Plan). These plans do not satisfy the definition of a component unit because they are not legally separate from the City.

(B) Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the City.

Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements report on the government as a whole and provide a consolidated financial picture of the government. As part of the consolidation process, inter-fund activities are eliminated to avoid distorted financial results. The amounts reported as internal balances represent the residual amounts due between governmental and business-type activities. Fiduciary funds of the government are also excluded from this presentation since these resources are not available for general government funding purposes.

The Statement of Net Position reports all financial and capital resources of the City's governmental and business-type activities. Governmental activities are those supported by taxes and intergovernmental revenues. Business type activities rely to a significant extent on fees and charges for support. 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

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

segment. Program revenues include: (1) charges for goods or services that are recovered directly from customers for services rendered 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 financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided which briefly explains the adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Pension trust funds recognize employer and state contributions in the period in which the contributions are due, and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The financial statements of the Plans are prepared using the *accrual basis* of accounting. Plan member contributions are recognized in the period in which the contributions are due.

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. Under the modified accrual basis of accounting, 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 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and accrued compensated absences expenditures are recorded only when payment is due.

Property taxes, public services taxes, franchise taxes, licenses and permits, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and are recorded as earned since they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

(D) Major Funds and Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined), for the determination of major funds. The non-major funds are presented in one column in the fund financial statements.

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as police services, fire and rescue services, planning and zoning, code compliance, transportation, culture and recreation, and general administration are provided by the general fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.
- The *capital projects fund* accounts for the activities associated with construction and the preservation of the City's governmental capital assets.

The City reports the following major proprietary fund:

- The *water and sewer fund* accounts for the water and sewer collection services provided to its customers. All activities necessary to provide such services are accounted for in this fund, including personal services, contractual services and utilities, depreciation and other expenses.

Additionally, the City reports the following fund types:

- The *internal service fund* accounts for the collection of premiums, accumulation of reserves and payment of insurance claims for the City.
- The *pension trust funds* account for the activities of the Firefighters' and Police Officers' Pension Plans, which accumulate resources for defined benefit payments to qualified employees.
- The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes such as building services. The *grants fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes. The activities within this fund for this fiscal year are mostly related to Hurricane Irma expenditures undertaken as part of the City's recovery efforts to repair and replace its infrastructure.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

The accounting policies and the presentation of the financial report of the City have been designed to conform to accounting principles generally accepted in the United States of America as applicable to governmental units, in accordance with statements promulgated by the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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 primary ongoing operations. The principal operating revenues of the water and sewer enterprise fund and the recreation enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(E) Implementation of Governmental Accounting Standards Board Statements

The City implemented the following GASB Statement during the fiscal year ended September 30, 2019:

(1) GASB Statement No. 88 *“Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”*.

This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings (for example, a government entering into a loan agreement with a lender) and direct placements (for example, a government issuing a debt security directly to an investor). Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. Please see Note 8 for more information.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

(F) Assets, Liabilities and Net Position or Equity

(1) Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment practices are governed by Chapter 280, Florida Statutes, and the City's investment policy Ordinance No. 02-19. These allow the City to invest in certificates of deposit; money market investments; obligations of and securities backed by the U.S. Treasury, its agencies and instrumentalities; repurchase agreements; banker's acceptances; prime commercial paper; state and government debt; fixed-income mutual funds; and the State Board of Administration.

Investments for the City, as well as for its component unit, are reported at fair value.

The pension trust funds may also invest in qualified public depositories, or other investments as determined by an investment advisor, retained by the Pension Boards, subject to guidelines prescribed by the Pension Boards. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. An allowance for doubtful accounts is established based on the specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made.

Water and related wastewater charges to customers are based on actual water consumption. Consumption is determined on a monthly cycle basis. The City recognizes as revenue the estimated consumption as of September 30.

(3) 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 these items is recorded as expenditures when consumed rather than when purchased.

(4) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

applicable bond covenants. Based on the bond covenants, most of these are maintained in separate custodial accounts.

(5) Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Proprietary fund capital assets are also recorded in their respective fund financial statements.

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

In the case of the initial capitalization of general infrastructure, the City was able to estimate the historical cost through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to the capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these assets at the estimated fair value of the item at the date of its donation.

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

Buildings and improvements	20-40 Years
Transmission and distribution	20-40 Years
Infrastructure	10-40 Years
Vehicles and equipment	5-10 Years

(6) Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. The Statement of Net Position also includes a separate section, listed below total Liabilities, for deferred inflows of resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

The City includes deferred charges on refund debt as deferred outflows of resources in the Government-wide Statement of Net Position. A deferred charge on refunded debt is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the remaining life of the refunded (old) or the life of the refunding (new) debt.

Under GASB Statement No. 75, the following amounts not recognized in OPEB expense should be recognized and classified as either deferred outflows of resources or deferred inflows of resources related to OPEB accordingly: differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability, changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs), and deferred outflows (inflows) of resources from assumption changes and experience differences are amortized using a systematic and rational method over a closed period equal to the average remaining service lives of all plan participants.

The City also has deferred outflows and inflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Plan's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period.

(7) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave. These amounts are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the general and enterprise funds.

Full-time City employees earn from 160 to 224 hours annually, based upon years of service, and can accrue up to 720 hours. Sworn Police Officers under a collective bargaining agreement earn from 176 to 248 hours annually, based upon years of service, and can accrue up to 720 hours. City Firefighters under union contract earn from 216 to 360 hours annually, based upon years of service, and can accrue up to 936 hours. Upon termination, these employees are entitled to all accumulated earned leave hours paid out at the hourly rate.

(8) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(9) Nature and Purpose of Classifications of Net Position/Fund Balances

Net position is the result of assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net position of the government-wide and proprietary funds are categorized as net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds, restricted or unrestricted. The first category represents net position related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

The City classifies fund balance in accordance with GASB Statement No. 54 *“Fund Balance Reporting and Governmental Fund Type Definitions.”* This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balances include amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance amounts that are restricted to specific purposes either by: (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances.

Committed fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution are classified as committed fund balances.

Assigned fund balance amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the City Manager based on Council direction through a resolution.

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only Fund allowed to have a positive unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

the City's policy to use committed resources first, then assigned, and then unassigned as they are needed but reserves the right to selectively defer the use of these funds.

(10) Financial Reserve Policy

The City maintains an adequate General Fund balance to provide liquidity in the event of an economic downturn or natural disaster and management administers the Council's direction for an Emergency Reserve of 25% of the proposed fiscal year General Fund Operating Budget. This amount is included in the General Fund unassigned fund balance and represents \$5,077,571 of the \$11,074,368 unassigned fund balance at September 30, 2019.

(11) Net Position

In the government-wide financial statements, the net investment in capital assets is capital assets net of related debt for the governmental activities and business-type activities, if applicable. Debt relating to capital assets is issued subsequently to the utility capital asset purchase in many instances, due to the nature of the utility capital projects with the septic tank replacement program. Capital assets are acquired using temporary financing which is later refunded when permanent bonds and notes are issued.

(G) Other Policies

(1) Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of Collier County, Florida. The tax levy is based on taxable assessed real and personal property values totaling \$10.3 billion for fiscal year 2019. Details of the tax calendar are presented below:

Lien Date	January 1, 2018
Levy Date	November 1, 2018
Installment Payments	
First Installment	No Later Than June 30, 2018
Second Installment	No Later Than September 30, 2018
Third Installment	No Later Than December 31, 2018
Fourth Installment	No Later Than March 31, 2019
Regular Payments	
Discount Periods	November 2018 through February 2019
No Discount Period	After March 1, 2019
Delinquent Date	April 1, 2019

(2) Property Tax Limitation

The City is permitted by state statutes to levy taxes up to 10 mills of assessed value. The millage rate levied by the City for the fiscal year ended September 30, 2019, was 1.8487. Current tax collections for the City were approximately 96.1% of the total tax levy.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

(3) Use of 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 certain 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(4) Encumbrances

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances.

2. Stewardship, Compliance and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and are prepared for all governmental funds. Prior to May 1, all agencies of the government submit requests for appropriations to the City Manager so that a budget may be prepared. During August, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. The City Council has authorized the City Manager to amend, modify or otherwise adjust the operating budget to a maximum limit of \$50,000 per fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in all City funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year end lapse and do not constitute expenditures or liabilities however, any approved commitments will be re-appropriated and honored during the subsequent year.

Certain budgeted expenditures are subject to a "spending cap." These expenditures are limited to an increase from the prior year's budgeted expenditures of 3% plus the then-current Social Security cost-of-living adjustment. This limitation was amended and clarified in 2002 by voter referendum and in 2014 by Council Ordinance replacing the 2003 Council Resolution. The spending cap for the 2019 fiscal year, as adopted by City Council, was \$27,876,667. The final actual amount for the 2019 fiscal year was \$23,821,312, which was in accordance with the spending cap limit.

3. Deposits and Investments

Cash and Equivalents include cash on hand, amounts in demand and time deposits and short-term Investments with original maturity of three months or less from the date acquired by the City. All of the City's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, Security for Public Deposits Act. Under the Act, every qualified public depository shall deposit with the Finance Director eligible collateral of the depository to be held subject to his or her order. All collateral must

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Investments include a wide range of securities that the City is authorized to invest in such as certificates of deposit, money market funds, U.S. Treasury obligations, State and U.S. Government Agencies and Enterprises, State and Local Government Series, the State Board of Administration Investment Pool (SBA), the Florida Municipal Investment Trust (FMIvT), mutual funds and repurchase agreements. The City's investment practices are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, Article VI, Section 2, the adopted investment policy, and various legal covenants related to outstanding bond issues. For all investments authorized by statute and policy, the City applies the "Prudent Person Rule" when developing investment strategies. The City uses only financial institutions qualified as public depositories by the State of Florida or "approved" security dealers to place its investments unless bond covenants specifically require other financial institutions to be used.

The FMIvT was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust.

Throughout the fiscal year the City also utilizes Salem Trust Securities as its custodial agent for individual investments it transacts throughout the year. Salem Trust is recognized as the leading provider of custodial and benefits payment services to municipalities throughout the southeast United States.

As of September 30, 2019, the City and its component unit had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>No Specific Maturity</u>	<u>Matures In Less Than One Year</u>	<u>Matures in 1-5 Years</u>	<u>Matures in 5-10 Years</u>	<u>Matures in 10+ Years</u>	<u>Total (at Fair Value)</u>
Deposits with Bank	\$ 18,587,598	-	-	-	-	18,587,598
Money Market Funds	11,225,574	-	-	-	-	11,225,574
U.S. Government Securities	-	-	-	-	3,948,947	3,948,947
FMIvT	-	-	69,078,358	-	-	69,078,358
Total Deposits and Investments	<u>\$ 29,813,172</u>	<u>-</u>	<u>69,078,358</u>	<u>-</u>	<u>3,948,947</u>	<u>102,840,477</u>

Investments and cash held on deposit with banks for the discretely presented component unit as of September 30, 2019 is \$1,697,778.

Fair Value Measurement: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

The City's investments at September 30, 2019, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Bonds and Notes	\$ 3,948,947	\$ -	\$ 3,948,947	\$ -
Total investments by fair value level	<u>\$ 3,948,947</u>	<u>\$ -</u>	<u>\$ 3,948,947</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
FMIvT 0-2 Year High Quality Bond	\$ 30,000,286			
FMIvT 1-3 Year High Quality Bond	39,078,072			
Total investments measured at NAV	<u>69,078,358</u>			
Total investments measured at fair value	<u>\$ 73,027,305</u>			

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio, excluding investments held for debt service requirements, to maturities of five years or less. The FMIvT uses a weighted average days to maturity (WAM) method. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The FMIvT 0-2 Year High Quality Bond Fund has a WAM of 0.86 in years and the FMIvT 1-3 Year High Quality Bond Fund has a WAM of 1.69 in years. The investment maturities of the pension trust funds are not limited.

Credit Risk: While authorized by policy, the City has no investments in commercial paper, bankers' acceptances, or corporate bonds. Federal agencies carry only an implicit guarantee from the government and are not full faith and credit investments, such as U.S. Treasury Bills and Bonds. The City also has investments of \$3,948,947 in State of Wisconsin Build America Bonds, rated AAA and Aa1 by Standard & Poor's and Moody's respectively, as part of its debt service reserves which parallel the 20 year life of the 2010A series issued.

The City holds investments with the Florida Municipal Investment Trust (FMIvT), an external investment pool under GASB 40. These investments are held in 0 to 2 year and 1 to 3 year high quality bonds with a AAA Standard & Poor's rating. External financial statements are available at www.floridaleagueofcities.com/finance. The City uses Salem Trust in a custodial capacity for its debt service reserves as required to be set aside by the individual debt issues. The investments include both U.S. Government Securities and Money Market Funds.

In its investment policy, the City specifies that in satisfying the investment objectives of safety of capital, liquidity of funds, and investment income, the objective will be to mitigate credit risk and interest rate risk. Potential market risk will be limited as the City's cash needs are evaluated.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Concentration of Credit Risk: The City’s investment policy allows the following investment types and limitations:

Investment Type	Maximum Portfolio Allocation	Maximum Investment with any Institution
Direct obligations of the U.S. Treasury	100%	none
Securities backed by the full faith and credit of the U.S. Government	35%	none
Securities backed by federal agencies	75%	50% of portfolio
Agency-issued mortgage backed securities	35%	none
Repurchase agreements	50%	none
Certificates of Deposit	35%	none
Bankers acceptances	25%	\$1,000,000
Prime commercial paper	25%	\$1,000,000
State/Government taxable and tax-exempt debt	25%	none
Dollar denominated money market mutual funds	25%	none
Fixed-income mutual funds	25%	none
Local Government Surplus Funds Trust	100%	none

Custodial Credit Risk: All of the City’s public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 25% to 200% depending upon the depository’s financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Investment securities are purchased on a delivery-vs-payment basis through third party safekeeping accounts.

Foreign Currency Risk: The City’s investment policy does not allow investment of funds in securities denominated in a foreign currency.

The Firefighters’ and Police Officers’ Pension Plans, governed by the Fire and Police Pension Boards, have a long-term growth strategy. The Pension Trust Fund investments are determined by the Board of Trustees of each pension trust plan. The portfolio of the Fire Fighters’ Pension Trust Fund has a target allocation of 60% common stocks, 30% bond funds, and 10% private real estate funds, with a maximum of 10% of the portfolios being invested in foreign investments. The portfolio of the Police Officers’ Pension Trust Fund has a target allocation of 65% common stocks, 25% bond funds, and 10% private real estate funds, with a maximum of 10% of the portfolios being invested in foreign investments. The investment policy requires that all fixed income securities must hold a rating in one of the three highest classifications by a major rating service.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

As of September 30, 2019, the Pension Plans had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>No Specific Maturity</u>	<u>Matures In Less Than One Year</u>	<u>Matures in 1-5 Years</u>	<u>Matures in 5-10 Years</u>	<u>Matures in 10+ Years</u>	<u>Total (at Fair Value)</u>
Deposits with Bank	\$ 51,537	-	-	-	-	51,537
Money Market Funds	1,473,142	-	-	-	-	1,473,142
Corporate Bonds	-	642,978	4,742,892	-	-	5,385,870
Government Bonds	-	892,062	4,129,715	-	-	5,021,777
Equity Mutual Funds	24,008,707	-	-	-	-	24,008,707
Real Estate Funds	-	-	3,388,128	-	-	3,388,128
Total Deposits and Investments	\$ 25,533,386	1,535,040	12,260,735	-	-	39,329,161

The Pension Trust Fund's investments at September 30, 2019, are reported as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds				
Equities	\$ 24,008,707	\$ 24,008,707	\$ -	\$ -
Corporate Funds	5,385,870	-	5,385,870	-
Government Bonds	5,021,777	5,021,777	-	-
Total investments by fair value level	\$ 34,416,354	\$ 29,030,484	\$ 5,385,870	\$ -

Investments measured at the net asset value (NAV)

Real estate funds	<u>\$ 3,388,128</u>
Total investments measured at NAV	<u>3,388,128</u>
Total investments measured at fair value	<u>\$ 37,804,482</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

4. Receivables

Receivables as of year-end for the City’s individual major funds, non-major funds, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			Business-type Activities	Total
	General	Capital		Water and Sewer	
		Projects	Nonmajor		
Receivables					
Accounts	\$ 1,400,450	-	13,218	3,138,585	4,552,253
Assessments	-	-	-	14,010,595	14,010,595
Due from other governments	336,779	248,157	1,261,841	-	1,846,777
Interest	-	-	-	99,540	99,540
Assessments, interest	-	-	-	2,363,613	2,363,613
Gross receivables	1,737,229	248,157	1,275,059	19,612,333	22,872,778
Less allowance for uncollectibles	(1,362,470)	-	-	(32,077)	(1,394,547)
Net total receivables	\$ 374,759	248,157	1,275,059	19,580,256	21,478,231

5. Inter-fund Receivables, Payables and Transfers

For the year ended September 30, 2019, the inter-fund transfers were as follows:

Transfer Out	Transfer In		
	Debt Service	Capital Projects	Total
General	\$ 1,214,493	4,210,435	5,424,928
Nonmajor Funds	-	22,117	22,117
Water & Sewer	62,856	-	62,856
Total	\$ 1,277,349	4,232,552	5,509,901

Transfers are used to: (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts; and (3) move unrestricted general fund revenues to finance various programs and capital projects that the government must account for in other funds in accordance with budgetary authorizations.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

6. Capital Assets

Capital asset balances and activity for the year ended September 30, 2019, were as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 15,363,360	-	-	15,363,360
Construction in progress	6,905,317	502,645	(6,418,511)	989,451
Total capital assets not being depreciated	<u>22,268,677</u>	<u>502,645</u>	<u>(6,418,511)</u>	<u>16,352,811</u>
Capital assets being depreciated:				
Buildings and improvements	13,897,863	4,870,147	-	18,768,010
Vehicles and equipment	12,912,514	2,778,825	(1,149,103)	14,542,236
Road network	47,293,200	2,556,244	-	49,849,444
Storm water	17,715,900	910,861	-	18,626,761
Pathway	6,814,686	-	-	6,814,686
Parks	6,222,797	345,083	-	6,567,880
Bridge network	25,616,334	-	-	25,616,334
Beach and waterway	944,486	-	-	944,486
Total capital assets being depreciated	<u>131,417,780</u>	<u>11,461,160</u>	<u>(1,149,103)</u>	<u>141,729,837</u>
Accumulated depreciation for:				
Buildings and improvements	(5,689,098)	(540,407)	-	(6,229,505)
Vehicles and equipment	(9,978,750)	(1,425,773)	1,075,563	(10,328,960)
Road network	(38,808,526)	(1,021,871)	-	(39,830,397)
Storm water	(9,942,552)	(873,175)	-	(10,815,727)
Pathway	(2,569,646)	(248,582)	-	(2,818,228)
Parks	(2,475,779)	(310,926)	-	(2,786,705)
Bridge network	(8,316,893)	(987,545)	-	(9,304,438)
Beach and waterway	(460,723)	(26,489)	-	(487,212)
Total accumulated depreciation	<u>(78,241,967)</u>	<u>(5,434,768)</u>	<u>1,075,563</u>	<u>(82,601,172)</u>
Total capital activities being depreciated, net	<u>53,175,813</u>	<u>6,026,392</u>	<u>(73,540)</u>	<u>59,128,665</u>
Total governmental activities capital assets, net	\$ <u>75,444,490</u>	<u>6,529,037</u>	<u>(6,492,051)</u>	<u>75,481,476</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 17,415,059	-	-	17,415,059
Construction in progress	2,235,213	8,002,062	(405,047)	9,832,228
Total capital assets not being depreciated	<u>19,650,272</u>	<u>8,002,062</u>	<u>(405,047)</u>	<u>27,247,287</u>
Capital assets being depreciated:				
Transmission and distribution Infrastructure	126,986,427	758,389	-	127,744,816
Buildings and improvements	100,031,664	989,388	-	101,021,052
Vehicles and equipment	6,835,742	362,912	-	7,198,654
Total capital assets being depreciated	<u>74,910,726</u>	<u>2,118,263</u>	<u>(118,235)</u>	<u>76,910,754</u>
Total capital assets being depreciated	<u>308,764,559</u>	<u>4,228,952</u>	<u>(118,235)</u>	<u>312,875,276</u>
Accumulated depreciation for:				
Transmission and distribution Infrastructure	(43,657,518)	(1,948,982)	-	(45,606,500)
Buildings and improvements	(55,697,659)	(9,871,437)	-	(65,569,096)
Vehicles and equipment	(3,405,142)	(266,323)	-	(3,671,465)
Total accumulated depreciation	<u>(54,334,155)</u>	<u>(3,886,512)</u>	<u>118,235</u>	<u>(58,102,432)</u>
Total accumulated depreciation	<u>(157,094,474)</u>	<u>(15,973,254)</u>	<u>118,235</u>	<u>(172,949,493)</u>
Total capital assets being depreciated, net	<u>151,670,085</u>	<u>(11,744,302)</u>	<u>-</u>	<u>139,925,783</u>
Total business-type activities capital assets, net	\$ <u>171,320,357</u>	<u>(3,742,240)</u>	<u>(405,047)</u>	<u>167,173,070</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

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

Governmental Activities:	
General government	\$ 218,572
Police Services	324,626
Fire and rescue	429,202
Code compliance	15,869
Building Services	29,520
Transportation	4,192,936
Culture and recreation	<u>224,043</u>
Total depreciation expense, governmental activities	5,434,768
Business-type Activities	
Water and sewer	<u>15,973,254</u>
Total depreciation expense	\$ <u>21,408,022</u>

7. Leases

Capitalized leases payable at September 30, 2019 amounted to \$1,756,674. These obligations, which are collateralized by vehicles, equipment, and software have total annual installments ranging from \$26,468 to \$101,585 including interest ranging from 1.69% to 4.27% and mature through 2028. The assets acquired through capital lease, as reported in the governmental activities, are as follows:

Vehicles and Equipment	\$ 1,245,665
Less accumulated depreciation	<u>(538,291)</u>
Total	\$ <u>707,374</u>

The lease agreement qualifies as a capital lease for accounting purposes and therefore will be recorded at the present value of the future minimum lease payments. The future minimum lease obligations and the net present value of these minimum lease payments, as reported in the governmental activities, as of September 30, 2019, are as follows:

2020	\$ 269,541
2021	269,541
2022	238,939
2023	203,660
2024	168,382
2025-2028	<u>972,016</u>
Total minimum lease payments	2,122,079
Less amount representing interest	<u>(365,405)</u>
Present value of minimum lease payments	\$ <u>1,756,674</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

8. Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds, 2014	\$ 1,560,000	-	(775,000)	785,000	785,000
Sales tax revenue bonds, 2015	1,200,000	-	(395,000)	805,000	400,000
Capital Improvement Revenue Note, 2014	5,005,000	-	(365,000)	4,640,000	375,000
Capital leases	2,061,427	-	(304,753)	1,756,674	202,260
Net pension liability	1,023,244	431,969	(473,090)	982,123	-
Other post-employment benefit liability	1,169,908	146,890	(413,383)	903,415	-
Compensated absences	1,566,395	1,157,948	(1,059,524)	1,664,819	344,638
Total governmental activity long-term liabilities	<u>\$ 13,585,974</u>	<u>1,736,807</u>	<u>(3,785,750)</u>	<u>11,537,031</u>	<u>2,106,898</u>
Business Activities					
Revenue bonds, 2006	\$ 2,448,203	-	(371,545)	2,076,658	385,441
Revenue bonds, 2010A:					
Principal	3,785,000	-	(1,215,000)	2,570,000	1,255,000
State revolving loan, 2011	3,800,621	-	(248,138)	3,552,483	254,805
Revenue bonds, 2011	13,787,711	-	(3,305,886)	10,481,825	3,399,663
Revenue bonds, 2013:					
Principal	61,195,000	-	(285,000)	60,910,000	415,000
Premium	2,054,246	-	(199,228)	1,855,018	199,228
Revenue bonds, 2016:					
Principal	38,520,000	-	-	38,520,000	-
Premium	4,212,581	-	(310,823)	3,901,758	310,823
Other post-employment benefit liability	338,722	53,291	(109,717)	282,296	-
Compensated absences	550,159	485,306	(477,070)	558,395	143,076
Total Water and Sewer	<u>130,692,243</u>	<u>538,597</u>	<u>(6,522,407)</u>	<u>124,708,433</u>	<u>6,363,036</u>
Assessment Districts					
Assessment revenue bonds, 2008	1,381,760	-	(114,758)	1,267,002	119,424
Assessment revenue bonds, 2008	435,840	-	(36,198)	399,642	37,669
State revolving loan, 2009-2013	30,521,532	-	(2,094,753)	28,426,779	2,158,307
Assessment revenue bonds, 2009	555,389	-	(37,863)	517,526	39,989
Assessment revenue bonds, 2009	1,173,588	-	(80,007)	1,093,581	84,501
Assessment revenue bonds, 2009	1,619,882	-	(110,433)	1,509,449	116,636
Assessment revenue bonds, 2009	182,167	-	(10,909)	171,258	11,789
Assessment revenue bonds, 2010	960,289	-	(67,119)	893,170	70,569
Assessment revenue bonds, 2010	1,268,953	-	(88,692)	1,180,261	93,252
Assessment revenue bonds, 2012	1,073,682	-	(70,762)	1,002,920	73,713
Assessment revenue bonds, 2012	1,147,729	-	(75,642)	1,072,087	78,796
Assessment revenue bonds, 2013	305,000	-	(25,000)	280,000	25,000
Assessment revenue bonds, 2013	1,065,000	-	(80,000)	985,000	85,000
Total Assessment Districts	<u>41,690,811</u>	<u>-</u>	<u>(2,892,136)</u>	<u>38,798,675</u>	<u>2,994,645</u>
Total business activity long-term liabilities	<u>\$ 172,383,054</u>	<u>538,597</u>	<u>(9,414,543)</u>	<u>163,507,108</u>	<u>9,357,681</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,560,000	-	(775,000)	785,000	785,000
Sales Tax Revenue Bonds	1,200,000	-	(395,000)	805,000	400,000
Notes from direct borrowings and direct placements	7,066,427	-	(669,753)	6,396,674	577,260
Total	<u>\$ 9,826,427</u>	<u>-</u>	<u>(1,839,753)</u>	<u>7,986,674</u>	<u>1,762,260</u>
Business Activities:					
Utility Revenue Bonds	\$ 103,500,000	-	(1,500,000)	102,000,000	1,670,000
Notes from direct borrowings	61,727,346	-	(6,817,705)	54,909,641	7,034,554
	<u>\$ 165,227,346</u>	<u>-</u>	<u>(8,317,705)</u>	<u>156,909,641</u>	<u>8,704,554</u>

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$7,986,674 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The City's outstanding notes from direct borrowings related to business-type activities of \$54,909,641 are secured with pledged revenues from the Water & Wastewater Utility System. The outstanding notes from direct borrowings related to business-type activities of \$54,909,641 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of \$54,909,641 contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Governmental Activities

On August 3, 2005, the City issued sales tax revenue bonds for governmental activities for various capital improvements including transportation improvements and a new police station. The original amount of the sales tax revenue bonds was \$6,000,000. The bonds are secured by proceeds of the half-cent sales tax and monies on deposit. The bonds were issued as 15-year serial bonds with interest rates varying from 3.5% to 3.9%. On November 5, 2015, the City issued a sales tax revenue bond to partially refund the Series 2005 sales tax revenue bond. The amount of the bond issued was \$1,980,000 and is secured by proceeds of the half-cent sales tax and monies on deposit. The interest rate on the note is fixed at 1.31 percent over 6 years. As of September 30, 2019, \$785,000 was outstanding. Annual debt service requirements for the sales tax revenue bonds are as follows:

Fiscal Year	Principal	Interest
2020	785,000	9,734
Total	\$ <u>785,000</u>	<u>9,734</u>

On June 17, 2014, the City issued a capital improvement note for the costs associated with the replacement of the Smokehouse Bay Bridge. The original amount of the capital improvement bond was \$6,045,000.00 and secured by pledged revenues, which consist of non-ad valorem revenues budgeted, appropriated and deposited. The interest rate on the note is fixed at 2.46 percent over 15 years. As of September 30, 2019, \$4,640,000 was outstanding. Annual debt service requirements to maturity for the bond are as follows:

Fiscal Year	Principal	Interest
2020	\$ 375,000	109,532
2021	380,000	100,245
2022	390,000	90,774
2023	400,000	81,057
2024	410,000	71,094
2025-2029	2,210,000	197,173
2030	475,000	5,843
Total	\$ <u>4,640,000</u>	<u>655,718</u>

On March 30, 2004, the City issued general obligation bonds for governmental activities for the acquisition of land, secured by ad valorem revenue and pledged with the full faith and credit of the City. The original amount of the general obligation bonds was \$9,860,000. The bonds were issued as 15-year serial bonds. Interest rates on the bonds varied from 3.125% to 3.8%. On August 8, 2014, the City issued a general obligation bond to partially refund the Series 2004 general obligation bond. The amount of the bond issued was \$3,875,000 and is secured by ad valorem revenue and pledged with full faith and credit of the City. The interest rate on the note is fixed at 1.24 percent over 6 years. As of September 30, 2019, \$805,000 was outstanding. Annual debt service requirements to maturity for the note are as follows:

Fiscal Year	Principal	Interest
2020	\$ 400,000	7,926
2021	405,000	2,653
Total	\$ <u>805,000</u>	<u>10,579</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Water and Sewer

On December 5, 2006, the City issued revenue bonds for business-type activities to pay the costs of constructing certain additions, extensions, supplements and replacements to the City's water and wastewater utility system. The original amount of the revenue bonds was \$5,500,000, secured by a senior lien pledge on net revenues of the water and sewer fund. The bonds are issued as 15-year serial bonds with varying amounts of principal maturing each year from \$385,441 to \$446,412. The interest rate on bonds is fixed at 3.74%. As of September 30, 2019, \$2,076,658 was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2020	\$ 385,441	87,147
2021	399,683	68,825
2022	414,804	50,039
2023	430,318	30,547
2024	446,412	10,325
Total	\$ 2,076,658	246,883

On April 1, 2010, the City issued Series 2010A revenue bonds for business-type activities to: (1) finance or reimburse the costs of construction of planned system improvements, (2) currently refund the System's series 2009A bonds, and (3) fund a deposit to the 2010A reserve fund. The new bonds were issued on parity with the system revenue bonds series 2003, 2006, and 2008 bonds. The original amount of the revenue bonds was \$50,475,000 with a discount of \$151,586. The revenue bonds are comprised of serial and term bonds of which \$18,265,000 is a 15-year serial bond, \$6,460,000 is a term bond due October 1, 2029 yielding 4.87% interest, \$10,020,000 is a term bond due October 1, 2034, yielding 5.03% interest, and \$15,730,000 is a term bond due October 1, 2040, yielding 5.10% interest. Interest rates on the bonds vary from 3% to 5%. The 15-year serial bonds are issued with varying amounts of principal maturing each year from \$1,085,000 to \$1,440,000. The bonds are secured by pledged revenues which consist of a senior lien pledge on net revenues of the water and sewer fund and any water and sewer capital facility fees.

On November 1, 2016, the City issued series 2016 in the amount of \$38,520,000 million to partially refund the City's utility system revenue bonds, series 2010A. Interest rates on the bonds vary from 3.00% to 5.00% over 20 years. The new bonds were issued on parity with City's Utility Revenue Bond, Series 2006, the Tax-Exempt Utility System Improvement and Refunding Revenue Bonds, Series 2010A, not refunded with proceeds of the Series 2016 Bonds. The original amount of the revenue bonds was \$38,520,000 with a premium of \$4,621,931. The bonds are secured and payable solely from the net revenues of the water and sewer system. As of September 30, 2019, \$38,520,000 of the principal was outstanding for the 2016 Series and \$2,570,000 for the 2010A un-refunded portion. Annual debt service requirements for the revenue bonds are as follows:

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	1,633,169
2021	-	1,633,169
2022	1,330,000	1,599,919
2023	1,400,000	1,531,669
2024	1,465,000	1,460,044
2025-2029	7,625,000	6,200,219
2030-2034	9,685,000	4,143,519
2035-2039	11,690,000	2,114,891
2040-2042	5,325,000	184,556
Total	\$ <u>38,520,000</u>	<u>20,501,153</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,255,000	83,975
2021	1,315,000	26,300
Total	\$ <u>2,570,000</u>	<u>110,275</u>

On April 1, 2010, the City issued tax exempt series 2010B revenue bonds for business-type activities to: (1) currently refund the System's taxable series 2009B bond and (2) fund a deposit to the reserve fund. The new bonds were issued on parity with the system revenue series 2003, 2006, and 2008 bonds. The original amount of the revenue bonds was \$7,365,000, of which \$2,075,000 is a 10-year serial bond and \$5,290,000 is a term bond due October 1, 2033 yielding 6.79% interest. The 10-year serial bonds are issued with varying amounts of principal maturing each year from \$200,000 to \$250,000. Interest rates on the bonds vary from 3.796% to 5.35%. The bonds are secured by pledged revenues which consist of a senior lien pledge on net revenues of the water and sewer fund and any water and sewer capital facility fees. The City used accumulated sewer system capital facilities fees and water system capital facilities fees to legally defease the City's outstanding Taxable Utility System Refunding Revenue Bonds, Series 2010B.

On May 15, 2011, the City received funding under the State of Florida Department of Environmental Protection Revolving Loan Program in the amount of \$5,000,000 to fund the construction of a high service pump station, a 4 MG water tank, and an operations building all associated with drinking water. In 2012, an additional \$309,320 was received. Funds are secured by utility system revenues and impact fees. Pledged revenue is a junior lien pledge of system revenue. The interest rate is fixed at 2.66% on the original loan and 2.81% on the additional loan amount. As of September 30, 2019, the City had \$ 3,552,483 outstanding. Annual debt service requirements for the state revolving funding to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 254,805	93,121
2021	261,650	86,276
2022	268,679	79,247
2023	275,898	72,028
2024	283,310	64,616
2025-2029	1,534,898	204,732
2030-2031	673,243	22,610
Total	\$ <u>3,552,483</u>	<u>622,630</u>

CITY OF MARCO ISLAND, FLORIDA
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On November 6, 2003, the City issued revenue bonds for business-type activities for: (1) the acquisition of certain water production, transmission, wastewater treatment and disposal facilities, and (2) the improvement of certain assets within these facilities. The original amount of the revenue bonds was \$101,115,000, in addition to a premium paid on the bonds in the amount of \$1,221,130. The bonds are secured by pledged revenues which consist of a senior lien pledge on net revenues of the water and sewer fund and any water and sewer capital facility fees. The City has refunded the remaining balance of this issue through the utility system refunding revenue bonds 2011 Series and 2013 Series.

On August 23, 2011, the City issued series 2011 in the amount of \$26,253,513 million to partially refund the City's utility system revenue bonds, series 2003. The fixed interest rate of Series 2011 is 2.769% over 10 years. The new bonds were issued on parity with the un-refunded portion of the utility system revenue bonds series 2003, 2006, 2008, utility system improvement and refunding revenue bonds series 2010A, and utility system refunding revenue bonds series 2010B. The original amount of the revenue bonds was \$26,253,513 with a discount of \$2,996,740. The bonds are secured and payable solely from the net revenues of the water and sewer system. As of September 30, 2019, \$10,481,825 of the principal was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>
2020	\$	3,399,663	243,174
2021		3,492,638	147,750
2022		3,589,524	49,695
Total	\$	<u>10,481,825</u>	<u>440,619</u>

On October 1, 2013, the City issued Series 2013 in the amount of \$61,995,000 million to refund the remainder of the city's utility system revenue bond, Series 2003 and Series 2008. The average interest rate of Series 2013 is 5.0% over 20 years. The new bonds were issued on parity with the utility system revenue bonds series 2006, utility system improvement and refunding revenue bonds series 2010A, utility system refunding revenue bonds series 2010B, and utility system refunding revenue bonds series 2011. The original amount of the revenue bonds was \$61,995,000 with a premium of \$2,956,496. The bonds are secured and payable solely from the net revenues of the water and sewer system. As of September 30, 2019, \$60,910,000 of the principal was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>
2020	\$	415,000	2,999,107
2021		430,000	2,986,432
2022		440,000	2,971,182
2023		4,150,000	2,858,632
2024		4,360,000	2,645,882
2025-2029		23,155,000	9,889,134
2030-2034		<u>27,960,000</u>	<u>3,672,197</u>
Total	\$	<u>60,910,000</u>	<u>28,022,566</u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Sewer Assessments

In order to fund construction of the City’s Septic Tank Replacement Program (STRP) wastewater utility expansion in certain areas of the City, the City has issued two types of Special Assessment Improvement Debt. The City is acting as agent in the collection of the special assessments levied and in the payment of the Special Assessment Bonds outstanding. Such bonds are collateralized by the special assessments levied against the benefited property owners. As part of its agreement with the State of Florida Department of Environmental Protection, the City agreed to a covenant to budget and appropriate legally available funds in the event collection assessments are insufficient and thus the City has a legal obligation to cover deficiencies in the event of default for loans obtained through the State Revolving-Loan Fund (SRF) Program. Special assessment debt obtained through other non-SRF bank loans are backed solely by assessment revenue. The City’s obligation for the non-SRF bank loan special assessment debt is limited to payments on behalf of those property owners who have entered into deferred payment agreements with the City and the City has not made any indication that it has a legal or moral obligation for any other portion of these non-SRF bank loan debts.

On March 7, 2008, the City issued special assessment revenue bonds to pay the costs of the subordinate wastewater improvement project for the Tigertail District in the amount of \$2,321,886 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$101,833 to \$164,258. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2019, \$1,267,002 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 119,424	49,233
2021	124,152	44,154
2022	129,327	39,002
2023	134,585	33,638
2024	140,057	28,125
2025-2028	619,457	51,733
Total	\$ 1,267,002	245,885

On March 7, 2008, the City issued special assessment revenue bonds to pay the costs of the wastewater improvement project for the South Barfield District. The original amount of the revenue bonds was \$732,378 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$32,121 to \$51,811. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2019, \$399,642 was outstanding. Annual debt service requirements for the revenue bonds to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 37,669	15,529
2021	39,160	13,927
2022	40,793	12,302
2023	42,451	10,610
2024	44,177	8,871
2025-2028	195,392	16,318
Total	\$ 399,642	77,557

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The City received additional funding under the State of Florida Department of Environmental Protection Revolving Loan Program in 2007 through 2013. Funds are utilized for neighborhood construction of the Septic Tank Replacement Program and are secured by assessments against individual properties, with a back-up covenant to budget and appropriate additional funds as necessary. Interest rates range from 2.6% to 3.8%. As of September 30, 2019, \$28,426,779 was outstanding. Annual debt service requirements for the state revolving funding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,158,307	835,455
2021	2,223,802	769,960
2022	2,291,752	702,465
2023	2,360,855	632,906
2024	2,432,539	561,223
2025-2029	12,623,479	1,656,885
2030-2033	4,336,045	204,124
Total	\$ 28,426,779	5,363,018

On July 21, 2009, the City issued special assessment revenue bonds to pay the costs of the subordinate wastewater improvement project for the North Marco District. The original amount of the revenue bonds is \$840,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$32,142 to \$65,376. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2019, \$517,526 was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 39,989	28,029
2021	42,162	25,649
2022	44,604	23,212
2023	47,109	20,637
2024	49,755	17,963
2025-2029	293,907	43,153
Total	\$ 517,526	158,643

On July 21, 2009, the City issued special assessment revenue bonds to pay the costs of the wastewater improvement project for the North Barfield District. The original amount of the revenue bonds is \$1,775,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$67,920 to \$138,147. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2019, \$1,093,581 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 84,501	59,227
2021	89,093	54,198
2022	94,252	49,050
2023	99,546	43,608
2024	105,138	37,956
2025-2029	621,051	91,191
Total	\$ 1,093,581	335,230

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

On July 21, 2009, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the West Winterberry District. The original amount of the revenue bonds was not to exceed \$2,450,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$93,748 to \$190,681. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2019, \$1,509,449 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 116,636	81,751
2021	122,973	74,808
2022	130,094	67,702
2023	137,402	60,192
2024	145,120	52,391
2025-2029	<u>857,224</u>	<u>125,871</u>
Total	\$ <u>1,509,449</u>	<u>462,715</u>

On July, 21, 2009, the City issued taxable special assessment revenue bonds to pay the costs of the wastewater improvement project for the Old Marco District. The original amount of the revenue bonds is \$260,000 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$8,646 to \$23,693. The interest rate on the bonds is fixed at 7.96%. As of September 30, 2019, \$171,258 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 11,789	13,385
2021	12,706	12,362
2022	13,766	11,294
2023	14,877	10,138
2024	16,078	8,912
2025-2029	<u>102,042</u>	<u>21,906</u>
Total	\$ <u>171,258</u>	<u>77,997</u>

On March 2, 2010, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the Lamplighter District. The original amount of the revenue bonds was not to exceed \$1,400,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$57,755 to \$110,772. The interest rate on the bonds is fixed at 5.07%. As of September 30, 2019, \$893,170 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 70,569	44,230
2021	74,080	40,396
2022	78,004	36,489
2023	82,014	32,376
2024	86,230	28,124
2025-2029	<u>502,273</u>	<u>67,260</u>
Total	\$ <u>893,170</u>	<u>248,875</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

On March 2, 2010, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the Sheffield District. The original amount of the revenue bonds was not to exceed \$1,850,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$76,319 to \$146,377. The interest rate on the bonds is fixed at 5.07%. As of September 30, 2019, \$1,180,261 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 93,252	58,446
2021	97,892	53,381
2022	103,077	48,217
2023	108,376	42,783
2024	113,947	37,164
2025-2029	663,717	88,879
Total	\$ 1,180,261	328,870

On March 1, 2012, the City issued special assessment revenue bonds for business-type activities for the Mackle Park District. The revenue bonds are for \$1,550,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$66,917 to \$232,372. The interest rate on the bonds is fixed at 4.17%. As of September 30, 2019, \$1,072,087 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 78,796	43,063
2021	82,082	39,709
2022	85,505	36,215
2023	89,071	32,575
2024	92,785	28,783
2025-2029	525,291	81,270
2030	118,557	2,472
Total	\$ 1,072,087	264,087

On March 1, 2012, the City issued special assessment revenue bonds for business-type activities for the Kendall District. The revenue bonds are for \$1,450,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$62,600 to \$217,379. The interest rate on the bonds is fixed at 4.17%. As of September 30, 2019, \$1,002,920 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 73,713	40,285
2021	76,787	37,147
2022	79,989	33,878
2023	83,324	30,473
2024	86,799	26,926
2025-2029	491,401	76,024
2030	110,907	2,312
Total	\$ 1,002,920	247,045

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On August 1, 2013, the City issued special assessment revenue bonds for business-type activities for the Gulfport District. The revenue bonds are for \$1,430,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$75,000 to \$115,000. The interest rate on the bonds is fixed at 3.6%. As of September 30, 2019, \$985,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2020	\$ 85,000	33,930
2021	85,000	30,870
2022	90,000	27,720
2023	95,000	24,390
2024	95,000	20,970
2025-2029	535,000	49,410
Total	\$ 985,000	187,290

On August 1, 2013, the City issued special assessment revenue bonds for business-type activities for the East Winterberry North District. The revenue bonds are for \$395,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$20,000 to \$35,000. The interest rate on the bonds is fixed at 3.6%. As of September 30, 2019, \$280,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2020	\$ 25,000	9,630
2021	25,000	8,730
2022	25,000	7,830
2023	25,000	6,930
2024	25,000	6,030
2025-2029	155,000	14,310
Total	\$ 280,000	53,460

During 2006, the City began a project to plan, design, and construct major renovations to its wastewater plant. The renovation project was divided into 17 different assessment districts. Each property owner of each district is to be assessed both a capacity charge to cover plant construction and new force mains and a construction charge based on each resident's number of required connections. These assessments are \$4,610 per Equivalent Residential Connection (ERC) for the capacity portion and from \$12,000 to \$15,000 per property for the construction portion.

Construction was completed for two districts in 2007; Tigertail and South Barfield. In 2008, an additional five districts were completed, North Barfield, West Winterberry, North Marco, Old Marco, and Port Marco. In 2009, Sheffield and Lamplighter were completed. In 2010, Kendall and Mackle Park districts were completed. In 2011, Gulfport, East Winterberry North, and East Winterberry South districts were completed. In 2012, Copperfield and Goldenrod districts were completed. The final and largest district, Estates, was completed in 2013, completing the work of the Septic Tank Replacement Program (STRP).

Costs related to each project were accumulated and paid as each project progressed. Property owners were not assessed until the project was completed, that is, when the assessment becomes legal, unless the property owner previously opted to lock in a rate based on 2006 construction costs.

CITY OF MARCO ISLAND, FLORIDA
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Property owners have three distinct payment options:

- (1) Cash payment
- (2) Installment payments over 20 years on their non-ad valorem property tax bill with interest at 5.57%. Payment is due in full upon sale or transfer of the property; or
- (3) Defer principal and interest at 5.9% for 20 years. Similarly, payment is due in full upon sale of the property.

The City has recognized revenue related to the full amounts assessed on completed projects. Revenue in relation to these assessments has been recognized as capital contributions on the water and sewer fund's statement of revenues, expenses, and changes in fund net position.

Assessments receivable and assessments interest receivable have been recognized in the water and sewer fund's statement of net position in relation to property owners paying on the payment terms outlined above. The current portion of the assessment receivable relates to the portion of payment option 2 above which will be received in the next fiscal year. In addition to the assessments noted above, each property owner is responsible for the actual cost of connecting to the sewer line and abandoning their septic tank or other existing system. The property owner is responsible for selecting the contractor who will perform the work on the property.

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Effective October 1, 2004, the City became self-insured for the following types of risks:

1. Workers' Compensation
2. Public Officials' Liability
3. General and Property Liability
4. Automobile Liability
5. Crime and Theft Liability

Prior to October 1, 2004, the City was insured against these losses with a commercial insurance agreement with the Florida League of Cities, Inc. under a retrospectively rated policy. Premiums were accrued based upon the ultimate cost-to-date of the City's experience for each type of risk. The City entered into an agreement with an insurance administrator to reduce the potential for significant risk. The agreement has a deductible per claim of \$350,000 for workers' compensation, \$10,000 for crime and \$100,000 for third party liability. Additionally, the agreement has a stop-loss policy which caps the aggregate annual loss for the City at \$1,000,000. The stop loss covers excess worker's compensation, general, law enforcement, automobile, public officials and employment practices liability. Settlements have not exceeded coverage for each of the past three years.

Liabilities are reported when it is probable that a loss occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Changes in the balances of claims liabilities during the prior two fiscal years are as follows:

Estimated unpaid claims, October 1, 2017	\$	231,752
Incurred claims (including IBNRs)		269,144
Claim payments		(278,725)
Estimated unpaid claims, September 30, 2018		222,171
Incurred claims (including IBNRs)		1,926,944
Claim payments		(974,234)
Estimated unpaid claims, September 30, 2019	\$	1,174,881

10. Contingent Liabilities

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 amounts, if any, to be immaterial.

11. Commitments

The City has numerous active construction projects. As of September 30, 2019, the City's commitments with contractors are as follows:

Project	Contractor	Contract Amount	Completed to Date	Balance
Inlet Sidewalk - Design	Hole Montes, Inc.	\$ 135,700	8,750	126,950
N. Collier Shared Use Pathway - Engineering	Kimley Horn and Assoc.	188,426	173,989	14,437
North Water Treatment Plant Lime Sludge Building - Construction	PBS Contractors, LLC	268,900	55,765	213,135
Road Resurfacing Project	Bonness, Inc.	822,312	-	822,312
San Marco and Heathwood Intersection Drainage - Engineering	Kimley Horn and Assoc.	190,537	166,057	24,480
San Marco Drainage - Design	Kimley Horn and Assoc.	124,980	8,749	116,231
San Marco East to Goodland Shared Use Pathway - Engineering	Atkins North America, Inc.	112,701	16,301	96,400
South Bahama Storm Pipe Replacement	Quality Enterprises USA, Inc.	179,709	-	179,709
Station 50 Building - Design	BSSW Architects, Inc.	350,000	54,707	295,293
Station 51 Building - Construction	Deangelis Diamond Construction	3,386,917	3,377,617	9,300
Veterans Park Master Plan	Kimley Horn and Assoc.	696,525	98,425	598,100
Yellowbird Street Improvements	Hole Montes, Inc.	312,602	162,180	150,422
Total Governmental Projects		\$ 6,769,309	4,122,540	2,646,769
Marco Shores Alternative - Construction Management	Quality Engineering USA, Inc.	8,142,136	6,262,204	1,879,932
Marco Shores Alternative - Engineering	AECOM	956,068	920,693	35,375
Multidepartmental Building - Design	Synalovski, Romanik, Saye, Inc.	440,000	14,197	425,803
South Water Treatment Plant Acidification of Two Production Wells	All Webbs Enterprises, Inc.	192,500	65,500	127,000
South Water Treatment Plant High Service Pump - Design	CH2M Hill, Inc.	199,242	162,311	36,931
Yellowbird Replacement and Improvement of Utilities - Design	Hole Montes, Inc.	111,950	96,180	15,770
Total Business-type Projects		\$ 10,041,896	7,521,085	2,520,811

**CITY OF MARCO ISLAND, FLORIDA
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12. Employee Retirement Systems and Pensions Plans

(a) The City of Marco Island Firefighters' Pension Plan

Plan Description

Plan Administration: The City administers a single-employer, defined benefit pension plan (the "Plan") that covers all fulltime firefighters hired after January 1, 1996. The Plan was created by Ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from non-members of the Plan. The Plan does not prepare separate financial statements and is included as part of the pension trust funds in the City's financial reporting entity since it is not legally separate from the City.

Plan Membership: As of October 1, 2017, (date of the latest annual actuarial valuation), employee membership data related to the Plan were:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	34
	<hr/>
	36

Benefits Provided: The Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or after accumulating twenty-five years of service with the City, regardless of age.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime, but excludes lump-sum payments of unused leave. Maximum annual pension payments to retirees are the lesser of \$90,000 or 100% of the average aggregate compensation for the three consecutive calendar years during which the firefighter was an active member and had his/her highest aggregate compensation. An additional supplemental benefit is also payable in the monthly amount of \$3 multiplied by credited service.

Early retirement is available at age 50, with six years of credited service, with the benefit reduced by 3% per year for each year early. Delayed retirement is permitted, with the benefit calculated the same as the normal retirement benefit, but based on credited service and average final compensation as of the actual retirement date.

Participants are not vested until they reach six years of service, at which time they become 100% vested. Terminated non-vested employees receive refunds of their accumulated member contribution only. Terminated vested employees receive their vested accrued benefit payable at early (after reduction) or normal retirement.

**CITY OF MARCO ISLAND, FLORIDA
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Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Plan is financed by contributions made to the Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment to each member’s retirement allowance subsequent to the member’s retirement date.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2019, the active member contribution rate was 1%, which the City contributes based on the collective bargaining agreement, and the City’s contribution rate was 39.22%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Plan. An actuarial valuation of the Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2019, were based on actuarial computations performed in 2018, for the actuarial report as of October 1, 2017.

Net Pension Liability (Asset) of the City

The components of the net pension liability(asset) of the City at September 30, 2019, were as follows:

Total pension liability	\$ 19,664,816
Plan fiduciary net position	<u>20,613,688</u>
City's net pension liability (asset)	<u>\$ (948,872)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.83%

The required schedule of changes in the City’s net pension liability(asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018. The following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF MARCO ISLAND, FLORIDA
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Inflation	2.5%
Salary increases	7.5% to 13.0% based on service, including inflation
Investment rate of return	7.0 %, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2016 – September 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are: Domestic Equity Securities – 11.46%, International Equity Securities – 7.70%, and Fixed Income Securities – 1.95%.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00 percent was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

Changes in the Net Pension Liability of the City: The changes in the components of the net pension liability(asset) of the City for the year ended September 30, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at 9/30/18	\$ 16,777,783	\$ 18,101,849	\$ (1,324,066)
Changes for the year:			
Service cost	1,062,389	-	1,062,389
Interest	1,243,265	-	1,243,265
Differences between expected and actual experience	480,000	-	480,000
Assumption Changes	-	-	-
Contributions - employer (from city)	-	945,190	(945,190)
Contributions - employer (from state)	-	333,793	(333,793)
Contributions - employee	-	23,976	(23,976)
Net investment income	-	1,425,477	(1,425,477)
Benefit payments, including refunds of employee contributions	(158,478)	(158,478)	-
Administrative expense	-	(58,119)	58,119
Other changes	259,857	-	259,857
Net changes	2,887,033	2,511,839	375,194
Balances at 9/30/19	\$ 19,664,816	\$ 20,613,688	\$ (948,872)

The Plan's fiduciary net position as a percentage of the total pension liability 104.8%

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

The required schedule of changes in the City's net pension liability(asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability(asset) to changes in the discount rate: The following presents the net pension liability(asset) of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability(asset)	\$ 1,265,354	\$ (948,872)	\$ (2,710,993)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2017 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$1,323,410. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 426,067	\$ 973,905
Changes in assumptions	-	216,021
Net difference between projected and actual earnings on pension plan investments		138,735
City contributions subsequent to the measurement date	1,031,726	-
Total	\$ 1,457,793	\$ 1,328,661

City contributions subsequent to the measurement date of \$1,031,726 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF MARCO ISLAND, FLORIDA
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Year Ended September 30:		
2020	\$	13,774
2021		(192,512)
2022		(243,760)
2023		(126,657)
2024		(102,605)
Thereafter		<u>(250,834)</u>
Total	\$	<u>(902,594)</u>

(b) The City of Marco Island Police Officers' Pension Plan

Plan Description

Plan Administration: In 2005, the City established and currently administers a single-employer, defined benefit pension plan (the Plan) that covers all full-time sworn police officers. The Plan was created by Ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from non-members of the Plan. The Plan does not prepare separate financial statements and is included as part of the pension trust fund in the City's financial reporting entity since it is not legally separate.

Plan Membership: As October 1, 2018, pension plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	14
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	15
Active Plan Members	<u>35</u>
	<u>64</u>

Benefits Provided: The Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or accumulating twenty-five years of service with the City, regardless of age.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime of up to 300 hours annually and lump-sum payments of unused leave, but excludes pay for special duty or extra-details. An additional supplemental benefit is also payable in the monthly amount of \$3, multiplied by credited service.

Early retirement is available at age 50, with six years of credited service, with the benefit reduced by 3% per year for each year early.

Participants are not vested until they reach six years of service, at which time they become 100% vested. Terminated non-vested employees receive refunds of their accumulated member contribution only. Terminated vested employees receive their vested accrued benefit payable at normal retirement.

**CITY OF MARCO ISLAND, FLORIDA
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Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred, provided the employee has at least 8 years of credited service). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Plan is financed by contributions made to the Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment to each member’s retirement allowance subsequent to the member’s retirement date.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2019, the active member contribution rate was 0.5%, which the City contributes based on the collective bargaining agreement, and the City’s contribution rate was 26.58%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Plan. An actuarial valuation of the Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2019, were based on actuarial computations performed in 2018, for the actuarial report as of October 1, 2017.

Net Pension Liability of the City

The components of the net pension liability(asset) of the City at September 30, 2019, were as follows:

Total pension liability	\$	15,479,400
Plan fiduciary net position		16,306,549
City's net pension liability(asset)	\$	(827,149)
Plan fiduciary net position as a percentage of the total pension liability		105.34%

The required schedule of changes in the City’s net pension liability(asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019. The following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Inflation	2.3%
Salary increases	Service based table
Investment rate of return	7.0 %, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the October, 1 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2016 – September 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are: Domestic Equity Securities – 6.92%, International Equity Securities, – 6.40% and Fixed Income Securities – 2.45%.

Discount rate: The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset) of the City: The changes in the components of the net pension liability(asset) of the City for the year ended September 30, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at 9/30/18	\$ 13,944,996	\$ 14,647,279	\$ (702,283)
Changes for the year:			
Service cost	604,411	-	604,411
Changes in excess state money	-	-	-
Interest	1,008,497	-	1,008,497
Differences between expected and actual experience	202,493	-	202,493
Assumption Changes	-	-	-
Contributions - employer (from city)	-	715,410	(715,410)
Contributions - employer (from state)	-	201,135	(201,135)
Contributions - employee	-	11,495	(11,495)
Net investment income	-	1,062,121	(1,062,121)
Benefit payments, including refunds of employee contributions	(280,997)	(280,997)	-
Administrative expense	-	(49,894)	49,894
Other changes	-	-	-
Net changes	<u>1,534,404</u>	<u>1,659,270</u>	<u>(124,866)</u>
Balances at 9/30/19	<u>\$ 15,479,400</u>	<u>\$ 16,306,549</u>	<u>\$ (827,149)</u>

The Plan's fiduciary net position as a percentage of the total pension liability

105.3%

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

The required schedule of changes in the City’s net pension liability(asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability(asset) to changes in the discount rate: The following presents the net pension liability(asset) of the City, calculated using the discount rate of 7 percent, as well as what the City's net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	(6.00%)	Discount Rate (7.00%)	(8.00%)
City's net pension liability(asset)	\$ 1,520,797	\$ (827,149)	\$ (2,813,197)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of October 1, 2018 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$895,450. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 177,580	\$ 134,622
Changes in assumptions	354,905	-
Net difference between projected and actual earnings on pension plan investments	-	88,339
City contributions subsequent to the measurement date	<u>854,359</u>	<u>-</u>
Total	\$ <u>1,386,844</u>	\$ <u>222,961</u>

City contributions subsequent to the measurement date of \$854,359 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability(asset) in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30:		
2020	\$	274,443
2021		130,642
2022		(90,696)
2023		(4,865)
2024		-
Thereafter		-
Total	\$	<u>309,524</u>

(c) Statement of Fiduciary Net Position for the Pension Trust Funds

The combining statement of fiduciary net position for the pension trust funds as of September 30, 2019, is as follows:

	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Total Pension Trust Funds</u>
Assets			
Cash and cash equivalents	\$ 714,797	809,882	1,524,679
Investments, at fair value:			
Government bonds	2,878,173	2,143,604	5,021,777
Corporate bonds	3,189,580	2,196,290	5,385,870
Common stock	13,536,858	10,471,849	24,008,707
Real estate trust	1,879,687	1,508,441	3,388,128
Accrued interest	<u>12,746</u>	<u>9,334</u>	<u>22,080</u>
Total Assets	<u>22,211,841</u>	<u>17,139,400</u>	<u>39,351,241</u>
Net Position			
Net position restricted for pensions	<u>\$ 22,211,841</u>	<u>17,139,400</u>	<u>39,351,241</u>

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(d) Statement of Changes in Fiduciary Net Position for the Pension Trust Funds

The combining statement of changes in fiduciary net position for the pension trust funds as of September 30, 2019, is as follows:

	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Total Pension Trust Funds</u>
Additions			
Contributions			
Employer	\$ 1,031,726	632,547	1,664,273
Employee	25,905	11,479	37,384
State of Florida	337,058	221,812	558,870
Total contributions	<u>1,394,689</u>	<u>865,838</u>	<u>2,260,527</u>
Investment earnings			
Investment interest and dividends	484,536	346,139	830,675
Net change in fair value of investments	453,378	282,366	735,744
Less: Investment expenses	<u>(154,225)</u>	<u>(119,900)</u>	<u>(274,125)</u>
Net investment earnings	<u>783,689</u>	<u>508,605</u>	<u>1,292,294</u>
Total Additions	<u>2,178,378</u>	<u>1,374,443</u>	<u>3,552,821</u>
Deductions			
Legal	20,000	12,000	32,000
Actuary	16,976	22,849	39,825
Administrative	121,502	246,148	367,650
Benefits paid	<u>58,119</u>	<u>49,894</u>	<u>108,013</u>
Total Deductions	<u>216,597</u>	<u>330,891</u>	<u>547,488</u>
Change in Net Position	1,961,781	1,043,552	3,005,333
Net Position, October 1, 2017	<u>20,613,688</u>	<u>16,306,549</u>	<u>36,920,237</u>
Net Position, September 30, 2018	\$ <u>22,575,469</u>	<u>17,350,101</u>	<u>39,925,570</u>

(e) The Florida Retirement System Plan, Firefighters

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension

CITY OF MARCO ISLAND, FLORIDA
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plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

FRS Pension Plan

Plan Description. The Marco Island Independent Fire Protection District provided fire and rescue services to the community prior to incorporation in 1997. Employees hired by the District prior to December 31, 1995, participated in the pension plan provided by the Florida Retirement System (the System). These "old hire" employees were allowed to continue membership in the System both after the incorporation of the City and the establishment of the City of Marco Island Firefighters' Pension Plan (as noted above).

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- ◆ *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members classified as special risk, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members classified as special risk enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 60 or any time after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed

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60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees.

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Special Risk	3.00	24.39
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.37
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City's contributions, including employee contributions, to the defined benefit pension plan totaled \$72,870 for the fiscal year ended June 30, 2019, excluding HIS plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the City reported a liability of \$809,338 for its proportionate share of the net pension liability. The net pension liability was measured as of

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June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was 0.002350089 percent, which was a decrease of 0.000424287 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$94,275. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,004	\$ 502
Change of assumptions	207,874	
Net difference between projected and actual earnings on FRS pension plan investments		44,777
Changes in proportion and differences between City FRS contributions and proportionate share of contributions		302,129
City FRS contributions subsequent to the measurement date	11,173	
Total	<u>\$ 267,051</u>	<u>\$ 347,408</u>

The deferred outflows of resources related to pensions totaling \$11,173 resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2020	\$ (33,195)
2021	(10,014)
2022	(24,194)
2023	(18,251)
2024	(4,707)
Thereafter	(1,169)
Total	<u>\$ (91,530)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation. This differs from the 6.90 percent used as the discount rate.

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Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions that determined the total pension liability as of the June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.30%	3.30%	1.20%
Fixed income	18.00%	4.10%	4.10%	3.50%
Global equity	54.00%	8.00%	6.80%	16.50%
Real estate	10.00%	6.70%	6.10%	11.70%
Private Equity	11.00%	11.20%	8.40%	25.80%
Strategic investments	6.00%	5.90%	5.70%	6.70%
Total	<u>100.00%</u>			
Assumed inflation - Mean			2.60%	1.70%

¹ As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 6.90 percent. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the net pension liability	\$ 1,399,076	\$ 809,338	\$ 316,807

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Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$9,611 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the City reported a net pension liability of \$187,587 for its proportionate share of the net pension liability. The current portion of the net pension liability is the City's proportionate share of benefit payments expected to be paid within one year, net of the City's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was 0.001772346 percent, which was a decrease of 0.000068632 from its proportionate share measured as of June 30, 2019.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2019, the City recognized pension income of \$3,877. In addition, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,099	\$ 212
Change of assumptions	20,004	14,122
Net difference between projected and actual earnings on HIS pension plan investments	111	
Changes in proportion and differences between City HIS contributions and proportionate share of HIS contributions		80,235
City contributions subsequent to the measurement date	1,433	
Total	\$ 23,647	\$ 94,357

The deferred outflows of resources totaling \$1,433 was related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (30,833)
2021	(24,677)
2022	(13,508)
2023	9,809
2024	(1,782)
Thereafter	(11,364)
Total	\$ (72,355)

Actuarial Assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.50

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions that determined the total pension liability as of the June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City's proportionate share of the net pension liability	\$ 197,243	\$ 172,785	\$ 152,414

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Applicable totals for all of the City's defined benefit pension plans are reflected below:

	Firefighters' Pension Plan	Police Officers' Pension Plan	FRS Pension	HIS Pension	Total
City's net pension (asset)	\$ (948,872)	(827,149)	-	-	\$ (1,776,021)
City's net pension liability	\$ -	-	809,338	172,785	\$ 982,123
Deferred outflows of resources	\$ 1,794,851	1,386,844	267,051	21,551	\$ 3,470,297
Deferred inflows of resources	\$ (1,328,661)	(222,961)	(347,408)	(94,569)	\$ (1,993,599)
Pension expense/expenditure	\$ 1,323,410	895,450	94,275	(9,850)	\$ 2,303,285

(f) City Employee Pension Plan

The City is a single employer that contributes to a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). The City of Marco Island's 401A Plan is available to all employees not covered under the Firefighters' or Police Officers' Pension Plans or the Firefighters' Florida Retirement System. The City has contracted with MassMutual for the plan administration.

For employees hired by the City as part of its acquisition of the water system from Florida Utility, Inc., the City contributes 6.5% of annual covered payroll plus a match up to 4% of any employee's voluntary contribution. For all other employees, the City contributes 6.5% of annual covered payroll, and employees do not contribute. Employer contributions for fiscal years ended September 30, 2019, 2018, and 2017 were \$485,430, \$448,358, and 446,513, respectively. Employee contributions for fiscal years ended September 30, 2019, 2018, and 2017 were \$134,500, \$101,878, and \$114,818, respectively. Plan provision and contribution requirements are established and may be amended by the City Manager.

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

13. Other Post-employment Benefits

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the City’s retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City’s health and hospitalization plan for medical, prescription drug, dental, and vision coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the City and the OPEB Plan members are established and may be amended through recommendations of the Employee Benefits Committee and action from the Council. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At September 30, 2018, the following employees were covered by the benefit terms:

Number of Covered Participants:	
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	204
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	2
 Total	 206

Total OPEB Liability. The District’s total OPEB liability of \$1,185,711 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	6.00 percent, average, including inflation
Discount Rate	4.18 percent
Healthcare Cost Trend Rates	8.00 percent, decreasing to an ultimate rate of 4.0 percent for 56 years later

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. Mortality rates were based on the Generational RP-2000 with Projected Scale BB. Demographic Assumptions Mortality rates are consistent with mortality rates used for the pension valuations. The mortality rates are mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman’s July 1, 2018 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements. Retirement rates, termination and disability rates are deemed reasonable and will continue to be monitored to ensure they capture plan experience. The participation rate and spousal coverage election percentage are the same as the previous valuation. They are deemed reasonable and will continue to be monitored.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018, valuation were based on a review of recent plan experience done concurrently with the September 30, 2018, valuation.

Changes in the Total OPEB Liability.

	<u>Utilities</u>	<u>All Other Employees</u>	<u>Total</u>
Balance at September 30, 2018	\$ 338,722	1,169,908	1,508,630
Changes for the year:			
Service cost	39,655	101,526	141,181
Interest	13,636	45,364	59,000
Differences between expected and actual experience	(27,069)	(106,550)	(133,619)
Changes in assumptions	(75,128)	(256,007)	(331,135)
Changes of benefit terms	-	-	-
Benefit payments	(7,520)	(50,826)	(58,346)
Net Changes	<u>(56,426)</u>	<u>(266,493)</u>	<u>(322,919)</u>
Balance at September 30, 2019	\$ 282,296	903,415	1,185,711

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent in 2018 to 4.18 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64 percent) or 1 percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (2.64%)	1% Increase (4.64%)
Utility	\$ 308,646	\$ 282,296	\$ 259,020
Other	993,222	903,415	824,774
Total OPEB Liability	\$ 1,301,868	\$ 1,185,711	\$ 1,083,794

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.75 percent decreasing to 3.00 percent) or 1 percentage point higher (9.75 percent decreasing 5.00 percent) than the current healthcare cost trend rates:

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

	1% Decrease (7.75% decreasing to 3.00%)	Healthcare Cost Trend Rates (8.75% increasing to 4.00%)	1% Increase (9.75% decreasing to 5.00%)
Utility	\$ 251,616	\$ 282,296	\$ 318,263
Other	813,706	903,415	1,007,950
Total OPEB Liability	\$ 1,065,322	\$ 1,185,711	\$ 1,326,213

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

For the fiscal year ended September 30, 2019, the City recognized OPEB expense of \$114,485, of which \$33,744 pertained to Utility employees and the remaining \$80,741 to all other employees. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 111,349
Change of assumptions	-	334,634
Employer contributions subsequent to the the measurement date	64,290	-
Total	\$ 64,290	\$ 445,983

Of the total amount reported as deferred outflows of resources related to OPEB, \$64,290 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2020	\$ (89,196)
2021	(89,196)
2022	(89,196)
2023	(89,196)
2024	(89,199)
Thereafter	-
Total	\$ (445,983)

14. Subsequent Events

GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* addresses when governments recognize nonexchange transactions involving financial and capital resources, i.e. grants. Revenues should be recognized on the modified accrual basis when all eligible requirements have been met and the resources are available. The compliance supplement for FEMA (Federal Emergency Management Agency) grants under CFDA 97.036 prescribes the rules as to when to record these expenditures on the SEFA (Schedule of Expenditures of Federal Awards). The expenditures are recorded on the SEFA at the later of actual expenditures or project worksheet (PW) approval/obligation. Based on these requirements the City's projects will result in the recognition of revenue and receivables related to Hurricane Irma in fiscal year 2019 and subsequent years. The corresponding expenditures will also be included on the SEFA in fiscal year 2019 and subsequent years.

On March 20, 2020, the City issued Series 2020 at par in the amount of \$59,180,000 to advance refund a portion of the utility system refunding revenue bond, Series 2013. The average interest rate of Series 2020 is 1.88% over 13 years. The new bonds were issued on parity with the utility system revenue bonds series 2006, utility system refunding revenue series 2010A, utility system refunding revenue bonds series 2011, and utility refunding revenue bonds series 2016. The par amount of the refunded revenue bonds was \$51,115,000.

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CITY OF MARCO ISLAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARCO ISLAND, FLORIDA

**SCHEDULE OF CHANGES IN THE CITY'S FIREFIGHTERS' PLAN NET PENSION LIABILITY
AND RELATED RATIOS**

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,036,484	1,062,389	934,683	\$ 897,579	\$ 824,223	\$ 715,385
Interest on total pension liability	1,430,504	1,243,265	1,084,635	1,039,601	893,422	775,313
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(1,244,706)	480,000	-	(1,277,749)	-	(99,739)
Changes of assumptions	-	-	-	(300,186)	-	-
Benefit payments, including refunds of employee contributions	(531,049)	(158,478)	(29,186)	(89,398)	(35,884)	(23,556)
Other (increase in share plan balance)	263,122	259,857	212,957	306,279	359,928	434,351
Net change in total pension liability	954,355	2,887,033	2,203,089	576,126	2,041,689	1,801,754
Total pension liability - beginning	19,664,816	16,777,783	14,574,694	13,998,568	11,956,880	10,155,126
Total pension liability - ending (a)	\$ 20,619,171	\$ 19,664,816	\$ 16,777,783	\$ 14,574,694	\$ 13,998,569	\$ 11,956,880
Plan fiduciary net position						
Contributions - employer	\$ 1,031,726	945,190	1,070,254	1,140,053	1,716,158	714,633
Contributions - state	337,058	333,793	303,572	389,408	433,863	507,798
Contributions - employee	25,905	23,976	24,424	22,407	20,798	17,499
Net investment income	783,689	1,425,477	1,688,910	702,748	(181,460)	614,545
Benefit payments, including refunds of employee contributions	(531,049)	(158,478)	(29,186)	(89,398)	(35,884)	(23,556)
Administrative expenses	(49,176)	(58,119)	(68,578)	(42,795)	(41,545)	(34,552)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	1,598,153	2,511,839	2,989,396	2,122,423	1,911,930	1,796,367
Plan fiduciary net position - beginning	20,613,688	18,101,849	15,112,453	12,990,030	11,078,100	9,281,733
Plan fiduciary net position - ending (b)	\$ 22,211,841	20,613,688	18,101,849	\$ 15,112,453	\$ 12,990,030	\$ 11,078,100
Net pension liability - ending (a) - (b)	\$ (1,592,670)	(948,872)	(1,324,066)	\$ (537,759)	\$ 1,008,539	\$ 878,780
Plan fiduciary net position as a percentage of the total pension liability	107.72%	104.83%	107.89%	103.69%	92.80%	92.65%
Covered payroll	\$ 2,590,500	\$ 2,397,579	\$ 2,442,445	\$ 2,240,686	\$ 2,079,800	\$ 1,749,863
City's net pension liability as a percentage of covered payroll	-61.48%	-39.58%	-54.21%	-24.00%	48.49%	50.22%

Notes to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CITY FIREFIGHTERS' PENSION PLAN CONTRIBUTIONS

	2019	2019	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,013,457	\$ 1,158,452	\$ 1,158,452	\$ 1,062,757	\$ 995,600	\$ 796,188
Contributions in relation to the actuarially determined contribution	1,019,126	1,160,869	1,160,869	1,223,182	1,782,475	796,188
Contribution deficiency (excess)	\$ (5,669)	\$ (2,417)	\$ (2,417)	\$ (160,425)	\$ (786,875)	\$ -
Covered payroll	2,397,579	2,442,445	2,442,445	2,240,686	2,079,800	1,749,863
Contributions as a percentage of Covered payroll	42.51%	47.53%	47.53%	54.59%	85.70%	45.50%

Notes to the Schedule

Valuation Date	October 1, 2018
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return	
On Investments	7.00%
Projected Salary Increases	7.5% to 13.0% based on service
Inflation	2.50%
Cost-of-living Adjustment	3.00%
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	30 years

Notes to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF FIREFIGHTERS' PENSION PLAN INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	3.41%	7.89%	9.33%	5.25%	-0.99%	8.56%

Note to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

**SCHEDULE OF CHANGES IN THE CITY'S POLICE PLAN NET PENSION LIABILITY
AND RELATED RATIOS**

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 573,317	\$ 600,807	\$ 663,919	\$ 608,707	\$ 623,438	\$ 570,609
Interest on total pension liability	1,106,843	1,008,497	946,784	846,524	754,375	671,200
Change in Excess State Money	-	-	(7,624)	-	-	-
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(256,296)	202,493	85,166	(538,486)	72,789	-
Changes of assumptions	-	-	423,516	572,589	-	-
Benefit payments, including refunds of employee contributions	(481,351)	(277,393)	(268,523)	(224,916)	(188,605)	(180,411)
Other (increase in share plan balance)	42,230	-	-	37,385	7,624	-
Net change in total pension liability	984,743	1,534,404	1,843,238	1,301,803	1,269,621	1,061,398
Total pension liability - beginning	15,479,400	13,944,996	12,101,758	10,799,955	9,530,334	8,468,936
Total pension liability - ending (a)	\$ 16,464,143	\$ 15,479,400	\$ 13,944,996	\$ 12,101,758	\$ 10,799,955	\$ 9,530,334
Plan fiduciary net position						
Contributions - employer	\$ 632,547	715,410	2,017,283	2,155,279	1,499,693	687,863
Contributions - state	221,812	201,135	180,792	194,972	161,276	145,004
Contributions - employee	11,479	11,495	11,628	11,090	10,596	26,544
Net investment income	508,605	1,062,121	1,359,968	595,780	(73,973)	542,433
Benefit payments, including refunds of employee contributions	(488,778)	(280,997)	(275,092)	(224,916)	(188,605)	(181,990)
Administrative expenses	(52,814)	(49,894)	(49,897)	(41,635)	(56,277)	(35,433)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	832,851	1,659,270	3,244,682	2,690,570	1,352,710	1,184,421
Plan fiduciary net position - beginning	16,306,549	14,647,279	11,402,597	8,712,027	7,359,317	6,174,896
Plan fiduciary net position - ending (b)	\$ 17,139,400	\$ 16,306,549	\$ 14,647,279	\$ 11,402,597	\$ 8,712,027	\$ 7,359,317
Net pension liability - ending (a) - (b)	\$ (675,257)	\$ (827,149)	\$ (702,283)	\$ 699,161	\$ 2,087,928	\$ 2,171,017
Plan fiduciary net position as a percentage of the total pension liability	104.10%	105.34%	105.04%	94.22%	80.67%	77.22%
Covered payroll	\$ 2,298,844	\$ 2,298,844	\$ 2,325,482	\$ 2,128,618	\$ 2,049,015	\$ 2,093,651
City's net pension liability as a percentage of covered payroll	-29.37%	-35.98%	-30.20%	32.85%	101.90%	103.70%

Notes to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CITY POLICE PENSION PLAN CONTRIBUTIONS

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 808,963	\$ 841,127	\$ 841,127	\$ 836,760	\$ 821,375	\$ 817,571
Contributions in relation to the actuarially determined contribution	916,546	2,198,075	2,198,075	2,324,669	1,769,072	817,571
Contribution deficiency (excess)	\$ (107,583)	\$ (1,356,948)	\$ (1,356,948)	\$ (1,487,909)	\$ (947,697)	\$ -
Covered payroll	2,298,844	2,325,482	2,325,482	2,128,618	2,049,015	2,093,651
Contributions as a percentage of Covered payroll	39.87%	94.52%	94.52%	109.21%	86.34%	39.05%

Notes to the Schedule

Valuation Date	October 1, 2017
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return	
On Investments	7.00%
Projected Salary Increases	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation.
Inflation	2.30%
Amortization Method	
Remaining Amortization Period	30 years

Note to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	3.06%	7.23%	11.31%	6.56%	-0.99%	8.56%

Note to the Schedule

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

CITY OF MARCO ISLAND, FLORIDA

**Schedule of the City's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan**

	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
City's proportion of the FRS net pension liability	0.002350089%	0.002774376%	0.003734147%	0.004592598%	0.004760033%	0.005609629%	0.006277953%
City's proportionate share of the FRS net pension liability	\$ 809,338	\$ 835,657	\$ 1,104,536	\$ 1,159,635	\$ 614,822	\$ 342,270	\$ 1,080,715
City's covered payroll	\$ 590,049	\$ 689,135	\$ 778,709	\$ 779,069	\$ 811,048	\$ 935,847	\$ 1,537,557
City's proportionate share of the FRS net pension liability as a percentage of its covered payroll	137.16%	121.26%	141.84%	148.85%	75.81%	36.57%	70.29%
FRS Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available should be presented.

Note 1: The amounts presented for each fiscal year were determined as of June 30.

**Schedule of City Contributions –
Florida Retirement System Pension Plan**

	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 72,870	\$ 79,067	\$ 97,209	\$ 111,998	\$ 116,054	\$ 122,875
FRS contributions in relation to the contractually required contribution	(72,870)	(79,067)	(97,209)	(111,998)	(116,054)	(122,875)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 450,985	\$ 590,049	\$ 689,135	\$ 778,709	\$ 779,069	\$ 811,048
FRS contributions as a percentage of covered payroll	16.16%	13.40%	14.11%	14.38%	14.90%	15.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available should be presented.

Note 1: The amounts presented for each fiscal year were determined as of September 30.

CITY OF MARCO ISLAND, FLORIDA

**Schedule of City Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
City's proportion of the HIS net pension liability	0.001544241%	0.001177235%	0.001840978%	0.002302719%	0.002730819%	0.002898891%	0.003299738%
City's proportionate share of the HIS net pension liability	\$ 187,587	\$ 187,587	\$ 196,846	\$ 268,370	\$ 278,501	\$ 271,053	\$ 287,286
City's covered payroll	\$ 590,049	\$ 689,135	\$ 778,709	\$ 779,069	\$ 811,048	\$ 935,847	\$ 1,537,557
City's proportionate share of the HIS net pension liability as a percentage of its covered payroll	31.79%	27.22%	25.28%	34.45%	34.34%	28.96%	18.68%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available should be presented.

Note 1: The amounts presented for each fiscal year were determined as of June 30.

**Schedule of City Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014</u>
Contractually required HIS contribution	\$ 8,575	\$ 9,085	\$ 10,045	\$ 11,803	\$ 10,439	\$ 9,931
HIS contributions in relation to the contractually required HIS contribution	(8,575)	(9,085)	(10,045)	(11,803)	(10,439)	(9,931)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 450,985	\$ 590,049	\$ 689,135	\$ 778,709	\$ 779,069	\$ 811,048
HIS contributions as a percentage of covered payroll	1.90%	1.54%	1.46%	1.52%	1.34%	1.22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available should be presented.

Note 1: The amounts presented for each fiscal year were determined as of September 30.

CITY OF MARCO ISLAND, FLORIDA

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 141,181	144,633
Interest	59,000	48,035
Differences between expected and actual experience	(133,619)	-
Changes in assumptions	(331,135)	(82,162)
Changes of benefit terms	-	-
Benefit payments	<u>(58,346)</u>	<u>(53,652)</u>
Net change in total opeb liability	<u>(322,919)</u>	<u>56,854</u>
Total pension liability - beginning	<u>1,508,630</u>	<u>1,451,776</u>
Total pension liability - ending	\$ <u>1,185,711</u>	<u>1,508,630</u>
Covered Employee Payroll	11,354,573	12,201,105
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	10.44%	12.36%

Notes to the Schedule

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

Difference Between Expected and Actual Experience. Difference between and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2018.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2019:	4.18%
Fiscal Year Ending September 30, 2018:	3.64%

Also reflected under changes of assumptions are:

- Updated health care costs and premiums;
- Updated health care cost trend rates; and
- Updated mortality rates.

CITY OF MARCO ISLAND, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual

General Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 20,436,506	20,727,440	20,878,681	151,241
Permits, fees, and assessments	26,500	26,500	461,041	434,541
Intergovernmental	2,744,456	2,744,456	3,066,662	322,206
Charges for services	2,212,602	2,243,116	2,701,872	458,756
Fines and forfeitures	94,000	94,000	182,871	88,871
Interest	130,000	130,000	892,372	762,372
Miscellaneous	74,000	74,000	111,459	37,459
Total revenues	<u>25,718,064</u>	<u>26,039,512</u>	<u>28,294,958</u>	<u>2,255,446</u>
Expenditures				
Current				
General government				
Legislative	98,643	98,643	95,176	3,467
Executive	855,455	759,853	750,923	8,930
Finance	879,296	870,398	860,657	9,741
Legal	300,000	400,000	425,762	(25,762)
Information technology	800,218	735,895	724,808	11,087
Growth management	558,069	608,417	601,696	6,721
Other general government	1,099,788	964,611	902,856	61,755
Total general government	<u>4,591,469</u>	<u>4,437,817</u>	<u>4,361,878</u>	<u>75,939</u>
Public safety				
Police	4,772,862	4,822,786	4,676,090	146,696
Fire and rescue	6,231,080	6,696,802	6,666,116	30,686
Code compliance	431,166	403,953	376,835	27,118
Total public safety	<u>11,435,108</u>	<u>11,923,541</u>	<u>11,719,041</u>	<u>204,500</u>
Transportation	2,797,163	2,769,496	2,692,835	76,661
Culture and recreation	1,486,545	1,499,979	1,466,497	33,482
Capital outlay	-	-	-	-
Total expenditures	<u>20,310,285</u>	<u>20,630,833</u>	<u>20,240,251</u>	<u>390,582</u>
Excess of revenues over expenditures	<u>5,407,779</u>	<u>5,408,679</u>	<u>8,054,707</u>	<u>2,646,028</u>
Other financing sources (uses)				
Transfers out	(5,407,779)	(5,416,858)	(5,424,928)	(8,070)
Use of Reserves	-	8,179	-	(8,179)
Total other financing sources (uses)	<u>(5,407,779)</u>	<u>(5,408,679)</u>	<u>(5,424,928)</u>	<u>(16,249)</u>
Change in fund balance	-	-	2,629,779	2,629,779
Fund balance, beginning of year	<u>10,773,402</u>	<u>10,773,402</u>	<u>10,773,402</u>	<u>-</u>
Fund balance, end of year	\$ <u>10,773,402</u>	<u>10,773,402</u>	<u>13,403,181</u>	<u>2,629,779</u>

CITY OF MARCO ISLAND, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to September 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end; however, the Finance Director, through the City Manager, is authorized to reserve at the beginning of the year the unpaid purchase orders, outstanding contracts, and other commitments from the prior year.
6. The adopted budget may be amended as follows:
 - a. The City Council has authorized the City Manager to amend, modify, or otherwise adjust the operating budget to a maximum limit of \$50,000. The legal level of budgetary control is at the fund level for the general fund. The City Council approves all other budget amendments.
 - b. The City Council approves supplemental appropriations via re-appropriation ordinance which consolidates all budget amendments approved during the course of the fiscal year and those recommended by the City Manager near the end of the fiscal year. There was an increase of \$320,548 in appropriations in the general fund during the year end September 30, 2019.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding lapse at year-end.

NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATION

There was an increase of \$320,548 in appropriations in the general fund during the year end September 30, 2019. Historically, the City develops a conservative budget based upon 96% of ad valorem taxes, and between 90% and 95% of the State's various state-shared revenue projections due to the uncertainty in the economy. Actual revenue received and use of reserves was \$2.3 million more than budgeted. This was primarily due to an increase in intergovernmental revenues of \$.1 million, charges for services of \$.4 million, and interest revenues of \$.5 million. In the long term we expect a downward trend in CST revenue due to the reduction of the tax rate. Overall, departmental expenditures were in line with budgeted expenditures.

CITY OF MARCO ISLAND, FLORIDA

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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CITY OF MARCO ISLAND, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Grants Fund accounts for the revenues received from other governmental and private organizations to be used for specific purposes.

Building Services Fund accounts for revenue received from building permits and application fees to be used for the operation of the building department.

CITY OF MARCO ISLAND, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2019

	<u>Special Revenue</u>		
	<u>Grants Fund</u>	<u>Building Fund</u>	<u>Total</u>
Assets			
Accounts receivable, net	\$ 13,218	-	13,218
Due from other governments	1,261,841	-	1,261,841
Restricted cash and cash equivalents		3,987,791	3,987,791
Total assets	\$ 1,275,059	3,987,791	5,262,850
Liabilities			
Accounts payable	\$ 35,764	25,114	60,878
Accrued liabilities	-	74,508	74,508
Due to other funds	5,636,128	-	5,636,128
Total liabilities	5,671,892	99,622	5,771,514
Fund(deficit) balances			
Restricted		3,888,169	3,888,169
Unassigned	(4,396,833)		(4,396,833)
Total fund(deficit) balances	(4,396,833)	3,888,169	(508,664)
Total liabilities and fund(deficit) balances	\$ 1,275,059	3,987,791	5,262,850

CITY OF MARCO ISLAND, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2019

	Special Revenue		Total
	Grants Fund	Building Services	
Revenues			
Permits, fees and assessments	\$ -	2,236,380	2,236,380
Intergovernmental	3,500,803	-	3,500,803
Interest	-	64,361	64,361
Miscellaneous	-	2,184	2,184
Total revenues	3,500,803	2,302,925	5,803,728
Expenditures			
Current			
Emergency and Disaster Relief	115,773	-	115,773
Fire and rescue services	309,148	-	309,148
Building services	-	2,277,156	2,277,156
Capital outlay			
Emergency and Disaster Relief	441,831	-	441,831
Building services	228,824		228,824
Total expenditures	1,095,576	2,277,156	3,372,732
Excess of revenues over expenditures	2,405,227	25,769	2,430,996
Other financing uses			
Transfers out	(239,327)	(22,117)	(261,444)
Total other financing uses	(239,327)	(22,117)	(261,444)
Change in fund balances	2,165,900	3,652	2,169,552
Fund balances(deficit), beginning of year	(6,562,733)	3,884,517	(2,678,216)
Fund balances(deficit), end of year	\$ (4,396,833)	3,888,169	(508,664)

CITY OF MARCO ISLAND, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

Capital Projects Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	1,294,950	2,673,330	1,378,380
Interest	-	-	501,773	501,773
Total revenues	<u>-</u>	<u>1,294,950</u>	<u>3,175,103</u>	<u>1,880,153</u>
Expenditures				
Capital outlay	4,193,271	17,454,856	5,459,840	11,995,016
Total expenditures	<u>4,193,271</u>	<u>17,454,856</u>	<u>5,459,840</u>	<u>11,995,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,193,271)</u>	<u>(16,159,906)</u>	<u>(2,284,737)</u>	<u>13,875,169</u>
Other financing sources (uses)				
Transfers in	4,193,271	4,223,567	4,232,552	8,985
Use of reserves	-	10,631,656	-	(10,631,656)
Total other financing sources (uses)	<u>4,193,271</u>	<u>14,855,223</u>	<u>4,232,552</u>	<u>(10,622,671)</u>
Change in fund balance	-	(1,304,683)	1,947,815	3,252,498
Fund balance, beginning	<u>13,002,772</u>	<u>13,002,772</u>	<u>13,002,772</u>	<u>-</u>
Fund balance, end of year	\$ <u>13,002,772</u>	<u>11,698,089</u>	<u>14,950,587</u>	<u>3,252,498</u>

CITY OF MARCO ISLAND, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

Grants Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	1,377,798	3,500,804	2,123,006
Total revenues	<u>-</u>	<u>1,377,798</u>	<u>3,500,804</u>	<u>2,123,006</u>
Expenditures				
Current				
Emergency and disaster relief	-	308,149	309,148	(999)
Fire and rescue services	-	122,090	115,773	6,317
Capital outlay				
Emergency and disaster relief	<u>-</u>	<u>1,131,515</u>	<u>670,655</u>	<u>460,860</u>
Total expenditures	<u>-</u>	<u>1,561,754</u>	<u>1,095,576</u>	<u>466,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(183,956)</u>	<u>2,405,228</u>	<u>2,589,184</u>
Other financing sources (uses)				
Use of Reserves	-	130,604	-	(130,604)
Transfers out	<u>-</u>	<u>-</u>	<u>(239,327)</u>	<u>(239,327)</u>
Total other financing sources (uses)	<u>-</u>	<u>130,604</u>	<u>(239,327)</u>	<u>(369,931)</u>
Changes in fund balance	-	(53,352)	2,165,901	2,219,253
Fund balance(deficit), beginning of year	<u>(6,562,733)</u>	<u>(6,562,733)</u>	<u>(6,562,733)</u>	<u>-</u>
Fund balance(deficit), end of year	<u>\$ (6,562,733)</u>	<u>(6,616,085)</u>	<u>(4,396,832)</u>	<u>2,219,253</u>

CITY OF MARCO ISLAND, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

Building Services Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Permits, fees and assessments	\$ 1,735,000	1,735,000	2,236,380	501,380
Interest	10,000	10,000	64,361	54,361
Miscellaneous	-	-	2,185	2,185
Total revenues	<u>1,745,000</u>	<u>1,745,000</u>	<u>2,302,926</u>	<u>557,926</u>
Expenditures				
Current				
Operating expenses	<u>1,942,086</u>	<u>2,332,653</u>	<u>2,277,156</u>	<u>55,497</u>
Total expenditures	<u>1,942,086</u>	<u>2,332,653</u>	<u>2,277,156</u>	<u>55,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(197,086)</u>	<u>(587,653)</u>	<u>25,770</u>	<u>613,423</u>
Other financing sources (uses)				
Use of reserves	197,086	609,770	(22,117)	(631,887)
Transfers out	-	<u>(22,117)</u>	-	<u>22,117</u>
Total other financing sources (uses)	<u>197,086</u>	<u>587,653</u>	<u>(22,117)</u>	<u>(609,770)</u>
Changes in fund balance	-	-	3,653	3,653
Fund balance, beginning of year	<u>3,884,517</u>	<u>3,884,517</u>	<u>3,884,517</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>3,884,517</u></u>	<u><u>3,884,517</u></u>	<u><u>3,888,170</u></u>	<u><u>3,653</u></u>

CITY OF MARCO ISLAND, FLORIDA

CITY OF MARCO ISLAND, FLORIDA

Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual

Debt Service Fund

Year Ended September 30, 2019

	<u>Original budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 794,344	794,344	795,777	1,433
Interest Revenue	-	-	50,277	50,277
Total revenues	<u>794,344</u>	<u>794,344</u>	<u>846,054</u>	<u>51,710</u>
Expenditures				
Debt service				
Principal	1,839,754	1,839,754	1,839,830	(76)
Interest and fiscal charges	231,970	231,970	229,967	2,003
Total expenditures	<u>2,071,724</u>	<u>2,071,724</u>	<u>2,069,797</u>	<u>1,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,277,380)</u>	<u>(1,277,380)</u>	<u>(1,223,743)</u>	<u>53,637</u>
Other financing sources				
Transfers in	1,277,380	1,277,380	1,277,349	(31)
Total other financing sources	<u>1,277,380</u>	<u>1,277,380</u>	<u>1,277,349</u>	<u>(31)</u>
Change in fund balance	-	-	53,606	53,606
Fund balance, beginning of year	<u>1,540,883</u>	<u>1,540,883</u>	<u>1,540,883</u>	-
Fund balance, end of year	<u>\$ 1,540,883</u>	<u>1,540,883</u>	<u>1,594,489</u>	<u>53,606</u>

CITY OF MARCO ISLAND, FLORIDA

FIDUCIARY FUNDS

Fiduciary funds are used to account for the activities of funds held in a trustee or agency capacity for others that cannot be used to support the City's own programs. The City reports pension trust funds which are to account for the activities of the City's retirement systems, which accumulate resources for pension benefit payments made to employees.

Firefighters' Pension Fund accounts for the activities of the City's defined benefit retirement plan for all full-time sworn fire personnel.

Police Officers' pension Fund accounts for the activities of the City's defined benefit retirement plan for all full-time sworn police personnel.

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CITY OF MARCO ISLAND, FLORIDA

Combining Statement of Fiduciary Net Position

Fiduciary Funds

September 30, 2019

	Pension Trust		
	Fire	Police	
	Pension	Pension	Total
	<hr/>	<hr/>	<hr/>
Assets			
Cash and cash equivalents	\$ 714,797	809,882	1,524,679
Investments, at fair value			
Government bonds	2,878,173	2,143,604	5,021,777
Corporate bonds	3,189,580	2,196,290	5,385,870
Common stock	13,536,858	10,471,849	24,008,707
Real estate trust	1,879,687	1,508,441	3,388,128
Accrued interest	12,746	9,334	22,080
	<hr/>	<hr/>	<hr/>
Total investments	21,497,044	16,329,518	37,826,562
	<hr/>	<hr/>	<hr/>
Total assets	22,211,841	17,139,400	39,351,241
	<hr/>	<hr/>	<hr/>
Net position			
Net position restricted for pensions	\$ 22,211,841	17,139,400	39,351,241
	<hr/>	<hr/>	<hr/>

CITY OF MARCO ISLAND, FLORIDA

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended September 30, 2019

	Firefighters' Pension	Pension Trust Police Officers' Pension	Total
Additions			
Contributions			
Employer	\$ 1,031,726	632,547	1,664,273
Employee	25,905	11,479	37,384
State of Florida	337,058	221,812	558,870
Total contributions	<u>1,394,689</u>	<u>865,838</u>	<u>2,260,527</u>
Investment earnings			
Interest and dividend income	484,536	346,139	830,675
Net change in fair value of investments	453,378	282,366	735,744
Less investment expense	<u>(154,225)</u>	<u>(119,900)</u>	<u>(274,125)</u>
Net investment earnings	<u>783,689</u>	<u>508,605</u>	<u>1,292,294</u>
Total additions	<u>2,178,378</u>	<u>1,374,443</u>	<u>3,552,821</u>
Deductions			
Benefits paid	531,049	488,778	1,019,827
General administration	<u>49,176</u>	<u>52,814</u>	<u>101,990</u>
Total deductions	<u>580,225</u>	<u>541,592</u>	<u>1,121,817</u>
Changes in net position	1,598,153	832,851	2,431,004
Net position, beginning of year	<u>20,613,688</u>	<u>16,306,549</u>	<u>36,920,237</u>
Net position, end of year	<u>\$ 22,211,841</u>	<u>17,139,400</u>	<u>39,351,241</u>

CITY OF MARCO ISLAND, FLORIDA

STATISTICAL SECTION

This part of the City of Marco Island’s Statistical comprehensive annual financial report presents detailed 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.

<u>Contents</u>	Page
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.	115-119
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	120-123
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.	124-127
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 and to help make comparisons over time and with other governments.	128-130
Operating Information These schedules contain information about the City’s operations and resource to help the reader understand how the City’s financial information relates to the services the City and the activities it performs.	131-132

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2004; schedules presenting government-wide information begin in that year.

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CITY OF MARCO ISLAND, FLORIDA

**Net Position by Component
(Unaudited)**

**Last Ten Fiscal Years ⁽¹⁾
(Accrual Basis of Accounting)**

Schedule 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities										
Net investment in capital assets	\$ 67,494,803	65,618,064	62,618,879	61,131,771	59,772,622	55,699,235	64,567,882	66,732,879	69,110,370	68,148,861
Restricted	7,789,000	7,623,177	7,721,599	8,491,539	13,505,166	19,289,949	4,542,380	1,504,310	1,271,905	1,161,008
Unrestricted	<u>21,674,080</u>	<u>15,814,301</u>	<u>16,927,300</u>	<u>17,615,601</u>	<u>11,431,695</u>	<u>9,049,758</u>	<u>15,623,713</u>	<u>17,177,360</u>	<u>15,342,016</u>	<u>13,613,946</u>
Total governmental activities net position	96,957,883	89,055,542	87,267,778	87,238,911	84,709,483	84,038,942	84,733,975	85,414,549	85,724,291	82,923,815
Business-type activities										
Net investment in capital assets	10,729,132	6,637,846	12,165,860	8,193,295	9,779,184	16,729,367	21,616,965	26,962,499	28,184,757	16,170,181
Restricted	78,321,317	79,807,220	77,786,619	82,049,230	86,752,586	71,877,466	66,333,894	22,184,698	26,945,022	13,404,422
Unrestricted	<u>4,992,161</u>	<u>6,615,108</u>	<u>5,044,816</u>	<u>6,442,535</u>	<u>4,131,494</u>	<u>16,390,147</u>	<u>21,621,613</u>	<u>58,814,314</u>	<u>43,595,429</u>	<u>53,463,071</u>
Total business-type activities net position	94,042,610	93,060,174	94,997,295	96,685,060	100,663,264	104,996,980	109,572,472	107,961,511	98,725,208	83,037,674
Primary government										
Net investment in capital assets	78,223,935	72,255,910	74,784,739	69,325,066	69,551,806	72,428,602	86,184,847	93,695,378	97,295,127	84,319,042
Restricted	86,110,317	87,430,397	85,508,218	90,540,769	100,257,752	91,167,415	70,876,274	23,689,008	28,216,927	17,331,189
Unrestricted	<u>26,666,241</u>	<u>22,429,409</u>	<u>21,972,116</u>	<u>24,058,136</u>	<u>15,563,189</u>	<u>25,439,905</u>	<u>37,245,326</u>	<u>75,991,674</u>	<u>58,937,445</u>	<u>67,077,017</u>
Total primary government net position	\$ <u>191,000,493</u>	<u>182,115,716</u>	<u>182,265,073</u>	<u>183,923,971</u>	<u>185,372,747</u>	<u>189,035,922</u>	<u>194,306,447</u>	<u>193,376,060</u>	<u>184,449,499</u>	<u>168,727,248</u>

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF MARCO ISLAND, FLORIDA

**Changes in Net Position
(Unaudited)**

**Last Ten Fiscal Years
(Accrual Basis of Accounting)**

Schedule 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses										
Governmental activities										
General government	\$ 6,395,699	4,113,520	4,947,403	4,424,936	4,109,616	3,385,646	3,749,034	4,461,910	3,576,147	4,799,310
Police services	4,709,895	4,994,108	4,727,400	4,956,746	4,596,364	4,747,915	4,688,947	4,612,996	4,224,760	3,951,306
Fire and rescue	7,515,505	6,552,931	6,606,013	6,666,126	6,888,796	6,249,716	5,624,652	5,218,196	5,147,712	4,685,618
Code compliance	392,704	372,479	413,577	253,698	276,394	361,456	290,804	308,749	269,208	1,146,597
Building services	2,306,676	1,776,427	1,724,854	1,474,441	1,307,860	1,281,963	1,183,248	828,981	875,979	821,680
Transportation	6,885,771	8,386,000	8,722,454	8,327,817	8,156,383	8,194,480	8,199,027	7,728,870	5,891,452	6,302,748
Disaster and recovery	309,148	3,660,868	1,955,216	-	-	-	-	-	-	-
Culture and recreation	1,690,540	1,561,180	1,343,864	925,684	964,037	927,793	842,869	892,691	2,135,742	2,035,189
Interest on long-term debt	216,026	209,465	205,166	328,382	331,005	456,728	366,606	413,409	509,186	517,849
Total governmental activities expenses	30,421,964	31,626,978	30,645,947	27,357,830	26,630,455	25,605,697	24,945,187	24,465,802	22,630,186	24,260,297
Business-type activities										
Water and sewer	36,747,252	37,281,849	37,217,643	37,869,302	37,714,287	36,855,596	36,078,592	31,670,493	29,828,635	28,881,053
Recreation	-	-	-	391,964	405,520	447,244	466,213	484,339	491,038	381,786
Total business-type activities expenses	36,747,252	37,281,849	37,217,643	38,261,266	38,119,807	37,302,840	36,544,805	32,154,832	30,319,673	29,262,839
Total primary government expenses	67,169,216	68,908,827	67,863,590	65,619,096	64,750,262	62,908,537	61,489,992	56,620,634	52,949,859	53,523,136
Program revenues										
Governmental activities										
Charges for services										
General government	1,563,543	1,532,946	964,375	1,243,196	1,275,340	1,127,775	984,197	983,325	819,346	143,117
Police services	133,453	71,182	116,729	132,227	92,350	44,343	29,031	29,259	30,507	351,497
Fire and rescue	808,313	470,923	446,183	782,134	390,964	246,397	278,112	245,181	165,672	114,926
Code compliance	172,807	87,114	96,341	69,629	58,521	146,712	126,158	104,726	201,445	57,497
Building services	2,236,380	2,245,482	1,973,453	2,318,906	2,171,503	1,575,705	1,608,453	1,333,631	826,128	895,004
Transportation	200,000	200,000	200,000	200,000	200,000	-	-	-	-	-
Culture and recreation	456,668	396,461	423,041	101,143	73,185	-	-	-	-	1,000
Operating grants and contributions	35,015	29,105	131,479	1,178,868	1,238,659	1,367,046	1,214,800	1,088,034	1,233,859	1,039,852
Capital grants and contributions	6,214,162	1,948,892	1,623,324	1,176,632	1,654,516	756,530	871,568	652,578	1,269,864	1,462,596
Total governmental activities program services	11,820,341	6,982,105	5,974,925	7,202,735	7,155,038	5,264,508	5,112,319	4,436,734	4,546,821	4,065,489
Business-type activities										
Charges for services, water and sewer	34,477,635	33,923,876	33,834,808	32,038,032	31,566,605	30,953,347	27,603,070	28,108,927	30,016,771	26,647,596
Charges for services, other activities	-	-	-	410,895	391,887	347,133	322,744	360,466	373,970	271,972
Operating grants and contributions	812,918	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	200,000	200,000	-	-	-	11,624,137	9,966,904	10,521,771	18,893,283
Total business-type activities program revenues	35,290,553	34,123,876	34,034,808	32,448,927	31,958,492	31,300,480	39,549,951	38,436,297	40,912,512	45,812,851
Net (expenses) revenues										
Governmental activities	(18,601,623)	(24,644,873)	(24,671,022)	(20,155,095)	(19,475,417)	(20,341,189)	(19,832,868)	(20,029,068)	(18,093,380)	(20,194,808)
Business-type activities	(1,456,699)	(3,157,973)	(3,182,835)	(5,812,339)	(6,161,315)	(6,002,360)	3,005,146	6,281,465	10,592,839	16,550,012
Total primary government net expense	\$ (20,058,322)	(27,802,846)	(27,853,857)	(25,967,434)	(25,636,732)	(26,343,549)	(16,827,722)	(13,747,603)	(7,500,541)	(3,644,796)

CITY OF MARCO ISLAND, FLORIDA

Changes in Net Position-Continued (Unaudited)

Last Ten Fiscal Years (Accrual Basis of Accounting)

Schedule 2 (Continued)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net position										
Governmental activities										
Taxes:										
Property taxes	\$ 19,281,257	19,113,526	18,808,680	17,799,045	\$ 16,562,644	\$ 15,179,396	14,908,363	15,186,850	15,882,920	15,650,276
Communication service tax	781,728	969,671	951,887	861,174	899,099	882,950	1,056,187	991,888	945,876	1,021,735
Other taxes	1,611,473	1,586,868	1,481,292	1,453,822	1,361,675	1,450,956	1,270,102	1,128,441	1,154,806	1,211,299
Franchise fees	-	-	-	-	-	-	-	-	-	-
State shared revenues	2,922,672	2,850,503	2,732,383	2,650,823	2,544,704	2,406,165	2,212,992	2,036,642	1,950,824	1,844,849
Interest	1,576,265	534,831	304,575	255,206	197,982	235,709	50,315	230,611	212,562	200,612
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	(6,300)
Miscellaneous	267,713	1,093,315	242,066	343,302	235,675	111,365	184,223	144,892	155,820	143,215
Transfers	62,856	506,095	179,006	24,594	(533,737)	(507,052)	45,481	-	145,500	-
Total governmental activities	<u>26,503,964</u>	<u>26,654,809</u>	<u>24,699,889</u>	<u>23,387,966</u>	<u>21,268,042</u>	<u>19,759,489</u>	<u>19,727,663</u>	<u>19,719,324</u>	<u>20,448,308</u>	<u>20,065,686</u>
Business-type activities										
Interest	2,391,168	1,494,114	1,537,973	1,822,123	1,854,232	1,882,235	2,333,088	2,455,405	2,821,122	2,619,932
Miscellaneous revenues (expenses)	110,836	177,312	136,103	36,606	(560,370)	128,442	192,955	499,433	419,073	139,540
Gain on sale of capital assets	-	-	-	-	-	-	-	-	(145,500)	(19,822)
Transfers	(62,856)	(506,095)	(179,006)	(24,594)	533,737	507,052	(45,481)	-	-	-
Total business-type activities	<u>2,439,148</u>	<u>1,165,331</u>	<u>1,495,070</u>	<u>1,834,135</u>	<u>1,827,599</u>	<u>2,517,729</u>	<u>2,480,562</u>	<u>2,954,838</u>	<u>3,094,695</u>	<u>2,739,650</u>
Total primary government	<u>28,943,112</u>	<u>27,820,140</u>	<u>26,194,959</u>	<u>25,222,101</u>	<u>23,095,641</u>	<u>22,277,218</u>	<u>22,208,225</u>	<u>22,674,162</u>	<u>23,543,003</u>	<u>22,805,336</u>
Changes in net position										
Governmental activities	7,902,341	2,009,936	(166,987)	3,232,871	1,792,265	(581,700)	(105,204)	(309,744)	2,354,928	(129,122)
Business-type activities	982,449	(1,992,642)	(1,687,765)	(3,978,204)	(4,333,716)	(3,484,631)	5,485,708	9,236,303	13,687,534	19,289,662
Total primary government	<u>\$ 8,884,790</u>	<u>17,294</u>	<u>(1,854,752)</u>	<u>(745,333)</u>	<u>(2,541,451)</u>	<u>(4,066,331)</u>	<u>5,380,504</u>	<u>8,926,559</u>	<u>16,042,462</u>	<u>19,160,540</u>

CITY OF MARCO ISLAND, FLORIDA

**Fund Balances of Governmental Funds
(Unaudited)**

**Last Ten Fiscal Years (1)
(Accrual Basis of Accounting)**

Schedule 3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General fund										
Nonspendable	\$ 22,472	43,238	38,113	22,732	-	-	25	25	3,331	-
Restricted	2,306,342	2,197,776	2,308,808	1,905,845	1,774,814	1,428,954	1,286,470	958,362	722,132	-
Committed	-	-	-	-	1,609,381	1,660,834	-	-	-	-
Assigned	-	-	-	-	-	20,289	20,289	30,402	20,289	-
Reserved	-	-	-	-	-	-	-	-	-	610,908
Unassigned	11,074,368	8,532,385	6,812,590	7,397,900	4,954,528	5,383,767	8,653,648	7,003,460	6,363,876	-
Designated	-	-	-	-	-	-	-	-	-	10,847,424
Undesignated	-	-	-	-	-	-	-	-	-	850,672
Total unreserved	<u>13,403,182</u>	<u>10,773,399</u>	<u>9,159,511</u>	<u>9,326,477</u>	<u>8,338,723</u>	<u>8,493,844</u>	<u>9,960,432</u>	<u>7,992,249</u>	<u>7,109,628</u>	<u>11,698,096</u>
Total general fund	<u>\$ 13,403,182</u>	<u>10,773,399</u>	<u>9,159,511</u>	<u>9,326,477</u>	<u>8,338,723</u>	<u>8,493,844</u>	<u>9,960,432</u>	<u>7,992,249</u>	<u>7,109,628</u>	<u>12,309,004</u>
All other governmental funds										
Restricted:										
Capital projects	\$ -	-	-	-	-	6,045,000	-	-	-	-
Debt service fund	1,594,489	1,540,882	1,534,669	1,514,072	2,088,333	1,761,965	1,670,453	545,948	549,773	-
Building Services	3,888,169	3,884,518	3,459,262	3,579,353	2,707,866	1,891,291	1,585,457	1,142,651	948,450	-
Committed:										
Asset replacement	-	-	973,817	1,492,269	5,324,772	6,501,905	-	-	-	-
Assigned:										
Transportation	-	-	-	-	-	-	-	600,000	-	-
Debt services	-	-	-	-	-	-	-	1,108,735	1,090,347	-
Grants	(4,396,833)	-	-	-	-	-	-	-	-	-
Capital projects	14,950,589	13,002,772	9,723,865	9,678,651	6,207,071	3,621,460	2,818,321	3,179,554	4,312,832	-
Impact and public safety programs	-	-	-	-	-	-	-	-	-	-
Asset replacement	-	-	-	-	-	-	4,713,721	4,582,796	3,116,171	-
Unassigned	-	(6,562,734)	(554,958)	-	-	-	-	-	-	-
Reserved:										
Debt service fund	-	-	-	-	-	-	-	-	-	1,934,854
Unreserved										
Special revenue funds	-	-	-	-	-	-	-	-	-	1,202,908
Total all other governmental funds	<u>\$ 16,036,414</u>	<u>11,865,438</u>	<u>15,136,655</u>	<u>16,264,345</u>	<u>16,328,042</u>	<u>19,821,621</u>	<u>10,787,952</u>	<u>11,159,684</u>	<u>10,017,573</u>	<u>3,137,762</u>
Total governmental funds										
Nonspendable	\$ 22,472	43,238	38,113	22,732	-	-	25	25	3,331	-
Restricted	7,789,000	7,623,176	7,302,739	6,999,270	6,571,013	11,127,210	4,542,380	2,646,961	2,220,355	-
Committed	-	-	973,817	1,492,269	6,934,153	8,162,739	-	-	-	-
Assigned	10,553,756	13,002,772	9,723,865	9,678,651	6,207,071	3,641,749	7,552,331	9,501,487	8,539,639	-
Unassigned	11,074,368	1,969,651	6,257,632	7,397,900	4,954,528	5,383,767	8,653,648	7,003,460	6,363,876	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	2,545,762
Unreserved	-	-	-	-	-	-	-	-	-	12,901,004
Total governmental funds	<u>\$ 29,439,596</u>	<u>22,638,837</u>	<u>24,296,166</u>	<u>25,590,822</u>	<u>24,666,765</u>	<u>28,315,465</u>	<u>20,748,384</u>	<u>19,151,933</u>	<u>17,127,201</u>	<u>15,446,766</u>

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF MARCO ISLAND, FLORIDA

**Changes in Fund Balances of Governmental Funds
(Unaudited)**

**Last Ten Fiscal Years ⁽¹⁾
(Modified Accrual Basis of Accounting)**

Schedule 4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues										
Taxes	\$ 21,674,458	21,670,064	21,241,859	20,114,041	18,823,418	17,513,302	17,234,652	17,307,179	17,983,602	17,883,310
Licenses and permits	2,697,421	2,627,082	2,344,806	2,784,210	2,538,590	1,888,027	1,938,989	1,533,176	993,199	953,501
Intergovernmental	9,240,796	4,888,723	4,060,064	4,950,467	4,489,123	3,954,004	3,839,821	3,666,613	4,254,122	3,904,674
Charges for services	2,701,872	2,286,840	1,901,426	1,956,175	1,643,173	1,336,950	1,218,312	1,217,785	920,267	314,391
Fines and forfeitures	182,871	95,277	105,369	156,650	80,100	170,001	154,965	133,835	231,662	351,497
Interest income	1,508,783	517,873	293,100	255,206	197,983	235,708	50,316	182,507	210,351	200,612
Miscellaneous	113,644	594,034	349,358	349,358	1,184,427	433,770	357,448	130,680	165,845	441,478
Total revenues	38,119,845	32,679,893	30,469,909	30,566,107	28,956,814	25,531,762	24,794,503	24,171,775	24,759,048	24,049,463
Expenditures										
Current:										
General government	4,361,876	4,288,073	5,052,667	3,755,196	3,924,958	3,820,574	3,602,051	3,462,824	3,602,127	4,418,283
Police services	4,791,864	4,734,622	5,740,361	6,130,770	5,361,827	4,582,878	4,534,953	4,151,932	4,117,627	3,858,373
Fire and rescue	6,666,116	6,351,765	6,243,293	6,370,063	6,910,892	5,869,202	5,293,964	4,869,967	4,821,296	5,039,364
Code compliance	376,835	352,815	393,913	243,945	273,598	358,722	290,187	304,010	268,625	282,859
Building services	2,277,156	1,754,198	1,706,895	1,458,124	1,298,109	1,275,017	1,176,301	1,036,310	1,104,754	1,139,165
Transportation	2,692,835	2,618,797	2,571,329	2,366,584	2,397,638	2,387,332	2,483,555	2,524,969	1,113,799	1,358,546
Culture and recreation	1,466,497	1,376,783	1,235,917	837,184	802,469	768,273	692,649	599,266	1,980,400	1,879,614
Emergency and disaster recovery	309,148	3,660,868	1,955,216							
Debt service:										
Principal	1,839,753	1,844,754	1,854,583	4,442,593	1,443,047	1,254,351	1,116,059	1,071,692	1,543,467	2,100,575
Interest	230,044	189,898	216,777	328,382	331,004	4,251,728	366,606	413,411	477,221	517,849
Bond issue cost	-	-	-	-	-	-	-	-	-	-
Capital outlay	6,369,822	9,936,334	6,562,366	5,975,257	9,328,237	3,430,204	3,535,449	3,712,662	4,195,157	4,535,622
Total expenditures	31,381,946	37,108,907	33,533,317	31,908,098	32,071,779	27,998,281	23,091,774	22,147,043	23,224,473	25,130,250
Excess (deficiency) of revenues over (under) expenditures	6,737,899	(4,429,014)	(3,063,408)	(1,341,991)	(3,114,965)	(2,466,519)	1,702,729	2,024,732	1,534,575	(1,080,787)
Other financing sources (uses)										
Transfers in	5,509,901	7,388,864	7,184,106	5,510,704	3,766,843	7,922,583	2,875,745	5,374,449	11,388,719	7,046,586
Transfers out	(5,447,045)	(6,507,766)	(5,415,354)	(5,486,111)	(4,300,579)	(8,429,635)	(2,830,264)	(5,374,449)	(11,243,219)	(7,046,586)
Proceeds from sale of capital asset	-	-	-	-	-	-	-	-	-	-
Capital leases	-	1,890,590	-	261,456	-	734,435	350,000	-	-	-
Bonds issued	-	-	-	1,980,000	-	9,919,549	-	-	-	-
Total other financing sources (uses)	62,856	2,771,688	1,768,752	2,266,049	(533,736)	10,146,932	395,481	-	145,500	-
Net change in fund balance	\$ 6,800,755	(1,657,326)	(1,294,656)	924,058	\$ (3,648,701)	\$ 7,680,413	2,098,210	2,024,732	1,680,075	(1,080,787)
Debt service as a percentage of non-capital expenditures	8.28%	7.49%	7.68%	18.40%	7.80%	22.41%	7.58%	8.06%	7.80%	7.21%
Capital outlay (per above)	\$ 6,369,822	9,936,334	6,562,366	5,975,257	9,328,237	3,430,204	3,535,449	3,712,662	4,195,157	4,535,622
Capital outlay included in current expenditures	-	-	-	-	-	-	-	87,639	316,570	855,459
Total capital outlay	\$ 6,369,822	9,936,334	6,562,366	5,975,257	9,328,237	3,430,204	3,535,449	3,800,301	4,511,727	5,391,081

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF MARCO ISLAND, FLORIDA

**Assessed Value of Taxable Property
(Unaudited)**

Last Ten Fiscal Years

Schedule 5

Fiscal Year	Tax Year	Real Property	Personal Property	Total Taxable Value ⁽²⁾	Percentage Increase (Decrease) Over Prior Year	Total Direct Tax Rate
2010	2009	9,248,174,862	78,795,703	9,326,970,565	-11.1%	1.7473
2011	2010	8,191,850,914	79,404,135	8,271,255,049	-11.3%	1.9980
2012	2011	7,493,705,720	74,289,395	7,567,995,115	-8.5%	2.0770
2013	2012	7,342,959,034	68,248,839	7,411,207,873	-2.1%	2.0797
2014	2013	7,478,069,118	70,416,975	7,548,486,093	1.9%	2.0763
2015	2014	7,900,449,654	70,102,819	7,970,552,473	5.6%	2.1507
2016	2015	8,550,755,951	69,208,938	8,619,964,889	8.1%	2.1419
2017	2016	9,298,441,136	67,431,937	9,365,873,073	8.7%	2.0844
2018	2017	9,900,723,843	115,347,306	10,016,071,149	6.9%	1.9797
2019	2018	10,276,265,025	115,939,756	10,392,204,781	3.8%	1.9288
2020 ⁽¹⁾	2019	10,667,801,697	131,419,687	10,799,221,384	3.9%	1.8821

⁽¹⁾ Information only. 2019 assessed values are used for fiscal year 2020 tax revenues.

⁽²⁾ Actual taxable value, as reported in this schedule, are net of certain tax-exemptions.
Assessed value is not provided because it cannot be reasonably estimated based on actual values.

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

**Property Tax Rates for Direct and Overlapping Governments
(Per \$1,000 Assessed Values)
(Unaudited)**

Last Ten Fiscal Years

Schedule 6

Fiscal Year Ended	Direct		Overlapping							Total Levy
	City Operating	City Debt Service	Collier County Operating	Collier School Board	Mosquito Control	South FL Water Management	Water Pollution Control	Big Cypress Basin	Collier County Other	
2010	1.6518	0.0955	3.5645	5.2390	0.0720	0.2549	0.0293	0.2265	0.2500	11.3835
2011	1.8900	0.1079	3.5645	5.6990	0.0826	0.2549	0.0293	0.2265	0.2500	12.1047
2012	1.9592	0.1177	3.5645	5.5270	0.0934	0.1785	0.0293	0.1633	0.2500	11.8829
2013	1.9600	0.1204	3.5645	5.5760	0.1102	0.1757	0.0293	0.1633	0.2500	11.9494
2014	1.9600	0.1163	3.5645	5.6900	0.1050	0.1685	0.0293	0.1593	0.0000	11.7929
2015	2.0466	0.1041	3.5645	5.5800	0.1001	0.1577	0.0293	0.1520	0.0000	11.7343
2016	2.0466	0.0953	3.5645	5.4800	0.0940	0.1459	0.0293	0.1429	0.0000	11.5985
2017	1.9966	0.0878	3.5645	5.2450	0.0878	0.1359	0.0293	0.1336	0.0000	11.2805
2018	1.8976	0.0821	3.5645	5.1220	0.1832	0.1275	0.0293	0.1270	0.0000	11.1332
2019	1.8492	0.0796	3.5645	5.0490	0.1775	0.1209	0.0293	0.1231	0.0000	10.9931
2020 ⁽¹⁾	1.8057	0.0764	3.5645	5.0830	0.1720	0.1152	0.0293	0.1192	0.0000	10.9653

⁽¹⁾ Information only. 2019 assessed values are used for fiscal year 2020 tax revenues.

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

**Principal Property Taxpayers
(Unaudited)**

For the Current Calendar Year and Nine Years Ago

Schedule 7

<u>Taxpayer</u>	<u>Property by Type</u>	<u>January 1, 2018 Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>	<u>Taxpayer</u>	<u>Property by Type</u>	<u>January 1, 2009 Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>
Marco Hotel LLC	Hospitality	\$ 109,403,904	1	1.01%	City National Bank of Miami - Marriott	Hospitality	85,139,038	1	0.91%
Marco Beach Hotel Inc	Hospitality	34,548,632	2	0.32%	Marco Beach Hotel Inc.	Hospitality	49,516,027	2	0.53%
BRE SE Retail Holdings LLC	Shopping Center	15,706,955	3	0.14%	Marriott Ownership Properties	Hospitality	26,249,467	3	0.28%
GM Esplanade LLC	Shopping Center	10,482,552	4	0.10%	Marco Town Center, Inc.	Shopping Center	16,397,628	4	0.18%
Publix Super Markets LLC	Shopping Center	9,585,498	5	0.09%	A&N of Marco, Inc.	Shopping Center	12,547,463	5	0.13%
Venetian Investments LLC	Single Family Residence	8,884,815	6	0.08%	Bates, Wesley C.	Single Family Residence	7,980,210	6	0.09%
BR Williamson Rev Liv Trust	Single Family Residence	8,498,163	7	0.08%	Gregg Holdings, Inc.	Single Family Residence	7,923,950	7	0.08%
Island Plaza Investments LLC	Shopping Center	8,152,998	8	0.07%	Island County Club	Golf Course	7,411,563	8	0.08%
Bates, Wesley C	Single Family Residence	7,639,334	9	0.07%	Jack C. & Dorothy J. Skoog Trust	Single Family Residence	6,515,683	9	0.07%
Van Cleef, Gary R & Louise	Single Family Residence	7,295,734	10	0.07%	Norma P. & Karen S. Blake, Jr.	Single Family Residence	6,083,240	10	0.07%
Total		\$ 220,198,585		2.02%			225,764,269		2.42%

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

**Property Tax Levies and Collections ⁽¹⁾
(Unaudited)**

Last Ten Fiscal Years

Schedule 8

Fiscal Year	Tax Year	Total Tax Levy ⁽²⁾	Current Tax Collections ⁽²⁾	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Collections To Date	Percent of Total Collections To Date
2010	2009	16,177,460	15,640,516	96.7%	2,387	15,642,903	96.7%
2011	2010	16,525,140	15,867,796	96.0%	14,310	15,882,106	96.1%
2012	2011	15,717,969	15,180,688	96.6%	6,162	15,186,850	96.6%
2013	2012	15,419,018	14,897,743	96.6%	10,619	14,908,362	96.7%
2014	2013	15,672,922	15,134,335	96.6%	45,060	15,179,395	96.9%
2015	2014	17,141,963	16,565,510	96.6%	5,135	16,570,645	96.7%
2016	2015	18,463,103	17,796,052	96.4%	2,994	17,799,046	96.4%
2017	2016	19,518,479	18,806,052	96.3%	2,994	18,809,046	96.4%
2018	2017	19,828,816	19,108,784	96.4%	4,742	19,113,526	96.4%
2019	2018	20,044,485	19,266,581	96.1%	14,675	19,281,256	96.2%

Source: Collier County Tax Collector

(1) Under Florida State Statutes, property owners are entitled to up to a 4% reduction in ad valorem tax payments for early payment. Outstanding delinquent taxes for the City are not significant.

(2) Total tax levy and tax collection columns are City operating and special voted debt service, and does not include Hideaway Beach Tax District.

CITY OF MARCO ISLAND, FLORIDA

**Ratios of Outstanding Debt by type
(Unaudited)**

**Last Ten Fiscal Years ⁽¹⁾
(Modified Accrual Basis of Accounting)**

Schedule 9

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage ⁽³⁾ of Personal Income	Per ⁽³⁾ Capita
	General Obligation Bonds	Non Ad Valorem	Sales Tax Revenue Bonds	Capital Leases	Water/Sewer ⁽¹⁾ Revenue Bonds & Loans	STRP ⁽²⁾ Assessment Bonds & Notes			
2010	7,025,000	475,000	4,940,000	615,494	186,218,288	31,986,098	231,259,880	31.22%	14,090
2011	6,415,000	-	4,565,000	532,026	176,042,107	38,821,263	226,375,396	29.59%	13,767
2012	5,790,000	-	4,175,000	475,332	165,096,346	50,178,723	225,715,401	29.20%	13,662
2013	5,145,000	-	3,775,000	754,273	161,262,870	54,728,048	225,665,191	27.41%	13,426
2014	4,480,000	6,045,000	3,360,000	1,314,357	153,725,200	52,311,347	221,235,904	27.27%	13,322
2015	3,825,000	6,045,000	2,930,000	1,036,671	147,321,156	49,790,459	210,948,286	24.81%	12,610
2016	3,080,000	5,705,000	1,980,000	870,173	143,535,311	47,180,293	202,350,777	22.47%	11,952
2017	2,325,000	5,360,000	1,595,000	500,590	135,691,633	44,483,945	189,956,168	19.27%	11,150
2018	1,560,000	5,005,000	1,200,000	2,061,427	129,803,362	41,690,809	181,320,598	18.12%	10,607
2019	785,000	4,640,000	805,000	1,756,674	123,867,742	38,798,675	170,653,091	15.18%	9,837

⁽¹⁾ Water and wastewater operations on Marco Island and at Marco Shores acquired from Florida Water Services in November 2003.

⁽²⁾ Septic Tank Replacement Program: includes permanent financing and state revolving loans. All of this debt is secured by special assessment districts. Includes \$34,527,852 of State Loan financing for the Septic Tank Replacement Program.

⁽³⁾ See Table 13 Schedule of Demographic and Economic Statistics for personal income and population data.

Source: City of Marco Island Finance Department.

CITY OF MARCO ISLAND, FLORIDA

**Ratios of General Bonded Debt Outstanding
(Unaudited)**

Last Ten Fiscal Years

Schedule 10

<u>Fiscal Year</u>	<u>Bonds</u>	<u>Percentage of Net Assessed Property Value ⁽¹⁾</u>	<u>Per Capita ⁽²⁾</u>
2010	7,025,000	0.075%	428
2011	6,415,000	0.078%	390
2012	5,790,000	0.077%	350
2013	5,145,000	0.069%	311
2014	4,480,000	0.059%	270
2015	3,825,000	0.048%	229
2016	3,080,000	0.036%	182
2017	2,325,000	0.025%	136
2018	1,560,000	0.016%	91
2019	785,000	0.008%	45

⁽¹⁾ See Schedule 5, Assessed Value of Taxable Property, for net assessed property value data.

⁽²⁾ See Schedule 13, Demographic and Economic Statistics, for population data.

Source: City of Marco Island Finance Department.

CITY OF MARCO ISLAND, FLORIDA

**Direct and Overlapping Governmental Activities Debt
(Unaudited)**

As of September 30, 2019

Schedule 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Marco Island Direct Debt			
Non Ad Valorem Capital Improvement Revenue Note	\$ 4,640,000	100.00%	4,640,000
General obligation bonds	785,000	100.00%	785,000
Sales tax revenue bonds	805,000	100.00%	805,000
Capital leases	1,756,674	100.00%	1,756,674
Total direct debt			<u>7,986,674</u>
Overlapping debt			
Collier County	376,116,297	11.60%	43,629,490
Collier County School Board	230,416,725	11.60%	26,728,340
Total overlapping debt			<u>70,357,831</u>
Total direct and overlapping debt			<u>\$ 78,344,505</u>

Sources: Debt outstanding data was provided by each governmental unit.

Notes: 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 Marco Island. 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 MARCO ISLAND, FLORIDA

**Pledged Revenue Bond Coverage
Water/Sewer Revenue Bonds and Sales Tax Revenue Bonds
(Unaudited)**

Last Ten Fiscal Years

Schedule 12

Fiscal Year	Water/Sewer Enterprise Fund							General Fund			
	(1) Water/Sewer Revenue	Water/Sewer Impact Fees	Less Operating Expenses	Net Revenues With Impact Fees	Net Revenues Without Impact Fees	Debt Service	(2) Coverage With Impact Fees	(3) Coverage Without Impact Fees	(4) Sales Tax Revenues	Debt Service	Coverage
2010	26,332,177	351,581	11,405,012	15,278,746	14,927,165	7,585,672	2.01	1.97	1,385,346	550,654	2.52
2011	29,872,159	218,068	10,474,484	19,615,743	19,397,675	8,608,479	2.28	2.25	1,492,056	548,160	2.72
2012	28,353,936	155,906	11,171,326	17,338,516	17,182,610	8,793,539	1.97	1.95	1,576,141	549,775	2.87
2013	26,917,858	852,255	11,440,465	16,329,648	15,477,393	8,919,076	1.83	1.74	1,695,866	545,948	3.11
2014	30,466,941	658,941	12,009,412	19,116,470	18,457,529	9,236,659	2.07	2.00	1,860,287	546,685	3.40
2015	30,293,064	1,273,541	12,712,074	18,854,531	17,580,990	10,491,176	1.80	1.68	1,985,969	546,897	3.63
2016	29,948,235	2,089,797	12,602,669	19,435,363	17,345,566	10,473,653	1.86	1.66	2,078,572	512,367	4.06
2017	32,362,964	1,471,844	12,752,921	21,081,887	19,610,043	9,347,412	2.26	2.10	2,108,110	408,416	5.16
2018	33,094,437	829,439	12,765,341	21,158,535	20,329,096	10,404,170	2.03	1.95	2,207,752	413,307	5.34
2019	33,356,462	1,121,173	13,701,045	20,776,590	19,655,417	10,456,957	1.99	1.88	2,281,184	408,133	5.59

(1) The City purchased the water and sewer utility operations in November 2003, or fiscal year 2004, from Florida Water Services, Inc. Utility revenue bonds in the amount of \$101 million were issued to finance the acquisition. The sales tax revenue bonds were issued in August 2005 to finance the purchase of Veterans Community Park.

(2) Sewer assessment long-term debt is excluded.

(3) Debt service coverage requirement, with impact fees included in net revenues, is 1.20.

(4) Debt service coverage requirement, with impact fees excluded from net revenues, is 1.10.

CITY OF MARCO ISLAND, FLORIDA

**Demographic and Economic Statistics
(Unaudited)**

Last Ten Fiscal Years

Schedule 13

Fiscal Year	Population			Income			Florida Unemployment Rate ⁽⁴⁾
	City of Marco Island ⁽²⁾	Collier County ⁽²⁾	State of Florida ⁽²⁾	Florida Personal Income (in millions of dollars) ⁽³⁾	Naples-Marco Island Per Capita Personal Income ⁽³⁾	Florida Per Capita Personal Income ⁽³⁾	
2010	16,413 ⁽¹⁾	333,554 ⁽¹⁾	18,773,356 ⁽¹⁾	740,651	61,308	37,854	10.9
2011	16,443	321,520	18,801,310	764,917	59,985	40,427	9.5
2012	16,521	328,134	19,057,542	773,062	59,264	40,565	8.1
2013	16,556	333,663	19,259,543	810,887	60,391	42,103	6.7
2014	16,607	336,783	19,507,369	811,377	64,872	41,497	5.8
2015	16,728	343,802	19,815,183	850,178	73,869	42,737	5.2
2016	16,930	350,202	20,148,654	900,636	78,473	44,429	4.7
2017	17,036	357,470	20,484,142	985,795	84,101	46,876	3.8
2018	17,094	367,347	20,840,568	1,000,624	87,829	47,684	3.3
2019	17,348	376,706	21,208,589	1,124,128	92,686	51,894	3.1

(1) Source: U.S. Census Bureau

(2) Source: University of Florida Bureau of Economic and Business Research

(3) Source: U.S. Department of Commerce Bureau of Economic Analysis

(4) Source: U.S. Department of Labor Bureau of Labor Statistics

CITY OF MARCO ISLAND, FLORIDA

**Top Ten Employers, Naples-Marco Island
(Unaudited)**

Fiscal Year 2019 and Nine Years Ago

Schedule 14

Fiscal Year 2019 ⁽¹⁾				Fiscal Year 2010 ⁽²⁾			
Employer	Business Type	Employees	Rank	Employer	Business Type	Employees	Rank
Collier County Public Schools	Public Education	7,639	1	NCH Healthcare System	Health Care	5,000	1
NCH Healthcare System	Health Care	4,000	2	Collier County Public Schools	Public Education	4,728	2
Lipman Produce	Farming	2,300	3	Publix Supermarkets	Supermarket	3,246	3
Collier County Government (non-Sheriff)	Government	1,752	4	Marriott Corporation	Hospitality	2,328	4
Ritz Carlton, Naples	Hospitality	1,300	5	Collier County Government (non-Sheriff)	Government	2,200	5
Collier County Sheriff	Government	1,230	6	Walmart	Supermarket	1,715	6
Gargiulo, Inc.	Farming	1,110	7	Collier County Sheriff	Government	1,383	7
Arthex, Inc	Health Care	1,056	8	Winn Dixie Stores, Inc.	Supermarket	1,014	8
Home Team Inspection Services	Home Inspection Services	900	9	Home Depot	Home Improvement	1,012	9
Publix Super Markets	Supermarket	800	10	Gargiulo, Inc.	Farming	800	10
Total		<u>22,087</u>		Total		<u>23,426</u>	

(1) Source: UCF Florida & Metro Forecast, September 2019 Issue

(2) Source: Collier County Clerk Fiscal Year 2010 CAFR

CITY OF MARCO ISLAND, FLORIDA

**Full-time Equivalent Employees
by Department as of September 30, 2019
(Unaudited)**

Last Ten Fiscal Years

Schedule 15

Department	2019	2018	2017⁽³⁾	2016	2015	2014	2013⁽²⁾	2012	2011	2010⁽¹⁾
General Fund:										
Executive Administrative	6	5	7	6	7	7	7	8.5	6	8
Information Technology	4.5	4	4	1	1	3	3			
Finance	6.5	6.5	5.5	7	7	7	6	7	7	7
Community Development	6	6	5	4	4	5	5	4	6	6
Fire / Rescue	42.5	43	43	42	41.5	38	38	38	38	38
Code Compliance	8	9	7.5	9.25	2.5	3	3	3	3	3
Police	36	37.5	37.5	35	39	41.5	41.5	35.5	35.5	35.5
Public Works	11	11	11	9	12	11	13	5.5	6	10
Parks and Recreation	<u>13</u>	<u>13</u>	<u>12.5</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>9</u>	<u>15</u>	<u>15</u>	<u>20</u>
Total General Fund	133.5	135	133	123.25	123	125.5	125.5	116.5	116.5	127.5
Water / Sewer Enterprise Fund	71	70	65	64	67	69	69	78	77	74
Building Services Fund	21	18.5	16	11.25	12	10.5	8.5	8	8	10
Recreation Enterprise Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3.5</u>	<u>3.5</u>	<u>4.5</u>
Total	225.5	223.5	214	201.5	205	208	206	206	205	216

(1) A reorganization of departments occurred after the fiscal year 2010 budget was adopted. Authorized positions listed are the positions approved on adoption of the fiscal year budget.

(2) Information Technology included in Executive Administration for prior years. Parks maintenance placed under Public Works.

(3) Recreation Enterprise functions were transferred to Park and Recreation in the General Fund.

Source: City of Marco Island, Human Resources Department.

CITY OF MARCO ISLAND, FLORIDA

**Operating Indicators by Department
(Unaudited)**

Last Ten Fiscal Years

Schedule 16

Department	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police Department										
Calls for Service	50,140	45,195	45,426	41,116	41,798	42,600	58,855	58,014	70,740	77,628
Fire Department										
Calls for Service	3,329	3,417	3,872	3,571	3,423	3,413	3,202	2,897	2,688	2,802
Building Department										
New Single-Family Homes	107	96	99	101	114	105	92	74	25	33
New Multi-Family Units	-	-	-	-	-	-	-	-	-	-
Total Permits Issued	8,125	10,193	7,203	5,841	6,482	5,883	5,647	5,369	5,149	5,381
Water Production										
Number of Customers	10,033	9,969	9,881	9,800	9,701	9,554	9,847	9,583	9,756	9,623
Raw Flow into Water Plants: (Surface and Ground)										
Average Daily Treatment (Millions of gallons)	8.37	8.25	7.94	7.30	7.58	7.40	7.02	7.97	7.89	7.80
Maximum Daily Treatment (Millions of gallons)	12.37	11.61	11.05	10.89	10.77	10.63	13.99	16.25	16.25	16.01
Wastewater Treatment										
Number of Customers	9,653	9,572	9,424	9,372	9,257	9,136	8,652	8,424	8,375	7,044
Flow into Wastewater Plants:										
Average Daily Treatment (Millions of gallons)	2.20	2.08	2.04	2.09	2.04	2.00	2.03	1.96	1.94	1.92
Maximum Daily Treatment (Millions of gallons)	4.21	3.55	5.11	4.80	3.25	3.54	3.20	3.76	3.72	3.67

Source: City of Marco Island

CITY OF MARCO ISLAND, FLORIDA

**Capital Asset Statistics by Function/Program
(Unaudited)**

Last Ten Fiscal Years

Schedule 17

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police Department										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	12	12	12	12	12	12	12	12	11	11
Fire Department										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Tennis Courts	7	7	8	8	8	10	10	10	10	10
Pickleball Courts	5	5								
Bocce Ball Courts	4	4	3	3	3	3	3	3	3	3
Shuffleboard Courts	3	3	7	7	7	7	7	7	7	7
Racquetball Courts	2	2	2	2	2	2	2	2	2	2
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	3	3	3	3	3	3	3	3	3	3
Teen Center	1	1	1	1	1	1	1	1	1	1
Public Beach Access	2	2	2	2	2	2	2	2	2	2
Public River Access	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (Centerline Miles)	127	127	127	127	127	127	127	127	127	127
Signalized intersections	11	10	10	10	10	10	10	10	10	10
Bridges	15	15	15	15	15	15	15	15	15	15
Utilities										
Number of Water Plants	3	3	3	3	3	3	3	3	3	3
Number of Waste Water Plants	2	2	2	2	2	2	2	2	2	2
Water Lines (Miles)	155	155	155	155	155	155	155	155	155	140
Sewer Lines (Miles)	202	202	202	202	202	202	202	191	175	160

CITY OF MARCO ISLAND, FLORIDA

SINGLE AUDIT AND OTHER REPORTS AND LETTERS

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council and City Manager
City of Marco Island, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marco Island, Florida (the “City”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bradenton, Florida
March 30, 2020

Mauldin & Jenkins, LLC



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council and City Manager
City of Marco Island, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Marco Island, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
March 30, 2020

Mauldin & Jenkins, LLC

CITY OF MARCO ISLAND, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2019**

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CFSA No.	Grantors Number	Expenditures
Federal Awards			
Indirect Federal Awards			
US Department of Transportation			
Passed through Florida Department of Transportation			
Local Agency Program (LAP) - Yellowbird Shared Use Pathway	20.205	435042-1-68-01	\$ 26,374
US Department of Homeland Security			
Passed through Florida Department of Financial Services			
Division of Emergency Management			
Fire Hazardous Material - 2016	97.067	17-DS-V4-09-21-02-391	\$ 29,955
Fire Hazardous Material - 2017	97.067	18-DS-X1-09-21-02-283	\$ 116,833
Division of Emergency Management	97.036	Z0772	\$ 3,047,527
Total US Department of Homeland Security			\$ 3,194,315
Total Awards			\$ 3,220,689

CITY OF MARCO ISLAND, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF MARCO ISLAND, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered
to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Programs

Internal Control over major federal programs:
Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered
to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for
major federal programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? ___ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	U.S. Department of Homeland Security – Disaster Assistance Grants

Dollar threshold used to distinguish between
Federal Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ yes X no

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

No current year findings noted.

**SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No prior year findings noted.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

City Council and City Manager
City of Marco Island, Florida

Report on the Financial Statements

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

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 30, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Marco Island, Florida was incorporated in 1897. Additional information on the City's creation and the City's component unit are disclosed within the City's footnotes.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. 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 review of financial information provided by same.

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

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 30, 2020



INDEPENDENT ACCOUNTANT'S REPORT

City Council and City Manager
City of Marco Island, Florida

We have examined the City of Marco Island, Florida's (the "City") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida
March 30, 2020

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".