



# City of Marco Island

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## **CITY OF MARCO ISLAND, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2015**

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

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## INTRODUCTION SECTION



# City of Marco Island

May 18, 2016

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, 2015.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for completeness and reliability of all of 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, 2015, 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, 2015, 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 Chairman 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	Recreation Enterprise Fund
Debt Service Fund	Hideaway Beach Tax District
Building Services Fund	Self-Insurance Internal Service Fund

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 five-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. The Utilities Department also has a five-year capital improvements plan that is updated annually as part of the budget process.

### **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 permanent and visitor community.

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 2014 assessed taxable valuations used for property taxes in fiscal year 2015 showed a 6.7% increase from the prior year. The 2015 assessed taxable valuations to be used for property taxes in fiscal year 2016 reflected an increase of 6.3% from 2014 assessed valuations. It is projected that the 2016 valuations used to determine property taxes for fiscal year 2017 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 with the same level of tax revenues. A thorough review has resulted in a financial restructuring of capital projects and 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 15 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 City is a true island and has embarked on a repair and replacement process of all 15 bridges within the City's limits. Construction of the new Smokehouse Bay Bridges commenced during fiscal 2014. To finance the project a non-ad valorem capital improvement revenue bond in the amount \$6 million was issued in addition to using \$2.2 million in funds already set aside in the asset replacement fund in prior years. As of September 30, 2015, the project was 77% complete with a contractual commitment of \$1,977,489 remaining. Moreover, the City continues to fund drainage improvements, street resurfacing and bike lane widening as part of its Capital Improvement Plan each year.

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 of \$3.5 million. The project plans have been completed and the construction contract is scheduled to be awarded during fiscal year 2016. The Veterans Community Park continues to be a major focal point for the island activities such as seasonal festivals and a weekly farmers' market.

**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 and replacement account as required by bond covenants. More information is contained in the MD&A and notes to the financials.

### **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 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 Federal cost of living index. 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:** The City Manager presented his "Bucket 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 so as 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, 2014. 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 Chairman, 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 Polanco, CPA  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

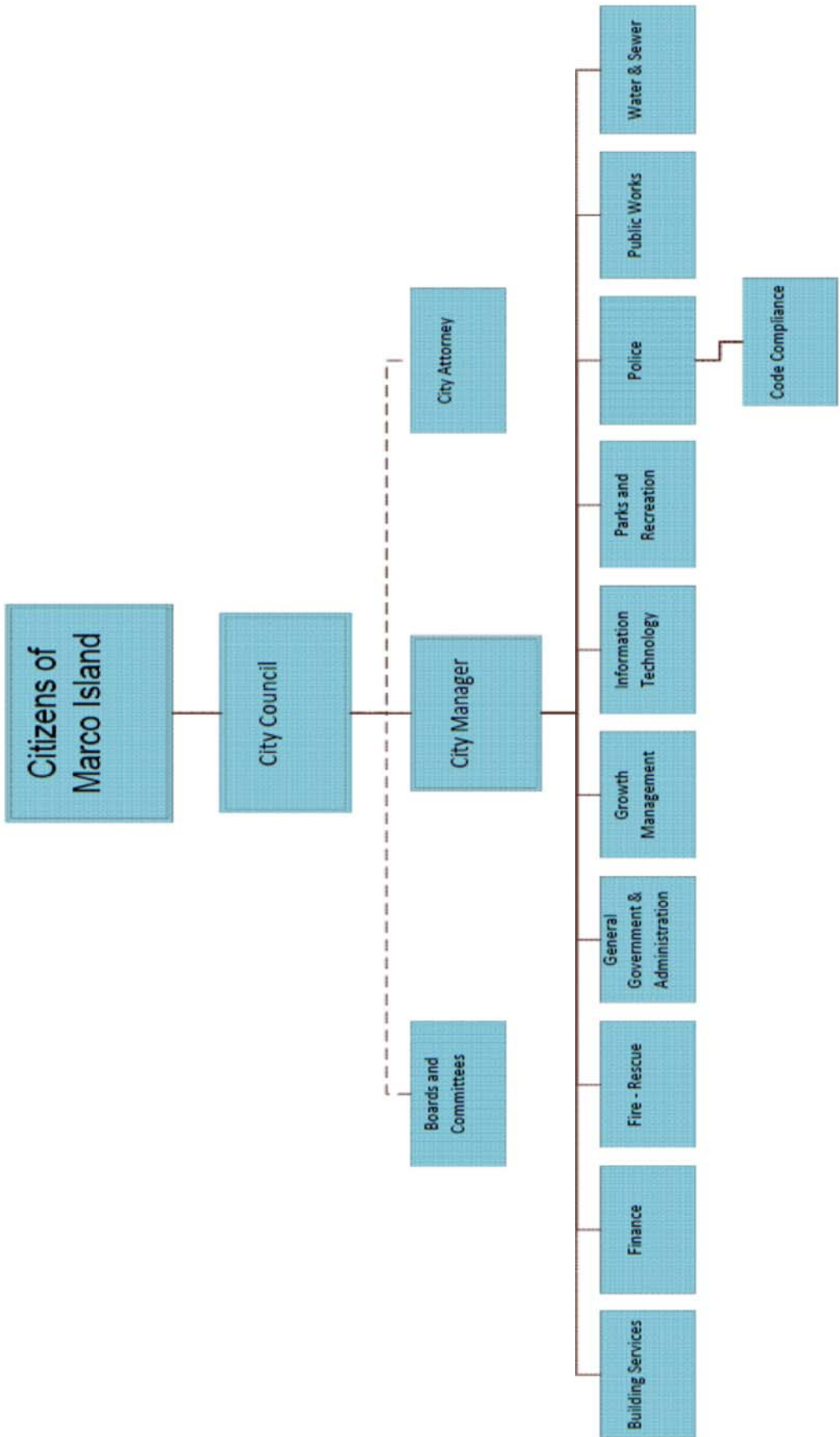
Presented to

**City of Marco Island  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO





**PRINCIPAL OFFICIALS:**

BOB BROWN, CITY COUNCIL CHAIRMAN  
AMADEO R. PETRICCA, CITY COUNCIL VICE CHAIRMAN  
JOE BATTE, COUNCILOR  
KEN HONECKER, COUNCILOR  
LARRY HONIG, COUNCILOR  
VICTOR RIOS, COUNCILOR  
LARRY SACHER, COUNCILOR

ALAN L. GABRIEL, WEISS SEROTA, CONTRACTED CITY ATTORNEY

ROGER T. HERNSTADT, CITY MANAGER

GUILLERMO POLANCO, FINANCE DIRECTOR

MARK JACKSON, IT DIRECTOR  
LAURA M. LITZAN, CITY CLERK  
MICHAEL MURPHY, FIRE CHIEF  
TIMOTHY PINTER, PUBLIC WORKS DIRECTOR  
JEFFREY POTEET, UTILITIES GENERAL MANAGER  
ALFRED SCHETTINO, POLICE CHIEF

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**CITY OF MARCO ISLAND, FLORIDA**

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2015, 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, 2015, 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.

## ***Emphasis of Matter***

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

## ***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 7-23 and 91-101, 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 including the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

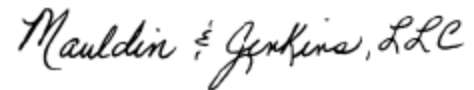
The combining and individual fund statements and schedules including the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 including the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill are 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 May 18, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bradenton, Florida  
May 18, 2016



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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, 2015. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$185.4 million (*net position*). Of this amount, \$15.6 million, or 8.4% (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. Governmental activities accounts for 45.7% of total net position while business-type activities made up the remaining 54.3%.
- The City's total net position overall decreased by \$3.7 million or 2.0% during the current fiscal year.
- The City's business-type activities reported total net position of \$100.7 million, which is a decrease of \$4.3 million, or 4.1%, in comparison to the prior year.
- The City's governmental activities reported total net position of \$84.7 million, which is an increase of \$.7 million, or 0.8%, 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 \$24.7 million, a decrease of \$3.6 million in comparison with the prior year. Approximately 20.0% of this total amount, \$5.0 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 \$8.3 million or 34.7% of the general fund expenditures and other financing uses. The \$5.0 million in *unassigned fund balance* includes \$4.6 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 \$3.3 million compared to \$15.7 million in the prior year.
- The financial condition of the City continued to be strong in 2015. 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, and reserve levels are sufficient to respond in changing conditions.

## CITY OF MARCO ISLAND, FLORIDA

### **Overview of the Financial Statements**

This discussion and analysis 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 2015, the City has two major governmental funds: the General Fund 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.

## CITY OF MARCO ISLAND, FLORIDA

**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.

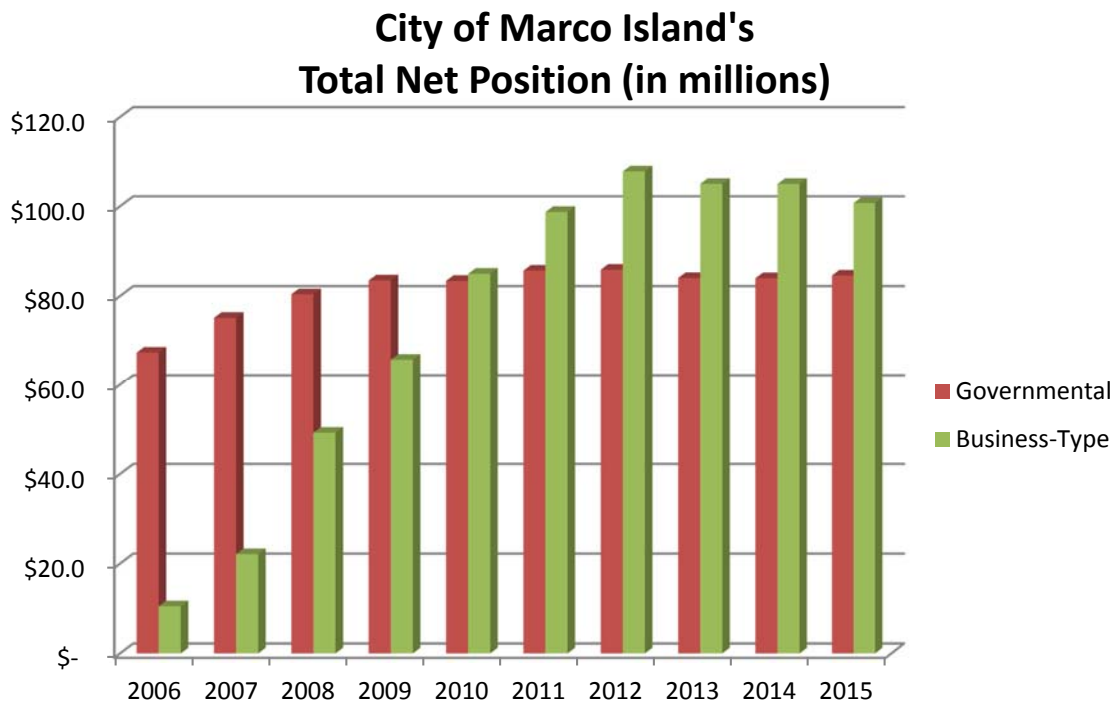
**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's defined benefit pension plans and budget-to-actual schedules for the City's General Fund.

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 exceeded liabilities by \$185.4 million at the close of the fiscal year. This was a decrease of approximately 2.0% compared to last year's net position of \$189 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 \$.7 million, or 0.8%, increase in total net position of governmental activities. This steadiness is primarily due to Council's desire to limit governmental debt and curb expenditures. In business-type activities, the \$4.3 million, or 4.1%, decrease in total net position is primarily due to the depreciation expense 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, 37.5%, reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment; all categories are net of depreciation), less any

**CITY OF MARCO ISLAND, FLORIDA**

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.

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 \$100.3 million or 54.1% of net position as of the end of the fiscal year.

The remaining balance of unrestricted net position (\$15.6 million or 8.4%) may be used to meet the City's ongoing obligations to citizens and creditors. The amount of the City's total unrestricted position decreased by \$9.8 million compared to last fiscal year with the majority of the decrease occurring in the water and sewer utility system's net position. Approximately \$9 million in additional funds were restricted over the last fiscal year as a result of City Council's approval to issue the 2013 bond series to refinance the 2003 bond series as it requires an annual allocation 12.5% for renewal, replacement, improvements (RR&I) and capital reserves.

The following schedule is a summary of the fiscal 2015 Statement of Net Position with comparative information for fiscal 2014.

**Summary Statement of Net Position (in \$ millions)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 30.1	\$ 33.0	\$ 96.1	\$ 93.5	\$ 126.2	\$ 127
Capital assets	73.6	71.0	207.4	221.5	281.0	292.4
Total Assets	103.7	104.0	303.4	315.0	407.2	419.0
Deferred outflows of resources	4.3	-	1.0	1.3	5.3	1.3
Current liabilities	3.6	2.9	4.5	5.5	8.1	8.4
Long-term debt and other liabilities	19.6	17.1	199.3	206.7	219.0	223.8
Total Liabilities	23.3	20.0	203.8	211.3	227.1	232.2
Deferred inflows of resources	0.7	-	-	-	0.7	-
Net Position:						
Net investment in capital assets	59.8	55.7	9.8	16.7	69.6	72.4
Restricted	13.5	19.3	86.8	71.9	100.3	91.2
Unrestricted	10.7	9.0	4.1	16.4	14.8	25.4
Total Net Position	\$ 84.0	\$ 84	\$ 100.7	\$ 105.0	\$ 184.6	\$ 189.0



**CITY OF MARCO ISLAND, FLORIDA**

The table below summarizes the City's Statement of Activities as of September 30, 2015 and 2014:

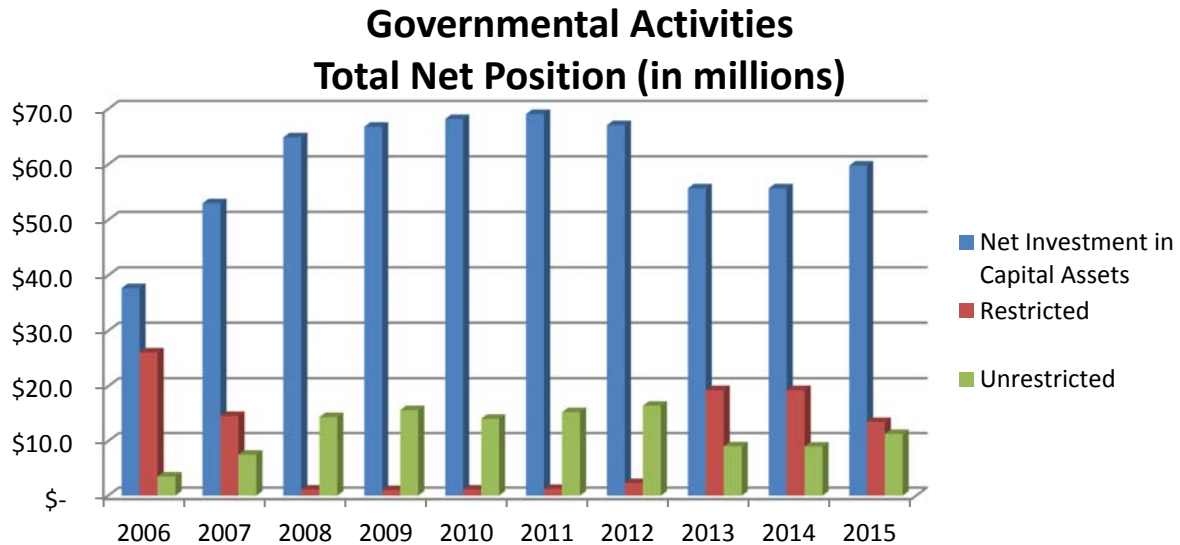
**Summary Statement of Activities (in \$ millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4.3	3.1	32.0	31.3	36.3	34.4
Operating grants and contributions	1.2	1.4	-	-	1.2	1.4
Capital grants and contributions	1.7	0.8	-	-	1.7	0.8
General revenues:						
Taxes	18.8	17.5	-	-	18.8	17.5
Other general revenues	3.0	2.8	2.0	2.0	5.0	4.8
Total Revenues	<u>29.0</u>	<u>25.6</u>	<u>34.0</u>	<u>33.3</u>	<u>63.0</u>	<u>58.9</u>
Expenses:						
Governmental activities:						
General government	4.9	4.7	-	-	4.9	4.7
Public safety	11.9	11.4	-	-	11.9	11.4
Transportation	8.2	8.2	-	-	8.2	8.2
Culture and recreation	1.0	0.9	-	-	1.0	0.9
Interest on long-term debt	0.3	0.5	-	-	0.3	0.5
Business-type activities:						
Water and sewer	-	-	37.7	36.9	37.7	36.9
Recreation	-	-	0.4	0.4	0.4	0.4
Total Expenses	<u>26.3</u>	<u>25.7</u>	<u>38.1</u>	<u>37.3</u>	<u>64.4</u>	<u>63.0</u>
Excess revenues over expenses before transfers	<u>2.7</u>	<u>(0.1)</u>	<u>(4.1)</u>	<u>(4.0)</u>	<u>(1.4)</u>	<u>(4.1)</u>
Transfers	<u>(0.5)</u>	<u>(0.5)</u>	<u>0.5</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
Change in net position	2.2	(0.6)	(3.6)	(3.5)	(1.4)	(4.1)
Net position, beginning as previously stated	84.0	84.7	105.0	109.6	189.0	194.3
Restatement of fund balances; See note 1.(f)	(2.2)	(0.1)	(0.7)	(1.1)	(2.9)	(1.2)
Net position, beginning as restated	<u>81.8</u>	<u>84.6</u>	<u>104.3</u>	<u>108.5</u>	<u>186.1</u>	<u>193.1</u>
Net Position, end of year	<u>\$ 84.0</u>	<u>84.0</u>	<u>100.7</u>	<u>105.0</u>	<u>184.7</u>	<u>189.0</u>

## CITY OF MARCO ISLAND, FLORIDA

### Government Activities:

The total net position of the City's governmental activities decreased \$.03 million from \$84.03 million last fiscal year to \$84.00 million in the current fiscal year. The revenues were used to fund normal operating expenses and infrastructure projects. 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:

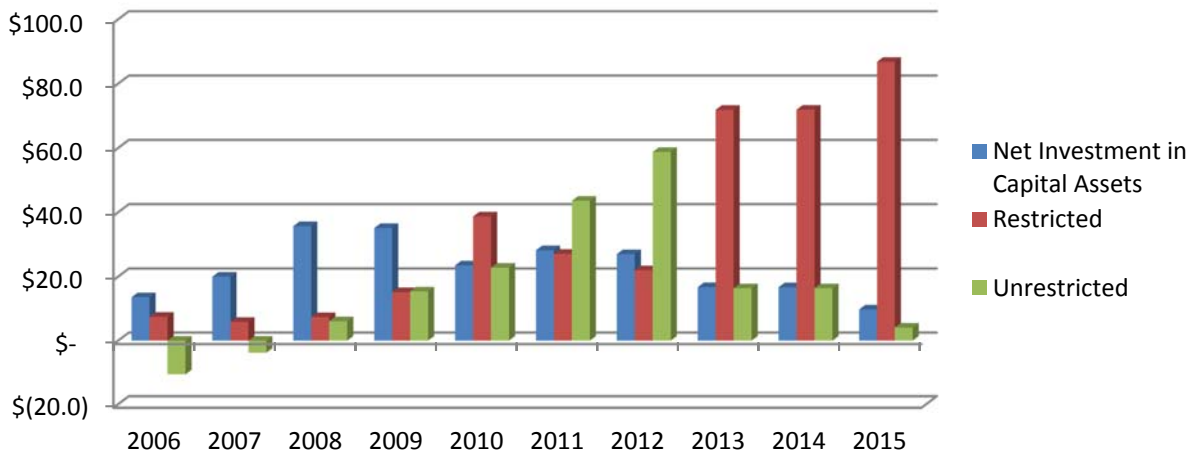


### Business-type Activities:

The City's total net position of the business-type activities decreased by \$4.3 million, or 4.1%, from \$105 million last fiscal year to \$100.7 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 investment in capital assets decreased from last year by \$8.1 million, or 48.5%, however, it decreased primarily due to additional depreciation taken on existing assets.

### Business-type Activities Total Net Position (in millions)



#### **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*.

**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 \$24.7 million, a decrease of \$3.6 million in comparison with the prior year. This decrease resulted primarily due to the use of funds in capital outlay expenditures.

*Assigned and unassigned fund balance* is the portion of fund balance available for spending at the City's discretion. This year 45.3% of the total governmental fund balance constitutes assigned and unassigned fund balance. Of this amount, the Council has assigned or indicated its intention that \$6.2 million be used for the use of on-going capital improvement projects. Approximately \$5.0 million, including the City's financial reserve of \$4.6 million, is unassigned and available for future spending or emergencies and contingencies. The remaining \$.4 million in unassigned fund balance is available for new spending.

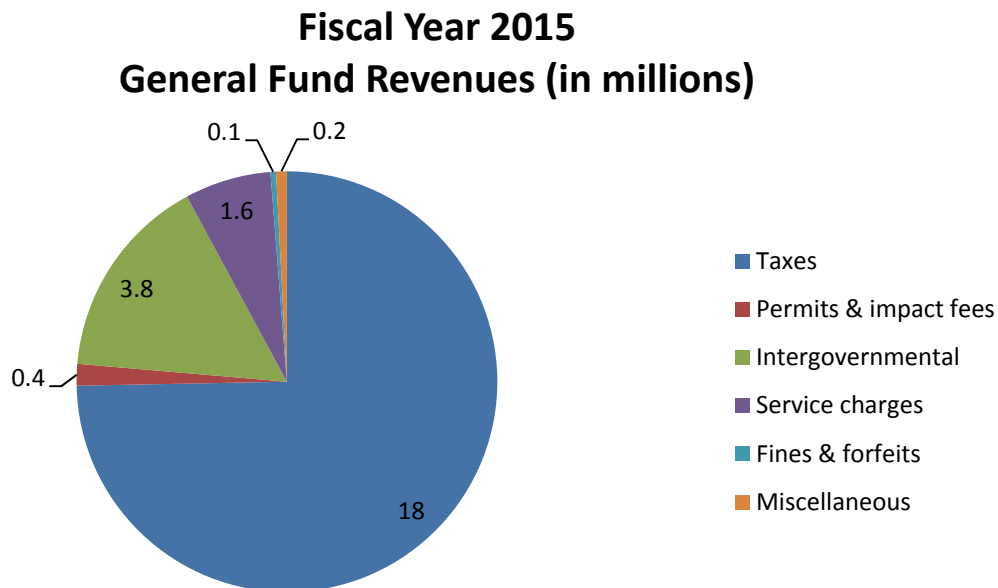
The remainder of fund balance is *committed* (internal) or *restricted* (external) to indicate it is not available for new spending because it has already been appropriated by enabling legislation for specific purposes, including debt service, parks construction, road construction, and public safety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

## CITY OF MARCO ISLAND, FLORIDA

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.

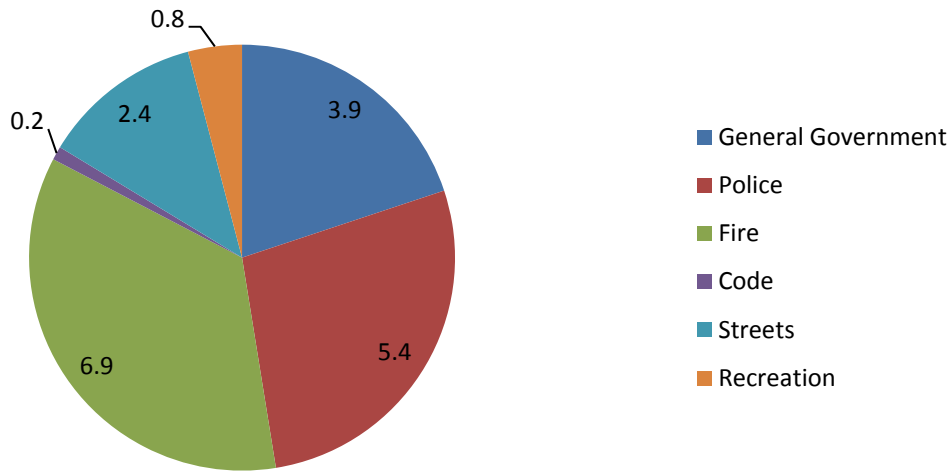
At the end of the current fiscal year, the general fund's total fund balance is \$8.3 million. The City has a long history of planning for contingencies and has a financial reserve policy which sets aside a 25% reserve of the prior year's budget, or approximately four months of normal general fund operating 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 with other taxes, user fees, and charges for services. Total revenues increased \$1.4 million compared to last year. The pie chart below shows the breakdown by percentage of general fund revenues by type.



Total general fund operating expenditures increased by \$1.9 million. Public safety expenditures increased by \$1.6 million due to increases in the number of staff and related personnel costs, including benefits. 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 2015 general fund expenditures by department category.

**Fiscal Year 2015  
General Fund Expenditures (in millions)**



The capital projects fund is the City’s other major fund. Since its incorporation in 1997, the City has embarked upon major infrastructure projects throughout the city limits. Current projects focus on the on the replacement of the Smokehouse Bay Bridge and repair of other bridges, road surfaces, drainage lines and maintenance of existing infrastructure and improvements to parks and open spaces for community events. An asset replacement fund was created in fiscal year 2010 to minimize this condition by allowing for a build up of reserves which can be used in future years. During fiscal year ended September 30, 2015, \$9.3 million in capital projects were completed, primarily the Smokehouse Bay Bridge, with \$6 million funded by bond proceeds and \$2.2 million from the asset replacement fund. The balance was funded by general fund transfers of \$4.2 million to the capital projects fund during the fiscal year.

**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 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 \$3.3 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 began several major multi-year capital construction projects during 2006 and the City Council determined that it was 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.

## CITY OF MARCO ISLAND, FLORIDA

Overall, the water and sewer utility fund's net position as shown on the fund financial statements decreased by \$4.6 million from \$104.3 million in the prior year to \$99.7 million at the end of this fiscal year. The majority of the decrease is a result of depreciation expense and its effect on net investment in capital assets. Operating revenues for the proprietary fund increased by \$.6 million, or 2.0%, and operating expenses not including depreciation and amortization costs increased by \$0.7, or 5.8%, compared to the prior year. Interest income remained constant with the prior year. Interest expense also decreased by \$0.2 million, or 2.9%. Operating income before non-operating revenues, capital contributions, and transfers was \$2.2 million this fiscal year compared to \$2.5 million last fiscal year, representing a decrease of \$.3 million primarily due to increase in the costs of utilities and additional amounts for repairs and maintenance. 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**

The difference between the original budget and the final amended budget of the City's general fund was an increase in net appropriations of \$377,710. 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 was \$1.3 million more than budgeted. This increase was from a conservative budget approach on sales tax revenue which resulted in an excess of \$0.3 million in revenues than expected. Likewise, permit and impact fees exceeded budget by \$0.3 million. Communications service tax revenue (CST) was \$9,099 less than expected and \$16,149 less than last year. In the long term we expect a downward trend in CST revenue due to the shift in telecommunications from land lines to wireless devices. Overall, departmental expenditures were in line with budgeted expenditures. Growth Management expenditures were significantly less than budgeted due to the turnover in staff.

**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 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."

## CITY OF MARCO ISLAND, FLORIDA

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, 2015, 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, 2015, the City was in compliance with the Charter Spending Cap:

Expenditures fiscal year 2015	
General Fund	\$ 17,999,204
General Fund Transfer to Capital Projects Fund	5,832,451
Debt Service	<u>1,774,051</u>
TOTAL OF ALL FUNDS SUBJECT TO SPENDING CAP	25,605,706
Less expenditures funded by grants and gifts	(1,684,416)
Less expenditures funded by enterprise funds	<u>(949,317)</u>
<b>Fiscal Year 2015 expenditures subject to Spending Cap</b>	<b><u>22,971,973</u></b>
Plus percentages permitted by City Charter	
3% general expenditures increase	689,159
1.7% expected COLA released in October 2014	<u>390,524</u>
Total percentage increase permitted	<u>1,079,683</u>
<b>Fiscal Year 2016 Spending Cap</b>	<b><u>24,051,656</u></b>

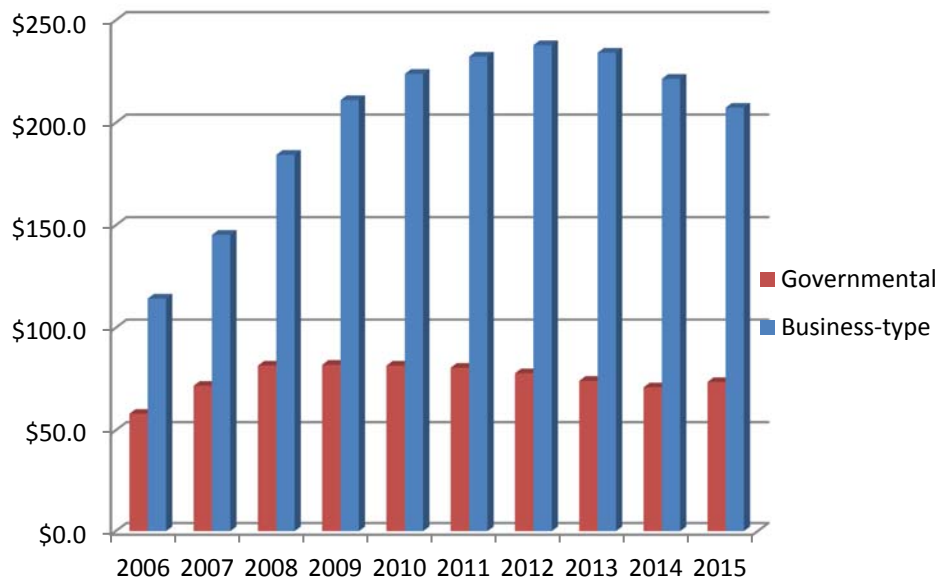
Effective October 1, 2015, the fiscal year 2016 General Fund Budget approved by City Council was \$23,907,625. Annual contributions committed to the asset replacement reserve fund are covered by the spending cap while future expenditures from the fund will be exempt from the spending cap.

### 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.

## CITY OF MARCO ISLAND, FLORIDA

### City of Marco Island's Capital Assets, Net (in Millions)



**Capital Assets:** The City's capital assets balance (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2015, was \$281 million. The amount of net capital assets includes land, buildings, and improvements other than buildings, machinery and equipment.

The \$2.6 million increase in governmental capital assets, net of depreciation, is primarily due to the completion of projects and acquisition of vehicles and equipment. The \$14.1 million decrease business-type capital assets, net of depreciation, is primarily due to depreciation expense on the City's infrastructure. 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.

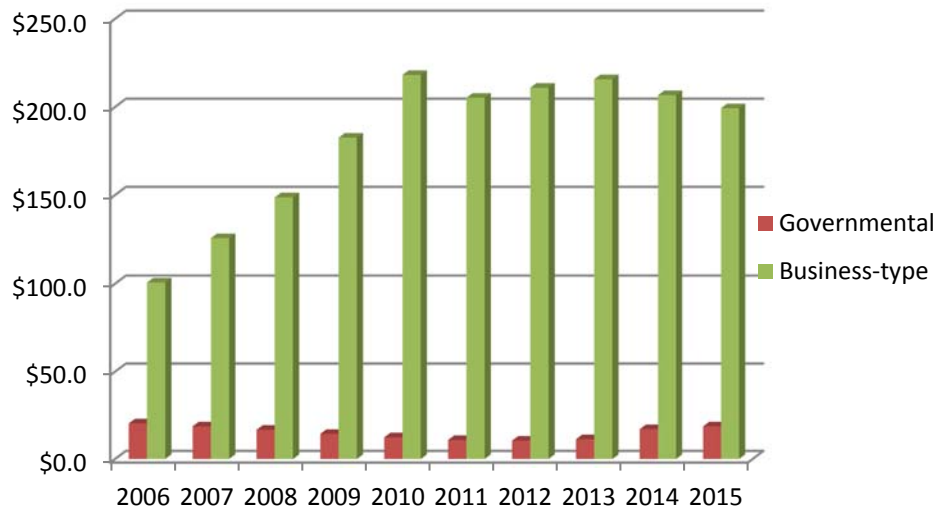
At the end of the current year, the City had total long-term debt (excluding accrued compensated absences, OPEB liability, and deferred assessments) outstanding of \$212.4 million. Of this amount \$13.8 million is considered governmental obligations and the remaining \$198.6 million is business-type debt which is secured solely by specified water and sewer utility fund revenue sources.

Of the \$13.8 million in governmental debt, \$3.8 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 partially refunded by the 2014 general obligation series. Sales tax revenue was pledged to cover \$2.9 million in governmental debt. Capital leases of \$1 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 project.



## CITY OF MARCO ISLAND, FLORIDA

### 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 \$49.8 million is in place. The remaining \$149.5 million of the total \$199.3 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

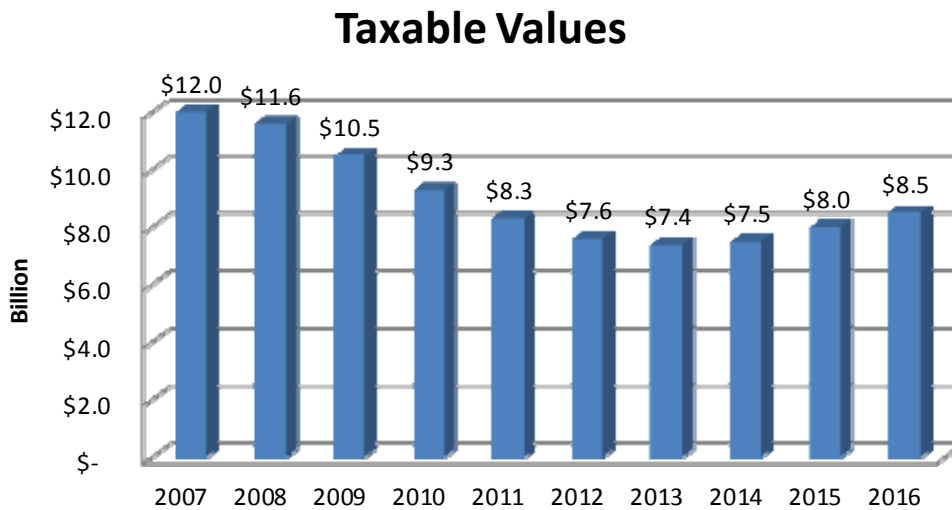
## CITY OF MARCO ISLAND, FLORIDA

residents and tourists. The City is the second largest municipality (after the City of Naples) located in Collier County.

The County's median age of 48 is nearly 7 years older than the state's median age. More than 28% of the county's residents are 65 or older, compared with 18.2% statewide. Per the U.S. Department of Labor, the unemployment rate for Collier County is currently 4.7%, the same as 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 3.5% compared to 2014 with the majority being Floridians at 37.8%, out-of-state at 34.7%, and the remaining 27.5% from other countries.

**Property Values and Taxes:** 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 2015 taxable value is approximately \$8.0 billion which reflects an increase of 6.7% from the fiscal 2014 value. The City's fiscal 2016 taxable value is \$8.5 billion which reflects an increase of 6.3% from the fiscal 2015 value.



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. The City's total current year maximum aggregate rolled-back rate based on the legislative changes is 1.9866 mils.

## CITY OF MARCO ISLAND, FLORIDA

City residents enjoy a standard operating millage rate of 2.0466 mills in fiscal year 2015 that is only .1761 more than the pre-incorporation millage rate of 1.8705 from 1997 while services were expanded to include a local police presence, 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. The City has made a practice of living within its means. During the housing bubble expansion, many local governments throughout the State increased services and expanded their budgets while the City has made a practice of living within its means. Those same governments have endured severe cuts due to the unsustainable growth that the housing bubble created while the City has enjoyed a relative flat change to its millage rates.

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 18%. What this means to taxpayers is that 18 cents of every \$1 on the property tax bill is distributed for use within the City limits. 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 fresh water consumption over the past few years has been declining; the wastewater production is growing as more properties are connecting to the central sewer system as part of the seven-year Septic Tank Replacement Program (STRP). 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.

Total water and sewer utility revenue increased \$.6 million, or 2.0%, compared to last year primarily due to the rate increase implemented and the addition of new customers. 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 refinancing of those bonds resulted in the release of reserves in the amount of \$6.6 million and a debt service reduction in the amount of \$3.4 million over the remaining life of the bonds.

## CITY OF MARCO ISLAND, FLORIDA

**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 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 increased by 9.3% compared to last fiscal year, and the tax levy in the Hideaway Beach District was lowered to 1.5 mils from the last fiscal year at 2.0 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](http://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, 2015

Assets	Primary Government			Component Unit Hideaway Beach
	Governmental Activities	Business-type Activities	Total	
Cash and investments	\$ 11,851,789	7,487,716	19,339,505	1,355,813
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	183,211	2,577,729	2,760,940	-
Assessments, current portion	-	1,020,876	1,020,876	-
Assessments, interest	-	2,636,700	2,636,700	-
Accrued interest	903	89,880	90,783	-
Internal balances	(910,766)	910,766	-	-
Due from other governments	1,284,553	-	1,284,553	-
Prepaid items	39,650	21,600	61,250	-
Restricted cash and investments	17,683,960	57,690,917	75,374,877	-
Assessments receivable	-	23,649,749	23,649,749	-
Capital assets				
Land and land improvements	15,363,360	17,415,059	32,778,419	-
Buildings and utility plants	10,060,956	6,740,659	16,801,615	-
Improvements other than buildings	-	126,222,666	126,222,666	-
Infrastructure	86,776,030	89,195,785	175,971,815	-
Equipment	9,186,341	67,873,367	77,059,708	-
Accumulated depreciation	(58,502,474)	(106,213,252)	(164,715,726)	-
Construction in progress	10,724,719	6,121,396	16,846,115	-
Net capital assets	<u>73,608,932</u>	<u>207,355,680</u>	<u>280,964,612</u>	-
Total assets	<u>103,742,232</u>	<u>303,441,613</u>	<u>407,183,845</u>	<u>1,355,813</u>
Deferred Outflows of Resources				
Deferred amount on pension plans	4,254,566	-	4,254,566	-
Deferred amount on refunding debt	-	1,047,453	1,047,453	-
Total deferred outflows of resources	<u>4,254,566</u>	<u>1,047,453</u>	<u>5,302,019</u>	-

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

September 30, 2015

Liabilities	Primary Government		Total	Component Unit Hideaway Beach
	Governmental Activities	Business-type Activities		
Accounts payable and other current liability: \$	3,479,674	874,422	4,354,096	21,480
Customer deposits	3,000	17,234	20,234	-
Accrued interest payable	139,117	3,594,523	3,733,640	-
Total current liabilities	<u>3,621,791</u>	<u>4,486,179</u>	<u>8,107,970</u>	<u>21,480</u>
Noncurrent liabilities				
Bonds, notes, and capital leases, net of unamortized discounts and premiums				
Due within one year	1,813,937	7,908,347	9,722,284	-
Due in more than one year	12,022,373	190,715,602	202,737,975	-
Compensated absences				
Due within one year	286,498	114,236	400,734	-
Due in more than one year	867,547	328,598	1,196,145	-
Other post employment benefits	695,786	272,841	968,627	-
Net pension liability	3,943,120	-	3,943,120	-
Total noncurrent liabilities	<u>19,629,261</u>	<u>199,339,624</u>	<u>218,968,885</u>	<u>-</u>
Total liabilities	<u>23,251,052</u>	<u>203,825,803</u>	<u>227,076,855</u>	<u>21,480</u>
Deferred Inflows of Resources				
Deferred amount on pension plans	739,706	-	739,706	-
Total Deferred Inflows of Resources	<u>739,706</u>	<u>-</u>	<u>739,706</u>	<u>-</u>
Net investment in capital assets	59,772,622	9,779,184	69,551,806	-
Restricted for				
Capital Outlay	-	7,774,613	7,774,613	-
Debt Service	2,088,333	71,634,107	73,722,440	-
Renewal and replacements	6,934,153	3,426,897	10,361,050	-
Impact and public safety programs	1,774,814	3,916,969	5,691,783	-
Building services	2,707,866	-	2,707,866	-
Unrestricted	<u>10,728,252</u>	<u>4,131,493</u>	<u>14,859,745</u>	<u>1,334,333</u>
Total net position	<u>\$ 84,006,040</u>	<u>100,663,263</u>	<u>184,669,303</u>	<u>1,334,333</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Activities  
Year Ended September 30, 2015

Functions/programs	Program Revenues			Net (expense) revenue and change in net position			Component Unit Hideaway Beach District	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		Totals
Primary government								
Governmental activities								
General government	\$ 3,606,985	1,275,340	-	-	(2,331,645)	-	(2,331,645)	
Police services	4,649,873	92,350	-	-	(4,557,523)	-	(4,557,523)	
Fire and rescue	6,976,645	390,964	228,659	11,345	(6,345,677)	-	(6,345,677)	
Code compliance	276,394	58,521	-	-	(217,873)	-	(217,873)	
Building services	1,307,860	2,171,503	-	-	863,643	-	863,643	
Transportation	8,156,383	200,000	1,000,000	1,426,736	(5,529,647)	-	(5,529,647)	
Physical Environment	-	-	10,000	216,435	226,435	-	226,435	
Culture and recreation	964,037	73,185	-	-	(890,852)	-	(890,852)	
Interest on long-term debt	331,004	-	-	-	(331,004)	-	(331,004)	
Total governmental activities	26,269,181	4,261,863	1,238,659	1,654,516	(19,114,143)	-	(19,114,143)	
Business-type activities								
Water and sewer	37,714,287	31,566,605	-	-	(6,147,682)	-	(6,147,682)	
Recreation	405,520	391,887	-	-	(13,633)	-	(13,633)	
Total business-type activities	38,119,807	31,958,492	-	-	(6,161,315)	-	(6,161,315)	
Total primary government	\$ 64,388,988	36,220,355	1,238,659	1,654,516	(19,114,143)	-	(25,275,458)	
Component unit								
Hideaway Beach District	\$ 108,444	-	-	-	-	-	(108,444)	
General revenues								
Taxes								
Property taxes					16,562,644	-	16,562,644	
Communication service tax					899,099	-	899,099	
Other taxes					1,361,675	-	1,361,675	
State share revenue - unrestricted					2,544,704	-	2,544,704	
Interest					197,983	1,854,232	2,052,215	
Miscellaneous revenues (expenses)					235,672	137,712	373,384	
Transfers					(533,737)	533,737	-	
Total general revenues and transfers					21,268,040	2,525,681	23,793,721	
Change in net position					2,153,897	(3,635,634)	(1,481,737)	
Net position, beginning as previously stated					84,038,942	104,996,980	189,035,922	
Restatement of fund balances; See note 1.(f)					(2,186,799)	(698,083)	(2,884,882)	
Net position, beginning as restated					81,852,143	104,298,897	186,151,040	
Net position, ending					\$ 84,006,040	100,663,263	184,669,303	

See accompanying notes to financial statements.



**CITY OF MARCO ISLAND, FLORIDA**

Balance Sheet  
Governmental Funds  
September 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Pooled cash and cash equivalents	\$ 8,747,498	-	-	-	8,747,498
Receivables					
Accounts, net	28,505	-	-	134,345	162,850
Interest	903	-	-	-	903
Due from other governments	900,323	-	384,230	-	1,284,553
Due from other funds	111,964	-	-	-	111,964
Prepaid items	23,435	-	-	-	23,435
Restricted cash and cash equivalents	295,418	2,088,333	12,544,905	2,755,304	17,683,960
Total assets	\$ <u>10,108,046</u>	<u>2,088,333</u>	<u>12,929,135</u>	<u>2,889,649</u>	<u>28,015,163</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,424,867	-	1,437,635	20,887	2,883,389
Accrued liabilities	329,347	-	-	26,613	355,960
Customer deposits	3,000	-	-	-	3,000
Due to other funds	-	-	-	106,049	106,049
Total liabilities	<u>1,757,214</u>	<u>-</u>	<u>1,437,635</u>	<u>153,549</u>	<u>3,348,398</u>
<b>Fund balances</b>					
<b>Restricted</b>					
Parks construction and operation	285,885	-	-	-	285,885
Road construction	1,185,902	-	-	-	1,185,902
Fire services	185,080	-	-	-	185,080
Police services	117,947	-	-	-	117,947
Debt service	-	2,088,333	-	-	2,088,333
Building services	-	-	-	2,707,866	2,707,866
<b>Committed</b>					
Unfunded Pension Liabilities	1,609,381	-	-	-	1,609,381
Asset replacement	-	-	5,324,772	-	5,324,772
<b>Assigned</b>					
Capital projects	-	-	6,166,728	28,234	6,194,962
<b>Unassigned</b>					
Unassigned	4,966,637	-	-	-	4,966,637
Total fund balances	<u>8,350,832</u>	<u>2,088,333</u>	<u>11,491,500</u>	<u>2,736,100</u>	<u>24,666,765</u>
Total liabilities and fund balances	\$ <u>10,108,046</u>	<u>2,088,333</u>	<u>12,929,135</u>	<u>2,889,649</u>	<u>28,015,163</u>

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, 2015

Total fund balances governmental funds	\$	24,666,765
Total net assets 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.		73,608,932
Accrued long term debt interest expense is not a financial use and, therefore is not reported in the funds.		(139,117)
Long term liabilities, including long-term debt, compensated absences, and other post-employment benefits are not due and payable in the current period, and therefore are not reported in the funds.		(15,686,141)
Net pension liabilities are long term and are not due and payable in the current period, and therefore are not reported in the funds.		(3,943,120)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		3,514,860
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.		<u>1,983,861</u>
Net position of governmental activities	\$	<u>84,006,040</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, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 18,022,719	800,699	-	-	18,823,418
Permits, fees and assessments	367,087	-	-	2,171,503	2,538,590
Intergovernmental	3,773,363	-	704,415	11,345	4,489,123
Charges for services	1,643,173	-	-	-	1,643,173
Fines and forfeitures	80,100	-	-	-	80,100
Interest	118,405	7,360	62,573	9,645	197,983
Miscellaneous	110,648	25	938,755	135,000	1,184,428
<b>Total revenues</b>	<b>24,115,495</b>	<b>808,084</b>	<b>1,705,743</b>	<b>2,327,493</b>	<b>28,956,815</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	3,924,957	-	-	-	3,924,957
Police services	5,361,827	-	-	-	5,361,827
Fire and rescue	6,899,547	-	-	11,345	6,910,892
Code compliance	273,598	-	-	-	273,598
Building services	-	-	-	1,298,109	1,298,109
Transportation	2,397,638	-	-	-	2,397,638
Culture and recreation	802,469	-	-	-	802,469
<b>Debt service</b>					
Principal	-	1,443,047	-	-	1,443,047
Interest and fiscal charges	-	331,004	-	-	331,004
Capital outlay	-	-	8,845,007	483,230	9,328,237
<b>Total expenditures</b>	<b>19,660,036</b>	<b>1,774,051</b>	<b>8,845,007</b>	<b>1,792,684</b>	<b>32,071,778</b>
Excess (deficiency) of revenues over (under) expenditures	4,455,459	(965,967)	(7,139,264)	534,809	(3,114,963)
<b>Other financing sources (uses)</b>					
Transfers in	-	1,292,335	2,462,399	375,000	4,129,734
Transfers out	(4,598,471)	-	-	(65,000)	(4,663,471)
<b>Total other financing sources (uses)</b>	<b>(4,598,471)</b>	<b>1,292,335</b>	<b>2,462,399</b>	<b>310,000</b>	<b>(533,737)</b>
Change in fund balances	(143,012)	326,368	(4,676,865)	844,809	(3,648,700)
Fund balances, beginning of year	8,493,844	1,761,965	16,168,365	1,891,291	28,315,465
Fund balances, end of year	\$ 8,350,832	2,088,333	11,491,500	2,736,100	24,666,765

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, 2015

Net change in fund balance - governmental funds	\$	(3,648,700)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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 (\$9,328,237) exceeded depreciation (\$6,697,897) in the current period.</p>		
		2,630,340
<p>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.</p>		
Principal payments on debt		1,165,000
Principal payments on capital lease		278,047
<p>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.</p>		
Changes in compensated absences		28,036
Accrued interest		(65,339)
Other post-employment benefits		(76,231)
<p>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.</p>		
Pension expense		1,255,910
<p>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 (expense) of internal service funds reported in governmental activities.</p>		
		586,834
Change in net position of governmental activities	\$	2,153,897

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

Proprietary Funds

September 30, 2015

Assets	Business-type Activities—Enterprise Funds			Governmental Activities—
	Water and Sewer	Recreation (Nonmajor)	Total	Internal Service Fund
<b>Current assets</b>				
Pooled cash and cash equivalents	\$ 7,487,716	-	7,487,716	3,104,291
Accounts receivable, net	2,577,729	-	2,577,729	20,361
Prepaid items	21,600	-	21,600	16,215
Assessments receivable - current portion	1,020,876	-	1,020,876	-
Assessments interest receivable	2,636,700	-	2,636,700	-
Interest receivable	89,880	-	89,880	-
Restricted cash and cash equivalents	40,863,307	-	40,863,307	-
<b>Total current assets</b>	<b>54,697,808</b>	<b>-</b>	<b>54,697,808</b>	<b>3,140,867</b>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	16,827,610	-	16,827,610	-
Assessments receivable	23,649,749	-	23,649,749	-
<b>Capital assets</b>				
Land	17,415,059	-	17,415,059	-
Transmissions and distributions	126,222,666	-	126,222,666	-
Infrastructure	89,195,785	-	89,195,785	-
Buildings and improvements	6,676,805	63,854	6,740,659	-
Vehicles and equipment	67,797,455	75,912	67,873,367	-
Construction in progress	6,121,396	-	6,121,396	-
Accumulated depreciation	(106,119,595)	(93,657)	(106,213,252)	-
Net capital assets	207,309,571	46,109	207,355,680	-
<b>Total noncurrent assets</b>	<b>247,786,930</b>	<b>46,109</b>	<b>247,833,039</b>	<b>-</b>
<b>Total assets</b>	<b>302,484,738</b>	<b>46,109</b>	<b>302,530,847</b>	<b>3,140,867</b>
<b>Deferred outflows of resources</b>				
Deferred amounts on refunding debt	1,047,453	-	1,047,453	-
<b>Total deferred inflows of resources</b>	<b>1,047,453</b>	<b>-</b>	<b>1,047,453</b>	<b>-</b>

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

Proprietary Funds

September 30, 2015

	<u>Business-type Activities—Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and</u>	<u>Recreation</u>	<u>Total</u>	<u>Activities—</u>
	<u>Sewer</u>	<u>(Nonmajor)</u>		<u>Internal</u>
				<u>Service Fund</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 691,208	29,660	720,868	18,152
Accrued liabilities	149,075	3,713	152,788	222,172
Due to other funds	-	5,915	5,915	-
Accrued interest	3,594,523	-	3,594,523	-
Customer deposits	18,000	-	18,000	-
Compensated absences, current portion	114,236	-	114,236	-
Bonds payable, current portion	5,069,013	-	5,069,013	-
Notes payable, current portion	2,839,334	-	2,839,334	-
Total current liabilities	<u>12,475,389</u>	<u>39,288</u>	<u>12,514,677</u>	<u>240,324</u>
Noncurrent liabilities				
Compensated absences	328,598	-	328,598	-
Bonds payable	139,257,719	-	139,257,719	-
Notes payable	51,457,883	-	51,457,883	-
Other post-employment benefits	272,841	-	272,841	-
Total noncurrent liabilities	<u>191,317,041</u>	<u>-</u>	<u>191,317,041</u>	<u>-</u>
Total liabilities	<u>203,792,430</u>	<u>39,288</u>	<u>203,831,718</u>	<u>240,324</u>
<b>Net Position</b>				
Net investment in capital assets	9,733,075	46,109	9,779,184	-
Restricted				
Capital Reserve	7,774,613	-	7,774,613	-
Debt service	71,634,107	-	71,634,107	-
Renewal and replacement	3,426,897	-	3,426,897	-
Impact and public safety programs	3,916,969	-	3,916,969	-
Unrestricted	3,254,100	(39,288)	3,214,812	2,900,543
Net position	<u>\$ 99,739,761</u>	<u>6,821</u>	<u>99,746,582</u>	<u>2,900,543</u>
Adjustment to reflect internal service fund activities reflected in enterprise funds			<u>916,681</u>	
Net position, business-type activities			<u>\$ 100,663,263</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, 2015

	<u>Business-type Activities—Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Recreation (Nonmajor)</u>	<u>Total</u>	<u>Activities— Internal Service Fund</u>
Operating revenues				
Charges for services				
Total operating revenues	\$ 31,566,605	453,151	32,019,756	1,547,277
Operating expenses				
Personal services	5,463,630	163,454	5,627,084	-
Insurance	762,948	-	762,948	832,115
Utilities	2,050,696	22,844	2,073,540	-
Contractual fees	1,212,428	50,412	1,262,840	-
Repairs and maintenance	1,049,071	10,534	1,059,605	-
Supplies	1,274,999	56,651	1,331,650	-
Rental and lease costs	10,062	510	10,572	-
Other expenses	888,240	90,140	978,380	-
Amortization	113,651	-	113,651	-
Depreciation	16,562,425	10,975	16,573,400	-
Total operating expenses	29,388,150	405,520	29,793,670	832,115
Operating income (loss)	2,178,455	47,631	2,226,086	715,162
Nonoperating revenues (expenses)				
Interest income	1,854,232	-	1,854,232	7,661
Interest expense	(8,298,417)	-	(8,298,417)	-
Miscellaneous expense	(163,709)	-	(163,709)	-
Other nonoperating income (expense)	69,373	-	69,373	-
Gain (loss) on sale of capital assets	7,075	-	7,075	-
Total nonoperating revenues (expenses)	(6,531,446)	-	(6,531,446)	7,661
Income (loss) before contributions and transfers	(4,352,991)	47,631	(4,305,360)	722,823
Transfers in	500,000	33,737	533,737	-
Change in net position	(3,852,991)	81,368	(3,771,623)	722,823
Net position, beginning as previously stated	104,290,835	(74,547)	104,216,288	2,177,720
Restatement of net position; See note 1.(f)	(698,083)	-	(698,083)	-
Net position, beginning of year	103,592,752	(74,547)	103,518,205	2,177,720
Net position, end of year	\$ 99,739,761	6,821	99,746,582	2,900,543
Adjustment to reflect the internal service fund activities related to the enterprise funds			135,989	
Change in net position, business-type activities			\$(3,635,634)	

See accompanying notes to financial statements.



## CITY OF MARCO ISLAND, FLORIDA

Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2015

	Business-type Activities—Enterprise Funds			Governmental
	Water and Sewer	Recreation (Nonmajor)	Total	Activities— Internal Service Fund
Cash flows from operating activities				
Cash received from customers and users	\$ 31,745,620	459,066	32,204,686	1,526,916
Cash payments to suppliers	(7,193,616)	(272,172)	(7,465,788)	(938,743)
Cash payments to employees for services	(5,415,455)	(220,631)	(5,636,086)	-
Net cash provided (used) by operating activities	<u>19,136,549</u>	<u>(33,737)</u>	<u>19,102,812</u>	<u>588,173</u>
Cash flows from noncapital financing activities				
Transfers	500,000	33,737	533,737	-
Net cash provided (used) by noncapital financing activities	<u>500,000</u>	<u>33,737</u>	<u>533,737</u>	<u>-</u>
Cash flows from capital and related financing activities				
Proceeds from special assessments	4,164,049	-	4,164,049	-
Proceeds from sale of capital assets	7,075	-	7,075	-
Principal paid on long-term debt	(7,269,924)	-	(7,269,924)	-
Interest paid on long-term debt	(8,386,313)	-	(8,386,313)	-
Acquisition and construction of capital assets	(2,466,943)	-	(2,466,943)	-
Net cash provided (used) by capital and related financing activities	<u>(13,952,056)</u>	<u>-</u>	<u>(13,952,056)</u>	<u>-</u>
Cash flows from investing activities				
Interest and investment earnings	1,854,232	-	1,854,232	7,661
Net cash provided (used) by investing activities	<u>1,854,232</u>	<u>-</u>	<u>1,854,232</u>	<u>7,661</u>
Net increase (decrease) in cash and cash equivalents	7,538,725	-	7,538,725	595,834
Cash and cash equivalents, beginning of year	57,639,908	-	57,639,908	2,508,457
Cash and cash equivalents, end of year	<u>\$ 65,178,633</u>	<u>-</u>	<u>65,178,633</u>	<u>3,104,291</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 2,178,455	47,631	2,226,086	715,162
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	16,676,076	10,975	16,687,051	-
Changes in assets and liabilities:				
Accounts receivable	179,015	-	179,015	(20,361)
Prepays and other assets	(21,600)	-	(21,600)	(16,215)
Accounts payable	70,428	(41,081)	29,347	15,289
Accrued liabilities	9,149	(57,177)	(48,028)	(105,702)
Due to other funds	-	5,915	5,915	-
Customer deposits	6,000	-	6,000	-
Compensated absences	1,171	-	1,171	-
Other post-employment benefits	37,855	-	37,855	-
Net cash provided (used) by operating activities	<u>\$ 19,136,549</u>	<u>(33,737)</u>	<u>19,102,812</u>	<u>588,173</u>
Reconciliation of cash and cash equivalents				
Pooled cash and cash equivalents	\$ 7,487,716	-	7,487,716	3,104,291
Restricted cash and cash equivalents	57,690,917	-	57,690,917	-
	<u>\$ 65,178,633</u>	<u>-</u>	<u>65,178,633</u>	<u>3,104,291</u>

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2015

	<b><u>Pension Trust Funds</u></b>
Assets	
Cash and cash equivalents	\$ 2,440,727
Contributions receivable	608,350
Investments, at fair value	
Government bonds	4,482,491
Corporate bonds	4,148,346
Common stock	10,018,247
Accrued interest	3,896
Total investments	<u>18,652,980</u>
Total assets	<u>21,702,057</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net position	
Held in trust for pension benefits	\$ <u><u>21,702,057</u></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, 2015

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 3,215,851
Employee	31,394
State of Florida	<u>595,139</u>
Total contributions	<u>3,842,384</u>
Investment earnings	
Interest and dividend income	314,685
Net change in fair value of investments	(387,847)
Less investment expense	<u>(182,271)</u>
Net investment earnings	<u>(255,433)</u>
Total additions	<u>3,586,951</u>
Deductions	
Benefits paid	224,489
General administration	<u>97,822</u>
Total deductions	<u>322,311</u>
Change in net position	3,264,640
Net position, beginning of year	<u>18,437,417</u>
Net position, end of year	<u>\$ 21,702,057</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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Fiduciary funds of the government are also excluded from this presentation since these resources are not available for general government funding purposes.

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

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 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.

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

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.

**(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.

**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.

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, 2015:

(1) GASB Statement No. 68 *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

**(F) Restatement of Prior Year Balances**

The October 1, 2014, beginning net position of the governmental activities was restated due to the implementation of GASB 68. The effects to account for the beginning net pension liabilities and deferred outflows and inflows of resources are also shown below. The October 1, 2014, beginning net position of the business-type activities was restated due to the correction of a prior year error related to the assessments receivable balances.

*Governmental Activities*

Net position, October 1, 2014, previously stated	\$ 84,038,942
Restatement of net position due implementation of GASB 68	<u>(2,186,799)</u>
Net position, October 1, 2015, restated	<u>\$ 81,852,143</u>

*Business-type Activities*

Net position, October 1, 2014, previously stated	\$ 104,996,980
Restatement of net position due to prior year error correction	<u>(698,084)</u>
Net position, October 1, 2015, restated	<u>\$ 104,298,896</u>

*Restatement of net position due implementation of GASB 68*

Police net pension liability beginning balance	\$ 2,294,040
Prior year police pension plan contributions	(832,867)
Prior year police pension net pension asset	156,523
Fire net pension liability beginning balance	873,393
Prior year fire pension plan contributions	(1,222,431)
Prior year fire pension net pension asset	346,106
FRS net pension liability beginning balance	342,270
Prior year FRS pension plan contributions	(37,824)
HIS net pension liability beginning balance	271,053
Prior year HIS pension plan contributions	<u>(3,464)</u>
Total	<u>\$ 2,186,799</u>

**(G) 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



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

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 are 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 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.

**CITY OF MARCO ISLAND, FLORIDA**  
**NOTES TO 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.

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.

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

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

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 government'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.

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.

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

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 are classified as committed fund balances. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken by the City Council to remove or revise the limitation.

***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.

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 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 \$4,585,868 of the \$4,966,637 unassigned fund balance at September 30, 2015.

**(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

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

acquired using temporary financing which is later refunded when permanent bonds and notes are issued.

**(H) 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 \$8.0 billion for fiscal year 2015 and \$8.5 billion for fiscal year 2016. Details of the tax calendar are presented below:

Lien Date	January 1, 2014
Levy Date	November 1, 2014
Installment Payments	
First Installment	No Later Than June 30, 2014
Second Installment	No Later Than September 30, 2014
Third Installment	No Later Than December 31, 2014
Fourth Installment	No Later Than March 31, 2015
Regular Payments	
Discount Periods	November 2014 through February 2015
No Discount Period	After March 1, 2015
Delinquent Date	April 1, 2015

**(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, 2015, was 1.96. Current tax collections for the City were approximately 96.7% of the total tax levy.

**(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.

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

**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 2015 fiscal year, as adopted by City Council, was \$24,015,832. The final actual amount for the 2015 fiscal year was \$22,971,973, 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 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, the Florida Municipal Investment Trust, 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.

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

The Florida Municipal Investment Trust (Municipal Trust) 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. The Municipal Trust is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating policies consistent with the requirements for a “2a-7 like” pool.

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. In Florida, they are the largest independent trust company, and the fifth largest overall.

As of September 30, 2015, 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	\$ 11,349,795	-	-	-	-	11,349,795
Money Market Funds	12,545,485	-	-	-	-	12,545,485
U.S. Government Securities	-	-	-	-	4,282,125	4,282,125
FMIvT	-	-	67,892,790	-	-	67,892,790
Total Deposits and Investments	\$ <u>23,895,280</u>	<u>-</u>	<u>67,892,790</u>	<u>-</u>	<u>4,282,125</u>	<u>96,070,195</u>

Investments and cash held on deposit with banks for the discretely presented component unit as of September 30, 2015 is \$1,355,813.

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 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 \$4,282,125 in State of Wisconsin Build America Bonds, rated Aa2, 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 3 year high quality bonds with an AAA Standard & Poor's rating. External financial statements are available at [www.floridaleagueofcities.com/finance](http://www.floridaleagueofcities.com/finance). The City also uses Salem Trust in a custodial capacity for its debt services reserves as required to be set aside by the individual debt issues. The investments include both U.S. Government Securities and Money Market Funds.

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

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.

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

<u>Investment Type</u>	<u>Maximum Portfolio Allocation</u>	<u>Maximum Investment with any Institution</u>
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 a 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 authorized a maximum of 10% of funds to be invested in foreign securities.

The pension trust fund investments are determined by the Board of Trustees of each pension trust plan. The portfolios of the pension trust funds have long-term growth strategy and have a target allocation of 60% common stocks and 40% bond 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. The only fixed income mutual fund held by the Firefighters' Pension Plan, Black Rock Fund, has ratings between Baa2, 5.3% of total, and AAA, 54.7% of total, of the securities held in the Fund. The only fixed income mutual fund held by the Police Officers' Pension Plan, Black Rock Fund, has ratings between Baa2, 5.3% of total, and AAA, 54.7% of total, of the securities held in the Fund.



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

As of September 30, 2015, 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	\$ 53,712	-	-	-	-	53,712
Money Market Funds	2,387,015	-	-	-	-	2,387,015
Fixed Income Mutual Funds	-	-	8,630,837	-	-	8,630,837
Equity Mutual Funds	10,018,247	-	-	-	-	10,018,247
Total Deposits and Investments	\$ <u>12,458,974</u>	-	<u>8,630,837</u>	-	-	<u>21,089,811</u>

**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:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Water and Sewer</u>	
Receivables					
Accounts	\$ 280,143	384,230	134,345	2,609,806	3,408,524
Assessments	-	-	-	24,670,625	24,670,625
Due from other governments	900,323	-	-	-	900,323
Interest	903	-	-	89,880	90,783
Assessments, interest	-	-	-	2,636,700	2,636,700
Gross receivables	1,181,369	384,230	134,345	30,007,011	31,706,955
Less allowance for uncollectibles	<u>(251,638)</u>	-	-	<u>(32,077)</u>	<u>(283,715)</u>
Net total receivables	\$ <u>929,731</u>	<u>384,230</u>	<u>134,345</u>	<u>29,974,934</u>	<u>31,423,240</u>

**5. Inter-fund Receivables, Payables and Transfers**

For the year ended September 30, 2015, the General Fund recorded interfund receivables in the amount of \$111,964 to account for cash shortfalls of \$106,049 and \$5,915 in the Grants and Recreation Funds, respectively.

For the year ended September 30, 2015, the inter-fund transfers were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>					<u>Total</u>
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Water &amp; Sewer</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
General	\$ 1,292,335	2,397,399	500,000	375,000	33,737	4,598,471
Nonmajor Governmental	-	65,000	-	-	-	65,000
Total	\$ <u>1,292,335</u>	<u>2,462,399</u>	<u>500,000</u>	<u>375,000</u>	<u>33,737</u>	<u>4,663,471</u>

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, 2015, were as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 15,363,360	-	-	15,363,360
Construction in progress	2,334,133	8,390,586	-	10,724,719
Total capital assets not being depreciated	<u>17,697,493</u>	<u>8,390,586</u>	<u>-</u>	<u>26,088,079</u>
Capital assets being depreciated:				
Buildings and improvements	10,051,234	9,722	-	10,060,956
Vehicles and equipment	8,956,723	245,248	(15,630)	9,186,341
Road network	44,178,441	420,700	-	44,599,141
Storm water	15,974,392	71,116	-	16,045,508
Pathway	3,137,643	-	-	3,137,643
Parks	5,625,576	190,865	-	5,816,441
Bridge network	16,734,369	-	-	16,734,369
Beach and waterway	442,928	-	-	442,928
Total capital assets being depreciated	<u>105,101,306</u>	<u>937,651</u>	<u>(15,630)</u>	<u>106,023,327</u>
Accumulated depreciation for:				
Buildings and improvements	(3,906,712)	(463,328)	-	(4,370,040)
Vehicles and equipment	(6,346,266)	(1,126,306)	15,630	(7,456,942)
Road network	(26,614,453)	(3,223,333)	-	(29,837,786)
Storm water	(6,512,647)	(654,926)	-	(7,167,573)
Pathway	(1,901,435)	(126,513)	-	(2,027,948)
Parks	(1,247,921)	(295,897)	-	(1,543,818)
Bridge network	(5,045,339)	(765,362)	-	(5,810,701)
Beach and waterway	(245,434)	(42,232)	-	(287,666)
Total accumulated depreciation	<u>(51,820,207)</u>	<u>(6,697,897)</u>	<u>15,630</u>	<u>(58,502,474)</u>
Total capital activities being depreciated, net	<u>53,281,099</u>	<u>(5,760,246)</u>	<u>-</u>	<u>47,520,853</u>
<b>Total governmental activities capital assets, net</b>	<b>\$ <u>70,978,592</u></b>	<b><u>2,630,340</u></b>	<b><u>-</u></b>	<b><u>73,608,932</u></b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 17,415,059	-	-	17,415,059
Construction in progress	4,524,590	1,596,806	-	6,121,396
Total capital assets not being depreciated	<u>21,939,649</u>	<u>1,596,806</u>	<u>-</u>	<u>23,536,455</u>
Capital assets being depreciated:				
Transmission and distribution Infrastructure	126,222,666	-	-	126,222,666
Buildings and improvements	89,056,027	139,758	-	89,195,785
Vehicles and equipment	6,740,659	-	-	6,740,659
Total capital assets being depreciated	<u>219,019,352</u>	<u>139,758</u>	<u>-</u>	<u>219,159,110</u>
Accumulated depreciation for:				
Transmission and distribution Infrastructure	(33,212,599)	(4,686,824)	-	(37,899,423)
Buildings and improvements	(16,879,399)	(7,407,472)	-	(24,286,871)
Vehicles and equipment	(2,355,240)	(269,776)	-	(2,625,016)
Total accumulated depreciation	<u>(52,447,238)</u>	<u>(12,364,072)</u>	<u>-</u>	<u>(64,811,310)</u>
Total capital assets being depreciated, net	<u>166,572,114</u>	<u>26,103,786</u>	<u>-</u>	<u>192,675,900</u>
<b>Total business-type activities capital assets, net</b>	<b>\$ <u>221,462,137</u></b>	<b><u>(14,106,457)</u></b>	<b><u>-</u></b>	<b><u>207,355,680</u></b>

**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	\$ 155,328
Police Services	180,092
Fire and rescue	429,617
Code compliance	2,796
Building Services	9,751
Transportation	5,758,745
Culture and recreation	<u>161,568</u>
Total depreciation expense, governmental activities	6,697,897
Business-type Activities	
Water and sewer	16,562,425
Recreation	<u>10,975</u>
Total depreciation expense, business-type activities	<u>16,573,400</u>
Total depreciation expense	<u>\$ 23,271,297</u>

**7. Leases**

Capitalized leases payable at September 30, 2015, amounted to \$1,036,310. These obligations, which are collateralized by vehicles, equipment, and software have total annual installments ranging from \$26,468 to \$51,058 including interest ranging from 1.69% to 4.29% and mature through 2019. The assets acquired through capital lease, as reported in the governmental activities, are as follows:

Vehicles and Equipment	\$ 1,190,871
Less accumulated depreciation	<u>(642,657)</u>
Total	<u>\$ 548,214</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, 2015, are as follows:

2016	\$ 306,882
2017	306,882
2018	306,882
2019	<u>165,127</u>
Total minimum lease payments	1,085,773
Less amount representing interest	<u>(49,463)</u>
Present value of minimum lease payments	<u>\$ 1,036,310</u>

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

**8. Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligation bonds, 2004	\$ 685,000	-	(685,000)	-	-
Sales tax revenue bonds, 2004	3,360,000	-	(430,000)	2,930,000	445,000
General obligation bonds, 2014	3,875,000	-	(50,000)	3,825,000	745,000
Capital Improvement Revenue Note, 2014	6,045,000	-	-	6,045,000	340,000
Capital leases	1,314,357	-	(278,047)	1,036,310	283,937
Net pension liability	3,780,756	4,008,628	(3,846,264)	3,943,120	-
Other post-employment benefit liability	619,555	76,231	-	695,786	-
Compensated absences	1,182,081	802,674	(830,710)	1,154,045	286,498
Total governmental activity					
long-term liabilities	<u>\$ 20,861,749</u>	<u>4,887,533</u>	<u>(6,120,021)</u>	<u>19,629,261</u>	<u>2,100,435</u>
<b>Business Activities</b>					
Revenue bonds, 2006	3,804,888	-	(320,805)	3,484,083	332,803
Revenue bonds, 2010A:					
Principal	47,540,000	-	(1,050,000)	46,490,000	1,085,000
Discount	(128,802)	-	5,152	(123,650)	(5,152)
Revenue bonds, 2010B	6,825,000	-	(190,000)	6,635,000	200,000
State revolving loan, 2011	4,729,931	-	(223,172)	4,506,759	229,168
Revenue bonds, 2011	26,150,513	-	(2,965,060)	23,185,453	3,048,538
Revenue bonds, 2013:					
Principal	61,995,000	-	-	61,995,000	260,000
Premium	2,808,671	-	(147,825)	2,660,846	147,825
Other post-employment benefit liability	234,986	37,855	-	272,841	-
Compensated absences	441,663	353,149	(351,978)	442,834	114,236
Total Water and Sewer	<u>154,401,850</u>	<u>391,004</u>	<u>(5,243,688)</u>	<u>149,549,166</u>	<u>5,412,418</u>
<b>Assessment Districts</b>					
Assessment revenue bonds, 2008	1,797,519	-	(97,855)	1,699,664	101,833
Assessment revenue bonds, 2008	566,980	-	(30,866)	536,114	32,121
State revolving loan, 2009-2013	38,301,833	-	(1,858,814)	36,443,019	1,915,166
Assessment revenue bonds, 2009	687,664	-	(30,433)	657,231	32,142
Assessment revenue bonds, 2009	1,453,099	-	(64,307)	1,388,792	67,920
Assessment revenue bonds, 2009	2,005,685	-	(88,762)	1,916,923	93,748
Assessment revenue bonds, 2009	218,207	-	(8,000)	210,206	8,646
Assessment revenue bonds, 2010	1,197,382	-	(54,931)	1,142,451	57,755
Assessment revenue bonds, 2010	1,582,255	-	(72,587)	1,509,668	76,319
Assessment revenue bonds, 2012	1,329,516	-	(60,094)	1,269,422	62,600
Assessment revenue bonds, 2012	1,421,207	-	(64,238)	1,356,969	66,917
Assessment revenue bonds, 2013	385,000	-	(20,000)	365,000	20,000
Assessment revenue bonds, 2013	1,365,000	-	(70,000)	1,295,000	75,000
Total Assessment Districts	<u>52,311,347</u>	<u>-</u>	<u>(2,520,887)</u>	<u>49,790,459</u>	<u>2,610,167</u>
Total business activity					
long-term liabilities	<u>\$ 206,713,197</u>	<u>391,004</u>	<u>(7,764,575)</u>	<u>199,339,625</u>	<u>8,022,585</u>

**CITY OF MARCO ISLAND, FLORIDA  
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**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 are issued as 15-year serial bonds with varying amounts of principal maturing each year from \$445,000 to \$535,000. Interest rates vary from 3.5% to 3.9%. As of September 30, 2015, \$2,930,000 of the principal was outstanding. Annual debt service requirements for the sales tax revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	445,000	101,474
2017	460,000	85,295
2018	480,000	68,135
2019	495,000	49,974
2020	515,000	30,779
2021	535,000	10,433
Total	\$ <u>2,930,000</u>	<u>346,090</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, 2015, \$6,045,000 was outstanding. Annual debt service requirements to maturity for the bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	340,000	144,525
2017	345,000	136,099
2018	355,000	127,489
2019	365,000	118,633
2020	375,000	109,532
2021-2025	2,000,000	404,060
2026-2030	2,265,000	142,122
Total	\$ <u>6,045,000</u>	<u>1,182,460</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, 2015, \$3,825,000 was outstanding. Annual debt service requirements to maturity for the note are as follows:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	745,000	47,430
2017	755,000	38,192
2018	765,000	28,830
2019	775,000	19,344
2020	785,000	9,734
Total	\$ <u>3,825,000</u>	<u>143,530</u>

**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 \$332,803 to \$446,412. The interest rate on bonds is fixed at 3.74%. As of September 30, 2015, \$3,484,083 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>
2016	332,803	126,149
2017	344,927	112,973
2018	358,150	99,644
2019	371,545	85,809
2020	385,441	71,634
2021-2024	<u>1,691,217</u>	<u>116,300</u>
Total	\$ <u>3,484,083</u>	<u>612,509</u>

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. As of September 30, 2015, \$46,490,000 of the principal was outstanding. Annual debt service requirements for the revenue bonds are as follows:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	1,085,000	2,146,300
2017	1,135,000	2,102,150
2018	1,175,000	2,066,031
2019	1,215,000	2,025,675
2020	1,255,000	1,973,037
2021-2025	6,975,000	9,016,305
2026-2030	7,900,000	7,407,363
2031-2035	10,020,000	5,234,250
2036-2040	12,780,000	2,396,750
2041	2,950,000	73,750
Total	\$ <u>46,490,000</u>	<u>34,441,611</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. As of September 30, 2015, \$6,635,000 of the principal was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	200,000	421,384
2017	210,000	412,426
2018	215,000	402,418
2019	230,000	391,300
2020	240,000	379,078
2021-2025	1,430,000	1,650,155
2026-2030	1,980,000	1,077,529
2031-2034	2,130,000	301,314
Total	\$ <u>6,635,000</u>	<u>5,035,604</u>

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, 2015, the City had \$4,506,759 outstanding. Annual debt service requirements for the state revolving funding to maturity are as follows:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	229,168	118,758
2017	235,324	112,602
2018	241,646	106,280
2019	248,139	99,788
2020	254,805	93,121
2021-2025	1,380,459	359,168
2026-2030	1,576,136	163,495
2031-2032	341,082	6,843
Total	\$ <u>4,506,759</u>	<u>1,060,055</u>

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, 2015, \$23,185,453 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>
2016	3,048,538	599,798
2017	3,132,502	514,222
2018	3,216,703	426,317
2019	3,305,886	336,012
2020	3,399,663	243,174
2021-2022	7,082,161	197,445
Total	\$ <u>23,185,453</u>	<u>2,316,968</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



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system. As of September 30, 2015, \$61,995,000 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>
2016	260,000	3,032,681
2017	265,000	3,026,106
2018	275,000	3,018,007
2019	285,000	3,009,607
2020	415,000	2,999,107
2021-2025	13,950,000	13,884,763
2026-2030	23,650,000	8,733,227
2031-2034	22,895,000	2,405,472
Total	\$ 61,995,000	40,108,970

**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, 2015, \$1,699,664 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	101,833	67,228
2017	105,796	62,830
2018	110,275	58,438
2019	114,758	53,865
2020	119,424	49,233
2021-2025	673,803	167,164
2026-2028	473,775	29,485
Total	\$ 1,699,664	488,243

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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, 2015, \$536,114 was outstanding. Annual debt service requirements for the revenue bonds to maturity are as follows:

Fiscal Year	Principal	Interest
2016	32,121	21,205
2017	33,370	19,818
2018	34,783	18,433
2019	36,198	16,990
2020	37,669	15,529
2021-2025	212,534	52,728
2026-2028	149,439	9,300
Total	\$ 536,114	154,003

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, 2015, \$36,443,019 was outstanding. Annual debt service requirements for the state revolving funding are as follows:

Fiscal Year	Principal	Interest
2016	1,915,166	1,078,595
2017	1,973,238	1,020,521
2018	2,033,082	960,680
2019	2,094,753	899,009
2020	2,158,307	835,455
2021-2025	11,815,361	3,153,903
2026-2030	11,790,092	1,280,322
2031-2032	2,663,020	93,338
Total	\$ 36,443,019	9,321,823

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%.

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As of September 30, 2015, \$657,231 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>
2016	32,142	36,117
2017	33,851	34,168
2018	35,849	32,211
2019	37,863	30,141
2020	39,989	28,029
2021-2025	236,136	102,508
2026-2029	<u>241,401</u>	<u>28,108</u>
Total	\$ <u>657,231</u>	<u>291,282</u>

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, 2015, \$1,388,792 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	67,920	76,319
2017	71,531	72,200
2018	75,752	68,065
2019	80,007	63,691
2020	84,501	59,227
2021-2025	498,977	216,605
2026-2029	<u>510,104</u>	<u>59,398</u>
Total	\$ <u>1,388,792</u>	<u>615,505</u>

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%.

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As of September 30, 2015, \$1,916,923 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	93,748	105,342
2017	98,733	99,657
2018	104,560	93,949
2019	110,433	87,912
2020	116,636	81,751
2021-2025	688,726	298,976
2026-2029	<u>704,087</u>	<u>81,986</u>
Total	\$ <u>1,916,923</u>	<u>849,573</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, 2015, \$210,206 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	8,646	16,663
2017	9,299	15,895
2018	10,094	15,113
2019	10,909	14,265
2020	11,789	13,385
2021-2025	74,780	50,245
2026-2029	<u>84,689</u>	<u>14,365</u>
Total	\$ <u>210,206</u>	<u>139,931</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%.

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As of September 30, 2015, \$1,142,451 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	57,755	57,407
2017	60,571	54,214
2018	63,837	51,017
2019	67,119	47,652
2020	70,569	44,230
2021-2025	410,919	160,897
2026-2029	411,681	43,750
Total	\$ <u>1,142,451</u>	<u>459,167</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 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, 2015, \$1,509,668 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	76,319	75,860
2017	80,040	71,640
2018	84,356	67,415
2019	88,692	62,969
2020	93,252	58,446
2021-2025	543,002	212,613
2026-2029	544,007	57,813
Total	\$ <u>1,509,668</u>	<u>606,756</u>

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%.

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As of September 30, 2015, \$1,356,969 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	66,917	55,190
2017	69,707	52,342
2018	72,614	49,374
2019	75,642	46,283
2020	78,796	43,063
2021-2025	446,097	162,114
2026-2030	547,196	58,909
Total	\$ <u>1,356,969</u>	<u>467,275</u>

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, 2015, \$1,269,422 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	62,600	51,630
2017	65,210	48,965
2018	67,929	46,189
2019	70,762	43,297
2020	73,713	40,285
2021-2025	417,315	151,655
2026-2030	511,893	55,109
Total	\$ <u>1,269,422</u>	<u>437,130</u>

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%.

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As of September 30, 2015, \$1,295,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	75,000	45,270
2017	75,000	42,570
2018	80,000	39,780
2019	80,000	36,900
2020	85,000	33,930
2021-2025	465,000	121,410
2026-2029	435,000	31,950
Total	\$ <u>1,295,000</u>	<u>351,810</u>

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, 2015, \$365,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	20,000	12,780
2017	20,000	12,060
2018	20,000	11,340
2019	25,000	10,530
2020	25,000	9,630
2021-2025	130,000	34,560
2026-2029	125,000	9,270
Total	\$ <u>365,000</u>	<u>100,170</u>

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).

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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.

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 2016 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.



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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.

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

Estimated unpaid claims, October 1, 2013	\$ 1,074,423
Incurred claims (including IBNRs)	2,963,323
Claim payments	<u>(3,709,872)</u>
Estimated unpaid claims, September 30, 2014	327,874
Incurred claims (including IBNRs)	4,576,057
Claim payments	<u>(4,681,759)</u>
Estimated unpaid claims, September 30, 2015	<u>\$ 222,172</u>

**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.

The City is currently a defendant in one lawsuit. Further details have been included in the subsequent events note for cases settled after year end. The resolution of these matters did not have a material adverse effect on the financial condition of the City.

**11. Commitments**

The City has numerous active construction projects. As of September 30, 2015, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance</u>
Mackle Park Community Center - Design	Victor J Latavish, Architect	\$ 384,460	80,044	304,416
N. Barfield Shared Use Pathway - Engineering	Kimley Horn	152,147	44,756	107,391
Swallow Avenue Drainage - Project	Quality Enterprises USA Inc.	629,521	484,412	145,109
FDOT LAP Sidewalk Construction - Project	Coastal Concrete Products	798,369	541,508	256,861
Smokehouse Bay Bridge - Engineering	Ty-Lin International	530,157	455,695	74,462
Smokehouse Bay Bridge - Construction	American Engineering Consultants	<u>8,692,840</u>	<u>6,714,891</u>	<u>1,977,949</u>
<b>Total Governmental Projects</b>		<u>\$ 11,187,494</u>	<u>8,321,306</u>	<u>2,866,188</u>
NWTP & RWPF Phase 5A - Project	Eli Contracting	\$ 722,487	427,179	295,308
SCADA Replacement - Project	Trihedral, Inc.	<u>221,134</u>	<u>152,479</u>	<u>68,655</u>
<b>Total Business-type Projects</b>		<u>\$ 943,621</u>	<u>579,658</u>	<u>363,963</u>

**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, 2014, (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	0
Active Plan Members	29
	<u>30</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 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.

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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.

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, 2015, the active member contribution rate was 1%, which the City contributes based on the collective bargaining agreement, and the City's contribution rate was 40.84%. 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, 2015, were based on actuarial computations performed for 2015, in the actuarial report dated October 1, 2013.

**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2015, were as follows:

Total pension liability	\$ 11,956,880
Plan fiduciary net position	<u>11,078,100</u>
City's net pension liability	<u>\$ 878,780</u>
Plan fiduciary net position as a percentage of the total pension liability	92.65%

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The required schedule of changes in the City's net pension liability 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 September 30, 2014, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
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 September 30, 2014, valuation were based on the results of an actuarial experience study for the period October 1, 2013 – September 30, 2014.

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, 2014, are: Domestic Equity Securities – 7.80%, International Equity Securities – 7.70%, and Fixed Income Securities – 2.3%.

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.

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Changes in the Net Pension Liability of the City: The changes in the components of the net pension liability of the City for the year ended September 30, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 9/30/14</b>	\$ 10,155,126	\$ 9,281,733	\$ 873,393
<b>Changes for the year:</b>			
Service cost	715,385	-	715,385
Interest	775,313	-	775,313
Differences between expected and actual experience	(99,739)	-	(99,739)
Assumption Changes	-	-	-
Contributions - employer (from city)	-	714,633	(714,633)
Contributions - employer (from state)	-	507,798	(507,798)
Contributions - employee	-	17,499	(17,499)
Net investment income	-	614,545	(614,545)
Benefit payments, including refunds of employee contributions	(23,556)	(23,556)	-
Administrative expense	-	(34,552)	34,552
Other changes	434,351	-	434,351
<b>Net changes</b>	<u>1,801,754</u>	<u>1,796,367</u>	<u>5,387</u>
<b>Balances at 9/30/15</b>	<u>\$ 11,956,880</u>	<u>\$ 11,078,100</u>	<u>\$ 878,780</u>

The required schedule of changes in the City's net pension liability 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 to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, 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%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability	\$ 2,269,581	\$ 878,780	\$ (241,770)

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 September 30, 2014 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, 2015, the City recognized pension expense of \$1,256,826. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 90,672
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	60,763	-
City contributions subsequent to the measurement date	2,150,021	-
Total	\$ 2,210,784	\$ 90,672

City contributions subsequent to the measurement date of \$2,150,021 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ (5,982)
2017	(5,982)
2018	(5,982)
2019	(5,982)
2020	(5,981)
Total	(29,909)

**(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: At September 30, 2015, pension plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	9
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	14
Active Plan Members	33
	56

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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.

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, 2015, 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 31.67%. 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.

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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, 2015, were based on actuarial computations performed for 2015, in the actuarial report dated October 1, 2013.

**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2015, were as follows:

Total pension liability	\$ 9,530,334
Plan fiduciary net position	<u>7,359,317</u>
City's net pension liability	<u>\$ 2,171,017</u>
Plan fiduciary net position as a percentage of the total pension liability	77.22%

The required schedule of changes in the City's net pension liability 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, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%	
Salary increases	6.0% on average, including inflation	
Investment rate of return	7.5 %, 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 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2013 – September 30, 2014.

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, 2015 are: Domestic Equity Securities – 7.7%, International Equity Securities, – 7.7% and Fixed Income Securities – 2.4%.

Discount rate: The discount rate used to measure the total pension liability was 7.5 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



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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 of the City: The changes in the components of the net pension liability of the City for the year ended September 30, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 9/30/14</b>	\$ 8,468,936	\$ 6,174,896	\$ 2,294,040
<b>Changes for the year:</b>			
Service cost	570,609	-	570,609
Interest	671,200	-	671,200
Differences between expected and actual experience	-	-	-
Assumption Changes	-	-	-
Contributions - employer (from city)	-	687,863	(687,863)
Contributions - employer (from state)	-	145,004	(145,004)
Contributions - employee	-	26,544	(26,544)
Net investment income	-	542,433	(542,433)
Benefit payments, including refunds of employee contributions	(180,411)	(181,990)	1,579
Administrative expense	-	(35,433)	35,433
Other changes	-	-	-
<b>Net changes</b>	<u>1,061,398</u>	<u>1,184,421</u>	<u>(123,023)</u>
<b>Balances at 9/30/15</b>	<u>\$ 9,530,334</u>	<u>\$ 7,359,317</u>	<u>\$ 2,171,017</u>

The required schedule of changes in the City's net pension liability 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 to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 3,721,610	\$ 2,171,017	\$ 1,092,364

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 September 30, 2015 and the current sharing pattern of costs between employer and employee.

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

For the year ended September 30, 2015, the City recognized pension expense of \$554,138. At September 30, 2015, 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	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	42,807
City contributions subsequent to the measurement date	1,660,969	-
<b>Total</b>	<b>\$ 1,660,969</b>	<b>\$ 42,807</b>

City contributions subsequent to the measurement date of \$1,499,693 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ (10,702)
2017	(10,702)
2018	(10,702)
2019	(10,701)
<b>Total</b>	<b>(42,807)</b>

**(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, 2015, is as follows:

	Fire Pension	Police Pension	Total Pension Trust Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,289,073	1,151,654	2,440,727
Accounts Receivable	433,863	174,487	608,350
Investments, at fair value:			
Government bonds	3,073,871	1,408,620	4,482,491
Corporate bonds	2,853,144	1,295,202	4,148,346
Common stock	5,337,393	4,680,854	10,018,247
Accrued interest	2,686	1,210	3,896
<b>Total Assets</b>	<b>12,990,030</b>	<b>8,712,027</b>	<b>21,702,057</b>
<b>Net Position</b>			
Held in trust for pension benefits	<b>\$ 12,990,030</b>	<b>8,712,027</b>	<b>21,702,057</b>

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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, 2015, is as follows:

	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions			
Employer	\$ 1,716,158	1,499,693	3,215,851
Employee	20,798	10,596	31,394
State of Florida	433,863	161,276	595,139
Total contributions	<u>2,170,819</u>	<u>1,671,565</u>	<u>3,842,384</u>
Investment earnings			
Investment interest and dividends	183,118	131,567	314,685
Net change in fair value of investments	(255,918)	(131,929)	(387,847)
Less: Investment expenses	(108,660)	(73,611)	(182,271)
Net investment earnings	<u>(181,460)</u>	<u>(73,973)</u>	<u>(255,433)</u>
<b>Total Additions</b>	<u>1,989,359</u>	<u>1,597,592</u>	<u>3,586,951</u>
<b>Deductions</b>			
Legal	13,794	12,045	25,839
Actuary	9,592	26,961	36,553
Administrative	18,159	17,271	35,430
Benefits paid	35,884	188,605	224,489
<b>Total Deductions</b>	<u>77,429</u>	<u>244,882</u>	<u>322,311</u>
<b>Change in Net Position</b>	1,911,930	1,352,710	3,264,640
<b>Net Position, October 1, 2014</b>	<u>11,078,100</u>	<u>7,359,317</u>	<u>18,437,417</u>
<b>Net Position, September 30, 2015</b>	<u>\$ 12,990,030</u>	<u>8,712,027</u>	<u>21,702,057</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 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

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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](http://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 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. The following chart shows the percentage value for each year of service credit earned:

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<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00

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. Contribution rates during fiscal 2015 year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 \$116,054 for the fiscal year ended September 30, 2015, excluding HIS plan contributions.

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At September 30, 2015, the City reported a liability of \$614,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based on the City's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the City's proportionate share was 0.00569629 percent, which was a decrease of 0.000668 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$4,656. In addition, 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	\$ 64,907	\$ 14,582
Changes in assumptions	40,808	-
Net difference between projected and actual earnings on pension plan investments	216,557	363,367
Changes in proportion and differences between contributions and proportionate share of City contributions subsequent to the measurement date	-	190,029
	34,734	-
<b>Total</b>	<b>\$ 357,006</b>	<b>\$ 567,978</b>

The deferred outflows of resources related to pensions totaling \$34,734 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:		
2016	\$	(49,142)
2017		(49,141)
2018		(49,141)
2019		(49,141)
2019		(49,141)
<b>Total</b>		<b>(245,706)</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, 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	7.65 percent, net of pension plan investment expense, including inflation

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

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

The actuarial assumptions used in the July 1, 2014, valuation 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 Allocation<sup>1</sup></u>	<u>Compound Annual</u>		<u>Standard Deviation</u>
		<u>Arithmetic Return</u>	<u>(Geometric) Return</u>	
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	<u>12.00%</u>	7.11%	6.35%	13.00%
<b>Total</b>	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		2.00%

<sup>1</sup> As outlined in the Plan's investment policy

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
City's proportionate share of the net pension liability	\$ 1,593,143	\$ 614,822	\$ (199,302)

*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.

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

**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, 2015, 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, 2015, the contribution rate was 1.26 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 \$10,439 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the City reported a net pension liability of \$278,501 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based on the City's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the City's proportionate share was 0.002898891 percent, which was a decrease of 0.000401 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$13,797. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	21,911	-
Net difference between projected and actual earnings on pension plan investments	151	-
Changes in proportion and differences between contributions and proportionate share of City contributions subsequent to the measurement	-	38,249
	<u>3,745</u>	<u>-</u>
Total	\$ <u>25,807</u>	\$ <u>38,249</u>



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

The deferred outflows of resources totaling \$3,745 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, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:		
2016	\$	(3,238)
2017		(3,238)
2018		(3,237)
2019		(3,237)
2019		<u>(3,237)</u>
 Total		 <u><u>(16,187)</u></u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, 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	3.80 percent

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

The actuarial assumptions used in the July 1, 2014, valuation 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 4.29 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 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 3.80 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 (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's proportionate share of the net pension liability	\$ 317,339	\$ 278,501	\$ 246,116

*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.

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

**(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 ICMA or VALIC 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 5% of annual covered payroll plus a match up to 4% of any employee's voluntary contribution. For all other employees, the City contributes 5% of annual covered payroll, and employees do not contribute. Employer contributions for fiscal years ended September 30, 2015, 2014, and 2013 were \$368,410, \$359,678, and \$356,530, respectively. Employee contributions for fiscal years ended September 30, 2015, 2014, and 2013 were \$105,614, \$120,234, and \$114,863, respectively. Plan provision and contribution requirements are established and may be amended by the City Manager.

**13. Other Post-employment Benefits**

During fiscal year 2009, the City implemented GASB No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions, for certain postemployment health care benefits provided by the City. The requirements of this Statement were implemented prospectively, with the actuarially determined liability at the October 1, 2009, date of transition being amortized over 30 years. As of October 1, 2014, the City has an actuarially determined liability of \$1,520,759. Accordingly, for financial reporting purposes, this liability for the postemployment health care benefits liability is not reported in the financial statements for the City. The Plan does not prepare separate financial statements.

Plan Description: The City administers a single-employer defined benefit healthcare plan that provides medical, dental and vision coverage to retirees as well as their eligible spouses. Benefits are provided through the City's group health insurance plan, which covers both active and retired members. All City employees, with the exception of firefighters and sworn police officers, may retire after reaching the age of 55 with five or more years of service. Firefighters and sworn police officers may retire at age 55 with 6 years of service or upon accumulating twenty-five years of service with the City, regardless of age. Service-incurred disabled employees retire immediately; while non-service incurred disabled employees retire upon completion of 8 years of service.

Number of Covered Participants:

Actives	193
Retirees	9
Eligible spouses	<u>4</u>
Total	<u>206</u>

Funding Policy: For all retired employees, the employee contributes 100% of the active premium rate and may also purchase spouse coverage at the active premium rate. The City does not contribute any amount. Plan provisions and contribution requirements are established and may be amended by the City Manager. The post-retirement medical and dental benefits are currently funded on a pay-as-you go

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

basis (i.e., the City funds on a cash basis as benefits are paid). No assets have been segregated and restricted to provide postretirement benefits. No trust or agency fund has been established for the plan. Benefits are generally liquidated by the general and enterprise funds.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following tables shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Valuation Date Applicable for Fiscal Year Ending	<u>Utilities</u>	<u>All Other Employees</u>
	<u>10/1/2014</u>	<u>10/1/2014</u>
	<u>9/30/2015</u>	<u>9/30/2015</u>
Annual Required Contribution	\$ 61,020	184,915
Interest on Net OPEB Obligation	9,399	24,782
Adjustment to Annual Required Contribution	<u>(14,236)</u>	<u>(37,237)</u>
Annual OPEB Cost/(Expense)	56,183	172,460
Net Contributions Made	<u>(18,328)</u>	<u>(96,229)</u>
Increase/(Decrease) in Net OPEB Obligation	37,855	76,231
Net OPEB Obligation- Beginning of Year	<u>234,986</u>	<u>619,555</u>
Net OPEB Obligation- End of Year	\$ <u>272,841</u>	<u>695,786</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013, 2014, and 2015 were as follows:

Utilities Employees:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2015	\$ 56,183	32.6%	272,841
9/30/2014	78,819	60.1%	234,986
9/30/2013	78,739	57.5%	203,560

All Other Employees:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2015	\$ 172,460	55.8%	695,786
9/30/2014	241,700	49.5%	619,555
9/30/2013	241,541	48.2%	497,440

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

Funded Status and Funding Progress: The schedule below shows the balance of the actuarial accrued liability (AAL), part of which was unfunded as of September 30, 2015:

Utilities Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
10/1/2014	0	\$ 259,744	259,744	0.0%	3,613,640	7.2%
10/1/2013	0	N/A	N/A	N/A	N/A	N/A
10/1/2012	0	423,549	423,549	0.0%	3,788,822	11.2%

All Other Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
10/1/2014	0	\$ 1,261,015	1,261,015	0.0%	7,247,329	17.4%
10/1/2013	0	N/A	N/A	N/A	N/A	N/A
10/1/2012	0	1,624,742	1,624,742	0.0%	7,264,008	22.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial cost method used in the valuation to determine the Actuarial Accrued Liability (AAL) and the Actuarial Required Contribution (ARC) is the entry age normal (level percentage of pay). The actuarial assumptions included: (a) 4% funding interest rate; (b) pre-Medicaid and post-Medicaid healthcare inflation of 8.0%; (decreasing .75% each year to fiscal 2019, then decreasing 0.5% to the ultimate rate of 4.5% in fiscal 2020); (c) payroll growth/inflation of 0%; and (d) salary inflation of 6% per year. The actuarial accrued liability is being amortized as a level percentage of payrolls over thirty years (closed amortization basis).

Actuarial Methods and Assumptions: Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

**14. Subsequent Events**

Collier County Circuit Court Case Number 11-2013-CA-001859-0001-XX was settled with Darrin Palumbo for and in consideration of the total sum of thirty thousand dollars (\$30,000). The City of Marco Island was released from all claims, compensatory and punitive, growing out of any losses occurring to Darrin Palumbo, arising from or related in any way to an incident which occurred on or about September 22, 2011 at or near the intersection of South Barfield Drive and Travida Terrace.

On March 7, 2016 the City of Marco Island approved the settlement agreement and specific release with the Esplanade I Condominium Association, Inc. and Esplanade Marina Association, Inc. (collectively referred to as "Esplanade"), regarding the alleged use or taking of Esplanade's property adjacent to the Smokehouse Bay Bridge and impact of such alleged takings. The Esplanade has agreed to provide the City with rights to its property for the purpose of completing the Bridge project and for future maintenance of facilities installed by the City as part of the Bridge project. The settlement agreement stipulated a total payment of \$83,915 in addition to the performance of landscaping and other site improvements.

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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**

Reporting Period Ending Measurement Date	9/30/2016 <u>9/30/2015</u>	9/30/2015 <u>9/30/2014</u>
<b>Total pension liability</b>		
Service cost	\$ 824,223	\$ 715,385
Interest on total pension liability	898,185	775,313
Changes of benefit terms	-	-
Differences between expected and actual experience	(72,811)	(99,739)
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(35,884)	(23,556)
Other (increase in share plan balance)	<u>359,927</u>	<u>434,351</u>
<b>Net change in total pension liability</b>	1,973,640	1,801,754
<b>Total pension liability - beginning</b>	<u>12,024,928</u>	<u>10,155,126</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 13,998,568</u></u>	<u><u>\$ 11,956,880</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	1,716,158	714,633
Contributions - state	433,863	507,798
Contributions - employee	20,798	17,499
Net investment income	(181,460)	614,545
Benefit payments, including refunds of employee contributions	(35,884)	(23,556)
Administrative expenses	(41,545)	(34,552)
Other	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	1,911,930	1,796,367
<b>Plan fiduciary net position - beginning</b>	<u>11,078,100</u>	<u>9,281,733</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 12,990,030</u></u>	<u><u>\$ 11,078,100</u></u>
 <b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 1,008,538</u></u>	<u><u>\$ 878,780</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.80%	92.65%
 <b>Covered-employee payroll</b>	\$ 2,079,800	\$ 1,749,863
 <b>City's net pension liability as a percentage of covered - employee payroll</b>	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**

Reporting Period Ending	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially determined contribution	\$ 995,600	\$ 796,188
Contributions in relation to the actuarially determined contribution	<u>2,150,021</u>	<u>714,633</u>
Contribution deficiency (excess)	<u>\$ (1,154,421)</u>	<u>\$ 81,555</u>
Covered-employee payroll	2,079,800	1,749,863
Contributions as a percentage of Covered-employee payroll	103.38%	40.84%

**Notes to the Schedule**

Valuation Date	October 1, 2013
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
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**

Reporting Period Ending	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	-1.07%	8.90%

**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**

Reporting Period Ending	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Total pension liability</b>		
Service cost	\$ 621,176	\$ 570,609
Interest on total pension liability	754,375	671,200
Changes of benefit terms	-	-
Differences between expected and actual experience	749,167	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(186,343)	(180,411)
Other (increase in share plan balance)	<u>7,624</u>	<u>-</u>
<b>Net change in total pension liability</b>	1,945,999	1,061,398
<b>Total pension liability - beginning</b>	<u>9,530,334</u>	<u>8,468,936</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 11,476,333</u></u>	<u><u>\$ 9,530,334</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	1,499,693	687,863
Contributions - state	161,276	145,004
Contributions - employee	10,596	26,544
Net investment income	(73,973)	542,433
Benefit payments, including refunds of employee contributions	(188,605)	(181,990)
Administrative expenses	(56,277)	(35,433)
Other	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	1,352,710	1,184,421
<b>Plan fiduciary net position - beginning</b>	<u>7,359,317</u>	<u>6,174,896</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 8,712,027</u></u>	<u><u>\$ 7,359,317</u></u>
 <b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 2,764,306</u></u>	<u><u>\$ 2,171,017</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	75.91%	77.22%
 <b>Covered-employee payroll</b>	\$ 2,049,015	\$ 2,093,651
 <b>City's net pension liability as a percentage of covered - employee payroll</b>	134.91%	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**

Reporting Period Ending	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially determined contribution	\$ 821,375	\$ 817,571
Contributions in relation to the actuarially determined contribution	<u>1,660,969</u>	<u>832,867</u>
Contribution deficiency (excess)	<u>\$ (839,594)</u>	<u>\$ (15,296)</u>
Covered-employee payroll	2,049,015	2,093,651
Contributions as a percentage of Covered-employee payroll	81.06%	39.78%

**Notes to the Schedule**

Valuation Date	October 1, 2013
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return	
On Investments	7.50%
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.
Cost-of-living Adjustment	3.00%
Amortization Method	Level dollar, closed
Remaining Amortization Period	32 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**

Reporting Period Ending	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	-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**

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
City's proportion of the FRS net pension liability	0.004760033%	0.005609629%	0.006277953%
City's proportionate share of the FRS net pension liability	\$ 614,822	\$ 342,270	\$ 1,080,715
City's covered-employee payroll	\$ 779,069	\$ 811,048	\$ 935,847
City's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	78.92%	42.20%	115.48%
FRS Plan fiduciary net position as a percentage of the total pension liability	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 the City Contributions -  
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 116,054	\$ 122,875
FRS contributions in relation to the contractually required contribution	<u>(116,054)</u>	<u>(122,875)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 779,069	\$ 811,048
FRS contributions as a percentage of covered-employee payroll	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 June 30.

**CITY OF MARCO ISLAND, FLORIDA**

**Schedule of the City's Proportionate Share  
of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
City's proportion of the HIS net pension liability	0.002730819%	0.002898891%	0.003299738%
City's proportionate share of the HIS net pension liability	\$ 278,501	\$ 271,053	\$ 287,286
City's covered-employee payroll	\$ 779,069	\$ 811,048	\$ 935,847
City's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	35.75%	33.42%	30.70%
HIS Plan fiduciary net position as a percentage of the total pension liability	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 the City Contributions -  
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014</u>
Contractually required HIS contribution	\$ 10,439	\$ 9,931
HIS contributions in relation to the contractually required HIS contribution	<u>(10,439)</u>	<u>(9,931)</u>
HIS contribution deficiency (excess)	<u>\$ 20,878</u>	<u>\$ 19,862</u>
City's covered-employee payroll	\$ 779,069	\$ 811,048
HIS contributions as a percentage of covered-employee payroll	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 June 30.

**CITY OF MARCO ISLAND, FLORIDA**

OTHER POST EMPLOYMENT BENEFITS

**Schedule of Funding Progress**

Utilities Employees:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as % of Covered Payroll ((b-a)/c)</b>
10/1/2014	0	\$ 259,744	259,744	0.0%	3,613,640	7.2%
10/1/2013	0	N/A	N/A	N/A	N/A	N/A
10/1/2012	0	423,549	423,549	0.0%	3,788,822	11.2%

All Other Employees:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as % of Covered Payroll ((b-a)/c)</b>
10/1/2014	0	\$ 1,261,015	1,261,015	0.0%	3,613,640	17.4%
10/1/2013	0	N/A	N/A	N/A	N/A	N/A
10/1/2012	0	1,624,742	1,624,742	0.0%	7,264,008	22.4%



**CITY OF MARCO ISLAND, FLORIDA**

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

General Fund

Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 17,594,180	17,770,060	18,022,719	252,659
Permits, fees, and assessments	26,500	26,500	367,087	340,587
Intergovernmental	3,241,000	3,421,830	3,773,363	351,533
Charges for services	1,276,325	1,276,325	1,643,173	366,848
Fines and forfeitures	103,000	103,000	80,100	(22,900)
Interest	192,000	192,000	118,405	(73,595)
Miscellaneous	30,000	51,000	110,648	59,648
Total revenues	<u>22,463,005</u>	<u>22,840,715</u>	<u>24,115,495</u>	<u>1,274,780</u>
Expenditures				
Current				
General government				
Legislative	63,395	125,395	125,030	365
Executive	694,500	737,500	735,633	1,867
Finance	887,210	887,210	880,393	6,817
Legal	300,000	465,500	465,418	82
Information technology	527,710	480,210	450,333	29,877
Growth management	506,105	506,105	341,662	164,443
Other general government	1,163,150	1,002,150	926,488	75,662
Total general government	<u>4,142,070</u>	<u>4,204,070</u>	<u>3,924,957</u>	<u>279,113</u>
Public safety				
Police	4,717,330	5,553,432	5,361,827	191,605
Fire and rescue	5,591,235	6,945,737	6,899,547	46,190
Code compliance	446,605	446,605	273,598	173,007
Total public safety	<u>10,755,170</u>	<u>12,945,774</u>	<u>12,534,972</u>	<u>410,802</u>
Transportation	2,598,705	2,483,705	2,397,638	86,067
Culture and recreation	847,525	868,525	802,469	66,056
Total expenditures	<u>18,343,470</u>	<u>20,502,074</u>	<u>19,660,036</u>	<u>842,038</u>
Excess of revenues over expenditures	<u>4,119,535</u>	<u>2,338,641</u>	<u>4,455,459</u>	<u>2,116,818</u>
Other financing sources (uses)				
Use of Reserves	-	3,181,280	-	(3,181,280)
Transfers out	(4,119,535)	(5,519,981)	(4,598,471)	921,510
Total other financing sources (uses)	<u>(4,119,535)</u>	<u>(2,338,701)</u>	<u>(4,598,471)</u>	<u>(2,259,770)</u>
Change in fund balance	-	(60)	(143,012)	(142,952)
Fund balance, beginning of year	8,493,844	8,493,844	8,493,844	-
Fund balance, end of year	\$ <u>8,493,844</u>	<u>8,493,784</u>	<u>8,350,832</u>	<u>(142,952)</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 \$377,710 in appropriations in the general fund during the year end September 30, 2015.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding lapse at year-end.

#### NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATION

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 was \$1.3 million more than budgeted. This increase was from a conservative budget approach on sales tax revenue which resulted in an excess of \$0.3 million in revenues than expected. Likewise, permit and impact fees exceeded budget by \$0.3 million. Communications service tax revenue (CST) was \$9,099 less than expected and \$16,149 less than last year. In the long term we expect a downward trend in CST revenue due to the shift in telecommunications from land lines to wireless devices. Overall, departmental expenditures were in line with budgeted expenditures. Growth Management expenditures were significantly less than budgeted due to the turnover in staff.

**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, 2015

	<b>Special Revenue</b>		<b>Total</b>
	<b>Grants Fund</b>	<b>Building Fund</b>	
<b>Assets</b>			
Accounts receivable, net	\$ 134,345	-	134,345
Restricted cash and cash equivalents	-	2,755,304	2,755,304
<b>Total assets</b>	<b>\$ 134,345</b>	<b>2,755,304</b>	<b>2,889,649</b>
<b>Liabilities</b>			
Accounts payable	\$ 62	20,825	20,887
Accrued liabilities	-	26,613	26,613
Due to other funds	106,049	-	106,049
<b>Total liabilities</b>	<b>106,111</b>	<b>47,438</b>	<b>153,549</b>
<b>Fund balances</b>			
Restricted	28,234	2,707,866	2,736,100
<b>Total fund balances</b>	<b>28,234</b>	<b>2,707,866</b>	<b>2,736,100</b>
<b>Total liabilities and fund balances</b>	<b>\$ 134,345</b>	<b>2,755,304</b>	<b>2,889,649</b>

**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended September 30, 2015

	<b>Special Revenue</b>		<b>Total</b>
	<b>Grants Fund</b>	<b>Building Services</b>	
<b>Revenues</b>			
Permits, fees and assessments	\$ -	2,171,503	2,171,503
Intergovernmental	11,345	-	11,345
Interest	1,464	8,181	9,645
Miscellaneous	135,000	-	135,000
<b>Total revenues</b>	<b>147,809</b>	<b>2,179,684</b>	<b>2,327,493</b>
<b>Expenditures</b>			
<b>Current</b>			
Physical environment	483,230	-	483,230
Fire and rescue services	11,345	-	11,345
Building services	-	1,298,109	1,298,109
<b>Total expenditures</b>	<b>494,575</b>	<b>1,298,109</b>	<b>1,792,684</b>
Excess (deficiency) of revenues over (under) expenditures	(346,766)	881,575	534,809
<b>Other financing sources</b>			
Transfers in	375,000		375,000
Transfers out	-	(65,000)	(65,000)
<b>Total other financing sources</b>	<b>375,000</b>	<b>(65,000)</b>	<b>310,000</b>
Change in fund balances	28,234	816,575	844,809
Fund balances, beginning of year	-	1,891,291	1,891,291
Fund balances, end of year	\$ 28,234	2,707,866	2,736,100

**CITY OF MARCO ISLAND, FLORIDA**

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

Debt Service Fund

Year Ended September 30, 2015

	<u>Original budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 964,630	800,400	800,699	299
Interest Revenue	-	-	7,360	7,360
Miscellaneous	-	-	25	25
Total revenues	<u>964,630</u>	<u>800,400</u>	<u>808,084</u>	<u>7,684</u>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	1,734,505	1,783,510	1,443,047	340,463
Interest and fiscal charges	<u>358,240</u>	<u>364,180</u>	<u>331,004</u>	<u>33,176</u>
Total expenditures	<u>2,092,745</u>	<u>2,147,690</u>	<u>1,774,051</u>	<u>373,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,128,115)</u>	<u>(1,347,290)</u>	<u>(965,967)</u>	<u>381,323</u>
<b>Other financing sources</b>				
Use of reserves	-	2,000	-	(2,000)
Transfers in	1,128,115	1,345,290	1,292,335	(52,955)
Total other financing sources	<u>1,128,115</u>	<u>1,347,290</u>	<u>1,292,335</u>	<u>(52,955)</u>
Change in fund balance	-	-	326,368	328,368
Fund balance, beginning of year	<u>1,761,965</u>	<u>1,761,965</u>	<u>1,761,965</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,761,965</u>	<u>1,761,965</u>	<u>2,088,333</u>	<u>328,368</u>



**CITY OF MARCO ISLAND, FLORIDA**

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

Capital Projects Fund

Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 881,000	881,000	704,415	(176,585)
Interest	-	-	62,573	62,573
Miscellaneous	-	188,760	938,755	749,995
Total revenues	<u>881,000</u>	<u>1,069,760</u>	<u>1,705,743</u>	<u>635,983</u>
Expenditures				
Capital outlay	<u>4,433,375</u>	<u>15,233,102</u>	<u>8,845,007</u>	<u>6,388,095</u>
Total expenditures	<u>4,433,375</u>	<u>15,233,102</u>	<u>8,845,007</u>	<u>6,388,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,552,375)</u>	<u>(14,163,342)</u>	<u>(7,139,264)</u>	<u>7,024,078</u>
Other financing sources (uses)				
Transfers in	3,167,915	3,664,875	3,724,385	59,510
Transfers out	(877,530)	(1,261,990)	(1,261,986)	4
Use of reserves	<u>877,530</u>	<u>11,760,457</u>	<u>-</u>	<u>(11,760,457)</u>
Total other financing sources (uses)	<u>3,167,915</u>	<u>14,163,342</u>	<u>2,462,399</u>	<u>(11,700,943)</u>
Change in fund balance	(384,460)	-	(4,676,865)	(4,676,865)
Fund balances, beginning of year	<u>16,168,365</u>	<u>16,168,365</u>	<u>16,168,365</u>	<u>-</u>
Fund balance, end of year	\$ <u>15,783,905</u>	<u>16,168,365</u>	<u>11,491,500</u>	<u>(4,676,865)</u>

**CITY OF MARCO ISLAND, FLORIDA**

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

Grants Fund

Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	22,000	11,345	(10,655)
Interest	-	-	1,464	1,464
Miscellaneous	-	125,000	135,000	10,000
Total revenues	<u>-</u>	<u>147,000</u>	<u>147,809</u>	<u>809</u>
Expenditures				
Current				
Physical environment	-	500,000	483,230	16,770
Fire and rescue services	-	33,593	11,345	22,248
Total expenditures	<u>-</u>	<u>533,593</u>	<u>494,575</u>	<u>39,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(386,593)</u>	<u>(346,766)</u>	<u>39,827</u>
Other financing sources (uses)				
Use of reserves	-	386,593	-	(386,593)
Transfers in	-	-	375,000	375,000
Total other financing sources (uses)	<u>-</u>	<u>386,593</u>	<u>375,000</u>	<u>(11,593)</u>
Changes in fund balance	-	-	28,234	28,234
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>28,234</u>	<u>28,234</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Permits, fees and assessments	\$ 1,300,000	1,315,000	2,171,503	856,503
Interest	<u>10,000</u>	<u>10,000</u>	<u>8,181</u>	<u>(1,819)</u>
Total revenues	<u>1,310,000</u>	<u>1,325,000</u>	<u>2,179,684</u>	<u>854,684</u>
Expenditures				
Current				
Building services				
Operating expenses	<u>1,306,825</u>	<u>1,321,825</u>	<u>1,298,109</u>	<u>23,716</u>
Total expenditures	<u>1,306,825</u>	<u>1,321,825</u>	<u>1,298,109</u>	<u>23,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,175</u>	<u>3,175</u>	<u>881,575</u>	<u>878,400</u>
Other financing sources (uses)				
Transfers out	-	(65,000)	(65,000)	-
Use of reserves	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>(65,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Changes in fund balance	3,175	3,175	816,575	813,400
Fund balance, beginning of year	<u>1,891,291</u>	<u>1,891,291</u>	<u>1,891,291</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,894,466</u>	<u>1,894,466</u>	<u>2,707,866</u>	<u>813,400</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.

**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 September 30, 2015

	<b>Pension Trust</b>		
	<b>Fire Pension</b>	<b>Police Pension</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,289,073	1,151,654	2,440,727
Contributions receivable	433,863	174,487	608,350
Investments, at fair value			
Government bonds	3,073,871	1,408,620	4,482,491
Corporate bonds	2,853,144	1,295,202	4,148,346
Common stock	5,337,393	4,680,854	10,018,247
Accrued interest	2,686	1,210	3,896
Total investments	<u>11,267,094</u>	<u>7,385,886</u>	<u>18,652,980</u>
Total assets	<u>12,990,030</u>	<u>8,712,027</u>	<u>21,702,057</u>
<b>Liabilities</b>			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>			
Held in trust for pension benefits	\$ <u>12,990,030</u>	<u>8,712,027</u>	<u>21,702,057</u>

**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended September 30, 2015

	<b>Pension Trust</b>		<b>Total</b>
	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Additions</b>			
Contributions			
Employer	\$ 1,716,158	1,499,693	3,215,851
Employee	20,798	10,596	31,394
State of Florida	433,863	161,276	595,139
Total contributions	<u>2,170,819</u>	<u>1,671,565</u>	<u>3,842,384</u>
Investment earnings			
Interest and dividend income	183,118	131,567	314,685
Net change in fair value of investments	(255,918)	(131,929)	(387,847)
Less investment expense	<u>(108,660)</u>	<u>(73,611)</u>	<u>(182,271)</u>
Net investment earnings	<u>(181,460)</u>	<u>(73,973)</u>	<u>(255,433)</u>
Total additions	<u>1,989,359</u>	<u>1,597,592</u>	<u>3,586,951</u>
<b>Deductions</b>			
Benefits paid	35,884	188,605	224,489
General administration	41,545	56,277	97,822
Total deductions	<u>77,429</u>	<u>244,882</u>	<u>322,311</u>
Changes in net position	1,911,930	1,352,710	3,264,640
Net position, beginning of year	<u>11,078,100</u>	<u>7,359,317</u>	<u>18,437,417</u>
Net position, end of year	\$ <u>12,990,030</u>	<u>8,712,027</u>	<u>21,702,057</u>

**CITY OF MARCO ISLAND, FLORIDA**

Schedule of Receipts and Expenditures of Funds  
Related to the Deepwater Horizon Oil Spill  
For the Year Ended September 30, 2015

<u>Source</u>	<u>Amount Received in the 2015 Fiscal Year</u>	<u>Amount Expended in the 2015 Fiscal Year</u>
<b>British Petroleum:</b>		
Promotional Tourism Grant	<u>\$ 125,000</u>	<u>\$ 125,000</u>

Note: The above funds represent 100% of the City's funds received and expended in relation to the Deepwater Horizon Oil Spill. There were no other federal or state awards received by the City that are related to the Deepwater Horizon Oil Spill.

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# 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.

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	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118-122
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	123-126
<b>Debt Capacity</b>	
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.	127-130
<b>Demographic and Economic Information</b>	
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.	131-132
<b>Operating Information</b>	
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.	133-135

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 <sup>(1)</sup>  
(Accrual Basis of Accounting)

Schedule 1

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets	\$ 59,772,622	55,699,235	64,567,882	66,732,879	69,110,370	68,148,861	66,819,967	64,857,666	53,038,873	37,670,845
Restricted	13,505,166	19,289,949	4,542,380	1,504,310	1,271,905	1,161,008	971,144	6,856,789	14,549,105	23,500,743
Unrestricted	10,728,252	9,049,758	15,623,713	17,177,360	15,342,016	13,613,946	15,697,349	8,680,011	7,536,012	6,102,668
Total governmental activities net position	84,006,040	84,038,942	84,733,975	85,414,549	85,724,291	82,923,815	83,488,460	80,394,466	75,123,990	67,274,256
<b>Business-type activities</b>										
Net investment in capital assets	9,779,184	16,729,367	21,616,965	26,962,499	28,184,757	16,170,181	35,132,580	35,680,521	19,956,161	13,601,948
Restricted	86,752,586	71,877,466	66,333,894	22,184,698	26,945,022	13,404,422	15,227,514	7,454,188	5,878,767	7,510,845
Unrestricted	4,131,493	16,390,147	21,621,613	58,814,314	43,595,429	53,463,071	15,387,918	6,096,803	(3,752,960)	(10,572,102)
Total business-type activities net position	100,663,263	104,996,980	109,572,472	107,961,511	98,725,208	83,037,674	65,748,012	49,231,512	22,081,968	10,540,691
<b>Primary government</b>										
Net investment in capital assets	69,551,806	72,428,602	86,184,847	93,695,378	97,295,127	84,319,042	101,952,547	100,538,187	72,995,034	51,272,793
Restricted	100,257,752	91,167,415	70,876,274	23,689,008	28,216,927	17,331,189	16,198,658	14,310,977	20,427,872	31,011,588
Unrestricted	14,859,745	25,439,905	37,245,326	75,991,674	58,937,445	67,077,017	31,085,267	14,776,814	3,783,052	(4,469,434)
Total primary government net position	\$ 184,669,303	189,035,922	194,306,447	193,376,060	184,449,499	168,727,248	149,236,472	129,625,978	97,205,958	77,814,947

(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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities										
General government	\$ 3,606,985	3,385,646	3,749,034	4,461,910	3,576,147	4,799,310	5,226,421	3,990,986	3,769,788	4,799,331
Police services	4,649,873	4,747,915	4,688,947	4,612,996	4,224,760	3,951,306	3,910,895	3,394,126	3,570,381	3,024,973
Fire and rescue	6,976,645	6,249,716	5,624,652	5,218,196	5,147,712	4,685,618	4,377,797	3,902,445	3,633,748	3,156,845
Code compliance	276,394	361,456	290,804	308,749	269,208	1,146,597	248,818	197,316	179,376	148,161
Building services	1,307,860	1,281,963	1,183,248	828,981	875,979	821,680	923,423	1,216,644	1,350,070	1,128,468
Transportation	8,156,383	8,194,480	8,199,027	7,728,870	5,893,452	6,302,748	5,769,702	3,636,729	3,008,553	2,726,090
Culture and recreation	964,037	927,793	842,869	892,691	2,135,742	2,035,189	1,095,683	2,266,414	1,922,094	1,574,669
Interest on long-term debt	331,004	456,728	366,606	413,409	509,186	517,849	590,776	647,164	713,034	628,218
	26,269,181	25,605,697	24,945,187	24,465,802	22,630,186	24,260,297	22,143,515	19,251,824	18,147,044	17,186,755
Business-type activities										
Water and sewer	37,714,287	36,855,596	36,078,592	31,670,493	29,828,635	28,881,053	25,993,867	21,598,968	19,576,391	17,736,604
Recreation	405,520	447,244	466,213	484,339	491,038	381,786	358,943	247,977	148,389	118,309
	38,119,807	37,302,840	36,544,805	32,154,832	30,319,673	29,262,839	26,352,810	21,846,945	19,724,780	17,854,913
	64,388,988	62,908,537	61,489,992	56,620,634	52,949,859	53,523,136	48,496,325	41,098,769	37,871,824	35,041,668
<b>Program revenues</b>										
Governmental activities										
Charges for services	1,275,340	1,127,775	984,197	983,325	819,346	143,117	94,845	809,646	972,129	1,162,729
General government	92,350	44,343	29,031	29,259	30,507	351,497	573,210			
Police services	390,964	246,397	278,112	245,181	165,672	114,926	121,296			
Fire and rescue	58,521	146,712	126,158	104,726	201,445	57,497	59,888			
Code compliance	2,171,503	1,575,705	1,608,453	1,333,631	826,128	895,004	1,152,774			
Building services	200,000	-	-	-	-	-	-			
Transportation	73,185	-	-	-	-	1,000	2,500			
Culture and recreation	-	-	-	-	-	-	-			
Charges for services - other activities	1,238,659	1,367,046	1,214,800	1,088,034	1,233,859	1,039,852	1,805,713	709,424	527,208	454,273
Operating grants and contributions	1,654,516	756,530	871,568	652,578	1,269,864	1,462,596	1,619,764	199,781	321,497	2,259,878
Capital grants and contributions	7,155,038	5,264,508	5,112,319	4,436,734	4,546,821	4,065,489	5,429,990	2,050,675	2,423,999	2,481,096
	31,566,605	30,953,347	27,603,070	28,108,927	30,016,771	26,647,596	24,553,927	22,137,097	20,635,378	19,050,271
Business-type activities										
Charges for services, water and sewer	391,887	347,133	322,744	360,466	373,970	271,972	78,670	144,482	116,095	105,011
Charges for services, other activities	-	-	-	-	-	-	-	122,866	55,127	45,003
Operating grants and contributions	-	-	11,624,137	9,966,904	10,521,771	18,893,283	14,834,768	24,655,181	6,925,418	1,450,000
Capital grants and contributions	31,958,492	31,300,480	39,549,951	38,436,297	40,912,512	45,812,851	39,467,365	47,059,626	27,732,018	20,650,285
	(19,114,143)	(20,341,189)	(19,832,868)	(20,029,068)	(18,093,380)	(20,194,808)	(17,569,525)	(15,482,298)	(13,902,211)	(10,828,779)
Net (expenses) revenues	(6,161,315)	(6,002,360)	3,005,146	6,281,465	10,592,839	16,550,012	13,114,555	25,212,681	8,007,238	2,795,372
Governmental activities	(25,275,458)	(26,343,549)	(16,827,722)	(13,747,603)	(7,500,541)	(3,644,796)	(4,454,970)	9,730,383	(5,894,973)	(8,033,407)
Business-type activities										

CITY OF MARCO ISLAND, FLORIDA

Changes in Net Position-Continued  
(Unaudited)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Schedule 2 (Continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General revenues and other changes in net position										
Governmental activities										
Taxes:										
Property taxes	\$ 16,562,644	\$ 15,179,396	14,908,363	15,186,850	15,882,920	15,650,276	14,903,477	14,329,937	15,315,942	11,852,368
Communication service tax	899,099	882,950	1,056,187	991,888	945,876	1,021,735	934,875	980,662	914,729	997,457
Other taxes	1,361,675	1,450,956	1,270,102	1,128,441	1,154,806	1,211,299	910,544	665,451	676,038	870,728
Franchise fees							1,610,117	1,920,620	1,913,134	1,882,013
State shared revenues	2,544,704	2,406,165	2,212,992	2,036,642	1,950,824	1,844,849	1,748,568	1,943,146	1,952,268	2,393,388
Interest	197,983	235,709	50,316	230,611	212,562	200,612	368,780	560,622	919,185	1,279,907
Gain on sale of capital assets						(6,300)			20,000	
Miscellaneous	235,672	111,365	184,223	144,892	155,820	143,215	147,158	352,336	40,649	446,924
Transfers	(533,737)	(507,052)	45,481		145,500		40,000			
Total governmental activities	21,266,040	19,759,489	19,727,664	19,719,324	20,448,308	20,065,686	20,663,519	20,752,774	21,751,945	19,722,785
Business-type activities										
Interest	1,854,232	1,882,235	2,333,088	2,455,405	2,821,122	2,619,932	3,103,387	1,476,393	797,892	518,451
Miscellaneous revenues (expenses)	137,712	128,442	192,955	499,433	419,073	139,540	338,558	460,470	2,736,147	478,610
Gain on sale of capital assets					(145,500)	(19,822)				
Transfers	533,737	507,052	(45,481)				(40,000)			
Total business-type activities	2,525,681	2,517,729	2,480,562	2,954,838	3,094,695	2,739,650	3,401,945	1,936,863	3,534,039	997,061
Total primary government	23,793,721	22,277,218	22,208,226	22,674,162	23,543,003	22,805,336	24,065,464	22,689,637	25,285,984	20,719,846
Changes in net position										
Governmental activities	2,016,099	(581,700)	(105,204)	(309,744)	2,354,928	(129,122)	3,093,994	5,270,476	7,849,734	8,894,006
Business-type activities	(3,635,634)	(3,484,631)	5,485,708	9,236,303	13,687,534	19,289,662	16,516,500	27,149,544	11,541,277	3,792,433
Total primary government	\$ (1,619,535)	(4,066,331)	5,380,504	8,926,559	16,042,462	19,160,540	19,610,494	32,420,020	19,391,011	12,686,439

CITY OF MARCO ISLAND, FLORIDA

Fund Balances of Governmental Funds  
(Unaudited)

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

Schedule 3

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund										
Nonspendable			25	25	3,331	-	-	-	-	-
Restricted	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	958,601	550,899	1,139,950	908,293
Unassigned	4,966,637	5,383,767	8,653,648	7,003,460	6,363,876	-	-	-	-	-
Designated	-	-	-	-	-	10,847,424	10,815,926	9,636,801	17,146,589	26,222,575
Undesignated	-	-	-	-	-	850,672	1,451,163	2,101,476	2,497,833	2,027,228
Total unreserved	8,350,832	8,493,844	9,960,432	7,992,249	7,109,628	11,698,096	12,267,089	11,738,277	19,644,422	28,249,803
Total general fund	8,350,832	8,493,844	9,960,432	7,992,249	7,109,628	12,309,004	13,225,690	12,289,176	20,784,372	29,158,096
All other governmental funds										
Restricted:										
Capital projects	-	6,045,000	-	-	-	-	-	-	-	-
Debt service fund	2,088,333	1,761,965	1,670,453	545,948	549,773	-	-	-	-	-
Building Services	2,707,866	1,891,291	1,585,457	1,142,651	948,450	-	-	-	-	-
Committed:										
Asset replacement	5,324,772	6,501,905	-	-	-	-	-	-	-	-
Assigned:										
Transportation	-	-	-	600,000	-	-	-	-	-	-
Debt services	-	-	-	1,108,735	1,090,347	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Capital projects	6,194,962	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	-	-	-	-	-	-	-	-	-	-
Reserved:										
Debt service fund	-	-	-	-	-	1,934,854	1,895,754	1,886,087	767,380	447,019
Unreserved	-	-	-	-	-	1,202,908	1,406,108	1,551,384	993,865	374,843
Special revenue funds	-	-	-	-	-	3,137,762	3,301,862	3,437,471	1,761,245	821,862
Total all other governmental funds	16,315,933	19,821,621	10,787,952	11,159,684	10,017,573	15,446,766	16,527,552	15,736,647	22,545,617	29,979,958
Total governmental funds										
Nonspendable	-	-	25	25	3,331	-	-	-	-	-
Restricted	6,571,013	11,127,210	4,542,380	2,646,961	2,220,355	-	-	-	-	-
Committed	6,934,153	8,162,739	-	-	-	-	-	-	-	-
Assigned	6,194,962	3,641,749	7,552,331	9,501,487	8,539,639	-	-	-	-	-
Unassigned	4,966,637	5,383,767	8,653,648	7,003,460	6,363,876	-	-	-	-	-
Undesignated	-	-	-	-	-	2,545,762	2,854,355	2,436,986	1,907,330	1,355,312
Reserved	-	-	-	-	-	12,901,004	13,673,197	13,289,661	20,638,287	28,624,646
Total governmental funds	\$ 24,666,765	28,315,465	20,748,384	19,151,933	17,127,201	29,158,096	30,053,104	29,525,464	44,366,334	59,979,958

(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<sup>(1)</sup>  
(Modified Accrual Basis of Accounting)

Schedule 4

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Taxes	\$ 18,823,418	17,513,302	17,234,652	17,307,179	17,983,602	17,883,310	18,359,013	17,896,670	18,819,843	16,341,065
Licenses and permits	2,538,590	1,888,027	1,938,989	1,533,176	993,199	953,501	775,843	840,236	1,008,708	1,199,975
Intergovernmental	4,489,123	3,954,004	3,839,821	3,666,613	4,254,122	3,904,674	4,093,649	3,843,101	4,271,471	6,451,616
Charges for services	1,643,173	1,336,950	1,218,312	1,217,785	920,267	314,391	238,987	378,902	435,456	302,343
Fines and forfeitures	80,100	170,001	154,965	133,835	231,662	351,497	573,210	198,951	82,001	37,047
Interest income	197,983	235,708	50,316	182,507	210,351	200,612	368,780	560,622	919,185	1,279,907
Miscellaneous	1,184,428	433,770	357,448	130,680	165,845	441,478	1,165,249	589,362	355,365	344,177
Total revenues	28,956,815	25,531,762	24,794,503	24,171,775	24,759,048	24,049,463	25,574,731	24,307,844	25,892,029	25,956,130
<b>Expenditures</b>										
Current:										
General government	\$ 3,924,957	3,820,574	3,602,051	3,462,824	3,602,127	4,418,283	4,438,636	4,052,564	3,602,926	3,905,826
Police services	5,361,827	4,582,878	4,534,953	4,151,932	4,117,627	3,858,373	3,945,801	3,462,233	3,468,913	3,282,913
Fire and rescue	6,910,892	5,869,202	5,293,964	4,869,967	4,821,296	5,039,364	4,226,027	3,780,795	3,553,821	3,140,112
Code compliance	273,598	358,722	290,187	304,010	268,625	282,859	244,027	220,857	177,469	177,085
Building services	1,298,109	1,275,017	1,176,301	1,036,310	1,104,754	1,139,165	1,352,689	1,255,294	1,323,773	1,105,985
Transportation	2,397,638	2,387,332	2,483,555	2,524,969	1,113,799	1,358,546	1,762,405	2,201,749	2,181,730	951,800
Culture and recreation	802,469	768,273	692,649	599,266	1,980,400	1,879,614	1,948,370	1,701,382	1,712,998	1,413,631
Debt service:										
Principal	1,443,047	1,254,351	1,116,059	1,071,692	1,543,467	2,100,575	2,072,782	2,045,087	1,687,485	669,973
Interest	331,004	4,251,728	366,606	413,411	477,221	517,849	590,537	661,787	728,063	568,046
Bond issue cost	-	-	-	-	-	-	-	-	-	33,810
Capital outlay	9,328,237	3,430,204	3,535,449	3,712,662	4,195,157	4,535,622	4,764,578	11,745,066	14,906,202	15,680,011
Total expenditures	32,071,778	27,998,281	23,091,774	22,147,043	23,224,473	25,130,250	25,345,852	31,126,814	33,343,370	30,929,192
Excess (deficiency) of revenues over (under) expenditures	(3,114,963)	(2,466,519)	1,702,729	2,024,732	1,534,575	(1,080,787)	228,879	(6,818,970)	(7,451,341)	(4,973,062)
<b>Other financing sources (uses)</b>										
Transfers in	4,129,734	7,922,583	2,875,745	5,374,449	11,388,719	7,046,586	7,142,198	12,873,112	14,617,571	5,648,748
Transfers out	(4,663,471)	(8,429,635)	(2,830,264)	(5,374,449)	(11,243,219)	(7,046,586)	(7,102,198)	(12,873,112)	(14,617,571)	(5,648,748)
Proceeds from sale of capital asset	-	-	-	-	-	-	-	-	20,000	-
Capital leases	-	734,435	350,000	-	-	-	532,026	-	-	-
Bonds issued	-	9,919,549	-	-	-	-	-	-	-	4,000,000
Total other financing sources (uses)	(533,737)	10,146,932	395,481	-	145,500	-	572,026	-	20,000	4,000,000
Net change in fund balance	\$(3,648,700)	\$ 7,680,413	2,098,210	2,024,732	1,680,075	(1,080,787)	800,905	(6,818,970)	(7,431,341)	(973,062)
Debt service as a percentage of non-capital expenditures	7.80%	22.41%	7.58%	8.06%	10.80%	13.27%	13.54%	14.85%	14.13%	8.56%
Capital outlay (per above)	9,328,237	3,430,204	3,535,449	3,712,662	4,195,157	4,535,622	4,764,578	11,745,066	14,906,202	15,680,011
Capital outlay included in current expenditures	-	-	87,639	87,639	316,570	855,459	906,286	1,153,197	1,340,988	396,895
Total capital outlay	\$ 9,328,237	3,430,204	3,535,449	3,800,301	4,511,727	5,391,081	5,670,864	12,898,263	16,247,190	16,076,906

(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 <sup>(2)</sup>	Percentage Increase (Decrease) Over Prior Year	Total Direct Tax Rate
2007	2006	11,982,430,855	94,191,494	12,076,622,349	27.1%	1.318
2008	2007	11,476,813,202	93,768,111	11,570,581,313	-4.2%	1.283
2009	2008	10,401,701,636	84,592,274	10,486,293,910	-9.4%	1.477
2010	2009	9,248,174,862	78,795,703	9,326,970,565	-11.1%	1.747
2011	2010	8,191,850,914	79,404,135	8,271,255,049	-11.3%	1.998
2012	2011	7,493,705,720	74,289,395	7,567,995,115	-8.5%	2.077
2013	2012	7,342,959,034	68,248,839	7,411,207,873	-2.1%	2.080
2014	2013	7,478,069,118	70,416,975	7,548,486,093	1.9%	2.076
2015	2014	7,900,449,654	70,102,819	7,970,552,473	5.6%	2.151
2016 <sup>(1)</sup>	2015	8,550,755,951	69,208,938	8,619,964,889	8.1%	2.142

<sup>(1)</sup> Information only. 2015 assessed values are used for fiscal year 2016 tax revenues

<sup>(2)</sup> 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	
2007	1.2445	0.0736	3.7290	5.5250	0.0680	0.2840	0.0320	0.2425	0.2500	11.4486
2008	1.2048	0.0785	3.1469	5.3510	0.0635	0.2549	0.0280	0.2265	0.3742	10.7283
2009	1.3917	0.0849	3.2969	4.9090	0.0635	0.2549	0.0293	0.2265	0.2329	10.4896
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 <sup>(1)</sup>	2.0466	0.0953	3.5645	5.4800	0.0940	0.1459	0.0293	0.1429	0.0000	11.5985

(1) Information only.

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**

Taxpayer	Property by Type	January 1, 2014 Taxable Valuation	Rank	% of Total Assessed Valuation	Taxpayer	Property by Type	January 1, 2005 Taxable Valuation	Rank	% of Total Assessed Valuation
Marco Hotel Inc.	Hospitality	\$ 86,772,703	1	1.16%	City National Bank of Miami Tr.	Hospitality	93,310,481	1	1.31%
Marco Beach Hotel Inc.	Hospitality	39,244,222	2	0.52%	Marco Beach Hotel Inc.	Hospitality	35,022,396	2	0.49%
Marriott Ownership Resorts Inc.	Hospitality	13,748,146	3	0.18%	Boykin Marco LLC	Hospitality	24,136,104	3	0.34%
BRE Southeast Retail Holdings LLC	Shopping Center	9,263,044	4	0.12%	Marco Town Center, Inc.	Shopping Center	14,613,435	4	0.21%
Talbot Trust	Single Family Residence	9,065,460	5	0.12%	Marco Island Condo LLC	Real Estate Developer	11,338,338	5	0.16%
GM Esplanade LLC	Shopping Center	8,546,884	6	0.11%	A&N of Marco Inc.	Real Estate Developer	10,021,838	6	0.14%
Wesley C. & Ann S. Bates	Single Family Residence	7,872,766	7	0.11%	Gregg Holdings, Inc.	Real Estate Developer	7,335,545	7	0.10%
Venetian Investments, LLC	Shopping Center	7,484,687	8	0.10%	Island Country Club, Inc.	Golf Course	7,188,740	8	0.10%
Gregg Holdings, Inc.	Single Family Residence	7,443,822	9	0.10%	Venetian Investments, LLC	Real Estate Developer	7,080,448	9	0.10%
Brian R Williamson Trust	Single Family Residence	7,439,197	10	0.10%	Jack C. & Dorothy J. Skoog	Single Family Residence	6,573,487	10	0.09%
<b>Total</b>		<b>\$ 196,880,931</b>		<b>2.63%</b>			<b>216,620,812</b>		<b>3.04%</b>

Source: Collier County Property Appraiser

**CITY OF MARCO ISLAND, FLORIDA**

**Property Tax Levies and Collections <sup>(1)</sup>  
(Unaudited)**

**Last Ten Fiscal Years**

**Schedule 8**

Fiscal Year	Tax Year	Total Tax Levy <sup>(2)</sup>	Current Tax Collections <sup>(2)</sup>	Percent of		Delinquent Tax Collections	Total Collections To Date	Percent of Total Collections To Date
				Current Taxes Collected	Current Taxes Collected			
2006	2005	13,163,819	12,713,792	96.6%	9,304	12,723,096	96.7%	
2007	2006	16,857,132	16,212,857	96.2%	11,693	16,224,550	96.2%	
2008	2007	15,683,488	15,124,912	96.4%	27,794	15,152,706	96.6%	
2009	2008	16,787,689	16,276,943	97.0%	50,638	16,327,581	97.3%	
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	16,581,343	96.7%	5,135	16,586,478	96.8%	

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 <sup>(1)</sup>  
(Modified Accrual Basis of Accounting)

Schedule 9

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage <sup>(3)</sup> of Personal Income	Per <sup>(3)</sup> Capita
	General Obligation Bonds	Non Ad Valorem	Sales Tax Revenue Bonds	Capital Leases	Water/Sewer <sup>(1)</sup>		STRP <sup>(2)</sup> Assessment Bonds & Notes				
					Revenue Bonds & Loans	Revenue Bonds & Loans					
2006	9,315,000	4,725,000	6,000,000	389,397	99,205,000	-	-	119,634,397	17.48%	7,600	
2007	8,760,000	3,665,000	6,000,000	316,912	124,377,508	-	-	143,119,420	19.81%	9,044	
2008	8,195,000	2,605,000	5,655,000	241,825	134,522,769	13,168,740	13,168,740	164,388,334	22.81%	9,753	
2009	7,615,000	1,540,000	5,305,000	696,069	154,313,401	27,284,013	27,284,013	196,753,483	27.91%	11,700	
2010	7,025,000	475,000	4,940,000	615,494	186,218,288	31,986,098	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	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	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	54,728,048	225,665,191	27.41%	13,426	
2014	4,560,000	6,045,000	3,360,000	1,314,357	153,725,200	52,311,347	52,311,347	221,315,904	27.28%	13,327	
2015	3,825,000	6,045,000	2,930,000	1,036,310	148,833,491	49,790,459	49,790,459	212,460,260	24.99%	12,701	

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

<sup>(2)</sup> Septic Tank Replacement Program: includes permanent financing and state revolving loans. All of this debt is secured by special assessment districts. Includes \$36,443,019 of State Loan financing for the Septic Tank Replacement Program.

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

CITY OF MARCO ISLAND, FLORIDA

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

**Last Ten Fiscal Years**

**Schedule 10**

Fiscal Year	Bonds	Percentage of Net Assessed	
		Property Value <sup>(1)</sup>	Per Capita <sup>(2)</sup>
2006	\$ 9,315,000	0.098%	592
2007	8,760,000	0.073%	554
2008	8,195,000	0.071%	486
2009	7,615,000	0.073%	453
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	4,560,000	0.060%	275
2015	3,825,000	0.048%	229

<sup>(1)</sup> See Schedule 6, Assessed Value of Taxable Property, for net assessed property value data.

<sup>(2)</sup> 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, 2015

Schedule 11

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
<b>City of Marco Island Direct Debt</b>			
Non Ad Valorem Capital Improvement Revenue Note	\$ 6,045,000	100.00%	6,045,000
General obligation bonds	3,825,000	100.00%	3,825,000
Sales tax revenue bonds	2,930,000	100.00%	2,930,000
Capital leases	1,036,310	100.00%	1,036,310
Total direct debt			<u>13,836,310</u>
<b>Overlapping debt</b>			
Collier County	346,021,721	13.14%	45,467,254
Collier County School Board	388,300,677	13.14%	51,022,709
Total overlapping debt			<u>96,489,963</u>
<b>Total direct and overlapping debt</b>			<u>\$ 110,326,273</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 <sup>(1)</sup>  
(Unaudited)

Last Ten Fiscal Years

Schedule 12

Fiscal Year	Water/Sewer Enterprise Fund					General Fund					
	Water/Sewer Revenue	Water/Sewer Impact Fees	Less Operating Expenses	Net Revenues With Impact Fees	Net Revenues Without Impact Fees	Debt Service	Coverage With Impact Fees <sup>(3)</sup>	Coverage Without Impact Fees <sup>(4)</sup>	Sales Tax Revenues	Debt Service	Coverage
2006	19,640,936	406,396	8,928,958	11,118,374	10,711,978	6,578,700	1.69	1.63	1,852,602	214,342	8.64
2007	20,635,378	254,524	9,813,521	11,076,381	10,821,857	6,574,398	1.68	1.65	1,530,520	213,310	7.18
2008	22,137,097	426,496	11,047,517	11,516,076	11,089,580	6,955,086	1.66	1.59	1,503,093	553,135	2.72
2009	24,617,791	112,248	12,046,263	12,587,628	12,475,380	7,354,783	1.71	1.70	1,327,921	547,273	2.43
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	12,825,725	18,740,880	17,467,339	10,491,176	1.79	1.66	1,985,969	546,898	3.63

(1) The City purchased the water and sewer utility operations in November 2003 from Florida Water Services, Inc. \$101 million in utility revenue bonds were issued to finance the acquisition. Sales tax revenue bonds were issued in August 2005.

(2) Excluded sewer assessment long-term debt.

(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.

Source: City of Marco Island Finance Department

CITY OF MARCO ISLAND, FLORIDA

Demographic and Economic Statistics  
(Unaudited)

Last Ten Fiscal Years

Schedule 13

Fiscal Year	Population			Income			Florida Unemployment Rate <sup>(4)</sup>
	City of Marco Island <sup>(2)</sup>	Collier County <sup>(2)</sup>	State of Florida <sup>(2)</sup>	Florida Personal Income (in millions of dollars) <sup>(2)</sup>	Naples-Marco Island Per Capita Personal Income <sup>(3)</sup>	Florida Per Capita Personal Income <sup>(3)</sup>	
2006	15,742	326,881	18,276,331	684,382	59,895	34,919	3.3
2007	15,825	333,858	18,680,367	722,631	63,276	36,273	4.5
2008	16,856	332,854	18,807,219	720,618	62,559	38,316	7.2
2009	16,816	333,032	18,750,483	704,854	61,807	37,591	11.0
2010	16,413 <sup>(1)</sup>	333,554 <sup>(1)</sup>	18,773,356 <sup>(1)</sup>	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

(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 2015 and Nine Years Ago**

Schedule 14

Fiscal Year 2015 <sup>(1)</sup>				Fiscal Year 2006 <sup>(2)</sup>			
Employer	Business Type	Employees	Rank	Employer	Business Type	Employees	Rank
Collier County Public Schools	Public Education	5,286	1	Collier County Public Schools	Public Education	5,000	1
NCH Healthcare System	Health Care	3,900	2	NCH Healthcare System	Health Care	3,500	2
Collier County Government (non-Sheriff)	Government	1,670	3	Employee Professionals	Human Resources	3,394	3
Collier County Sheriff	Government	1,379	4	Collier County Government (non-Sheriff)	Government	2,364	4
Ritz Carlton, Naples	Hospitality	1,110	5	Publix Supermarkets	Supermarket	2,221	5
Gargiulo, Inc.	Food Safety	1,110	6	Ritz Carlton, Naples	Hospitality	1,500	6
Arthrex, Inc.	Health Care	1,056	7	Collier County Sheriff	Government	1,100	7
Hometown Inspection Svc.	Home Safety	900	8	Marriott Corporation	Hospitality	843	8
Publix	Supermarket	800	9	Naples Grande Resort and Club	Hospitality	830	9
Naples Grande Beach Resort	Hospitality	760	10	Cleveland Clinic	Hospitality	790	10
<b>Total</b>		<u>17,971</u>		<b>Total</b>		<u>21,542</u>	

(1) Source: Collier County Clerk of Courts Fiscal Year 2016 Budget

(2) Source: Collier County Fiscal Year 2006 CAFR

CITY OF MARCO ISLAND, FLORIDA

Full-time Equivalent Employees  
by Department as of September 30, 2015  
(Unaudited)

Last Ten Fiscal Years

Schedule 15

Department	2015 <sup>(2)</sup>	2014	2013	2012	2011	2010 <sup>(1)</sup>	2009	2008	2007	2006
General Fund:										
Executive Administrative	7	7	7	8.5	6	8	8	8	6	5
Information Technology	1	3	3							
Finance	7	7	6	7	7	7	14	14	15	15
Community Development	4	5	5	4	6	6	8	8	8	8
Fire / Rescue	41.5	38	38	38	38	38	38	35	35	32
Code Compliance	2.5	3	3	3	3	3	-	-	-	-
Police	39	41.5	41.5	35.5	35.5	35.5	36	36	36	33
Public Works	12	11	13	5.5	6	10	11	11	11	9
Parks and Recreation	9	10	9	15	15	20	15	15	15	14
Total General Fund	123	125.5	125.5	116.5	116.5	127.5	130	127	126	116
Water / Sewer Enterprise Fund	67	69	69	78	77	74	63	61	58	51
Building Services Fund	12	10.5	8.5	8	8	10	10	10	10	8
Recreation Enterprise Fund	3	3	3	3.5	3.5	4.5	3	3	1	1
Total	205	208	206	206	205	216	206	201	195	176

(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.

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police Department Calls for Service	41,798	42,600	58,855	58,014	70,740	77,628	68,215	61,430	52,273	29,291
Fire Department Calls for Service	3,423	3,413	3,202	2,897	2,688	2,802	2,430	2,448	2,911	2,467
Building Department New Single-Family Homes	114	105	92	74	25	33	16	28	43	72
New Multi-Family Units	-	-	-	-	-	-	-	7	0	0
Total Permits Issued	6,482	5,883	5,647	5,369	5,149	5,381	4,800	5,194	5,456	7,121
Water Production Number of Customers	9,659	9,554	9,847	9,583	9,756	9,623	9,428	9,496	9,517	8,929
Raw Flow into Water Plants: (Surface and Ground)	7.58	7.40	7.02	7.97	7.89	7.80	6.37	8.88	10.25	10.19
Average Daily Treatment (Millions of gallons)	10.77	10.63	13.99	16.25	16.25	16.01	13.05	14.27	16.22	17.86
Maximum Daily Treatment (Millions of gallons)										
Wastewater Treatment Number of Customers	9,237	9,136	8,652	8,424	8,375	7,044	6,412	5,669	5,032	4,120
Flow into Wastewater Plants: Average Daily Treatment (Millions of gallons)	2.04	2.00	2.03	1.96	1.94	1.92	1.91	1.88	1.87	1.87
Maximum Daily Treatment (Millions of gallons)	3.25	3.54	3.20	3.76	3.72	3.67	3.44	4.65	3.00	3.00

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police Department										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	12	12	12	12	11	11	12	12	12	12
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	8	8	8
Park Acreage	60.0	60.0	60.0	60.0	60.0	60.0	60.0	53.8	53.8	53.8
Tennis Courts	8	10	10	10	10	10	10	10	10	10
Bocce Ball Courts	3	3	3	3	3	3	3	3	2	2
Shuffleboard Courts	7	7	7	7	7	7	7	4	4	4
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	2	2	2
Teen Center	1	1	1	1	1	1	1	1	0	0
Public Beach Access	2	2	2	2	2	2	2	1	1	0
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	10	10	10	10	10	10	10	10	8	8
Bridges	15	15	15	15	15	15	15	15	12	12
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	140	140	140	140	140
Sewer Lines (Miles)	202	202	202	191	175	160	145	132	86	82

Source: City of Marco Island

**CITY OF MARCO ISLAND, FLORIDA**

**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***

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City Council and City Manager  
City of Marco Island, Florida, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 18, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2015-001 to be a material weakness.

## **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*.

## **City's Response to Finding**

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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  
May 18, 2016

*Mauldin & Jenkins, LLC*



**CITY OF MARCO ISLAND, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

**Federal Programs and State Financial Assistance Projects**

Not applicable as the City did not expend in excess of \$500,000 of federal or state awards.

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2015 - 001 Restatement of Prior Year Balances**

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP) and that all of the City's accounts receivable and revenues are properly reported.

**Condition:** Misstatements were detected in the City's financial statements for the year ended September 30, 2014, due to assessments receivable being overstated by amounts not removed from subsidiary ledger details.

**Context/Cause:** During our audit for the year ended September 30, 2015, misstatements were identified that caused the need to restate opening net position for the year ended September 30, 2014, surrounding the above noted items. We addressed this matter with the City and they were able to determine the appropriate adjustment required to the City's general ledger to properly report the assessments receivable within the Water and Sewer Fund.

**Effect:** Audit adjustments to decrease net position and decrease assessments receivable within the Water and Sewer Fund by \$698,084 was required to be reported as of September 30, 2014.

**Recommendation:** We recommend the City carefully review the financial statements and applicable reporting requirements to ensure that all information and financial data is being properly reported.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding and recommendation. We have made adjustments to our system to ensure that the assessments receivable are properly recorded as of year end and we also have procedures in place to prepare and review the City's financial statements to ensure proper reporting.

**SECTION III  
FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE PROJECT  
FINDINGS AND QUESTIONED COSTS**

Not applicable.

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

Finding 2014-001 was corrected during the current year and is not repeated in this year's report.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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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, 2015, and have issued our report thereon dated May 18, 2016.

### **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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 18, 2016, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as recommendation 2014-001 was corrected during the current year and is not repeated in this year's report.

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

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

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**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Pursuant to Sections 10.554(1)(i)5.c. 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 the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

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

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

**Purpose of this Letter**

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

Bradenton, Florida  
May 18, 2016

*Mauldin & Jenkins, LLC*



## INDEPENDENT AUDITOR'S REPORT

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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, 2015. 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 and, accordingly, included 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 examination provides 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, 2015.

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  
May 18, 2016

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

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