



# City of Marco Island

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2014**

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

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## INTRODUCTION SECTION

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# City of Marco Island

April 14, 2015

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, 2014.

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, 2014, 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, 2014, 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 through a budget re-appropriation ordinance, consolidated all budget amendments approved during the course of the year and those recommended by the City Manager near the end of the fiscal year to officially amend 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 2013 assessed taxable valuations used for property taxes in fiscal year 2014 showed a 1.9% reduction from the prior year. The 2014 assessed taxable valuations to be used for property taxes in fiscal year 2015 reflected an increase of 6.7% from 2013 assessed valuations. It is projected that the 2015 valuations used to determine property taxes for fiscal year 2016 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. 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 the year 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 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. Additional funds for capital investment are provided through monthly 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 the proposed fiscal year general fund operating budget.

**Charter Spending Cap:** The City is unique in Florida with a spending cap after the first four years of incorporation included as part of the original charter of the City. 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 departmental directors the funding necessary to maintain an adequate level 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, 2013. This was the eleventh 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, 2013**

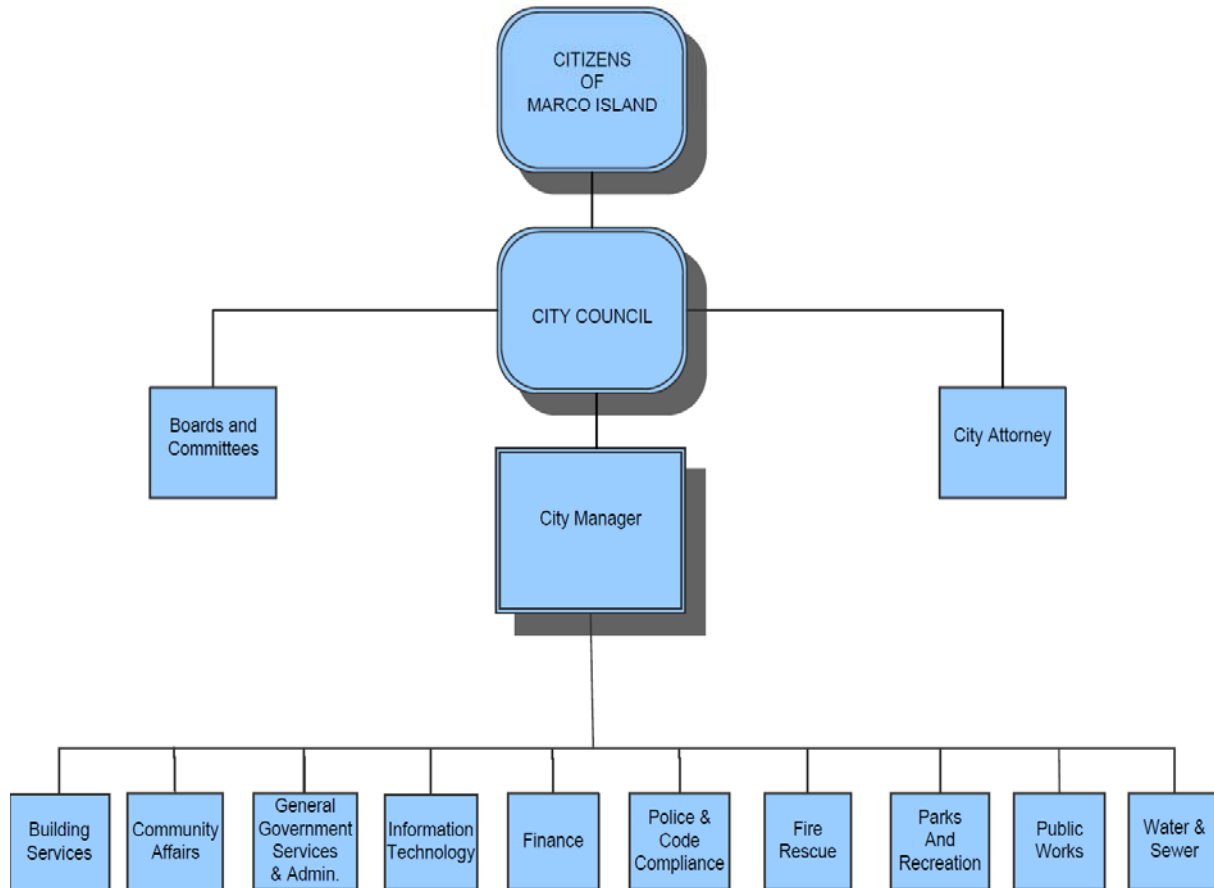
Executive Director/CEO



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# City of Marco Island

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**PRINCIPAL OFFICIALS:**

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

BURT SAUNDERS, GRAY-ROBINSON, CONTRACTED CITY ATTORNEY

ROGER T. HERNSTADT, CITY MANAGER

GUILLERMO POLANCO, FINANCE DIRECTOR

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

**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, 2014, 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, 2014, 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's pension trust funds implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. This standard modified the reporting requirements for financial statements of defined benefit pension plans. Our opinion is 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 87-108, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relates 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 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 April 14, 2015, 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
April 14, 2015

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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, 2014. 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 \$189 million (*net position*). Of this amount, \$25.4 million, or 13% (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. Governmental activities accounts for 44.4% of total net position while business-type activities made up the remaining 55.6%.
- The City's total net position decreased by \$5.3 million or 2.7% during the current fiscal year.
- The City's business-type activities reported total net position of \$105 million, which is a decrease of \$4.6 million, or 4.2%, in comparison to the prior year.
- The City's governmental activities reported total net position of \$84 million, which is a decrease of \$.7 million, or 0.9%, 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 \$28.3 million, an increase of \$7.6 million in comparison with the prior year. Approximately 19.1% of this total amount, \$5.4 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 \$8.5 million or 35.4% of the general fund expenditures and other financing uses. The \$5.3 million in *unassigned fund balance* includes \$4.3 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 \$15.7 million compared to \$21.2 million in the prior year.
- The financial condition of the City continued to be strong in 2014. Major capital investments were made to both the utility system and the basic infrastructure of the community. 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 2014, 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.

**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.

## CITY OF MARCO ISLAND, FLORIDA

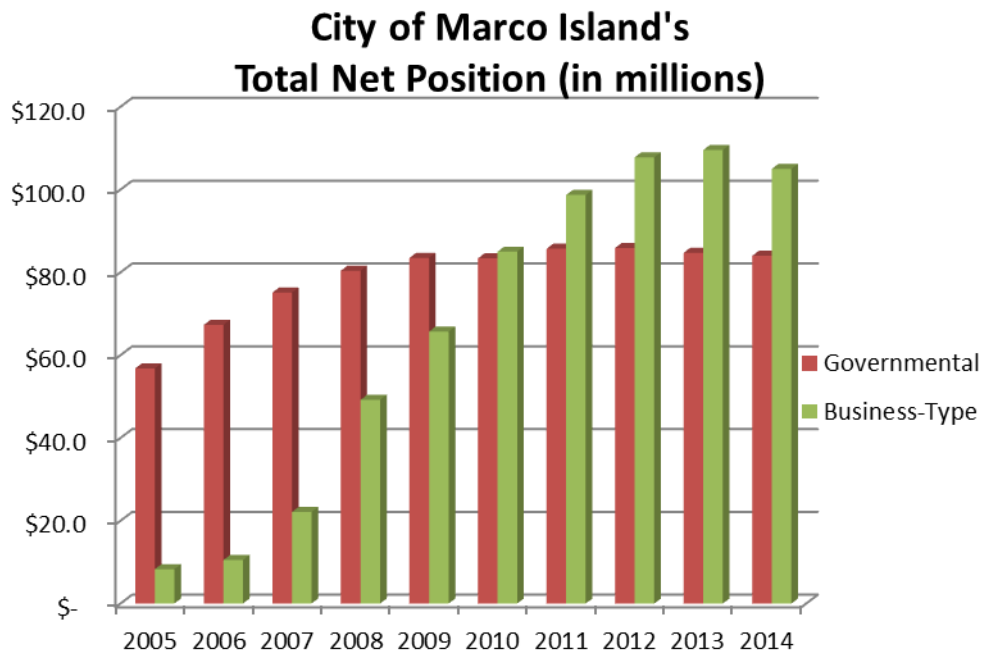
**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's defined benefit pension plans and budget-to-actual schedules for the City's General Fund.

This report contains other information including support schedules, a statistical section (unaudited) and other reports section, which includes reports and schedules related to the audit being performed under Government Auditing Standards.

### **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 \$189 million at the close of the fiscal year. This was a decrease of approximately 2.7% compared to last year's net position of \$194.3 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 0.9%, decrease 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 \$4.6 million, or 4.2%, 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, 38.3%, reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment; all categories are net of depreciation), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the

**CITY OF MARCO ISLAND, FLORIDA**

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 \$85.1 million or 45% of net position as of the end of the fiscal year.

The remaining balance of unrestricted net position (\$25.4 million or 13.4%) 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 \$11.8 million compared to last fiscal year with the majority of the decrease occurring in the governmental fund balance and the water and sewer utility system's net position. Approximately \$8.2 million in funds were committed by the City Council to fund governmental capital projects and pension liabilities. The decrease in the utilities fund was due to the restriction of bond sinking funds held to cover upcoming debt payments.

The following schedule is a summary of the fiscal 2014 Statement of Net Position with comparative information for fiscal 2013.

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

|                                  | Summary Statement of Net Position (in \$ millions) |         |                          |          |          |          |
|----------------------------------|--|---------|--------------------------|----------|----------|----------|
|                                  | Governmental Activities                            |         | Business-type Activities |          | Total    |          |
|                                  | 2014   | 2013    | 2014                     | 2013     | 2014     | 2013     |
| Current and other assets         | \$ 33.0  | \$ 25.0 | \$ 93.5                  | \$ 94.1  | \$ 126.5 | \$ 119.1 |
| Capital assets                   | 71.0   | 74.2    | 221.5                    | 234.2    | 292.5    | 308.4    |
| Total Assets                     | 104.0  | 99.2    | 315.0                    | 328.3    | 419.0    | 427.5    |
| Deferred outflows or resources   | -  | -       | 1.3                      | 2.4      | 1.3      | 2.4      |
| Current and other liabilities    | 2.9  | 3.2     | 4.6                      | 5.5      | 7.5      | 8.7      |
| Long-term debt                   | 17.1   | 11.3    | 206.7                    | 215.7    | 223.8    | 227.0    |
| Total Liabilities                | 20.0   | 14.5    | 211.3                    | 221.2    | 231.3    | 235.7    |
| Net Position:                    |  |         |                          |          |          |          |
| Net investment in capital assets | 55.7   | 64.6    | 16.7                     | 21.6     | 72.4     | 86.2     |
| Restricted                       | 19.3   | 4.5     | 71.9                     | 66.3     | 91.2     | 70.8     |
| Unrestricted                     | 9.0  | 15.6    | 16.4                     | 21.6     | 25.4     | 37.2     |
| Total Net Position               | \$ 84.0  | \$ 84.7 | \$ 105.0                 | \$ 109.5 | \$ 189.0 | \$ 194.2 |



**CITY OF MARCO ISLAND, FLORIDA**

The table below summarizes the City's Statement of Activities as of September 30, 2014 and 2013:

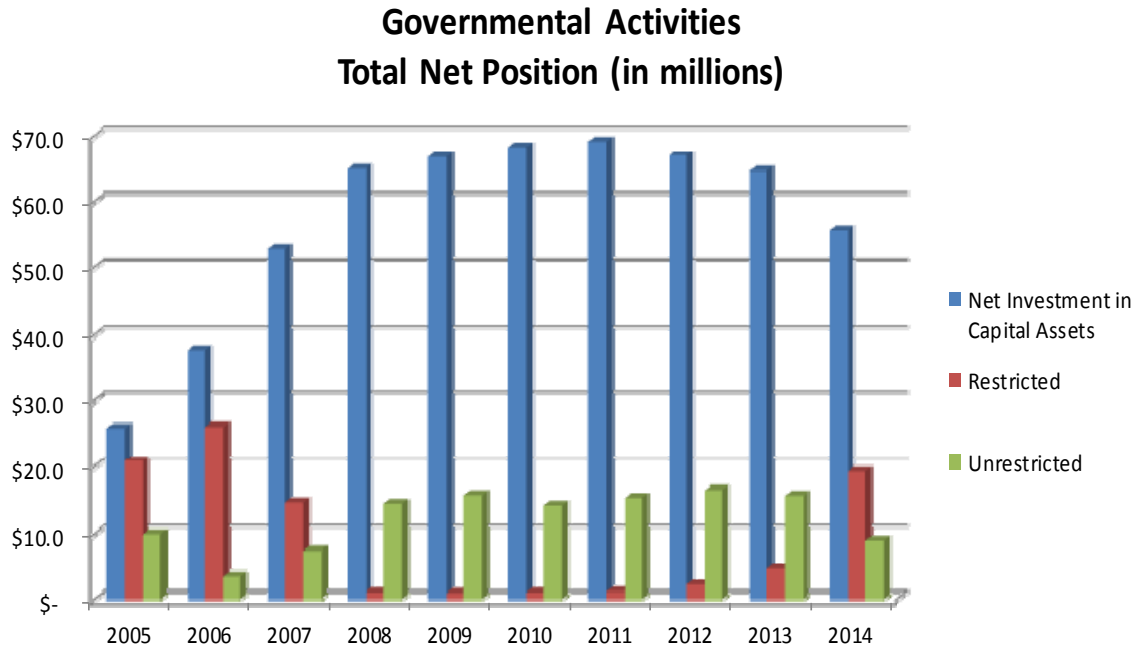
**Summary Statement of Activities (in \$ millions)**

|  | Summary Statement of Activities (in \$ millions) |                |                          |                 |                 |                 |
|--|--|----------------|--------------------------|-----------------|-----------------|-----------------|
|  | Governmental Activities                          |                | Business-type Activities |                 | Total           |                 |
|  | 2014   | 2013           | 2014                     | 2013            | 2014            | 2013            |
| Revenues:                                      |  |                |                          |                 |                 |                 |
| Program revenues:                              |  |                |                          |                 |                 |                 |
| Charges for services                           | \$ 3.1   | \$ 3.0         | \$ 31.3                  | \$ 27.9         | \$ 34.4         | \$ 31.0         |
| Operating grants and contributions             | 1.4  | 1.2            | -                        | -               | 1.4             | 1.2             |
| Capital grants and contributions               | 0.8  | 0.9            | -                        | 11.6            | 0.8             | 12.5            |
| General revenues:                              |  |                |                          |                 |                 |                 |
| Taxes  | 17.5   | 17.2           | -                        | -               | 17.5            | 17.2            |
| Other general revenues                         | 2.8  | 2.4            | 2.0                      | 2.5             | 4.8             | 5.0             |
| Total Revenues                                 | <u>25.5</u>                                      | <u>24.8</u>    | <u>33.3</u>              | <u>42.1</u>     | <u>58.8</u>     | <u>66.9</u>     |
| Expenses:                                      |  |                |                          |                 |                 |                 |
| Governmental activities:                       |  |                |                          |                 |                 |                 |
| General government                             | 4.7  | 4.9            | -                        | -               | 4.7             | 4.9             |
| Public safety                                  | 11.4   | 10.6           | -                        | -               | 11.4            | 10.6            |
| Transportation                                 | 8.2  | 8.2            | -                        | -               | 8.2             | 8.2             |
| Culture and recreation                         | 0.9  | 0.8            | -                        | -               | 0.9             | 0.8             |
| Interest on long-term debt                     | 0.5  | 0.4            | -                        | -               | 0.5             | 0.4             |
| Business-type activities:                      |  |                |                          |                 |                 |                 |
| Water and sewer                                | -  | -              | 36.9                     | 36.1            | 36.9            | 36.1            |
| Recreation                                     | -  | -              | 0.4                      | 0.5             | 0.4             | 0.5             |
| Total Expenses                                 | <u>25.6</u>                                      | <u>24.9</u>    | <u>37.3</u>              | <u>36.5</u>     | <u>62.9</u>     | <u>61.5</u>     |
| Excess revenues over expenses before transfers | (0.1)  | (0.2)          | (4.0)                    | 5.5             | (4.1)           | 5.4             |
| Transfers                                      | (0.5)  | 0.0            | 0.5                      | (0.0)           | -               | -               |
| Change in net position                         | (0.6)  | (0.1)          | (3.5)                    | 5.5             | (4.1)           | 5.4             |
| Net position, beginning as previously stated   | 84.7   | 85.4           | 109.6                    | 108.0           | 194.3           | 193.4           |
| Restatement of fund balances; See note 1.(f)   | (0.1)  | (0.6)          | (1.1)                    | (3.9)           | (1.2)           | (4.5)           |
| Net position, beginning as restated            | 84.6   | 84.8           | 108.5                    | 104.1           | 193.1           | 188.9           |
| Net Position, end of year                      | <u>\$ 84.0</u>                                   | <u>\$ 84.7</u> | <u>\$ 105.0</u>          | <u>\$ 109.6</u> | <u>\$ 189.0</u> | <u>\$ 194.3</u> |

## CITY OF MARCO ISLAND, FLORIDA

### Government Activities:

The total net position of the City's governmental activities decreased \$.7 million from \$84.7 million last fiscal year to \$84 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:

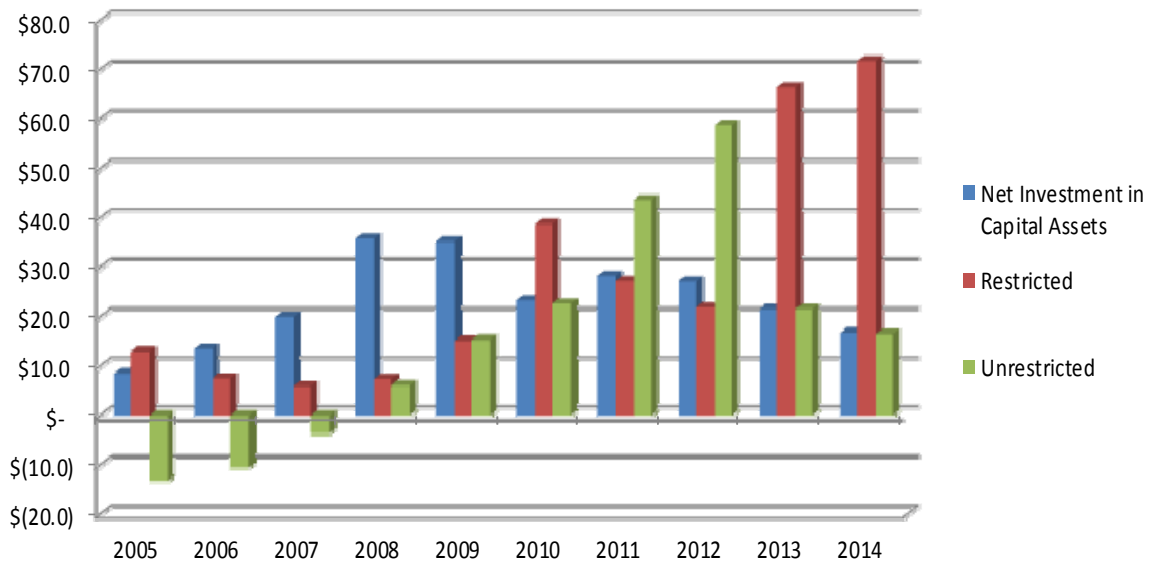


### Business-type Activities:

The City's total net position of the business-type activities decreased by \$4.6 million, or 12.2%, from \$109.6 million last fiscal year to \$105.0 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.

As the bar chart below indicates, the City's investment in capital assets decreased by \$4.9 million, or 22.8%, however, it decreased primarily due to the completion of the STRP and the additional depreciation taken on the assets that were acquired for these purposes.

### 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 \$28.3 million, an increase of \$7.5 million in comparison with the prior year. This increase resulted from an increase in permit and impact fee revenues and a reduction 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 31.9% of the total governmental fund balance constitutes assigned and unassigned fund balance. Of this amount, the Council has assigned or indicated its intention that \$3.6 million be used for the use of on-going capital improvement projects. Approximately \$5.3 million, including the City's financial reserve of \$4.3 million, is unassigned and available for future spending or emergencies and contingencies. The remaining \$1.0 million in unassigned fund balance is available for new spending.

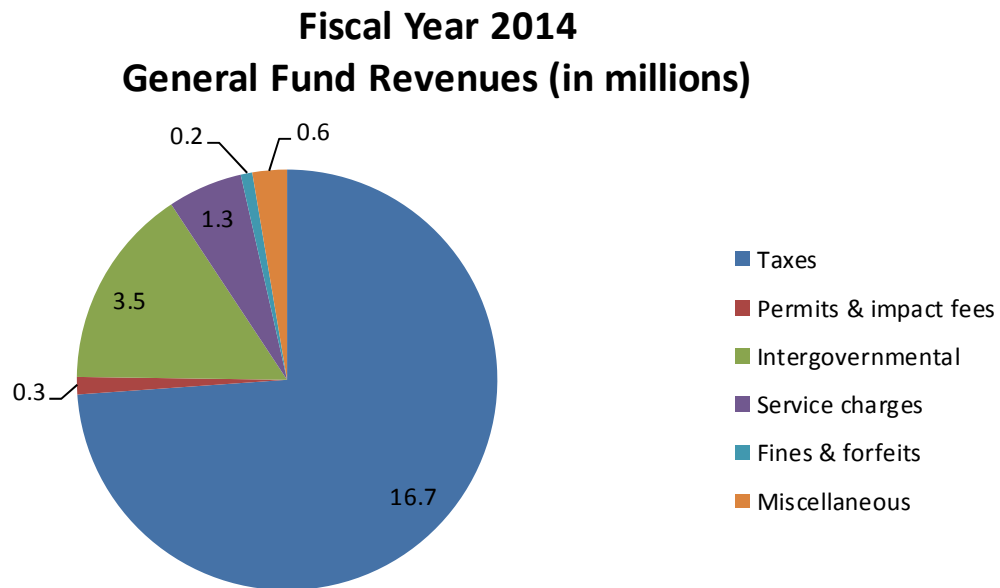
## CITY OF MARCO ISLAND, FLORIDA

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

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

At the end of the current fiscal year, the general fund's total fund balance is \$8.5 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.

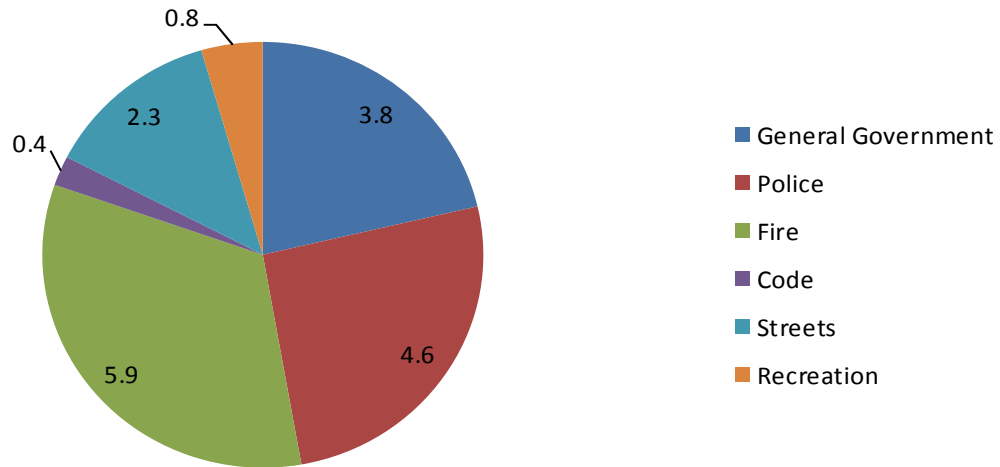
City Council has made a conscious decision to use ad valorem taxes (property taxes) as its primary revenue source for the general fund instead of diversifying its revenue base with other taxes, user fees, and charges for services. Total revenues increased \$.9 million compared to last year. The pie chart below shows the breakdown by percentage of general fund revenues by type.



## CITY OF MARCO ISLAND, FLORIDA

Total general fund operating expenditures increased by \$.9 million. Public safety expenditures increased by \$.7 million due to increases in the number of staff and 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 2014 general fund expenditures by department category.

### Fiscal Year 2014 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, 2014, \$3.4 million in capital projects were completed with \$.4 million funded by intergovernmental sources. The balance was funded by general fund transfers of \$5.4 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 \$15.6 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

## CITY OF MARCO ISLAND, FLORIDA

Environment Protection for the financing of sewer assessment districts constructed each fiscal year, as well as permanent financing with other financial institutions which will be paid from the various sewer assessment districts.

Overall, the water and sewer utility fund's net position as shown on the fund financial statements decreased by \$4.9 million from \$109.1 million in the prior year to \$104.2 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 \$3.4 million, or 12.2%, and operating expenses not including depreciation and amortization costs increased by \$0.6, or 5.3%, compared to the prior year. Interest income decreased by \$0.5 million, or 19.3% compared to the prior fiscal year, primarily due to the lower yields on investments. Interest expense also decreased by \$0.4 million, or 4.2% compared to the prior fiscal year, due to refinancing of the 2003 and 2008 series and the payoff of the STRP Preconstruction loan. Operating income before non-operating revenues, capital contributions, and transfers was \$2.5 million this fiscal year compared to \$0.4 million last fiscal year, representing an increase of \$2.1 million primarily due to the increase in charges for services and an offsetting increase in depreciation expense. 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 \$716,398. 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 \$1.4 million more than budgeted. This increase was from a conservative budget approach on sales tax revenue which resulted in an excess of \$0.4 million in revenues than expected. Likewise, permit and impact fees exceeded budget by \$0.3 million. Communications service tax revenue (CST) was \$71,050 less than expected and \$173,237 less than last year. The downward trend in the CST is due to shift in telecommunications from land lines to wireless devices. Overall, departmental expenditures were in line with budgeted expenditures.

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

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

**CITY OF MARCO ISLAND, FLORIDA**

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

As of September 30, 2014, 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, 2014, the City was in compliance with the Charter Spending Cap:

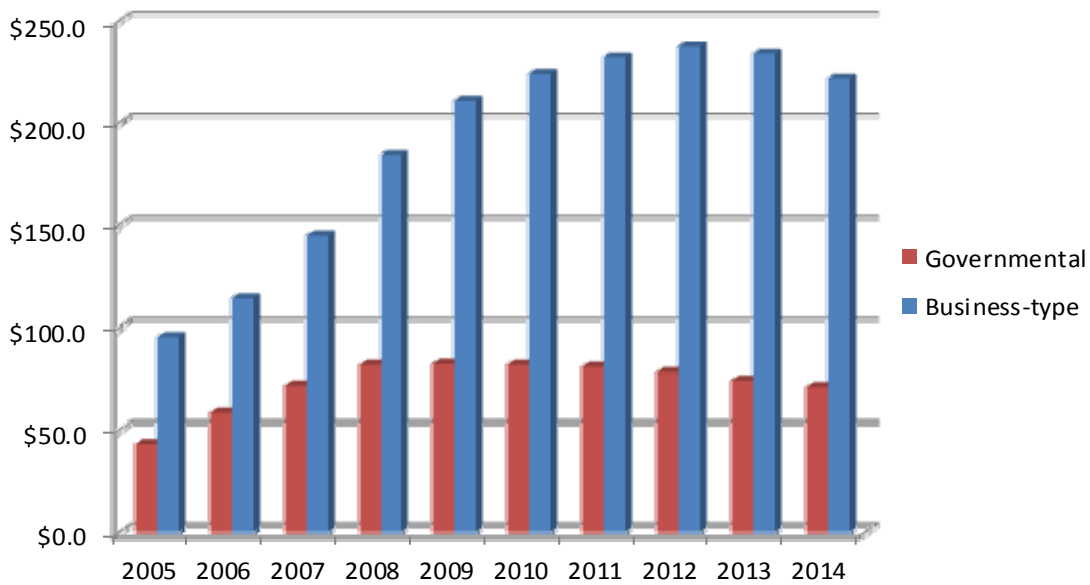
|  |                              |
|--|------------------------------|
| Expenditures fiscal year 2014                                |                              |
| General Fund   | \$ 17,786,981                |
| General Fund Transfer to Capital Projects Fund               | 5,394,033                    |
| Debt Service   | <u>1,596,776</u>             |
| <b>TOTAL OF ALL FUNDS SUBJECT TO SPENDING CAP</b>            | <b>24,777,790</b>            |
| Less expenditures funded by grants and gifts                 | (1,741,502)                  |
| Less expenditures funded by enterprise funds                 | <u>(901,725)</u>             |
| <b>Fiscal Year 2014 expenditures subject to Spending Cap</b> | <b>22,134,563</b>            |
| Plus percentages permitted by City Charter                   |                              |
| 3% general expenditures increase                             | 664,037                      |
| 1.7% expected COLA as of calculation date                    | <u>376,288</u>               |
| <b>Total percentage increase permitted</b>                   | <b><u>1,040,324</u></b>      |
| <br><b>Fiscal Year 2015 Spending Cap</b>                     | <br><b><u>23,174,887</u></b> |

Effective October 1, 2014, the fiscal year 2015 General Fund Budget approved by City Council was \$22,463,005. 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. With the 3% annual increase and the October 2013 cost of living increase percent allowed by the City Charter, the spending cap for the fiscal year 2014 budget year is \$22,981,657.

**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's Capital Assets, Net (in Millions)**



**Capital Assets:** The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2014, was \$292.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, machinery and equipment.

The \$1 million net decrease in business-type capital assets, net of depreciation, is due to depreciation expense on the City’s utility infrastructure. The multi-year project to provide a central city sewer system for all properties on the island was completed during the fiscal year. Additional information on long-term debt 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.

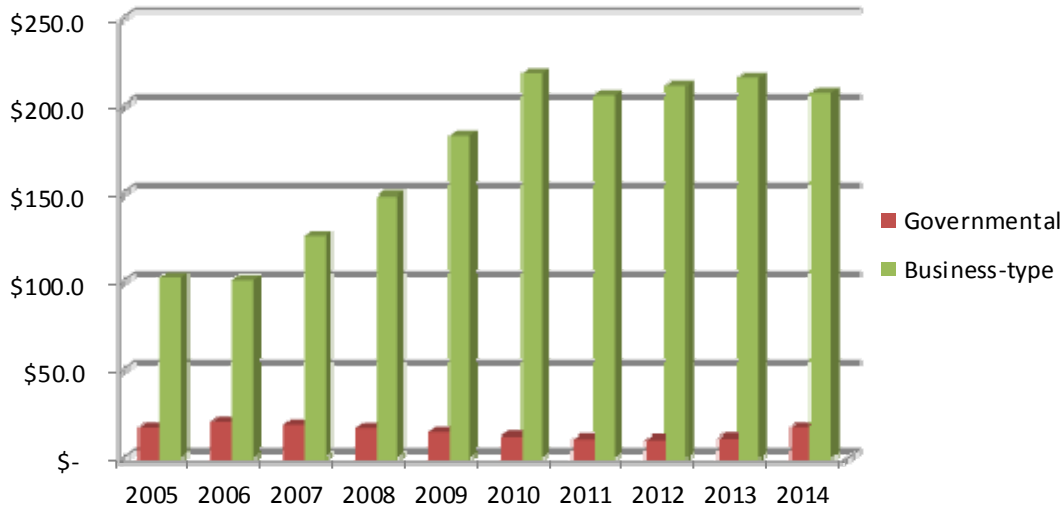
At the end of the current year, the City had total long-term debt (excluding accrued compensated absences, OPEB liability, and deferred assessments) outstanding of \$223.8 million. Of this amount \$15.3 million is considered governmental obligations and the remaining \$208.5 million is business-type debt which is secured solely by specified water and sewer utility fund revenue sources.

Of the \$15.3 million in governmental debt, \$4.6 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 \$3.4 million in governmental debt. A capital lease of \$1.3 million is secured by non-ad valorem revenue. 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 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 took advantage of favorable market conditions to refund the remainder of the original 2003 acquisition revenue bonds and the 2008 series. The total debt outstanding of this portion of system acquisition and improvements is \$153.7 million.

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 \$52.3 million is in place. Of the \$206 million in business-type debt, \$52.3 million is secured by the sewer assessment districts and the remaining \$153.7 million 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.

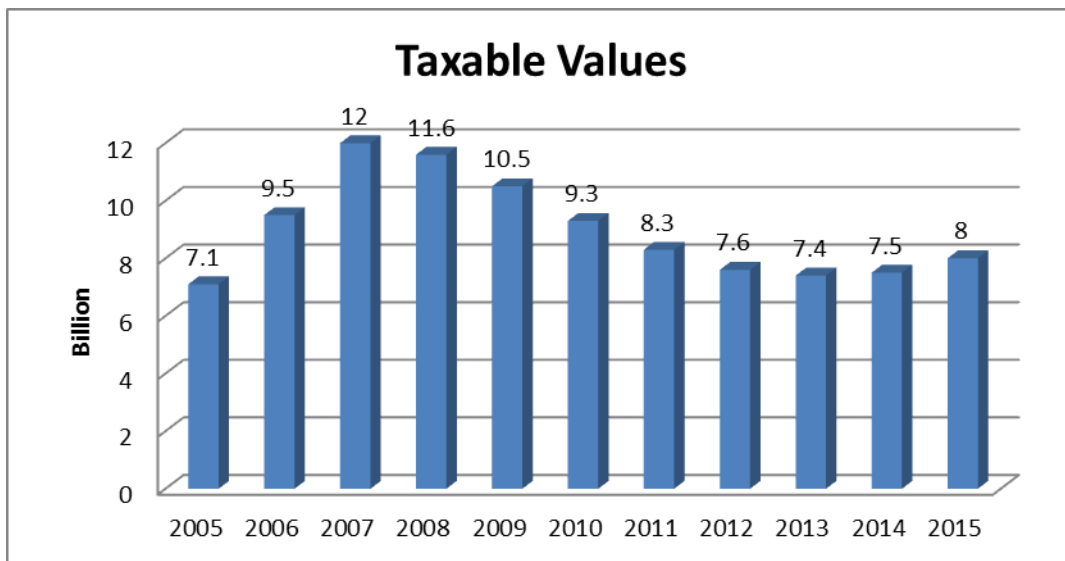
## CITY OF MARCO ISLAND, FLORIDA

The region enjoys a climate that is classified as sub-tropical and the City has a permanent population of approximately 17,000 which grows to 45,000 in peak winter season with the influx of part-time residents and tourists. The City is the second largest municipality (after the City of Naples) located in Collier County. A study by *Forbes* found that more wealthy people moved to Collier County in 2011 than any other county in the United States. For years, a number of top-level executives from major multinational firms have maintained homes in the area, jetting in on weekends for golf and recreation.

The County's median age of 46 is nearly six years older than the state's median age. More than 28.9% of the county's residents are 65 or older, compared with 18.7% statewide. Per the U.S. Department of Labor, the unemployment rate for Collier County is currently 4.7%, down from 5.4% a year ago. The Naples/Marco Island regional unemployment rate has declined from 5.4% last year to 4.7% this year.

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 6.3% compared to 2013 with the majority being Floridians at 35.2%, out-of-state at 41.2%, and the balance 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 2014 taxable value is \$7,548,486,093 which reflects an increase of 1.9% from the fiscal 2013 value. The City's fiscal 2015 taxable value is \$7,970,552,473 which reflects an increase of 5.6% from the fiscal 2014 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

## CITY OF MARCO ISLAND, FLORIDA

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 residents enjoy a standard operating millage rate of 1.96 mils in fiscal year 2014 that is only .09 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 \$3.4 million, or 12.2%, 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

## CITY OF MARCO ISLAND, FLORIDA

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.

**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 3.8% compared to last fiscal year, and the tax levy in the Hideaway Beach District was lowered to 2.0 mils from the last fiscal year at 2.6 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.

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**CITY OF MARCO ISLAND, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

September 30, 2014

| Assets   | Primary Government         |                             |                    | Component Unit<br>Hideaway Beach |
|--|----------------------------|-----------------------------|--------------------|----------------------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total              |                                  |
| Cash and investments   | \$ 24,731,522              | 4,958,493                   | 29,690,015         | 700,221                          |
| Receivables (net, where applicable,<br>of allowance for uncollectible) |                            |                             |                    |                                  |
| Accounts   | 259,856                    | 2,756,744                   | 3,016,600          | -                                |
| Assessments, current portion   | -                          | 1,007,082                   | 1,007,082          | -                                |
| Assessments, interest  | -                          | 2,890,144                   | 2,890,144          | -                                |
| Accrued interest   | 903                        | 89,880                      | 90,783             | -                                |
| Internal balances  | (780,692)                  | 780,692                     | -                  | -                                |
| Due from other governments   | 439,310                    | -                           | 439,310            | -                                |
| Prepaid items  | 41,916                     | -                           | 41,916             | -                                |
| Restricted cash and investments  | 7,806,965                  | 52,681,415                  | 60,488,380         | -                                |
| Assessments receivable   | -                          | 28,366,567                  | 28,366,567         | -                                |
| Net pension assets   | 502,629                    | -                           | 502,629            | -                                |
| Capital assets   |                            |                             |                    |                                  |
| Land and land improvements   | 15,363,360                 | 17,415,059                  | 32,778,419         | -                                |
| Buildings and utility plants   | 10,051,234                 | 6,740,659                   | 16,791,893         | -                                |
| Improvements other than buildings                                      | -                          | 126,222,666                 | 126,222,666        | -                                |
| Infrastructure   | 86,093,349                 | 89,056,027                  | 175,149,376        | -                                |
| Equipment  | 8,956,723                  | 67,142,988                  | 76,099,711         | -                                |
| Accumulated depreciation   | (51,820,207)               | (89,639,852)                | (141,460,059)      | -                                |
| Construction in progress   | 2,334,133                  | 4,524,590                   | 6,858,723          | -                                |
| Net capital assets   | <u>70,978,592</u>          | <u>221,462,137</u>          | <u>292,440,729</u> | <u>-</u>                         |
| Total assets   | <u>103,981,001</u>         | <u>314,993,154</u>          | <u>418,974,155</u> | <u>700,221</u>                   |
| Deferred Outflows of Resources   |                            |                             |                    |                                  |
| Deferred amount on refunding debt                                      | -                          | 1,303,777                   | 1,303,777          | -                                |
| Total deferred outflows of resources                                   | <u>-</u>                   | <u>1,303,777</u>            | <u>1,303,777</u>   | <u>-</u>                         |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position  
September 30, 2014

| Liabilities  | Primary Government         |                             | Total              | Component Unit<br>Hideaway Beach |
|--|----------------------------|-----------------------------|--------------------|----------------------------------|
|  | Governmental<br>Activities | Business-type<br>Activities |                    |                                  |
| Accounts payable and other current liabilities                                 | \$ 2,783,788               | 892,338                     | 3,676,126          | -                                |
| Due to other governments   | -                          | -                           | -                  | -                                |
| Due to pension funds   | -                          | -                           | -                  | -                                |
| Customer deposits  | 3,500                      | 12,000                      | 15,500             | -                                |
| Accrued interest payable   | 73,778                     | 3,682,417                   | 3,756,195          | -                                |
| Total current liabilities  | <u>2,861,066</u>           | <u>4,586,755</u>            | <u>7,447,821</u>   | -                                |
| Noncurrent liabilities   |                            |                             |                    |                                  |
| Bonds, notes, and capital leases, net<br>of unamortized discounts and premiums |                            |                             |                    |                                  |
| Due within one year  | 1,447,237                  | 7,412,597                   | 8,859,834          | -                                |
| Due in more than one year  | 13,832,120                 | 198,623,950                 | 212,456,070        | -                                |
| Compensated absences   |                            |                             |                    |                                  |
| Due within one year  | 245,137                    | 112,912                     | 358,049            | -                                |
| Due in more than one year  | 936,944                    | 328,751                     | 1,265,695          | -                                |
| Other post employment benefits   | 619,555                    | 234,986                     | 854,541            | -                                |
| Total noncurrent liabilities   | <u>17,080,993</u>          | <u>206,713,196</u>          | <u>223,794,189</u> | -                                |
| Total liabilities  | <u>19,942,059</u>          | <u>211,299,951</u>          | <u>231,242,010</u> | -                                |
| Net investment in capital assets   | 55,699,235                 | 16,729,367                  | 72,428,602         | -                                |
| Restricted for   |                            |                             |                    |                                  |
| Capital Outlay   | 6,045,000                  | 1,882,009                   | 7,927,009          | -                                |
| Debt Service   | 1,761,965                  | 65,762,321                  | 67,524,286         | -                                |
| Renewal and replacements   | 8,162,739                  | 1,819,216                   | 9,981,955          | -                                |
| Impact and public safety programs  | 1,428,954                  | 2,413,920                   | 3,842,874          | -                                |
| Building services  | 1,891,291                  | -                           | 1,891,291          | -                                |
| Unrestricted   | 9,049,758                  | 16,390,147                  | 25,439,905         | 700,221                          |
| Total net position   | <u>\$ 84,038,942</u>       | <u>104,996,980</u>          | <u>189,035,922</u> | <u>700,221</u>                   |

See accompanying notes to financial statements.



**CITY OF MARCO ISLAND, FLORIDA**

Statement of Activities  
Year Ended September 30, 2014

| Functions/programs             | Program Revenues     |  |  |  | Net (expense) revenue and change in net position |                             |                     | Component Unit<br>Hideaway<br>Beach<br>District |
|--------------------------------|----------------------|--|--|--|--|-----------------------------|---------------------|---|
|                                | Expenses             | Charges<br>for<br>Services                   | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                               |                             |                     |   |
|                                |                      |  |  |  | Governmental<br>Activities                       | Business-type<br>Activities | Totals              |   |
| Primary government             |                      |  |  |  |  |                             |                     |   |
| Governmental activities        |                      |  |  |  |  |                             |                     |   |
| General government             | \$ 3,385,646         | 1,127,775                                    | 250,000                                  | -                                      | (2,007,871)                                      | -                           | (2,007,871)         | -   |
| Police Services                | 4,747,915            | 44,343                                       | -  | 18,000                                 | (4,685,572)                                      | -                           | (4,685,572)         | -   |
| Fire and rescue                | 6,249,716            | 246,397                                      | 117,046                                  | 27,887                                 | (5,858,386)                                      | -                           | (5,858,386)         | -   |
| Code compliance                | 361,456              | 146,712                                      | -  | -                                      | (214,744)  | -                           | (214,744)           | -   |
| Building services              | 1,281,963            | 1,575,705                                    | -  | -                                      | 293,742  | -                           | 293,742             | -   |
| Transportation                 | 8,194,480            | -  | 1,000,000                                | 645,091                                | (6,549,389)                                      | -                           | (6,549,389)         | -   |
| Culture and recreation         | 927,793              | -  | -  | 65,552                                 | (862,241)  | -                           | (862,241)           | -   |
| Interest on long-term debt     | 456,728              | -  | -  | -                                      | (456,728)  | -                           | (456,728)           | -   |
| Total governmental activities  | <u>25,605,697</u>    | <u>3,140,932</u>                             | <u>1,367,046</u>                         | <u>756,530</u>                         | <u>(20,341,189)</u>                              | <u>-</u>                    | <u>(20,341,189)</u> | <u>-</u>  |
| Business-type activities       |                      |  |  |  |  |                             |                     |   |
| Water and sewer                | 36,855,596           | 30,953,347                                   | -  | -                                      | -  | (5,902,249)                 | (5,902,249)         | -   |
| Recreation                     | 447,244              | 347,133                                      | -  | -                                      | -  | (100,111)                   | (100,111)           | -   |
| Total business-type activities | <u>37,302,840</u>    | <u>31,300,480</u>                            | <u>-</u>                                 | <u>-</u>                               | <u>-</u>   | <u>(6,002,360)</u>          | <u>(6,002,360)</u>  | <u>-</u>  |
| Total primary government       | <u>\$ 62,908,537</u> | <u>34,441,412</u>                            | <u>1,367,046</u>                         | <u>756,530</u>                         | <u>(20,341,189)</u>                              | <u>(6,002,360)</u>          | <u>(26,343,549)</u> | <u>-</u>  |
| Component unit                 |                      |  |  |  |  |                             |                     |   |
| Hideaway Beach District        | <u>\$ 94,182</u>     | <u>-</u>                                     | <u>-</u>                                 | <u>-</u>                               |  |                             |                     | <u>(94,182)</u>                                 |
|                                |                      | General revenues                             |  |  |  |                             |                     |   |
|                                |                      | Taxes  |  |  |  |                             |                     |   |
|                                |                      | Property taxes                               |  |  | 15,179,396                                       | -                           | 15,179,396          | 923,237   |
|                                |                      | Communication service tax                    |  |  | 882,950  | -                           | 882,950             | -   |
|                                |                      | Other taxes                                  |  |  | 1,450,956  | -                           | 1,450,956           | -   |
|                                |                      | State share revenue - unrestricted           |  |  | 2,406,165  | -                           | 2,406,165           | -   |
|                                |                      | Interest                                     |  |  | 235,709  | 1,882,235                   | 2,117,944           | -   |
|                                |                      | Miscellaneous revenues                       |  |  | 111,365  | 128,442                     | 239,807             | 2   |
|                                |                      | Transfers                                    |  |  | (507,052)  | 507,052                     | -                   | -   |
|                                |                      | Total general revenues and transfers         |  |  | <u>19,759,489</u>                                | <u>2,517,729</u>            | <u>22,277,218</u>   | <u>923,239</u>                                  |
|                                |                      | Change in net position                       |  |  | (581,700)  | (3,484,631)                 | (4,066,331)         | 829,057   |
|                                |                      | Net position, beginning as previously stated |  |  | 84,733,975                                       | 109,572,472                 | 194,306,447         |   |
|                                |                      | Restatement of fund balances; See note 1.(f) |  |  | (113,333)  | (1,090,861)                 | (1,204,194)         |   |
|                                |                      | Net position, beginning as restated          |  |  | <u>84,620,642</u>                                | <u>108,481,611</u>          | <u>193,102,253</u>  | <u>(128,836)</u>                                |
|                                |                      | Net position, ending                         |  |  | <u>\$ 84,038,942</u>                             | <u>104,996,980</u>          | <u>189,035,922</u>  | <u>700,221</u>                                  |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

**CITY OF MARCO ISLAND, FLORIDA**

Balance Sheet

Governmental Funds

September 30, 2014

|                                      | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|---------------------|-------------------------|-----------------------------|-------------------------------------|---|
| <b>Assets</b>                        |                     |                         |                             |                                     |   |
| Pooled cash and cash equivalents     | \$ 9,310,976        | -                       | 10,987,819                  | 1,924,271                           | 22,223,066                              |
| Receivables                          |                     |                         |                             |                                     |   |
| Accounts, net                        | 9,856               | -                       | 250,000                     | -                                   | 259,856                                 |
| Interest                             | 903                 | -                       | -                           | -                                   | 903                                     |
| Due from other governments           | 439,310             | -                       | -                           | -                                   | 439,310                                 |
| Prepaid items                        | 41,916              | -                       | -                           | -                                   | 41,916                                  |
| Restricted cash and cash equivalents | -                   | 1,761,965               | 6,045,000                   | -                                   | 7,806,965                               |
| Total assets                         | <u>\$ 9,802,961</u> | <u>1,761,965</u>        | <u>17,282,819</u>           | <u>1,924,271</u>                    | <u>30,772,016</u>                       |
| <b>Liabilities</b>                   |                     |                         |                             |                                     |   |
| Accounts payable                     | \$ 854,189          | -                       | 1,114,454                   | 10,950                              | 1,979,593                               |
| Accrued liabilities                  | 451,428             | -                       | -                           | 22,030                              | 473,458                                 |
| Customer deposits                    | 3,500               | -                       | -                           | -                                   | 3,500                                   |
| Total liabilities                    | <u>1,309,117</u>    | <u>-</u>                | <u>1,114,454</u>            | <u>32,980</u>                       | <u>2,456,551</u>                        |
| <b>Fund balances</b>                 |                     |                         |                             |                                     |   |
| Nonspendable                         | 41,916              | -                       | -                           | -                                   | 41,916                                  |
| Restricted                           |                     |                         |                             |                                     |   |
| Parks construction and operation     | 212,700             | -                       | -                           | -                                   | 212,700                                 |
| Bridge construction                  | -                   | -                       | 6,045,000                   | -                                   | 6,045,000                               |
| Road construction                    | 985,902             | -                       | -                           | -                                   | 985,902                                 |
| Fire services                        | 137,870             | -                       | -                           | -                                   | 137,870                                 |
| Police services                      | 92,482              | -                       | -                           | -                                   | 92,482                                  |
| Debt service                         | -                   | 1,761,965               | -                           | -                                   | 1,761,965                               |
| Building services                    | -                   | -                       | -                           | 1,891,291                           | 1,891,291                               |
| Committed                            |                     |                         |                             |                                     |   |
| Unfunded Pension Liabilities         | 1,660,834           | -                       | -                           | -                                   | 1,660,834                               |
| Asset replacement                    | -                   | -                       | 6,501,905                   | -                                   | 6,501,905                               |
| Assigned                             |                     |                         |                             |                                     |   |
| Transportation                       | 20,289              | -                       | -                           | -                                   | 20,289                                  |
| Capital projects                     | -                   | -                       | 3,621,460                   | -                                   | 3,621,460                               |
| Unassigned                           | 5,341,851           | -                       | -                           | -                                   | 5,341,851                               |
| Total fund balances                  | <u>8,493,844</u>    | <u>1,761,965</u>        | <u>16,168,365</u>           | <u>1,891,291</u>                    | <u>28,315,465</u>                       |
| Total liabilities and fund balances  | <u>\$ 9,802,961</u> | <u>1,761,965</u>        | <u>17,282,819</u>           | <u>1,924,271</u>                    | <u>30,772,016</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, 2014

|  |                      |
|--|----------------------|
| Total fund balances governmental funds   | \$ 28,315,465        |
| 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.   | 70,978,592           |
| Accrued long term debt interest expense is not a financial use and, therefore is not reported in the funds.  | (73,778)             |
| 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.                                      | (17,080,993)         |
| Net pension assets are not available to pay for current period expenditures and, therefore are not reported in the funds.  | 502,629              |
| 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>1,397,027</u>     |
| Net position of governmental activities  | <u>\$ 84,038,942</u> |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2014

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------------|-----------------------------|-------------------------------------|---|
| <b>Revenues</b>  |                     |                         |                             |                                     |   |
| Taxes  | \$ 16,664,264       | 849,038                 | -                           | -                                   | 17,513,302                              |
| Permits, fees and assessments                                | 345,686             |                         | -                           | 1,542,341                           | 1,888,027                               |
| Intergovernmental  | 3,508,913           |                         | 165,091                     | -                                   | 3,674,004                               |
| Charges for services   | 1,336,950           |                         | -                           | -                                   | 1,336,950                               |
| Fines and forfeitures  | 170,001             |                         | -                           | -                                   | 170,001                                 |
| Interest   | 235,237             |                         | 471                         | -                                   | 235,708                                 |
| Miscellaneous  | 395,258             | 3                       | 280,000                     | 38,509                              | 713,770                                 |
| <b>Total revenues</b>  | <u>22,656,309</u>   | <u>849,041</u>          | <u>445,562</u>              | <u>1,580,850</u>                    | <u>25,531,762</u>                       |
| <b>Expenditures</b>  |                     |                         |                             |                                     |   |
| <b>Current</b>   |                     |                         |                             |                                     |   |
| General government   | 3,820,574           | -                       | -                           | -                                   | 3,820,574                               |
| Police services  | 4,582,878           | -                       | -                           | -                                   | 4,582,878                               |
| Fire and rescue  | 5,869,202           | -                       | -                           | -                                   | 5,869,202                               |
| Code compliance  | 358,722             | -                       | -                           | -                                   | 358,722                                 |
| Building services  | -                   | -                       | -                           | 1,275,017                           | 1,275,017                               |
| Transportation   | 2,387,332           | -                       | -                           | -                                   | 2,387,332                               |
| Culture and recreation                                       | 768,273             | -                       | -                           | -                                   | 768,273                                 |
| <b>Debt service</b>  |                     |                         |                             |                                     |   |
| Principal  | -                   | 5,049,351               | -                           | -                                   | 5,049,351                               |
| Interest and fiscal charges                                  | -                   | 457,179                 | -                           | -                                   | 457,179                                 |
| Capital outlay   | -                   | -                       | 3,430,204                   | -                                   | 3,430,204                               |
| <b>Total expenditures</b>                                    | <u>17,786,981</u>   | <u>5,506,530</u>        | <u>3,430,204</u>            | <u>1,275,017</u>                    | <u>27,998,732</u>                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>4,869,328</u>    | <u>(4,657,489)</u>      | <u>(2,984,642)</u>          | <u>305,833</u>                      | <u>(2,466,970)</u>                      |
| <b>Other financing sources (uses)</b>                        |                     |                         |                             |                                     |   |
| Transfers in   | -                   | 828,550                 | 4,894,033                   | -                                   | 5,722,583                               |
| Transfers out  | (6,222,583)         | -                       | (7,052)                     | -                                   | (6,229,635)                             |
| Debt Proceeds  | -                   | 3,920,451               | 6,733,984                   | -                                   | 10,654,435                              |
| <b>Total other financing sources (uses)</b>                  | <u>(6,222,583)</u>  | <u>4,749,001</u>        | <u>11,620,965</u>           | <u>-</u>                            | <u>10,147,383</u>                       |
| Change in fund balances                                      | <u>(1,353,255)</u>  | <u>91,512</u>           | <u>8,636,323</u>            | <u>305,833</u>                      | <u>7,680,413</u>                        |
| Fund balances, beginning as previously stated                | 9,960,432           | 1,670,453               | 7,532,042                   | 1,585,458                           | 20,748,385                              |
| Restatement of fund balances; See note 1.(f)                 | <u>(113,333)</u>    | -                       | -                           | -                                   | <u>(113,333)</u>                        |
| Fund balances, beginning as restated                         | <u>9,847,099</u>    | <u>1,670,453</u>        | <u>7,532,042</u>            | <u>1,585,458</u>                    | <u>20,635,052</u>                       |
| Fund balances, end of year                                   | <u>\$ 8,493,844</u> | <u>1,761,965</u>        | <u>16,168,365</u>           | <u>1,891,291</u>                    | <u>28,315,465</u>                       |

See accompanying notes to financial statements.

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**CITY OF MARCO ISLAND, FLORIDA**

Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended September 30, 2014

|   |    |                         |
|---|----|-------------------------|
| Net change in fund balance - governmental funds   | \$ | 7,680,413               |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |    |                         |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$6,693,503) exceeded capital outlays (\$3,429,940) in the current period.   |    |                         |
|   |    | (3,263,563)             |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt payments during the current period. |    |                         |
| Principal payments on debt  |    | 4,875,000               |
| Debt proceeds from general obligations  |    | (9,920,000)             |
| Principal payments on capital lease   |    | 174,351                 |
| Debt proceeds from capital lease  |    | (734,435)               |
| The Statement of Activities reports changes in the net pension asset. Conversely, government funds do not report any change in the net pension assets.  |    |                         |
|   |    | 146,223                 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.   |    |                         |
| Changes in compensated absences   |    | (31,241)                |
| Accrued interest  |    | 41,308                  |
| Other post-employment benefits  |    | (122,115)               |
| 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.  |    |                         |
|   |    | <u>572,359</u>          |
| Change in net position of governmental activities   | \$ | <u><u>(581,700)</u></u> |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

Proprietary Funds  
September 30, 2014

| Assets                                   | Business-type Activities—Enterprise Funds |                       |                     | Governmental Activities— |
|--|---|-----------------------|---------------------|--------------------------|
|  | Water and Sewer                           | Recreation (Nonmajor) | Total               | Internal Service Fund    |
| Current assets                           |   |                       |                     |                          |
| Pooled cash and cash equivalents         | \$ 4,958,493                              | -                     | 4,958,493           | 2,508,457                |
| Accounts receivable, net                 | 2,756,744                                 | -                     | 2,756,744           | -                        |
| Assessments receivable - current portion | 1,007,082                                 | -                     | 1,007,082           | -                        |
| Assessments interest receivable          | 2,890,144                                 | -                     | 2,890,144           | -                        |
| Interest receivable                      | 89,880                                    | -                     | 89,880              | -                        |
| Restricted cash and cash equivalents     | 36,168,182                                | -                     | 36,168,182          | -                        |
| Total current assets                     | <u>47,870,525</u>                         | <u>-</u>              | <u>47,870,525</u>   | <u>2,508,457</u>         |
| Noncurrent assets                        |   |                       |                     |                          |
| Restricted cash and cash equivalents     | 16,513,233                                | -                     | 16,513,233          | -                        |
| Assessments receivable                   | 28,366,567                                | -                     | 28,366,567          | -                        |
| Capital assets                           |   |                       |                     |                          |
| Land                                     | 17,415,059                                | -                     | 17,415,059          | -                        |
| Transmissions and distributions          | 126,222,666                               | -                     | 126,222,666         | -                        |
| Infrastructure                           | 89,056,027                                | -                     | 89,056,027          | -                        |
| Buildings and improvements               | 6,676,805                                 | 63,854                | 6,740,659           | -                        |
| Vehicles and equipment                   | 67,067,075                                | 75,913                | 67,142,988          | -                        |
| Construction in progress                 | 4,524,590                                 | -                     | 4,524,590           | -                        |
| Accumulated depreciation                 | <u>(89,557,170)</u>                       | <u>(82,682)</u>       | <u>(89,639,852)</u> | -                        |
| Net capital assets                       | <u>221,405,052</u>                        | <u>57,085</u>         | <u>221,462,137</u>  | -                        |
| Total noncurrent assets                  | <u>266,284,852</u>                        | <u>57,085</u>         | <u>266,341,937</u>  | -                        |
| Total assets                             | <u>314,155,377</u>                        | <u>57,085</u>         | <u>314,212,462</u>  | <u>2,508,457</u>         |
| Deferred outflows of resources           |   |                       |                     |                          |
| Deferred amounts on refunding debt       | 1,303,777                                 | -                     | 1,303,777           | -                        |
| Total deferred inflows of resources      | <u>1,303,777</u>                          | <u>-</u>              | <u>1,303,777</u>    | <u>-</u>                 |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Net Position

Proprietary Funds

September 30, 2014

|  | <b>Business-type Activities—Enterprise Funds</b> |                                  |                       | <b>Governmental<br/>Activities—<br/>Internal<br/>Service Fund</b> |
|--|--|----------------------------------|-----------------------|---|
|  | <b>Water and<br/>Sewer</b>                       | <b>Recreation<br/>(Nonmajor)</b> | <b>Total</b>          |   |
| <b>Liabilities</b>   |  |                                  |                       |   |
| Current liabilities  |  |                                  |                       |   |
| Accounts payable   | \$ 620,780                                       | 70,742                           | 691,522               | 2,863   |
| Accrued liabilities  | 139,926  | 60,890                           | 200,816               | 327,874   |
| Accrued interest   | 3,682,417  | -                                | 3,682,417             | -   |
| Customer deposits  | 12,000   | -                                | 12,000                | -   |
| Compensated absences, current portion  | 112,912  | -                                | 112,912               | -   |
| Bonds payable, current portion   | 4,668,538  | -                                | 4,668,538             | -   |
| Notes payable, current portion   | 2,744,059  | -                                | 2,744,059             | -   |
| <b>Total current liabilities</b>   | <b>11,980,632</b>                                | <b>131,632</b>                   | <b>12,112,264</b>     | <b>330,737</b>  |
| Noncurrent liabilities   |  |                                  |                       |   |
| Compensated absences   | 328,751  | -                                | 328,751               | -   |
| Bonds payable  | 144,326,732                                      | -                                | 144,326,732           | -   |
| Notes payable  | 54,297,218                                       | -                                | 54,297,218            | -   |
| Other post-employment benefits   | 234,986  | -                                | 234,986               | -   |
| <b>Total noncurrent liabilities</b>  | <b>199,187,687</b>                               | <b>-</b>                         | <b>199,187,687</b>    | <b>-</b>  |
| <b>Total liabilities</b>   | <b>211,168,319</b>                               | <b>131,632</b>                   | <b>211,299,951</b>    | <b>330,737</b>  |
| <b>Net Position</b>  |  |                                  |                       |   |
| Net investment in capital assets   | 16,672,282                                       | 57,085                           | 16,729,367            | -   |
| Restricted   |  |                                  |                       |   |
| Capital Reserve  | 1,882,009  | -                                | 1,882,009             | -   |
| Debt service   | 65,762,321                                       | -                                | 65,762,321            | -   |
| Renewal and replacement  | 1,819,216  | -                                | 1,819,216             | -   |
| Impact and public safety programs  | 2,413,920  | -                                | 2,413,920             | -   |
| Unrestricted   | 15,741,087                                       | (131,632)                        | 15,609,455            | 2,177,720   |
| <b>Net position</b>  | <b>\$ 104,290,835</b>                            | <b>(74,547)</b>                  | <b>104,216,288</b>    | <b>2,177,720</b>  |
| Adjustment to reflect internal service fund activities reflected in enterprise funds |  |                                  | 780,692               |   |
| <b>Net position, business-type activities</b>  |  |                                  | <b>\$ 104,996,980</b> |   |

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, 2014

|  | <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   | \$ 30,953,347                                    | 347,133                      | 31,300,480     | 1,758,847                               |
| Operating expenses   |  |                              |                |   |
| Personal services  | 5,555,024  | 165,765                      | 5,720,789      | -                                       |
| Insurance  | 662,950  | -                            | 662,950        | 866,626                                 |
| Utilities  | 1,799,023  | 26,923                       | 1,825,946      | -                                       |
| Contractual fees   | 1,200,641  | 33,958                       | 1,234,599      | -                                       |
| Repairs and maintenance  | 657,837  | 10,942                       | 668,779        | -                                       |
| Supplies   | 1,297,406  | 20,571                       | 1,317,977      | -                                       |
| Rental and lease costs   | 17,939   | 910                          | 18,849         | -                                       |
| Other expenses   | 818,592  | 176,770                      | 995,362        | 15                                      |
| Amortization   | 113,650  | -                            | 113,650        | -                                       |
| Depreciation   | 16,368,741                                       | 11,405                       | 16,380,146     | -                                       |
| Total operating expenses   | 28,491,803                                       | 447,244                      | 28,939,047     | 866,641                                 |
| Operating income (loss)  | 2,461,544  | (100,111)                    | 2,361,433      | 892,206                                 |
| Nonoperating revenues (expenses)   |  |                              |                |   |
| Interest income  | 1,882,235  | -                            | 1,882,235      | -                                       |
| Interest expense   | (8,543,125)                                      | -                            | (8,543,125)    | -                                       |
| Miscellaneous expense  | (140,515)  | -                            | (140,515)      | -                                       |
| Other nonoperating income  | 44,769   | 81,656                       | 126,425        | -                                       |
| Gain (loss) on sale of capital assets  | 2,017  | -                            | 2,017          | -                                       |
| Total nonoperating revenues (expenses)   | (6,754,619)                                      | 81,656                       | (6,672,963)    | -                                       |
| Income (loss) before transfers   | (4,293,075)                                      | (18,455)                     | (4,311,530)    | 892,206                                 |
| Transfers in   | 500,000  | 7,052                        | 507,052        | -                                       |
| Change in net position   | (3,793,075)                                      | (11,403)                     | (3,804,478)    | 892,206                                 |
| Net position, beginning as previously stated   | 109,086,437                                      | 25,190                       | 109,111,627    | 1,285,514                               |
| Restatement of net position; See note 1.(f)  | (1,002,527)                                      | (88,334)                     | (1,090,861)    | -                                       |
| Net position, beginning as restated  | 108,083,910                                      | (63,144)                     | 108,020,766    | 1,285,514                               |
| Net position, end of year  | \$ 104,290,835                                   | (74,547)                     | 104,216,288    | 2,177,720                               |
| Adjustment to reflect the internal service fund activities related to the enterprise funds |  |                              | 319,847        |   |
| Change in net position, business-type activities   |  |                              | \$ (3,484,631) |   |

See accompanying notes to financial statements.

**CITY OF MARCO ISLAND, FLORIDA**

Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2014

|  | Business-type Activities—Enterprise Funds |            |              | Governmental |
|--|---|------------|--------------|--------------|
|  | Water and                                 | Recreation | Total        | Activities—  |
|  | Sewer                                     | (Nonmajor) |              | Internal     |
|  |   |            |              | Service Fund |
| Cash flows from operating activities   |   |            |              |              |
| Cash received from customers and users   | \$ 30,691,100                             | 313,544    | 31,004,644   | 1,967,789    |
| Cash payments to suppliers   | (7,202,629)                               | (208,306)  | (7,410,935)  | (1,640,593)  |
| Cash payments to employees for services  | (5,535,623)                               | (108,082)  | (5,643,705)  | -            |
| Net cash provided (used) by operating activities   | 17,952,848                                | (2,844)    | 17,950,004   | 327,196      |
| Cash flows from noncapital financing activities  |   |            |              |              |
| Transfers  | 500,000                                   | 7,052      | 507,052      | -            |
| Net cash provided (used) by noncapital financing activities  | 500,000                                   | 7,052      | 507,052      | -            |
| Cash flows from capital and related financing activities   |   |            |              |              |
| Proceeds from special assessments  | 5,151,861                                 | -          | 5,151,861    | -            |
| Proceeds from issuance of debt   | 65,768,975                                | -          | 65,768,975   | -            |
| Proceeds from sale of capital assets   | 2,870                                     | -          | 2,870        | -            |
| Principal paid on long-term debt   | (73,763,186)                              | -          | (73,763,186) | -            |
| Interest paid on long-term debt  | (8,740,194)                               | -          | (8,740,194)  | -            |
| Other receipts (payments)  | 472,003                                   | (6,678)    | 465,325      | -            |
| Issue costs on bonds payable   | (440,500)                                 | -          | (440,500)    | -            |
| Acquisition and construction of capital assets   | (3,612,833)                               | -          | (3,612,833)  | -            |
| Net cash provided (used) by capital and related financing activities                                 | (15,161,004)                              | (6,678)    | (15,167,682) | -            |
| Cash flows from investing activities   |   |            |              |              |
| Interest and investment earnings   | 1,792,355                                 | -          | 1,792,355    | -            |
| Net cash provided (used) by investing activities   | 1,792,355                                 | -          | 1,792,355    | -            |
| Net increase (decrease) in cash and cash equivalents   | 5,084,199                                 | (2,470)    | 5,081,729    | 327,196      |
| Cash and cash equivalents, beginning of year, restated   | 52,555,709                                | 2,470      | 52,558,179   | 2,181,261    |
| Cash and cash equivalents, end of year   | \$ 57,639,908                             | -          | 57,639,908   | 2,508,457    |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities        |   |            |              |              |
| Operating income (loss)  | \$ 2,461,544                              | (100,111)  | 2,361,433    | 892,206      |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |   |            |              |              |
| Depreciation and amortization  | 16,482,391                                | 11,405     | 16,493,796   | -            |
| Changes in assets and liabilities:   |   |            |              |              |
| Accounts receivable  | (263,247)                                 | -          | (263,247)    | 208,941      |
| Accounts payable   | (748,241)                                 | 61,768     | (686,473)    | (27,402)     |
| Accrued liabilities  | 8,083                                     | 57,683     | 65,766       | (746,549)    |
| Customer deposits  | 1,000                                     | (33,588)   | (32,588)     | -            |
| Compensated absences   | (20,108)                                  | -          | (20,108)     | -            |
| Other post-employment benefits   | 31,426                                    | -          | 31,426       | -            |
| Net cash provided (used) by operating activities   | \$ 17,952,848                             | (2,843)    | 17,950,005   | 327,196      |
| Reconciliation of cash and cash equivalents  |   |            |              |              |
| Pooled cash and cash equivalents   | \$ 4,958,493                              | -          | 4,958,493    | 2,508,457    |
| Restricted cash and cash equivalents   | 52,681,415                                | -          | 52,681,415   | -            |
|  | \$ 57,639,908                             | -          | 57,639,908   | 2,508,457    |

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2014

|                                 | <u>Pension<br/>Trust Funds</u> |
|---------------------------------|--------------------------------|
| Assets                          |                                |
| Cash and cash equivalents       | \$ 1,332,995                   |
| Contributions receivable        | 339,042                        |
| Investments, at fair value      |                                |
| Government bonds                | 3,990,028                      |
| Corporate bonds                 | 3,452,284                      |
| Common stock                    | 9,325,200                      |
| Accrued interest                | <u>2,398</u>                   |
| Total investments               | <u>16,769,910</u>              |
| Total assets                    | <u>18,441,947</u>              |
| Liabilities                     |                                |
| Accounts payable                | <u>4,530</u>                   |
| Total liabilities               | <u>4,530</u>                   |
| Net position                    |                                |
| Restricted for pension benefits | <u>\$ 18,437,417</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, 2014

|   | <b><u>Pension<br/>Trust Funds</u></b> |
|---|---------------------------------------|
| Additions                               |                                       |
| Contributions                           |                                       |
| Employer                                | \$ 1,402,496                          |
| Employee                                | 44,043                                |
| State of Florida                        | <u>652,802</u>                        |
| Total contributions                     | <u>2,099,341</u>                      |
| Investment earnings                     |                                       |
| Interest and dividend income            | 303,528                               |
| Net change in fair value of investments | 974,337                               |
| Less investment expense                 | <u>(144,443)</u>                      |
| Net investment earnings                 | <u>1,133,422</u>                      |
| Total additions                         | <u>3,232,763</u>                      |
| Deductions                              |                                       |
| Benefits paid                           | 181,990                               |
| General administration                  | <u>69,985</u>                         |
| Total deductions                        | <u>251,975</u>                        |
| Change in net position                  | 2,980,788                             |
| Net position, beginning of year         | <u>15,456,629</u>                     |
| Net position, end of year               | <u><u>\$ 18,437,417</u></u>           |

See accompanying notes to financial statements.

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

**1. Summary of Significant Accounting Policies**

**(A) Reporting Entity**

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

As required by Governmental Accounting Standards Board (GASB), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. The accompanying financial statements present the City and its component unit, Hideaway Beach District (Hideaway), an entity for which the City is considered to be financially accountable. The Hideaway Beach District was established on April 19, 2004, by the voters within the Hideaway Beach neighborhood to assess a special ad valorem tax within Hideaway.

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

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

**(B) Government-wide and Fund Financial Statements**

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

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

**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.

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.

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The principal operating revenues of the water and sewer enterprise fund and the recreation enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**(E) Implementation of Governmental Accounting Standards Board Statements**

The City implemented the following GASB Statement during the fiscal year ended September 30, 2014:

(1) GASB Statement No. 67 *“Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”*

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. 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. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

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

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

The October 1, 2013, beginning net position of the governmental activities and business-type activities was restated due to the correction of prior year errors for each respective activity type. The error in the governmental activities was due to the classification of agency funds held in trust as net position rather than a liability. The error in the business-type activities was primarily due to assessments receivable being overstated by amounts not removed from its subsidiary. The business-type activities also had a restatement due to the reclassification of agency funds held in trust to a liability rather than net position. The effects to the fund type statements are also shown below.

*Governmental Activities*

|   |                             |
|---|-----------------------------|
| Net position, October 1, 2013, previously stated    | \$ 84,733,976               |
| Restatement of net position due to prior year error | <u>(113,333)</u>            |
| Net position, October 1, 2013, restated             | <u><u>\$ 84,620,643</u></u> |

*Business-type Activities*

|   |                              |
|---|------------------------------|
| Net position, October 1, 2013, previously stated    | 109,572,471                  |
| Restatement of net position due to prior year error | <u>(1,090,861)</u>           |
| Net position, October 1, 2013, restated             | <u><u>\$ 108,481,610</u></u> |

*General Fund*

|   |                            |
|---|----------------------------|
| Fund balance, October 1, 2013, previously stated    | \$ 9,960,432               |
| Restatement of net position due to prior year error | <u>(113,333)</u>           |
| Fund balance, October 1, 2013, restated             | <u><u>\$ 9,847,099</u></u> |

*Water and Sewer Fund*

|   |                              |
|---|------------------------------|
| Net position, October 1, 2013, previously stated    | \$ 109,086,437               |
| Restatement of net position due to prior year error | <u>(1,002,527)</u>           |
| Net position, October 1, 2013, restated             | <u><u>\$ 108,083,910</u></u> |

*Recreation Fund*

|   |                           |
|---|---------------------------|
| Net position, October 1, 2013, previously stated    | \$ 25,190                 |
| Restatement of net position due to prior year error | <u>(88,334)</u>           |
| Net position, October 1, 2013, restated             | <u><u>\$ (63,144)</u></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.

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

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

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

**(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. Currently, the only item in this category is deferred charges on refunding debt reported in the Government-wide Statement of Net Position. A deferred charge 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 life of the refunded or the refunding debt.

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

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

**(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.

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.

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

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

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

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

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

***Unassigned fund balance*** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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 \$4,303,475 of the \$5,341,851 unassigned fund balance at September 30, 2014.

**(11) Net Position**

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

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

**(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 \$7.5 billion for fiscal year 2013 and \$8.0 billion for fiscal year 2014. Details of the tax calendar are presented below:

|                      |                                     |
|----------------------|-------------------------------------|
| Lien Date            | January 1, 2013                     |
| Levy Date            | November 1, 2013                    |
| Installment Payments |                                     |
| First Installment    | No Later Than June 30, 2013         |
| Second Installment   | No Later Than September 30, 2013    |
| Third Installment    | No Later Than December 31, 2013     |
| Fourth Installment   | No Later Than March 31, 2014        |
| Regular Payments     |                                     |
| Discount Periods     | November 2012 through February 2014 |
| No Discount Period   | After March 1, 2014                 |
| Delinquent Date      | April 1, 2014                       |

**(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, 2014, was 1.96. Current tax collections for the City were approximately 96.6% 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.

**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.

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

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 2014 fiscal year, as adopted by City Council, was \$22,981,657. The final actual amount for the 2014 fiscal year was \$22,134,563, 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.

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.



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

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, 2014, 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                 | \$ 11,306,164               | -                                    | -                           | -                            | -                           | 11,306,164                   |
| Money Market Funds                 | 12,631,309                  | -                                    | -                           | -                            | -                           | 12,631,309                   |
| U.S. Government Securities         | -                           | -                                    | -                           | -                            | 4,322,995                   | 4,322,995                    |
| FMIvT                              | -                           | -                                    | 62,548,718                  | -                            | -                           | 62,548,718                   |
| Total Deposits and Investments     | \$ <u>23,937,473</u>        | <u>-</u>                             | <u>62,548,718</u>           | <u>-</u>                     | <u>4,322,995</u>            | <u>90,809,186</u>            |

Investments and cash held on deposit with banks for the discretely presented component unit as of September 30, 2014 is \$700,221.

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 \$4,322,995 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.

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

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

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

| <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, 4.2% of total, and AAA, 56.3% 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, 4.2% of total, and AAA, 55.2% of total, of the securities held in the Fund.

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

As of September 30, 2014, the Pension Plans had the following deposits and investments:

| <u>Deposit and Investment Type</u> | <u>No Specific<br/>Maturity</u> | <u>Matures In<br/>Less Than<br/>One Year</u> | <u>Matures in<br/>1-5 Years</u> | <u>Matures in<br/>5-10 Years</u> | <u>Matures in<br/>10+ Years</u> | <u>Total<br/>(at Fair Value)</u> |
|------------------------------------|---------------------------------|--|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Deposits with Bank                 | \$ 37,066                       | -  | -                               | -                                | -                               | 37,066                           |
| Money Market Funds                 | 1,295,929                       | -  | -                               | -                                | -                               | 1,295,929                        |
| Fixed Income Mutual Funds          | -                               | -  | 7,442,312                       | -                                | -                               | 7,442,312                        |
| Equity Mutual Funds                | 9,325,200                       | -  | -                               | -                                | -                               | 9,325,200                        |
| Total Deposits and Investments     | \$ 10,658,195                   | -  | 7,442,312                       | -                                | -                               | 18,100,507                       |

**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<br/>Activities</u> | <u>Total</u> |
|-----------------------------------|--------------------------------|-----------------------------|-------------------------------------|--------------|
|                                   | <u>General</u>                 | <u>Capital<br/>Projects</u> | <u>Water and<br/>Sewer</u>          |              |
|                                   |                                |                             |                                     |              |
| Receivables                       |                                |                             |                                     |              |
| Accounts                          | \$ 231,173                     | 250,000                     | 2,788,821                           | 3,269,994    |
| Assessments                       | -                              | -                           | 29,373,649                          | 29,373,649   |
| Due from other governments        | 439,310                        | -                           | -                                   | 439,310      |
| Interest                          | 903                            | -                           | 89,880                              | 90,783       |
| Assessments, interest             | -                              | -                           | 2,890,144                           | 2,890,144    |
| Gross receivables                 | 671,386                        | 250,000                     | 35,142,494                          | 36,063,880   |
| Less allowance for uncollectibles | (221,317)                      | -                           | (32,077)                            | (253,394)    |
| Net total receivables             | \$ 450,069                     | 250,000                     | 35,110,417                          | 35,810,486   |

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

For the year ended September 30, 2014, 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>Recreation</u> |              |
| General             | \$ 828,550          | 4,894,033               | 500,000                  | -                 | 6,222,583    |
| Water and Sewer     | -                   | -                       | -                        | 7,052             | 7,052        |
| Total               | \$ 828,550          | 4,894,033               | 500,000                  | 7,052             | 6,229,635    |

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, 2014, 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                                  | 1,107,538                    | 1,842,012                 | (615,417)                 | 2,334,133                 |
| Total capital assets not being depreciated                | <u>16,470,898</u>            | <u>1,842,012</u>          | <u>(615,417)</u>          | <u>17,697,493</u>         |
| Capital assets being depreciated:                         |                              |                           |                           |                           |
| Buildings and improvements                                | 10,045,359                   | 5,875                     | -                         | 10,051,234                |
| Vehicles and equipment                                    | 8,012,586                    | 1,100,027                 | (155,890)                 | 8,956,723                 |
| Road network  | 43,799,109                   | 379,332                   | -                         | 44,178,441                |
| Storm water   | 15,414,507                   | 559,885                   | -                         | 15,974,392                |
| Pathway   | 3,137,643                    | -                         | -                         | 3,137,643                 |
| Parks   | 5,470,672                    | 154,904                   | -                         | 5,625,576                 |
| Bridge network  | 16,731,047                   | 3,322                     | -                         | 16,734,369                |
| Beach and waterway  | 442,928                      | -                         | -                         | 442,928                   |
| Total capital assets being depreciated                    | <u>103,053,851</u>           | <u>2,203,345</u>          | <u>(155,890)</u>          | <u>105,101,306</u>        |
| Accumulated depreciation for:                             |                              |                           |                           |                           |
| Buildings and improvements                                | (3,439,838)                  | (466,874)                 | -                         | (3,906,712)               |
| Vehicles and equipment                                    | (5,813,738)                  | (688,418)                 | 155,890                   | (6,346,266)               |
| Road network  | (22,980,388)                 | (3,634,065)               | -                         | (26,614,453)              |
| Storm water   | (5,835,807)                  | (676,840)                 | -                         | (6,512,647)               |
| Pathway   | (1,774,921)                  | (126,514)                 | -                         | (1,901,435)               |
| Parks   | (959,668)                    | (288,253)                 | -                         | (1,247,921)               |
| Bridge network  | (4,275,031)                  | (770,308)                 | -                         | (5,045,339)               |
| Beach and waterway  | (203,203)                    | (42,231)                  | -                         | (245,434)                 |
| Total accumulated depreciation                            | <u>(45,282,594)</u>          | <u>(6,693,503)</u>        | <u>155,890</u>            | <u>(51,820,207)</u>       |
| Total capital activities being depreciated, net           | <u>57,771,257</u>            | <u>(4,490,158)</u>        | <u>-</u>                  | <u>53,281,099</u>         |
| <b>Total governmental activities capital assets, net</b>  | <b>\$ <u>74,242,155</u></b>  | <b><u>(2,648,146)</u></b> | <b><u>(615,417)</u></b>   | <b><u>70,978,592</u></b>  |
| <b>Business-type Activities</b>                           |                              |                           |                           |                           |
| Capital assets not being depreciated:                     |                              |                           |                           |                           |
| Land  | \$ 17,415,059                | -                         | -                         | 17,415,059                |
| Construction in progress                                  | 11,385,223                   | 1,445,657                 | (8,306,290)               | 4,524,590                 |
| Total capital assets not being depreciated                | <u>28,800,282</u>            | <u>1,445,657</u>          | <u>(8,306,290)</u>        | <u>21,939,649</u>         |
| Capital assets being depreciated:                         |                              |                           |                           |                           |
| Transmission and distribution                             | 126,215,337                  | 7,329                     | -                         | 126,222,666               |
| Infrastructure  | 78,766,166                   | 10,289,861                | -                         | 89,056,027                |
| Buildings and improvements                                | 6,738,079                    | 2,580                     | -                         | 6,740,659                 |
| Vehicles and equipment                                    | 67,020,287                   | 173,696                   | (50,995)                  | 67,142,988                |
| Total capital assets being depreciated                    | <u>278,739,869</u>           | <u>10,473,466</u>         | <u>(50,995)</u>           | <u>289,162,340</u>        |
| Accumulated depreciation for:                             |                              |                           |                           |                           |
| Transmission and distribution                             | (28,333,542)                 | (4,879,057)               | -                         | (33,212,599)              |
| Infrastructure  | (10,011,660)                 | (6,867,739)               | -                         | (16,879,399)              |
| Buildings and improvements                                | (2,106,733)                  | (248,507)                 | -                         | (2,355,240)               |
| Vehicles and equipment                                    | (32,857,914)                 | (4,384,843)               | 50,143                    | (37,192,614)              |
| Total accumulated depreciation                            | <u>(73,309,849)</u>          | <u>(16,380,146)</u>       | <u>50,143</u>             | <u>(89,639,852)</u>       |
| Total capital assets being depreciated, net               | <u>205,430,020</u>           | <u>(5,906,680)</u>        | <u>(10,319)</u>           | <u>199,522,488</u>        |
| <b>Total business-type activities capital assets, net</b> | <b>\$ <u>234,230,302</u></b> | <b><u>(4,461,023)</u></b> | <b><u>(8,316,609)</u></b> | <b><u>221,462,137</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                                   | \$ 171,604           |
| Police Services                                      | 165,037              |
| Fire and rescue                                      | 380,514              |
| Code compliance                                      | 2,734                |
| Building Services                                    | 6,946                |
| Transportation                                       | 5,807,148            |
| Culture and recreation                               | <u>159,520</u>       |
| Total depreciation expense, governmental activities  | 6,693,503            |
| Business-type Activities                             |                      |
| Water and sewer                                      | 16,368,741           |
| Recreation   | <u>11,405</u>        |
| Total depreciation expense, business-type activities | <u>16,380,146</u>    |
| Total depreciation expense                           | <u>\$ 23,073,649</u> |

**7. Leases**

Capitalized leases payable at September 30, 2014, amounted to \$1,314,357. These obligations, which are collateralized by vehicles, and equipment and 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>(441,507)</u>  |
| Total                         | <u>\$ 749,364</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, 2013, are as follows:

|   |                     |
|---|---------------------|
| 2015                                    | \$ 307,367          |
| 2016                                    | 306,882             |
| 2017                                    | 306,882             |
| 2018                                    | 306,882             |
| 2019                                    | <u>165,127</u>      |
| Total minimum lease payments            | 1,393,140           |
| Less amount representing interest       | <u>(78,783)</u>     |
| Present value of minimum lease payments | <u>\$ 1,314,357</u> |

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

**8. Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2014, was as follows:

|   | Beginning<br>Balance  | Additions         | Reductions          | Ending<br>Balance  | Due Within<br>One Year |
|---|-----------------------|-------------------|---------------------|--------------------|------------------------|
| <b>Governmental Activities</b>          |                       |                   |                     |                    |                        |
| General obligation bonds, 2004          | \$ 5,145,000          | -                 | (4,460,000)         | 685,000            | 685,000                |
| Sales tax revenue bonds, 2004           | 3,775,000             | -                 | (415,000)           | 3,360,000          | 430,000                |
| General obligation bonds, 2014          | -                     | 3,875,000         | -                   | 3,875,000          | 50,000                 |
| Capital Improvement Revenue Note, 2014  | -                     | 6,045,000         | -                   | 6,045,000          | -                      |
| Capital leases                          | 754,273               | 734,435           | (174,351)           | 1,314,357          | 282,237                |
| Other post-employment benefit liability | 497,440               | 122,115           | -                   | 619,555            | -                      |
| Compensated absences                    | 1,150,840             | 961,777           | (930,536)           | 1,182,081          | 245,137                |
| Total governmental activities           | <u>\$ 11,322,553</u>  | <u>11,738,327</u> | <u>(5,979,887)</u>  | <u>17,080,993</u>  | <u>1,692,374</u>       |
| <b>Business Activities</b>              |                       |                   |                     |                    |                        |
| Revenue bonds, 2003:                    |                       |                   |                     |                    |                        |
| Principal                               | \$ 60,945,000         | -                 | (60,945,000)        | -                  | -                      |
| Premium                                 | 817,479               | -                 | (817,479)           | -                  | -                      |
| Revenue bonds, 2006                     | 4,114,127             | -                 | (309,239)           | 3,804,888          | 320,805                |
| State revolving loan, 2007              | 1,356,380             | -                 | (1,356,380)         | -                  | -                      |
| Revenue bond, 2008                      | 6,413,054             | -                 | (6,413,054)         | -                  | -                      |
| Revenue bond, 2010A:                    |                       |                   |                     |                    |                        |
| Principal                               | 48,540,000            | -                 | (1,000,000)         | 47,540,000         | 1,050,000              |
| Discount                                | (133,954)             | -                 | 5,152               | (128,802)          | (5,152)                |
| Revenue bond, 2010B                     | 7,010,000             | -                 | (185,000)           | 6,825,000          | 190,000                |
| State revolving loan, 2011              | 4,947,271             | -                 | (217,341)           | 4,729,930          | 223,172                |
| Revenue bond, 2011                      | 26,253,513            | -                 | (103,000)           | 26,150,513         | 2,965,060              |
| Revenue bonds, 2013:                    |                       |                   |                     |                    |                        |
| Principal                               | -                     | 61,995,000        | -                   | 61,995,000         | -                      |
| Premium                                 | -                     | 2,956,496         | (147,825)           | 2,808,671          | 147,825                |
| Other post-employment benefit liability | 203,560               | 31,426            | -                   | 234,986            | -                      |
| Compensated absences                    | 461,771               | 385,965           | (406,073)           | 441,663            | 112,912                |
| Total Water and Sewer                   | <u>160,928,201</u>    | <u>65,368,887</u> | <u>(71,895,239)</u> | <u>154,401,849</u> | <u>5,004,622</u>       |
| <b>Assessment Districts</b>             |                       |                   |                     |                    |                        |
| Assessment revenue bond, 2008           | 1,891,551             | -                 | (94,032)            | 1,797,519          | 97,855                 |
| Assessment revenue bond, 2008           | 596,640               | -                 | (29,660)            | 566,980            | 30,866                 |
| State revolving loan, 2009-2013         | 40,098,058            | -                 | (1,796,226)         | 38,301,832         | 1,858,814              |
| Assessment revenue bond, 2009           | 716,475               | -                 | (28,811)            | 687,664            | 30,433                 |
| Assessment revenue bond, 2009           | 1,513,986             | -                 | (60,887)            | 1,453,099          | 64,307                 |
| Assessment revenue bond, 2009           | 2,089,727             | -                 | (84,042)            | 2,005,685          | 88,762                 |
| Assessment revenue bond, 2009           | 225,610               | -                 | (7,404)             | 218,207            | 8,000                  |
| Assessment revenue bond, 2010           | 1,249,628             | -                 | (52,245)            | 1,197,383          | 54,931                 |
| Assessment revenue bond, 2010           | 1,651,294             | -                 | (69,039)            | 1,582,255          | 72,587                 |
| Assessment revenue bond, 2012           | 1,387,204             | -                 | (57,688)            | 1,329,516          | 60,094                 |
| Assessment revenue bond, 2012           | 1,482,874             | -                 | (61,667)            | 1,421,207          | 64,238                 |
| Assessment revenue bond, 2013           | 395,000               | -                 | (10,000)            | 385,000            | 20,000                 |
| Assessment revenue bond, 2013           | 1,430,000             | -                 | (65,000)            | 1,365,000          | 70,000                 |
| Total Assessment Districts              | <u>54,728,047</u>     | <u>-</u>          | <u>(2,416,701)</u>  | <u>52,311,347</u>  | <u>2,520,887</u>       |
| Total business activities               | <u>\$ 215,656,248</u> | <u>65,368,887</u> | <u>(74,311,940)</u> | <u>206,713,196</u> | <u>7,525,509</u>       |

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

**Governmental Activities**

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 full faith and credit of the City. The original amount of the general obligation bonds was \$9,860,000. The bonds are issued as 15-year serial bonds. Interest rates on the bonds vary from 3.125% to 3.8%. The bonds were refunded as part of the Series 2014 general obligations bond issue. Annual debt service requirements to maturity for the general obligation bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2015               | \$ 685,000       | 59,772          |

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 \$430,000 to \$535,000. Interest rates vary from 3.5% to 3.9%. As of September 30, 2014, \$ 3,360,000 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> |
|--------------------|---------------------|-----------------|
| 2015               | \$ 430,000          | 116,898         |
| 2016               | 445,000             | 101,474         |
| 2017               | 460,000             | 85,295          |
| 2018               | 480,000             | 68,135          |
| 2019               | 495,000             | 49,974          |
| 2020-2021          | 1,050,000           | 41,212          |
| Total              | \$ <u>3,360,000</u> | <u>462,988</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, 2014, \$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>  |
|--------------------|---------------------|------------------|
| 2015               | \$ -                | 117,314          |
| 2016               | 340,000             | 144,525          |
| 2017               | 345,000             | 136,099          |
| 2018               | 355,000             | 127,489          |
| 2019               | 365,000             | 118,633          |
| 2020-2024          | 1,955,000           | 452,701          |
| 2025-2029          | 2,210,000           | 197,170          |
| 2030               | 475,000             | 5,843            |
| Total              | \$ <u>6,045,000</u> | <u>1,299,774</u> |

**CITY OF MARCO ISLAND, FLORIDA  
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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, 2014, \$3,875,000 was outstanding. Annual debt service requirements to maturity for the note are as follows:

| Fiscal Year | Principal    | Interest |
|-------------|--------------|----------|
| 2015        | \$ 50,000    | 43,112   |
| 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       | \$ 3,875,000 | 186,642  |

**Water and Sewer**

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 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 \$320,805 to \$446,412. The interest rate on bonds is fixed at 3.74%. As of September 30, 2014, \$3,804,888 was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

| Fiscal Year | Principal    | Interest |
|-------------|--------------|----------|
| 2015        | 320,805      | 138,214  |
| 2016        | 332,803      | 126,149  |
| 2017        | 344,927      | 112,973  |
| 2018        | 358,150      | 99,644   |
| 2019        | 371,545      | 85,809   |
| 2020-2024   | 2,076,658    | 187,934  |
| Total       | \$ 3,804,888 | 750,723  |

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



**CITY OF MARCO ISLAND, FLORIDA  
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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 \$1,050,000 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, 2014, \$47,540,000 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>   |
|--------------------|----------------------|-------------------|
| 2015               | 1,050,000            | 2,189,175         |
| 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         |
| 2020-2024          | 6,845,000            | 9,302,562         |
| 2025-2029          | 7,555,000            | 7,765,556         |
| 2030-2034          | 9,545,000            | 5,721,213         |
| 2035-2039          | 12,175,000           | 3,020,625         |
| 2040-2041          | 5,760,000            | 291,500           |
| Total              | \$ <u>47,540,000</u> | <u>36,630,787</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 \$190,000 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, 2014, \$6,825,000 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>  |
|--------------------|---------------------|------------------|
| 2015               | 190,000             | 429,136          |
| 2016               | 200,000             | 421,384          |
| 2017               | 210,000             | 412,426          |
| 2018               | 215,000             | 402,418          |
| 2019               | 230,000             | 391,300          |
| 2020-2024          | 1,345,000           | 1,738,960        |
| 2025-2029          | 1,855,000           | 1,207,803        |
| 2030-2034          | 2,580,000           | 461,313          |
| Total              | \$ <u>6,825,000</u> | <u>5,464,740</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, 2014, the City had \$4,729,938 outstanding. Annual debt service requirements for the state revolving funding to maturity are as follows:

**CITY OF MARCO ISLAND, FLORIDA  
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| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>  |
|--------------------|---------------------|------------------|
| 2015               | 223,172             | 124,754          |
| 2016               | 229,167             | 118,758          |
| 2017               | 235,324             | 112,602          |
| 2018               | 241,646             | 106,280          |
| 2019               | 248,139             | 99,788           |
| 2020-2024          | 1,344,346           | 395,285          |
| 2025-2029          | 1,534,900           | 204,733          |
| 2030-2031          | 673,236             | 22,609           |
| Total              | \$ <u>4,729,930</u> | <u>1,184,809</u> |

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, 2014, \$26,150,513 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>  |
|--------------------|----------------------|------------------|
| 2015               | 2,965,060            | 683,056          |
| 2016               | 3,048,537            | 599,798          |
| 2017               | 3,132,502            | 514,222          |
| 2018               | 3,216,703            | 426,317          |
| 2019               | 3,305,886            | 336,012          |
| 2020-2022          | 10,481,825           | 440,620          |
| Total              | \$ <u>26,150,513</u> | <u>3,000,025</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 issuance of the series 2013 bonds effectively released the debt service reserves issued as part of the 2010B series in the amount of \$6,594,260. The bonds are secured and payable solely from the net revenues of the water and sewer system. As of September 30, 2014, \$61,995,000 of the principal was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

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| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Interest</u>   |
|--------------------|----------------------|-------------------|
| 2015               | -                    | 3,035,281         |
| 2016               | 260,000              | 3,032,681         |
| 2017               | 265,000              | 3,026,106         |
| 2018               | 275,000              | 3,018,007         |
| 2019               | 285,000              | 3,009,607         |
| 2020-2024          | 9,795,000            | 14,461,231        |
| 2025-2029          | 23,155,000           | 9,889,131         |
| 2030-2034          | 27,960,000           | 3,672,197         |
| Total              | \$ <u>61,995,000</u> | <u>43,144,241</u> |

**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 \$97,855 to \$164,258. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2014, \$1,797,519 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 97,855              | 71,109          |
| 2016               | 101,833             | 67,228          |
| 2017               | 105,796             | 62,830          |
| 2018               | 110,275             | 58,438          |
| 2019               | 114,758             | 53,865          |
| 2020-2024          | 647,547             | 194,150         |
| 2025-2028          | 619,455             | 51,733          |
| Total              | \$ <u>1,797,519</u> | <u>559,353</u>  |

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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 \$30,866 to \$51,811. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2014, \$566,980 was outstanding. Annual debt service requirements for the revenue bonds to maturity are as follows:

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> |
|--------------------|------------------|-----------------|
| 2015               | 30,866           | 22,429          |
| 2016               | 32,120           | 21,205          |
| 2017               | 33,370           | 19,818          |
| 2018               | 34,783           | 18,433          |
| 2019               | 36,198           | 16,990          |
| 2020-2024          | 204,251          | 61,240          |
| 2025-2028          | 195,392          | 16,318          |
| Total              | \$ 566,980       | 176,433         |

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, 2014, \$38,301,832 was outstanding. Annual debt service requirements for the state revolving funding are as follows:

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> |
|--------------------|------------------|-----------------|
| 2015               | 1,858,814        | 1,134,947       |
| 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         |
| 2020-2024          | 11,467,258       | 3,502,009       |
| 2025-2029          | 12,623,478       | 1,656,885       |
| 2030-2032          | 4,336,043        | 204,124         |
| Total              | \$ 38,301,832    | 10,456,770      |

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 \$30,433 to \$65,376. The interest rate on the bonds is fixed at 5.545. As of September 30, 2014, \$687,661 was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

**CITY OF MARCO ISLAND, FLORIDA  
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| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u> |
|--------------------|-------------------|-----------------|
| 2015               | 30,433            | 37,778          |
| 2016               | 32,142            | 36,117          |
| 2017               | 33,851            | 34,168          |
| 2018               | 35,849            | 32,211          |
| 2019               | 37,863            | 30,141          |
| 2020-2024          | 223,617           | 115,490         |
| 2025-2029          | 293,909           | 43,154          |
| Total              | \$ <u>687,664</u> | <u>329,059</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 \$64,307 to \$138,147. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2014, \$1,453,099 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 64,307              | 79,829          |
| 2016               | 67,920              | 76,319          |
| 2017               | 71,531              | 72,200          |
| 2018               | 75,752              | 68,065          |
| 2019               | 80,007              | 63,691          |
| 2020-2024          | 472,531             | 244,041         |
| 2025-2029          | 621,051             | 91,201          |
| Total              | \$ <u>1,453,099</u> | <u>695,346</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 \$88,762 to \$190,681. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2014, \$2,005,685 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 88,762              | 110,186         |
| 2016               | 93,748              | 105,342         |
| 2017               | 98,733              | 99,657          |
| 2018               | 104,560             | 93,949          |
| 2019               | 110,433             | 87,912          |
| 2020-2024          | 652,223             | 336,842         |
| 2025-2029          | 857,226             | 125,871         |
| Total              | \$ <u>2,005,685</u> | <u>959,759</u>  |

**CITY OF MARCO ISLAND, FLORIDA  
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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 \$8,000 to \$23,693. The interest rate on the bonds is fixed at 7.96%. As of September 30, 2014, \$218,207 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u> |
|--------------------|-------------------|-----------------|
| 2015               | 8,000             | 17,290          |
| 2016               | 8,646             | 16,663          |
| 2017               | 9,299             | 15,895          |
| 2018               | 10,094            | 15,113          |
| 2019               | 10,909            | 14,265          |
| 2020-2024          | 69,217            | 56,090          |
| 2025-2029          | 102,042           | 21,906          |
| Total              | \$ <u>218,207</u> | <u>157,222</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 \$54,931 to \$110,772. The interest rate on the bonds is fixed at 5.07%. As of September 30, 2014, \$1,197,383 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 54,931              | 60,150          |
| 2016               | 57,755              | 57,407          |
| 2017               | 60,571              | 54,214          |
| 2018               | 63,837              | 51,017          |
| 2019               | 67,119              | 47,652          |
| 2020-2024          | 390,897             | 181,616         |
| 2025-2029          | 502,273             | 67,260          |
| Total              | \$ <u>1,197,383</u> | <u>519,316</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 \$72,587 to \$146,377. The interest rate on the bonds is fixed at 5.07%.

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

As of September 30, 2014, \$1,582,255 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 72,587              | 79,484          |
| 2016               | 76,319              | 75,860          |
| 2017               | 80,040              | 71,640          |
| 2018               | 84,356              | 67,415          |
| 2019               | 88,692              | 62,969          |
| 2020-2024          | 516,543             | 239,993         |
| 2025-2029          | 663,718             | 88,879          |
| Total              | \$ <u>1,582,255</u> | <u>686,240</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 \$64,238 to \$232,372. The interest rate on the bonds is fixed at 4.17%.

As of September 30, 2014, \$1,421,207 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 64,238              | 57,925          |
| 2016               | 66,917              | 55,190          |
| 2017               | 69,707              | 52,342          |
| 2018               | 72,614              | 49,374          |
| 2019               | 75,642              | 46,283          |
| 2020-2024          | 428,239             | 180,345         |
| 2025-2029          | 525,291             | 81,270          |
| 2030               | 118,559             | 2,472           |
| Total              | \$ <u>1,421,207</u> | <u>525,201</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 \$60,094 to \$217,379. The interest rate on the bonds is fixed at 4.17%. As of September 30, 2014, \$1,329,516 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 60,094              | 54,188          |
| 2016               | 62,600              | 51,630          |
| 2017               | 65,210              | 48,965          |
| 2018               | 67,929              | 46,189          |
| 2019               | 70,762              | 43,297          |
| 2020-2024          | 400,610             | 168,713         |
| 2025-2029          | 491,401             | 76,024          |
| 2030               | 110,910             | 2,312           |
| Total              | \$ <u>1,329,516</u> | <u>491,318</u>  |

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On August 1, 2013, the City issued special assessment revenue bonds for business-type activities for the Gulfport District. The revenue bonds are for \$1,430,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$70,000 to \$115,000. The interest rate on the bonds is fixed at 3.6%. As of September 30, 2014, \$1,365,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u> |
|--------------------|---------------------|-----------------|
| 2015               | 70,000              | 47,880          |
| 2016               | 75,000              | 45,270          |
| 2017               | 75,000              | 42,570          |
| 2018               | 80,000              | 39,780          |
| 2019               | 80,000              | 36,900          |
| 2020-2024          | 450,000             | 137,880         |
| 2025-2029          | 535,000             | 49,410          |
| Total              | \$ <u>1,365,000</u> | <u>399,690</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, 2014, \$385,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u> |
|--------------------|-------------------|-----------------|
| 2015               | 20,000            | 13,500          |
| 2016               | 20,000            | 12,780          |
| 2017               | 20,000            | 12,060          |
| 2018               | 20,000            | 11,340          |
| 2019               | 25,000            | 10,530          |
| 2020-2024          | 125,000           | 39,150          |
| 2025-2029          | 155,000           | 14,310          |
| Total              | \$ <u>385,000</u> | <u>113,670</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).



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

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 2015 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, 2012    | \$ | 815,210               |
| Incurred claims (including IBNRs)           |    | 3,187,351             |
| Claim payments                              |    | <u>(2,928,138)</u>    |
|   |    |                       |
| Estimated unpaid claims, September 30, 2013 |    | 1,074,423             |
| Incurred claims (including IBNRs)           |    | 2,963,323             |
| Claim payments                              |    | <u>(3,709,872)</u>    |
|   |    |                       |
| Estimated unpaid claims, September 30, 2014 | \$ | <u><u>327,874</u></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 a defendant in various lawsuits. All claims have been settled subsequent to year end and as such further details have been included in the subsequent event note. 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, 2014, the City's commitments with contractors are as follows:

| Project                              | Contractor                       | Contract<br>Amount  | Completed<br>to Date | Balance          |
|--------------------------------------|----------------------------------|---------------------|----------------------|------------------|
| Swallow Avenue Drainage Project      | Quality Enterprises USA Inc.     | \$ 518,325          | 485,995              | 32,330           |
| Smokehouse Bay Bridge - Construction | American Engineering Consultants | 7,975,328           | 1,329,408            | 6,645,920        |
| Smokehouse Bay Bridge - Monitoring   | Metalcraft Marine, Inc.          | 47,910              | 6,800                | 41,110           |
| Smokehouse Bay Bridge - Engineering  | Ty-Lin International             | 530,157             | 67,227               | 462,930          |
| <b>Total Governmental Projects</b>   |                                  | <u>\$ 9,071,720</u> | <u>1,889,430</u>     | <u>6,719,360</u> |
|                                      |                                  |                     |                      |                  |
| Water Main Improvements              | Eli Contracting                  | \$ 630,684          | 515,175              | 115,509          |
| Kendall Bridge Pipe Project          | Quality Enterprises              | 128,594             | -                    | 128,594          |
| Sewer Cleaning, Inspection & Repair  | Shenandoah General Construction  | 119,416             | 38,222               | 81,194           |
| Manhole Rehabilitation Project       | B&J Linings                      | 72,326              | 15,350               | 56,976           |
| <b>Total Business-type Projects</b>  |                                  | <u>\$ 951,020</u>   | <u>568,747</u>       | <u>382,273</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, 2013, (date of the latest annual actuarial valuation), employee membership data related to the Plan were:

|   |    |
|---|----|
| Retirees and beneficiaries currently receiving benefits   | 1  |
| Terminated employees entitled to benefits, but not receiving them   | -  |
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them | 1  |
| Active plan participants  |    |
| Vested  | 19 |
| Non-vested  | 7  |
| Total active plan participants  | 26 |
| Vested terminated members   | -  |

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.

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

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

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, 2014, 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%

Summary of Significant Accounting Policies – Basis of Accounting and Valuation of Investments: The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. 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.

Funding Policy: Participants in the Plan are required to pay 1% of their compensation to the Plan; however, the City has been funding this on the participant's behalf, for members of the collective bargaining agreement.

The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 175, 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.

**CITY OF MARCO ISLAND, FLORIDA  
NOTES TO 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, 2014, were based on actuarial computations performed for 2014, in the actuarial report dated October 1, 2012.

For the year ended September 30, 2014, the total annually required contribution amount was \$722,305 with the anticipated state contribution totaling \$73,936. Accordingly, the total required employer contribution made during 2014 was \$714,633.

**Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014, were as follows:

|                              |    |                     |
|------------------------------|----|---------------------|
| Total pension liability      | \$ | 12,024,928          |
| Plan fiduciary net position  |    | <u>(11,078,100)</u> |
| City's net pension liability | \$ | <u>946,828</u>      |

|   |        |
|---|--------|
| Plan fiduciary net position as a percentage of<br>the total pension liability | 92.13% |
|---|--------|

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, 2013 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 October 1, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2012–September 30, 2013.

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

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.

*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 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

|                              | 1% Decrease<br>6.00% | Current<br>Discount Rate<br>7.00% | 1% Increase<br>8.00% |
|------------------------------|----------------------|-----------------------------------|----------------------|
| City's net pension liability | \$ 2,348,794         | \$ 946,828                        | \$ (182,530)         |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2013.

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

*Annual Pension Cost and Net Pension Obligation:* The annual required contribution, annual pension cost, and net pension obligation for fiscal year 2014 was determined as part of October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

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

|  |    |           |
|--|----|-----------|
| Annual required contribution               | \$ | 722,305   |
| Interest on net pension asset/obligation   |    | (19,688)  |
| Adjustment to annual required contribution |    | 21,096    |
|  |    | 723,713   |
| Annual pension cost                        |    | 723,713   |
| Contributions made                         |    | 788,569   |
|  |    | (64,856)  |
| (Increase)/Decrease in net pension asset   |    | (64,856)  |
| Net pension asset at beginning of the year |    | (281,250) |
|  |    | (346,106) |
| Net pension asset at end of year           | \$ | (346,106) |

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

| Year Ended<br>June 30, | Annual<br>Pension<br>Cost | Actual<br>Contributions | Percentage<br>Contributed | Net Pension<br>Obligation |
|------------------------|---------------------------|-------------------------|---------------------------|---------------------------|
| 2014                   | \$ 723,713                | \$ 788,569              | 109.0%                    | \$ (346,106)              |
| 2013                   | 582,361                   | 581,034                 | 99.8%                     | (281,250)                 |
| 2012                   | 450,137                   | 441,634                 | 98.1%                     | (282,577)                 |

As of the most recent valuation date, October 1, 2013, the funded status of the Plan was as follows:

| Actuarial<br>Valuation<br>Date | (1)<br>Actuarial<br>Value<br>of Assets | (2)<br>Actuarial<br>Accrued<br>Liability (AAL) | (3)<br>Funded<br>Ratio<br>(1)/(2) | (4)<br>Unfunded<br>(1)-(2) | (5)<br>Annual<br>Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|--------------------------------|--|--|-----------------------------------|----------------------------|-------------------------------------|--|
| 10/1/2013                      | \$ 5,053,878                           | 5,927,271                                      | 85.26%                            | \$ (873,393)               | 1,714,860                           | 50.93%   |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 above are based on the substantive plan in effect as of October 1, 2013.

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

The assumptions used in the September 30, 2013 actuarial valuation are as follows.

**Actuarial Assumptions**

|                                  |                                 |
|----------------------------------|---------------------------------|
| Cost Method                      | Entry age normal                |
| Actuarial Asset Valuation Method | Four year smoothed market value |
| Assumed Rate of Return           |                                 |
| On Investments                   | 7.00%                           |
| Projected Salary Increases       | 7.50% to 13.0% based on service |
| Cost-of-living Adjustment        | 3.00%                           |
| Amortization Method              | Level dollar, closed            |
| Remaining Amortization Period    | 30 years                        |

Annual Pension Cost and Net Pension Obligations: The required contribution was determined as part of the October 1, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases of 7.5% to 13%, based on service; and (c) 3% rate of inflation. Additionally, the assumptions included postretirement benefit cost of living adjustment increases of 3% per year. Market value was used to determine the actuarial value of assets. The unfunded actuarial accrued liability is being amortized as a level dollar amount over thirty years. The remaining amortization period at October 1, 2013, was thirty years (closed basis).

In 2011, the Pension Board authorized a revision to the actuarial assumptions and lowered the investment return assumption by 0.25% each year until 7.5% is attained.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

**(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 Participants: 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.



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

As of October 1, 2013, (date of the annual actuarial valuation), employee membership data related to the Plan was as follows:

|   |    |
|---|----|
| Retirees and beneficiaries currently receiving benefits   | 9  |
| Terminated employees entitled to benefits, but not receiving them   | 11 |
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them | 20 |
|   |    |
| Active plan participants  |    |
| Vested  | 15 |
| Non-vested  | 19 |
| Total active plan participants  | 34 |
|   |    |
| Vested (full or partial) terminated members   | 11 |

Plan Benefits: 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.

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

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, 2014, the active member contribution rate was 1%, based on the collective bargaining agreement, and the City's contribution rate was 32.63%

Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments: The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. 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.

Funding Policy: Participants in the Plan were required to pay 5% of their compensation to the Plan; however, the City started funding 4% on the participant's behalf as of fiscal 2014. 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, 2014, were based on actuarial computations performed for 2014, in the actuarial report dated October 1, 2012.

For the year ended September 30, 2014, the annually required contribution amount was \$720,106 with the anticipated state contribution of \$137,352. Accordingly, the total required employer contribution for 2014 was \$832,867.

**Plan Disclosures**

Effective July 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

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

**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014, were as follows:

|   |        |                      |
|---|--------|----------------------|
| Total pension liability   | \$     | 9,530,334            |
| Plan fiduciary net position   |        | <u>(7,359,317)</u>   |
| <br>City's net pension liability  | <br>\$ | <br><u>2,171,017</u> |
| <br>Plan fiduciary net position as a percentage of<br>the total pension liability |        | <br><br>77.2%        |

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, 2013 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          | 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 September 30, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2012–April 30, 2013.

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 – 7.8%, International Equity Securities, - 7.7% and Fixed Income Securities – 2.3%.

*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 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.

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

*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<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(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, 2014 and the current sharing pattern of costs between employer and employee.

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

*Annual Pension Cost and Net Pension Obligation:* The annual required contribution, annual pension cost, and net pension obligation for fiscal year 2014 was determined as part of the October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

|                                      |              |
|--------------------------------------|--------------|
| Annual required contribution         | \$ 720,106   |
| Interest on net pension obligation   | (1,242)      |
| Adjustments                          | 1,992        |
| Annual pension cost                  | 720,856      |
| Actual contributions made            | 832,867      |
| Increase in net pension asset        | (112,011)    |
| Net pension asset, beginning of year | (44,512)     |
| Net pension asset, end of year       | \$ (156,523) |

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

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

| Year Ended<br>June 30, | Pension<br>Cost | Actual<br>Contributions | Percentage<br>Contributed | Net Pension<br>Obligation |
|------------------------|-----------------|-------------------------|---------------------------|---------------------------|
| 2014                   | 720,856         | 832,867                 | 116%                      | (156,523)                 |
| 2013                   | 847,797         | 874,966                 | 103%                      | (44,512)                  |
| 2012                   | 726,720         | 725,947                 | 100%                      | (17,343)                  |

As of the most recent valuation date, September 30, 2013, the funded status of the Plan was as follows:

|                                | (1)                             | (2)                                     | (3)                        | (4)                 | (5)                          | UAAL as a                           |
|--------------------------------|---------------------------------|---|----------------------------|---------------------|------------------------------|-------------------------------------|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL) | Funded<br>Ratio<br>(1)/(2) | Unfunded<br>(1)-(2) | Annual<br>Covered<br>Payroll | Percentage of<br>Covered<br>Payroll |
| 9/30/2013                      | \$ 5,643,836                    | 8,593,478                               | 65.68%                     | \$ (2,949,642)      | 2,045,756                    | 144.18%                             |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 above are based on the substantive plan in effect as of September 30, 2013 and the current sharing pattern of costs between employer and employee.

The assumptions used in the September 30, 2013 actuarial valuation are as follows.

**Actuarial Assumptions**

|                                  |  |
|----------------------------------|--|
| Cost Method                      | Entry Age Normal Actuarial Cost Method   |
| Actuarial Asset Valuation Method | Four year smooth   |
| Assumed Rate of Return           |  |
| On Investments                   | 7.5%   |
| 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        | 3.0%   |
| Amortization Method              | Level Percentage of Pay, Closed  |
| Remaining Amortization Period    | 34 years (as of 10/01/2011)  |

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

**(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, 2014, is as follows:

|                                    | <u>Fire<br/>Pension</u> | <u>Police<br/>Pension</u> | <u>Total Pension<br/>Trust Funds</u> |
|------------------------------------|-------------------------|---------------------------|--------------------------------------|
| <b>Assets</b>                      |                         |                           |                                      |
| Cash and cash equivalents          | \$ 734,473              | 598,522                   | 1,332,995                            |
| Accounts Receivable                | 180,827                 | 158,215                   | 339,042                              |
| Investments, at fair value:        |                         |                           |                                      |
| Government bonds                   | 2,799,046               | 1,190,982                 | 3,990,028                            |
| Corporate bonds                    | 2,373,361               | 1,078,923                 | 3,452,284                            |
| Common stock                       | 4,991,208               | 4,333,992                 | 9,325,200                            |
| Accrued interest                   | 1,685                   | 713                       | 2,398                                |
| <b>Total Assets</b>                | <u>11,080,600</u>       | <u>7,361,347</u>          | <u>18,441,947</u>                    |
| <b>Liabilities</b>                 |                         |                           |                                      |
| Accounts payable                   | <u>2,500</u>            | <u>2,030</u>              | <u>4,530</u>                         |
| <b>Total Liabilities</b>           | <u>2,500</u>            | <u>2,030</u>              | <u>4,530</u>                         |
| <b>Net Position</b>                |                         |                           |                                      |
| Held in trust for pension benefits | <u>\$ 11,078,100</u>    | <u>7,359,317</u>          | <u>18,437,417</u>                    |

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

**(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, 2014, is as follows:

|   | <u>Fire<br/>Pension</u> | <u>Police<br/>Pension</u> | <u>Total Pension<br/>Trust Funds</u> |
|---|-------------------------|---------------------------|--------------------------------------|
| <b>Additions</b>                        |                         |                           |                                      |
| Contributions                           |                         |                           |                                      |
| Employer                                | \$ 714,633              | 687,863                   | 1,402,496                            |
| Employee                                | 17,499                  | 26,544                    | 44,043                               |
| State of Florida                        | 507,798                 | 145,004                   | 652,802                              |
| <b>Total contributions</b>              | <u>1,239,930</u>        | <u>859,411</u>            | <u>2,099,341</u>                     |
| Investment earnings                     |                         |                           |                                      |
| Investment interest and dividends       | 177,815                 | 125,713                   | 303,528                              |
| Net change in fair value of investments | 495,892                 | 478,445                   | 974,337                              |
| Less: Investment expenses               | <u>(82,718)</u>         | <u>(61,725)</u>           | <u>(144,443)</u>                     |
| <b>Net investment earnings</b>          | <u>590,989</u>          | <u>542,433</u>            | <u>1,133,422</u>                     |
| <b>Total Additions</b>                  | <u>1,830,919</u>        | <u>1,401,844</u>          | <u>3,232,763</u>                     |
| <b>Deductions</b>                       |                         |                           |                                      |
| Legal                                   | 20,025                  | 16,556                    | 36,581                               |
| Actuary                                 | 1,656                   | 3,810                     | 5,466                                |
| Administrative                          | 12,871                  | 15,067                    | 27,938                               |
| Benefits paid                           | <u>-</u>                | <u>181,990</u>            | <u>181,990</u>                       |
| <b>Total Deductions</b>                 | <u>34,552</u>           | <u>217,423</u>            | <u>251,975</u>                       |
| <b>Change in Net Position</b>           | 1,796,367               | 1,184,421                 | 2,980,788                            |
| <b>Net Position, October 1, 2013</b>    | <u>9,281,733</u>        | <u>6,174,896</u>          | <u>15,456,629</u>                    |
| <b>Net Position, September 30, 2014</b> | <u>\$ 11,078,100</u>    | <u>7,359,317</u>          | <u>18,437,417</u>                    |

**(e) The Florida Retirement System Plan, Firefighters**

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).

Plan Description: The System was created by the Florida Legislature as a cost-sharing, multiple- employer defined benefit public retirement plan available to governmental units within the state of Florida. The System provides retirement benefits, death benefits, disability benefits, and cost of living adjustments to system members and their beneficiaries, as established by Florida Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000 [www.myfrs.com](http://www.myfrs.com).

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

Under the System, special risk employees who retire at or after age 55, with six years of creditable service, and all other employees who retire at or after age 62, with six years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to the product of: (1) average monthly compensation in the highest five years of creditable service, (2) creditable service during the appropriate period, and (3) the appropriate benefit percentage. Benefits are fully vested on reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits.

Funding Policy: The contribution requirements of the system members and the City are established and amended as necessary by the State. Effective July 1, 2011, employees are required to make contributions of 3%; Effective July 1, 2014, the City's contribution is 19.82%, for a total contribution of 22.82% of eligible wages. The City's contributions to the System for the years ended September 30, 2014, 2013 and 2012, were \$70,581, \$74,892, and \$90,324, respectively; and were equal to the required contributions for each year. The employee's contributions to the system for the same years were \$80,905, \$53,801, and \$53,867.

**(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, 2014, 2013, and 2012 were \$359,678, \$356,530, and \$365,607, respectively. Employee contributions for fiscal years ended September 30, 2014, 2013, and 2012 were \$120,234, \$114,863, and \$111,391, 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, 2013, the City has an actuarially determined liability of \$2,181,491. 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.



**CITY OF MARCO ISLAND, FLORIDA  
NOTES TO 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          | 196 |
| Retirees         | 11  |
| Eligible spouses | 5   |
| Total            | 212 |

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 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<br>Applicable for Fiscal Year Ending | <b>Utilities</b> | <b>All Other<br/>Employees</b> |
|---|------------------|--------------------------------|
|   | <b>10/1/2012</b> | <b>10/1/2012</b>               |
|   | <b>9/30/2014</b> | <b>9/30/2014</b>               |
| Annual Required Contribution                        | \$ 82,269        | 249,971                        |
| Interest on Net OPEB Obligation                     | 10,178           | 24,872                         |
| Adjustment to Annual Required Contribution          | (13,628)         | (33,143)                       |
| Annual OPEB Cost/(Expense)                          | 78,819           | 241,700                        |
| Net Contributions Made                              | (47,393)         | (119,585)                      |
| Increase/(Decrease) in Net OPEB Obligation          | 31,426           | 122,115                        |
| Net OPEB Obligation- Beginning of Year              | 203,560          | 497,440                        |
| Net OPEB Obligation- End of Year                    | \$ 234,986       | 619,555                        |

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

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, 2012, and 2011 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> |
|--------------------|-------------------------|--|----------------------------|
| 9/30/2014          | \$ 78,819               | 60.1%                                      | 234,986                    |
| 9/30/2013          | 78,739                  | 57.5%                                      | 203,560                    |
| 9/30/2012          | 51,583                  | 1.7%                                       | 170,133                    |

All Other Employees:

| <u>Year Ending</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------|-------------------------|--|----------------------------|
| 9/30/2014          | \$ 241,700              | 49.5%                                      | 619,555                    |
| 9/30/2013          | 241,541                 | 48.2%                                      | 497,440                    |
| 9/30/2012          | 130,704                 | 16.6%                                      | 372,370                    |

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, 2013:

Utilities Employees:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Accrued Liability (AAL) Unit Credit (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as % of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|---|
| 10/1/2013                       | 0                                    | \$ 451,092                                     | 451,092                          | 0.0%                      | N/A                        | N/A   |
| 10/1/2012                       | 0                                    | 423,549  | 423,549                          | 0.0%                      | 3,788,822                  | 11.2%   |
| 10/1/2011                       | 0                                    | N/A  | N/A                              | N/A                       | N/A                        | N/A   |

All Other Employees:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Accrued Liability (AAL) Unit Credit (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as % of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|---|
| 10/1/2013                       | 0                                    | \$ 1,730,399                                   | 1,730,399                        | 0.0%                      | N/A                        | N/A   |
| 10/1/2012                       | 0                                    | 1,624,742                                      | 1,624,742                        | 0.0%                      | 7,264,008                  | 22.4%   |
| 10/1/2011                       | 0                                    | N/A  | N/A                              | N/A                       | N/A                        | N/A   |

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) 5% funding interest rate; (b) pre-Medicaid and post-Medicaid healthcare inflation of 7.5%; (decreasing 1% each year until the ultimate rate of 4.5% in fiscal 2017); (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).

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

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.

**14. Subsequent Events**

On January 26, 2015 the Collier County Circuit Court issued a Final Order Granting Stipulated Dismissal in the case brought upon the City as a second party by the claimant Marcia Ross. The case was settled amicably with the Defendant. The City paid \$10,000 to be fully released from the claims alleged in Case 12-CA-2073.

**CITY OF MARCO ISLAND, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MARCO ISLAND, FLORIDA**

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

|   | <u>2014</u>                 |
|---|-----------------------------|
| <b>Total pension liability</b>  |                             |
| Service cost  | \$ 715,385                  |
| Interest on total pension liability   | 775,313                     |
| Changes of benefit terms  | -                           |
| Differences between expected and actual experience                                  | (31,691)                    |
| Changes of assumptions  | -                           |
| Benefit payments, including refunds of employee contributions                       | (23,556)                    |
| Other (increase in share plan balance)  | <u>434,351</u>              |
| <b>Net change in total pension liability</b>  | 1,869,802                   |
| <b>Total pension liability - beginning</b>  | <u>10,155,126</u>           |
| <b>Total pension liability - ending (a)</b>   | <u><u>\$ 12,024,928</u></u> |
| <br>  |                             |
| <b>Plan fiduciary net position</b>  |                             |
| Contributions - employer  | \$ 714,633                  |
| Contributions - state   | 507,798                     |
| Contributions - employee  | 17,499                      |
| Net investment income   | 590,989                     |
| Benefit payments, including refunds of employee contributions                       | -                           |
| Administrative expenses   | (34,552)                    |
| Other   | <u>-</u>                    |
| <b>Net change in plan fiduciary net position</b>                                    | 1,796,367                   |
| <b>Plan fiduciary net position - beginning</b>                                      | <u>9,281,733</u>            |
| <b>Plan fiduciary net position - ending (b)</b>                                     | <u><u>\$ 11,078,100</u></u> |
| <br>  |                             |
| <b>Net pension liability - ending (a) - (b)</b>                                     | <u><u>\$ 946,828</u></u>    |
| <br>  |                             |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   | 92.13%                      |
| <br>  |                             |
| <b>Covered-employee payroll</b>   | \$ 1,749,863                |
| <br>  |                             |
| <b>County's net pension liability as a percentage of covered - employee payroll</b> | 54.11%                      |

**Notes to the Schedule**

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

**CITY OF MARCO ISLAND, FLORIDA**

**SCHEDULE OF CITY CONTRIBUTIONS - FIREFIGHTERS' PENSION**

|  | <u>2014</u>             |
|--|-------------------------|
| Actuarially determined contribution                                  | \$ 796,188              |
| Contributions in relation to the actuarially determined contribution | <u>714,633</u>          |
| Contribution deficiency (excess)                                     | <u><u>\$ 81,555</u></u> |
| Covered-employee payroll   | 1,749,863               |
| Contributions as a percentage of Covered-employee payroll            | 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                       |

The schedule will present 10 years of information once it is accumulate

**CITY OF MARCO ISLAND, FLORIDA**

**SCHEDULE OF PENSION INVESTMENT RETURNS  
FIREFIGHTERS' PENSION**

2014

|  |       |
|--|-------|
| Annual money-weighted rate of return,<br>net of investment expenses for the<br>City's Pension Plan | 8.90% |
|--|-------|

**Note to the Schedule**

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



**CITY OF MARCO ISLAND, FLORIDA**

**PENSION TRUST FUNDS**

**SCHEDULE OF FUNDING PROGRESS  
FIREFIGHTERS' PENSION PLAN**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>(a)</b> | <b>Actuarial<br/>Accrued Liability<br/>(AAL) Entry<br/>(b)</b> | <b>Unfunded<br/>(Overfunded)<br/>(b-a)</b> | <b>Funded<br/>(a/b)</b> | <b>Covered<br/>(c)</b> | <b>UAAL<br/>as a Percentage<br/>of Covered<br/>((b-a)/c)</b> |
|---|---------------------------------------|--|--|-------------------------|------------------------|--|
| 10/1/2013                               | \$ 5,053,878                          | 5,927,271  | 873,393                                    | 85.3%                   | 1,714,860              | 50.9%  |
| 10/1/2012                               | 4,122,634                             | 4,794,681  | 672,047                                    | 86.0%                   | 1,526,426              | 44.0%  |
| 10/1/2011                               | 3,071,853                             | 3,573,520  | 501,667                                    | 86.0%                   | 1,404,142              | 35.7%  |
| 10/1/2010                               | 2,662,517                             | 3,005,433  | 342,916                                    | 88.6%                   | 1,309,352              | 26.2%  |
| 10/1/2009                               | 1,914,130                             | 2,335,981  | 421,851                                    | 81.9%                   | 1,336,355              | 31.6%  |
| 10/1/2008                               | 1,386,519                             | 1,917,711  | 531,192                                    | 72.3%                   | 1,154,776              | 46.0%  |
| 10/1/2007                               | 1,629,498                             | 1,448,921  | (180,577)                                  | 112.5%                  | 977,418                | -18.5%   |

**CITY OF MARCO ISLAND, FLORIDA**

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

|   | 2014                |
|---|---------------------|
| <b>Total pension liability</b>  |                     |
| Service cost  | \$ 570,609          |
| Interest on total pension liability   | 671,200             |
| Changes of benefit terms  | -                   |
| Differences between expected and actual experience                                  | -                   |
| Changes of assumptions  | -                   |
| Benefit payments, including refunds of employee contributions                       | (180,411)           |
| Other (increase in share plan balance)  | -                   |
|   | <hr/>               |
| <b>Net change in total pension liability</b>  | 1,061,398           |
|   |                     |
| <b>Total pension liability - beginning</b>  | 8,468,936           |
| <b>Total pension liability - ending (a)</b>   | <u>\$ 9,530,334</u> |
|   |                     |
| <b>Plan fiduciary net position</b>  |                     |
| Contributions - employer  | \$ 687,863          |
| Contributions - state   | 145,004             |
| Contributions - employee  | 26,544              |
| Net investment income   | 542,433             |
| Benefit payments, including refunds of employee contributions                       | (181,990)           |
| Administrative expenses   | (35,433)            |
| Other   | -                   |
|   | <hr/>               |
| <b>Net change in plan fiduciary net position</b>                                    | 1,184,421           |
|   |                     |
| <b>Plan fiduciary net position - beginning</b>                                      | 6,174,896           |
| <b>Plan fiduciary net position - ending (b)</b>                                     | <u>\$ 7,359,317</u> |
|   |                     |
| <b>Net pension liability - ending (a) - (b)</b>                                     | <u>\$ 2,171,017</u> |
|   |                     |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   | 77.22%              |
|   |                     |
| <b>Covered-employee payroll</b>   | \$ 2,010,395        |
|   |                     |
| <b>County's net pension liability as a percentage of covered - employee payroll</b> | 107.99%             |

**Notes to the Schedule**

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

**CITY OF MARCO ISLAND, FLORIDA**

**SCHEDULE OF CITY CONTRIBUTIONS - POLICE OFFICERS' PENSION**

|  | <u>2014</u>    |
|--|----------------|
| Actuarially determined contribution                                  | \$ 832,867     |
| Contributions in relation to the actuarially determined contribution | <u>832,867</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    |
| Covered-employee payroll   | 2,093,651      |
| Contributions as a percentage of Covered-employee payroll            | 39.78%         |

**Notes to the Schedule**

|                                  |  |
|----------------------------------|--|
| Valuation Date                   | October 1, 2012  |
| 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.<br>Projected salary at retirement is increased 20%<br>to account for non-regular compensation. |
| Cost-of-living Adjustment        | 3.00%  |
| Amortization Method              | Level dollar, closed   |
| Remaining Amortization Period    | 33 years   |

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

**CITY OF MARCO ISLAND, FLORIDA**

**SCHEDULE OF PENSION INVESTMENT RETURNS  
POLICE OFFICERS' PENSION**

2014

Annual money-weighted rate of return,  
net of investment expenses for the  
City's Pension Plan

8.56%

**Note to the Schedule**

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

**CITY OF MARCO ISLAND, FLORIDA**

**PENSION TRUST FUNDS**

**SCHEDULE OF FUNDING PROGRESS  
POLICE OFFICERS' PENSION PLAN**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>(a)</b> | <b>Actuarial<br/>Accrued Liability<br/>(AAL) Entry<br/>(b)</b> | <b>Unfunded<br/>(Overfunded)<br/>(b-a)</b> | <b>Funded<br/>(a/b)</b> | <b>Covered<br/>(c)</b> | <b>UAAL<br/>as a Percentage<br/>of Covered<br/>((b-a)/c)</b> |
|---|---------------------------------------|--|--|-------------------------|------------------------|--|
| 10/1/2013                               | \$ 5,643,836                          | 8,593,478  | 2,949,642                                  | 65.7%                   | 2,045,756              | 144.2%   |
| 10/1/2012                               | 4,522,707                             | 7,946,977  | 3,424,270                                  | 56.9%                   | 2,030,227              | 168.7%   |
| 10/1/2011                               | 3,591,071                             | 7,423,811  | 3,832,740                                  | 48.4%                   | 1,916,201              | 200.0%   |
| 10/1/2010                               | 2,827,399                             | 6,480,618  | 3,653,219                                  | 43.6%                   | 1,976,687              | 184.8%   |
| 10/1/2009                               | 2,077,907                             | 6,078,152  | 4,000,245                                  | 34.2%                   | 2,024,908              | 197.6%   |
| 10/1/2008                               | 1,363,977                             | 4,977,447  | 3,613,470                                  | 27.4%                   | 2,010,512              | 179.7%   |
| 10/1/2007                               | 792,685                               | 3,686,865  | 2,894,180                                  | 21.5%                   | 1,844,318              | 156.9%   |

**CITY OF MARCO ISLAND, FLORIDA**

**Schedule of Funding Progress**

Utilities Employees:

| <u>Actuarial<br/>Valuation Date</u> | <u>Actuarial Value<br/>of Assets<br/>(a)</u> | <u>Accrued<br/>Liability (AAL)<br/>(b)</u> | <u>Unfunded AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as % of<br/>Covered<br/>Payroll<br/>((b-a)/c)</u> |
|-------------------------------------|--|--|--|-------------------------------|------------------------------------|---|
| 10/1/2013                           | 0  | \$ 451,092                                 | 451,092                                  | N/A                           | N/A                                | N/A   |
| 10/1/2012                           | 0  | 423,549                                    | 423,549                                  | 0.0%                          | 3,788,822                          | 11.2%   |
| 10/1/2011                           | 0  | N/A  | N/A                                      | N/A                           | N/A                                | N/A   |

All Other Employees:

| <u>Actuarial<br/>Valuation Date</u> | <u>Actuarial Value<br/>of Assets<br/>(a)</u> | <u>Accrued<br/>Liability (AAL)<br/>(b)</u> | <u>Unfunded AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as % of<br/>Covered<br/>Payroll<br/>((b-a)/c)</u> |
|-------------------------------------|--|--|--|-------------------------------|------------------------------------|---|
| 10/1/2013                           | 0  | \$ 1,730,399                               | 1,730,399                                | N/A                           | N/A                                | N/A   |
| 10/1/2012                           | 0  | 1,624,742                                  | 1,624,742                                | 0.0%                          | 7,264,008                          | 22.4%   |
| 10/1/2011                           | 0  | N/A  | N/A                                      | N/A                           | N/A                                | N/A   |

**CITY OF MARCO ISLAND, FLORIDA**

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

General Fund

Year Ended September 30, 2014

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Final Budget</u> |
|---|----------------------------|-------------------------|--------------------|---------------------------------------|
| Revenues                                |                            |                         |                    |                                       |
| Taxes                                   | \$ 16,129,795              | 16,382,830              | 16,664,264         | 281,434                               |
| Permits, fees, and assessments          | 24,500                     | 24,500                  | 345,686            | 321,186                               |
| Intergovernmental                       | 3,068,300                  | 3,249,130               | 3,508,913          | 259,783                               |
| Charges for services                    | 1,221,325                  | 1,221,325               | 1,336,950          | 115,625                               |
| Fines and forfeitures                   | 103,000                    | 103,000                 | 170,001            | 67,001                                |
| Interest                                | 192,000                    | 192,000                 | 235,237            | 43,237                                |
| Miscellaneous                           | 64,000                     | 78,000                  | 395,258            | 317,258                               |
| Total revenues                          | <u>20,802,920</u>          | <u>21,250,785</u>       | <u>22,656,309</u>  | <u>1,405,524</u>                      |
| Expenditures                            |                            |                         |                    |                                       |
| Current                                 |                            |                         |                    |                                       |
| General government                      |                            |                         |                    |                                       |
| Legislative                             | 73,395                     | 78,395                  | 75,807             | 2,588                                 |
| Executive                               | 585,735                    | 710,040                 | 709,109            | 931                                   |
| Finance                                 | 813,810                    | 901,335                 | 884,214            | 17,121                                |
| Legal                                   | 300,000                    | 268,000                 | 249,709            | 18,291                                |
| Information technology                  | 508,410                    | 543,510                 | 542,294            | 1,216                                 |
| Community affairs                       | 468,690                    | 483,470                 | 447,026            | 36,444                                |
| Other general government                | 1,346,160                  | 964,265                 | 912,415            | 51,850                                |
| Total general government                | <u>4,096,200</u>           | <u>3,949,015</u>        | <u>3,820,574</u>   | <u>128,441</u>                        |
| Public safety                           |                            |                         |                    |                                       |
| Police                                  | 4,457,175                  | 4,583,583               | 4,582,878          | 705                                   |
| Fire and rescue                         | 5,060,580                  | 5,868,185               | 5,869,202          | (1,017)                               |
| Code compliance                         | 305,120                    | 370,230                 | 358,722            | 11,508                                |
| Total public safety                     | <u>9,822,875</u>           | <u>10,821,998</u>       | <u>10,810,802</u>  | <u>11,196</u>                         |
| Transportation                          | 2,627,880                  | 2,388,350               | 2,387,332          | 1,018                                 |
| Culture and recreation                  | 666,945                    | 770,935                 | 768,273            | 2,662                                 |
| Capital outlay                          | -                          | -                       | -                  | -                                     |
| Total expenditures                      | <u>17,213,900</u>          | <u>17,930,298</u>       | <u>17,786,981</u>  | <u>143,317</u>                        |
| Excess of revenues<br>over expenditures | <u>3,589,020</u>           | <u>3,320,487</u>        | <u>4,869,328</u>   | <u>1,548,841</u>                      |
| Other financing sources (uses)          |                            |                         |                    |                                       |
| Use of Reserves                         | -                          | 3,111,210               | -                  | (3,111,210)                           |
| Transfers out                           | (3,589,020)                | (6,431,697)             | (6,222,583)        | 209,114                               |
| Total other financing sources (uses)    | <u>(3,589,020)</u>         | <u>(3,320,487)</u>      | <u>(6,222,583)</u> | <u>(2,902,096)</u>                    |
| Change in fund balance                  | -                          | -                       | (1,353,255)        | (1,353,255)                           |
| Fund balance, beginning as restated     | <u>9,847,099</u>           | <u>9,847,099</u>        | <u>9,847,099</u>   | <u>-</u>                              |
| Fund balance, end of year               | \$ <u>9,847,099</u>        | <u>9,847,099</u>        | <u>8,493,844</u>   | <u>(1,353,255)</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 reduction of \$89,201 in appropriations in the general fund during the year end September 30, 2014.
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 \$1.4 million more than budgeted. This increase was from a conservative budget approach on sales tax revenue which resulted in an excess of \$0.4 million in revenues than expected. Likewise, permit and impact fees exceeded budget by \$0.3 million. Communications service tax revenue (CST) was \$71,050 less than expected and \$173,237 less than last year. The downward trend in the CST is due to shift in telecommunications from land lines to wireless devices. Overall, departmental expenditures were in line with budgeted expenditures.



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**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.

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

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CITY OF MARCO ISLAND, FLORIDA

CITY OF MARCO ISLAND, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2014

|                                     | <u>Special Revenue</u><br><u>Building</u><br><u>Services</u> | <u>Total</u>     |
|-------------------------------------|--|------------------|
| Assets                              |  |                  |
| Pooled cash and investments         | \$ 1,924,271   | 1,924,271        |
| Total assets                        | <u>\$ 1,924,271</u>  | <u>1,924,271</u> |
| Liabilities                         |  |                  |
| Accounts payable                    | \$ 10,950  | 10,950           |
| Accrued liabilities                 | 22,030   | 22,030           |
| Total liabilities                   | <u>32,980</u>  | <u>32,980</u>    |
| Fund balances                       |  |                  |
| Restricted                          |  |                  |
| Building services                   | 1,891,291  | 1,891,291        |
| Total fund balances                 | <u>1,891,291</u>   | <u>1,891,291</u> |
| Total liabilities and fund balances | <u>\$ 1,924,271</u>  | <u>1,924,271</u> |

**CITY OF MARCO ISLAND, FLORIDA**

**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2014

|                                  | <u>Special Revenue</u> |                  |
|----------------------------------|------------------------|------------------|
|                                  | <u>Building</u>        |                  |
|                                  | <u>Services</u>        | <u>Total</u>     |
| Revenues                         |                        |                  |
| Permits, fees and assessments    | \$ 1,542,341           | 1,542,341        |
| Miscellaneous                    | 38,509                 | 38,509           |
| Total revenues                   | <u>1,580,850</u>       | <u>1,580,850</u> |
| Expenditures                     |                        |                  |
| Current                          |                        |                  |
| Building Services                | 1,275,017              | 1,275,017        |
| Debt service                     |                        |                  |
| Principal                        | -                      | -                |
| Interest                         | -                      | -                |
| Total expenditures               | <u>1,275,017</u>       | <u>1,275,017</u> |
| Change in fund balances          | 305,833                | 305,833          |
| Fund balances, beginning of year | <u>1,585,458</u>       | <u>1,585,458</u> |
| Fund balances, end of year       | <u>\$ 1,891,291</u>    | <u>1,891,291</u> |

**CITY OF MARCO ISLAND, FLORIDA**

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

Capital Projects Fund  
Year Ended September 30, 2014

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Final Budget</u> |
|--|----------------------------|-------------------------|--------------------|---------------------------------------|
| Revenues   |                            |                         |                    |                                       |
| Intergovernmental  | \$ 1,346,175               | 1,313,505               | 165,091            | (1,148,414)                           |
| Interest   | -                          | -                       | 471                | 471                                   |
| Miscellaneous  | -                          | 1,026,834               | 280,000            | (746,834)                             |
| Total revenues   | <u>1,346,175</u>           | <u>2,340,339</u>        | <u>445,562</u>     | <u>(1,894,777)</u>                    |
| Expenditures   |                            |                         |                    |                                       |
| Capital outlay   | <u>2,286,465</u>           | <u>13,954,490</u>       | <u>3,430,204</u>   | <u>10,524,286</u>                     |
| Total expenditures   | <u>2,286,465</u>           | <u>13,954,490</u>       | <u>3,430,204</u>   | <u>10,524,286</u>                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(940,290)</u>           | <u>(11,614,151)</u>     | <u>(2,984,642)</u> | <u>8,629,509</u>                      |
| Other financing sources (uses)                               |                            |                         |                    |                                       |
| Transfers in   | 940,290                    | 5,127,151               | 7,094,033          | 1,966,882                             |
| Transfers out  | -                          | -                       | (2,207,052)        | (2,207,052)                           |
| Debt Proceeds  | -                          | 6,487,000               | 6,733,984          | 246,984                               |
| Total other financing sources (uses)                         | <u>940,290</u>             | <u>11,614,151</u>       | <u>11,620,965</u>  | <u>6,814</u>                          |
| Change in fund balance                                       | -                          | -                       | 8,636,323          | 8,636,323                             |
| Fund balances, beginning as previously stated                | 7,532,042                  | 7,532,042               | 7,532,042          | -                                     |
| Restatement of fund balances; See note 1.(f)                 | -                          | -                       | -                  | -                                     |
| Fund balance, beginning as restated                          | <u>7,532,042</u>           | <u>7,532,042</u>        | <u>7,532,042</u>   | <u>-</u>                              |
| Fund balance, end of year                                    | \$ <u>7,532,042</u>        | <u>7,532,042</u>        | <u>16,168,365</u>  | <u>8,636,323</u>                      |



**CITY OF MARCO ISLAND, FLORIDA**

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

Building Services Fund

Year Ended September 30, 2014

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---------------------------------------|
| <b>Revenues</b>  |                            |                         |                  |                                       |
| Permits, fees and assessments                                | \$ 1,200,000               | 1,205,100               | 1,542,341        | 337,241                               |
| Interest   | 10,000                     | 10,000                  | -                | (10,000)                              |
| Miscellaneous  | -                          | -                       | 38,509           | 38,509                                |
| Total revenues   | <u>1,210,000</u>           | <u>1,215,100</u>        | <u>1,580,850</u> | <u>365,750</u>                        |
| <b>Expenditures</b>  |                            |                         |                  |                                       |
| <b>Current</b>   |                            |                         |                  |                                       |
| Building services  | 1,210,000                  | 1,275,100               | 1,275,017        | 83                                    |
| Operating expenses   |                            |                         |                  |                                       |
| Capital outlay   | -                          | -                       | -                | -                                     |
| Total expenditures   | <u>1,210,000</u>           | <u>1,275,100</u>        | <u>1,275,017</u> | <u>83</u>                             |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>-</u>                   | <u>(60,000)</u>         | <u>305,833</u>   | <u>365,833</u>                        |
| <b>Other financing sources (uses)</b>                        |                            |                         |                  |                                       |
| Use of reserves  | -                          | 60,000                  | -                | (60,000)                              |
| Total other financing sources (uses)                         | <u>-</u>                   | <u>60,000</u>           | <u>-</u>         | <u>(60,000)</u>                       |
| Changes in fund balance                                      | -                          | -                       | 305,833          | 305,833                               |
| Fund balance, beginning of year                              | <u>1,585,457</u>           | <u>1,585,457</u>        | <u>1,585,457</u> | <u>-</u>                              |
| Fund balance, end of year                                    | <u>\$ 1,585,457</u>        | <u>1,585,457</u>        | <u>1,891,290</u> | <u>305,833</u>                        |

**CITY OF MARCO ISLAND, FLORIDA**

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

Debt Service Fund

Year Ended September 30, 2014

|  | <u>Original<br/>budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance with<br/>Final Budget</u> |
|--|----------------------------|-------------------------|-------------------------|---------------------------------------|
| Revenues   |                            |                         |                         |                                       |
| Taxes  | \$ 846,940                 | 846,940                 | 849,038                 | 2,098                                 |
| Miscellaneous  | -                          | -                       | 3                       | 3                                     |
| Total revenues   | <u>846,940</u>             | <u>846,940</u>          | <u>849,041</u>          | <u>2,101</u>                          |
| Expenditures   |                            |                         |                         |                                       |
| Debt service   |                            |                         |                         |                                       |
| Principal  | 1,283,075                  | 1,317,405               | 1,254,351               | 63,054                                |
| Interest and fiscal charges                                  | 345,865                    | 4,303,085               | 4,251,728               | 51,357                                |
| Total expenditures   | <u>1,628,940</u>           | <u>5,620,490</u>        | <u>5,506,079</u>        | <u>114,411</u>                        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(782,000)</u>           | <u>(4,773,550)</u>      | <u>(4,657,038)</u>      | <u>116,512</u>                        |
| Other financing sources                                      |                            |                         |                         |                                       |
| Transfers in   | 782,000                    | 828,550                 | 828,550                 | -                                     |
| Debt proceeds  | -                          | 3,945,000               | 3,920,000               | (25,000)                              |
| Total other financing sources                                | <u>782,000</u>             | <u>4,773,550</u>        | <u>4,748,550</u>        | <u>(25,000)</u>                       |
| Change in fund balance                                       | -                          | -                       | 91,512                  | 91,512                                |
| Fund balance, beginning of year                              | <u>1,670,453</u>           | <u>1,670,453</u>        | <u>1,670,453</u>        | -                                     |
| Fund balance, end of year                                    | \$ <u><u>1,670,453</u></u> | <u><u>1,670,453</u></u> | <u><u>1,761,965</u></u> | <u><u>91,512</u></u>                  |

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## CITY OF MARCO ISLAND, FLORIDA

### FIDUCIARY FUNDS

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

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

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

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**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Fiduciary Net Position

Fiduciary Funds  
September 30, 2014

|                                 | <b>Pension Trust</b>    |                           | <b>Total</b>      |
|---------------------------------|-------------------------|---------------------------|-------------------|
|                                 | <b>Fire<br/>Pension</b> | <b>Police<br/>Pension</b> |                   |
| <b>Assets</b>                   |                         |                           |                   |
| Cash and cash equivalents       | \$ 734,473              | 598,522                   | 1,332,995         |
| Contributions receivable        | 180,827                 | 158,215                   | 339,042           |
| Investments, at fair value      |                         |                           |                   |
| Government bonds                | 2,799,046               | 1,190,982                 | 3,990,028         |
| Corporate bonds                 | 2,373,361               | 1,078,923                 | 3,452,284         |
| Common stock                    | 4,991,208               | 4,333,992                 | 9,325,200         |
| Accrued interest                | 1,685                   | 713                       | 2,398             |
| Total investments               | <u>10,165,300</u>       | <u>6,604,610</u>          | <u>16,769,910</u> |
| Total assets                    | <u>11,080,600</u>       | <u>7,361,347</u>          | <u>18,441,947</u> |
| <b>Liabilities</b>              |                         |                           |                   |
| Accounts payable                | <u>2,500</u>            | <u>2,030</u>              | <u>4,530</u>      |
| Total liabilities               | <u>2,500</u>            | <u>2,030</u>              | <u>4,530</u>      |
| <b>Net position</b>             |                         |                           |                   |
| Restricted for pension benefits | \$ <u>11,078,100</u>    | <u>7,359,317</u>          | <u>18,437,417</u> |

**CITY OF MARCO ISLAND, FLORIDA**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended September 30, 2014

|   | <b>Pension Trust</b>             |                                     | <b>Total</b>      |
|---|----------------------------------|-------------------------------------|-------------------|
|   | <b>Firefighters'<br/>Pension</b> | <b>Police Officers'<br/>Pension</b> |                   |
| <b>Additions</b>                        |                                  |                                     |                   |
| Contributions                           |                                  |                                     |                   |
| Employer                                | \$ 714,633                       | 687,863                             | 1,402,496         |
| Employee                                | 17,499                           | 26,544                              | 44,043            |
| State of Florida                        | 507,798                          | 145,004                             | 652,802           |
| Total contributions                     | <u>1,239,930</u>                 | <u>859,411</u>                      | <u>2,099,341</u>  |
| Investment earnings                     |                                  |                                     |                   |
| Interest and dividend income            | 177,815                          | 125,713                             | 303,528           |
| Net change in fair value of investments | 495,892                          | 478,445                             | 974,337           |
| Less investment expense                 | <u>(82,718)</u>                  | <u>(61,725)</u>                     | <u>(144,443)</u>  |
| Net investment earnings                 | <u>590,989</u>                   | <u>542,433</u>                      | <u>1,133,422</u>  |
| Total additions                         | <u>1,830,919</u>                 | <u>1,401,844</u>                    | <u>3,232,763</u>  |
| <b>Deductions</b>                       |                                  |                                     |                   |
| Benefits paid                           | -                                | 181,990                             | 181,990           |
| General administration                  | 34,552                           | 35,433                              | 69,985            |
| Total deductions                        | <u>34,552</u>                    | <u>217,423</u>                      | <u>251,975</u>    |
| Changes in net position                 | 1,796,367                        | 1,184,421                           | 2,980,788         |
| Net position, beginning of year         | <u>9,281,733</u>                 | <u>6,174,896</u>                    | <u>15,456,629</u> |
| Net position, end of year               | <u>\$ 11,078,100</u>             | <u>7,359,317</u>                    | <u>18,437,417</u> |

# CITY OF MARCO ISLAND, FLORIDA

## STATISTICAL SECTION

This part of the City of Marco Island's Statistical comprehensive annual financial report presents detailed as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <b><u>Contents</u></b>  | <b>Page</b> |
|---|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  | 117-121     |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.   | 122         |
| <b>Debt Capacity</b><br>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.   | 123-129     |
| <b>Demographic and Economic Information</b><br>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. | 130-132     |
| <b>Operating Information</b><br>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.                                  | 133-134     |

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**

|   | <u>2014</u>           | <u>2013</u>        | <u>2012</u>        | <u>2011</u>        | <u>2010</u>        | <u>2009</u>        | <u>2008</u>        | <u>2007</u>        | <u>2006</u>         | <u>2005</u>         |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Governmental activities                     |                       |                    |                    |                    |                    |                    |                    |                    |                     |                     |
| Net investment in capital assets            | \$ 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          | 25,914,490          |
| Restricted                                  | 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          | 18,455,208          |
| Unrestricted                                | <u>9,049,758</u>      | <u>15,623,713</u>  | <u>17,177,360</u>  | <u>15,342,016</u>  | <u>13,613,946</u>  | <u>15,697,349</u>  | <u>8,680,011</u>   | <u>7,536,012</u>   | <u>6,102,668</u>    | <u>12,478,696</u>   |
| Total governmental activities net position  | 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          | 56,848,394          |
| Business-type activities                    |                       |                    |                    |                    |                    |                    |                    |                    |                     |                     |
| Net investment in capital assets            | 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          | 8,520,919           |
| Restricted                                  | 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           | 13,044,910          |
| Unrestricted                                | <u>16,390,147</u>     | <u>21,621,613</u>  | <u>58,814,314</u>  | <u>43,595,429</u>  | <u>53,463,071</u>  | <u>15,387,918</u>  | <u>6,096,803</u>   | <u>(3,752,960)</u> | <u>(10,572,102)</u> | <u>(13,285,715)</u> |
| Total business-type activities net position | 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          | 8,280,114           |
| Primary government                          |                       |                    |                    |                    |                    |                    |                    |                    |                     |                     |
| Net investment in capital assets            | 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          | 34,435,409          |
| Restricted                                  | 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          | 31,500,118          |
| Unrestricted                                | <u>25,439,905</u>     | <u>37,245,326</u>  | <u>75,991,674</u>  | <u>58,937,445</u>  | <u>67,077,017</u>  | <u>31,085,267</u>  | <u>14,776,814</u>  | <u>3,783,052</u>   | <u>(4,469,434)</u>  | <u>(807,019)</u>    |
| Total primary government net position       | \$ <u>189,035,922</u> | <u>194,306,447</u> | <u>193,376,060</u> | <u>184,449,499</u> | <u>168,727,248</u> | <u>149,236,472</u> | <u>129,625,978</u> | <u>97,205,958</u>  | <u>77,814,947</u>   | <u>65,128,508</u>   |

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

# CITY OF MARCO ISLAND, FLORIDA

## Changes in Net Position (Unaudited)

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

**Schedule 2**

|  | 2014                   | 2013                | 2012                | 2011               | 2010               | 2009               | 2008              | 2007               | 2006               | 2005              |
|--|------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| <b>Expenses</b>  |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| <b>Governmental activities</b>                         |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| General government                                     | \$ 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          | 3,187,492         |
| Police services  | 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          | 2,690,359         |
| Fire and rescue  | 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          | 2,547,211         |
| Code compliance  | 361,456                | 290,804             | 308,749             | 269,208            | 1,146,597          | 248,818            | 197,316           | 179,376            | 148,161            | 116,787           |
| Building services                                      | 1,281,963              | 1,183,248           | 828,981             | 875,979            | 821,680            | 923,423            | 1,216,644         | 1,350,070          | 1,128,468          | 680,662           |
| Transportation   | 8,194,480              | 8,199,027           | 7,728,870           | 5,891,452          | 6,302,748          | 5,769,702          | 3,636,729         | 3,008,553          | 2,726,090          | 373,196           |
| Culture and recreation                                 | 927,793                | 842,869             | 892,691             | 2,135,742          | 2,035,189          | 1,095,683          | 2,266,414         | 1,922,094          | 1,574,669          | 911,520           |
| Interest on long-term debt                             | 456,728                | 366,606             | 413,409             | 509,186            | 517,849            | 590,776            | 647,164           | 713,034            | 628,218            | 499,811           |
| <b>Total governmental activities expenses</b>          | <b>25,605,697</b>      | <b>24,945,187</b>   | <b>24,465,802</b>   | <b>22,630,186</b>  | <b>24,260,297</b>  | <b>22,143,515</b>  | <b>19,251,824</b> | <b>18,147,044</b>  | <b>17,186,755</b>  | <b>11,007,038</b> |
| <b>Business-type activities</b>                        |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| Water and sewer  | 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         | 16,796,415        |
| Recreation   | 447,244                | 466,213             | 484,339             | 491,038            | 381,786            | 358,943            | 247,977           | 148,389            | 118,309            | 107,047           |
| <b>Total business-type activities expenses</b>         | <b>37,302,840</b>      | <b>36,544,805</b>   | <b>32,154,832</b>   | <b>30,319,673</b>  | <b>29,262,839</b>  | <b>26,352,810</b>  | <b>21,846,945</b> | <b>19,724,780</b>  | <b>17,854,913</b>  | <b>16,903,462</b> |
| <b>Total primary government expenses</b>               | <b>62,908,537</b>      | <b>61,489,992</b>   | <b>56,620,634</b>   | <b>52,949,859</b>  | <b>53,523,136</b>  | <b>48,496,325</b>  | <b>41,098,769</b> | <b>37,871,824</b>  | <b>35,041,668</b>  | <b>27,910,500</b> |
| <b>Program revenues</b>                                |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| <b>Governmental activities</b>                         |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| <b>Charges for services</b>                            |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| General government                                     | 1,127,775              | 984,197             | 983,325             | 819,346            | 143,117            | 94,845             | 809,646           | 972,129            | 1,162,729          | 1,191,347         |
| Police services  | 44,343                 | 29,031              | 29,259              | 30,507             | 351,497            | 573,210            | -                 | -                  | -                  | -                 |
| Fire and rescue  | 246,397                | 278,112             | 245,181             | 165,672            | 114,926            | 121,296            | -                 | -                  | -                  | -                 |
| Code compliance  | 146,712                | 126,158             | 104,726             | 201,445            | 57,497             | 59,888             | -                 | -                  | -                  | -                 |
| Building services                                      | 1,575,705              | 1,608,453           | 1,333,631           | 826,128            | 895,004            | 1,152,774          | -                 | -                  | -                  | -                 |
| Transportation   | -                      | -                   | -                   | -                  | -                  | -                  | -                 | -                  | -                  | -                 |
| Culture and recreation                                 | -                      | -                   | -                   | -                  | 1,000              | 2,500              | -                 | -                  | -                  | -                 |
| Charges for services - other activities                | -                      | -                   | -                   | -                  | -                  | -                  | 709,424           | 527,208            | 454,273            | 493,709           |
| Operating grants and contributions                     | 1,367,046              | 1,214,800           | 1,088,034           | 1,233,859          | 1,039,852          | 1,805,713          | 199,781           | 321,497            | 2,259,878          | 1,115,222         |
| Capital grants and contributions                       | 756,530                | 871,568             | 652,578             | 1,269,864          | 1,462,596          | 1,619,764          | 2,050,675         | 2,423,999          | 2,481,096          | 4,831,353         |
| <b>Total governmental activities program services</b>  | <b>5,264,508</b>       | <b>5,112,319</b>    | <b>4,436,734</b>    | <b>4,546,821</b>   | <b>4,065,489</b>   | <b>5,429,990</b>   | <b>3,769,526</b>  | <b>4,244,833</b>   | <b>6,357,976</b>   | <b>7,631,631</b>  |
| <b>Business-type activities</b>                        |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| Charges for services, water and sewer                  | 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         | 17,584,305        |
| Charges for services, other activities                 | 347,133                | 322,744             | 360,466             | 373,970            | 271,972            | 78,670             | 144,482           | 116,095            | 105,011            | 1,635,934         |
| Operating grants and contributions                     | -                      | -                   | -                   | -                  | -                  | -                  | 122,866           | 55,127             | 45,003             | 42,389            |
| Capital 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          | 504,360           |
| <b>Total business-type activities program revenues</b> | <b>31,300,480</b>      | <b>39,549,951</b>   | <b>38,436,297</b>   | <b>40,912,512</b>  | <b>45,812,851</b>  | <b>39,467,365</b>  | <b>47,059,626</b> | <b>27,732,018</b>  | <b>20,650,285</b>  | <b>19,766,988</b> |
| <b>Net (expenses) revenues</b>                         |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
| <b>Governmental activities</b>                         |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
|  | (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)       | (3,375,407)       |
| <b>Business-type activities</b>                        |                        |                     |                     |                    |                    |                    |                   |                    |                    |                   |
|  | (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          | 2,863,526         |
| <b>Total primary government net expense</b>            | <b>\$ (26,343,549)</b> | <b>(16,827,722)</b> | <b>(13,747,603)</b> | <b>(7,500,541)</b> | <b>(3,644,796)</b> | <b>(4,454,970)</b> | <b>9,730,383</b>  | <b>(5,894,973)</b> | <b>(8,033,407)</b> | <b>(511,881)</b>  |

**CITY OF MARCO ISLAND, FLORIDA**

**Changes in Net Position-Continued  
(Unaudited)**

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

**Schedule 2 (Continued)**

|  | <u>2014</u>          | <u>2013</u>       | <u>2012</u>       | <u>2011</u>       | <u>2010</u>       | <u>2009</u>       | <u>2008</u>       | <u>2007</u>       | <u>2006</u>       | <u>2005</u>       |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General revenues and other changes in net position |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                            |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Taxes:   |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property taxes                                     | \$ 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        | 10,554,795        |
| Communication service tax                          | 882,950              | 1,056,187         | 991,888           | 945,876           | 1,021,735         | 934,875           | 980,662           | 914,729           | 997,457           | 967,296           |
| Other taxes  | 1,450,956            | 1,270,102         | 1,128,441         | 1,154,806         | 1,211,299         | 910,544           | 665,451           | 676,038           | 870,728           | 315,630           |
| Franchise fees                                     | -                    | -                 | -                 | -                 | -                 | 1,610,117         | 1,920,620         | 1,913,134         | 1,882,013         | -                 |
| State shared revenues                              | 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         | 2,270,293         |
| Interest   | 235,709              | 50,316            | 230,611           | 212,562           | 200,612           | 368,780           | 560,622           | 919,185           | 1,279,907         | 621,291           |
| Gain on sale of capital assets                     | -                    | -                 | -                 | -                 | (6,300)           | -                 | -                 | 20,000            | -                 | 250,000           |
| Miscellaneous                                      | 111,365              | 184,223           | 144,892           | 155,820           | 143,215           | 147,158           | 352,336           | 40,649            | 446,924           | 2,048,983         |
| Transfers  | (507,052)            | 45,481            | -                 | 145,500           | -                 | 40,000            | -                 | -                 | -                 | 108,759           |
| Total governmental activities                      | <u>19,759,489</u>    | <u>19,727,664</u> | <u>19,719,324</u> | <u>20,448,308</u> | <u>20,065,686</u> | <u>20,663,519</u> | <u>20,752,774</u> | <u>21,751,945</u> | <u>19,722,785</u> | <u>17,137,047</u> |
| Business-type activities                           |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest   | 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           | 306,738           |
| Miscellaneous                                      | 128,442              | 192,955           | 499,433           | 419,073           | 139,540           | 338,558           | 460,470           | 2,736,147         | 478,610           | 1,552,937         |
| Gain on sale of capital assets                     | -                    | -                 | -                 | (145,500)         | (19,822)          | -                 | -                 | -                 | -                 | -                 |
| Transfers  | 507,052              | (45,481)          | -                 | -                 | -                 | (40,000)          | -                 | -                 | -                 | (108,759)         |
| Total business-type activities                     | <u>2,517,729</u>     | <u>2,480,562</u>  | <u>2,954,838</u>  | <u>3,094,695</u>  | <u>2,739,650</u>  | <u>3,401,945</u>  | <u>1,936,863</u>  | <u>3,534,039</u>  | <u>997,061</u>    | <u>1,750,916</u>  |
| Total primary government                           | <u>22,277,218</u>    | <u>22,208,226</u> | <u>22,674,162</u> | <u>23,543,003</u> | <u>22,805,336</u> | <u>24,065,464</u> | <u>22,689,637</u> | <u>25,285,984</u> | <u>20,719,846</u> | <u>18,887,963</u> |
| Changes in net position                            |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                            | 19,759,489           | (105,204)         | (309,744)         | 2,354,928         | (129,122)         | 3,093,994         | 5,270,476         | 7,849,734         | 8,894,006         | 13,761,640        |
| Business-type activities                           | <u>2,517,729</u>     | <u>5,485,708</u>  | <u>9,236,303</u>  | <u>13,687,534</u> | <u>19,289,662</u> | <u>16,516,500</u> | <u>27,149,544</u> | <u>11,541,277</u> | <u>3,792,433</u>  | <u>4,614,442</u>  |
| Total primary government                           | \$ <u>22,277,218</u> | <u>5,380,504</u>  | <u>8,926,559</u>  | <u>16,042,462</u> | <u>19,160,540</u> | <u>19,610,494</u> | <u>32,420,020</u> | <u>19,391,011</u> | <u>12,686,439</u> | <u>18,376,082</u> |

# CITY OF MARCO ISLAND, FLORIDA

## Fund Balances of Governmental Funds (Unaudited)

Last Ten Fiscal Years <sup>(1)</sup>  
(Accrual Basis of Accounting)

**Schedule 3**

|   | 2014                 | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>General fund</b>                       |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Nonspendable                              | \$ -                 | 25                | 25                | 3,331             | -                 | -                 | -                 | -                 | -                 | -                 |
| Restricted                                | 1,428,954            | 1,286,470         | 958,362           | 722,132           | -                 | -                 | -                 | -                 | -                 | -                 |
| Committed                                 | 1,660,834            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Assigned                                  | 20,289               | 20,289            | 30,402            | 20,289            | -                 | -                 | -                 | -                 | -                 | -                 |
| Reserved                                  | -                    | -                 | -                 | -                 | 610,908           | 958,601           | 550,899           | 1,139,950         | 908,293           | 4,355,795         |
| Unassigned                                | 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        | 17,395,304        |
| Undesignated                              | -                    | -                 | -                 | -                 | 850,672           | 1,451,163         | 2,101,476         | 2,497,833         | 2,027,228         | 6,354,549         |
| <b>Total unreserved</b>                   | <b>8,493,844</b>     | <b>9,960,432</b>  | <b>7,992,249</b>  | <b>7,109,628</b>  | <b>11,698,096</b> | <b>12,267,089</b> | <b>11,738,277</b> | <b>19,644,422</b> | <b>28,249,803</b> | <b>23,749,853</b> |
| <b>Total general fund</b>                 | <b>8,493,844</b>     | <b>9,960,432</b>  | <b>7,992,249</b>  | <b>7,109,628</b>  | <b>12,309,004</b> | <b>13,225,690</b> | <b>12,289,176</b> | <b>20,784,372</b> | <b>29,158,096</b> | <b>28,105,648</b> |
| <b>All other governmental funds</b>       |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Restricted:</b>                        |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital projects                          | 6,045,000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Debt service fund                         | 1,761,965            | 1,670,453         | 545,948           | 549,773           | -                 | -                 | -                 | -                 | -                 | -                 |
| Building Services                         | 1,891,291            | 1,585,457         | 1,142,651         | 948,450           | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Committed:</b>                         |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Asset replacement                         | 6,501,905            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Assigned:</b>                          |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Transportation                            | -                    | -                 | 600,000           | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Debt services                             | -                    | -                 | 1,108,735         | 1,090,347         | -                 | -                 | -                 | -                 | -                 | -                 |
| Grants                                    | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Capital projects                          | 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         | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Unassigned:</b>                        |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Debt service fund                         | -                    | -                 | -                 | -                 | 1,934,854         | 1,895,754         | 1,886,087         | 767,380           | 447,019           | 508,100           |
| <b>Unreserved</b>                         | <b>-</b>             | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>1,202,908</b>  | <b>1,406,108</b>  | <b>1,551,384</b>  | <b>993,865</b>    | <b>374,843</b>    | <b>2,431,981</b>  |
| Special revenue funds                     | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total all other governmental funds</b> | <b>19,821,621</b>    | <b>10,787,952</b> | <b>11,159,684</b> | <b>10,017,573</b> | <b>3,137,762</b>  | <b>3,301,862</b>  | <b>3,437,471</b>  | <b>1,761,245</b>  | <b>821,862</b>    | <b>2,940,081</b>  |
| <b>Total governmental funds</b>           |                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Nonspendable                              | -                    | 25                | 25                | 3,331             | -                 | -                 | -                 | -                 | -                 | -                 |
| Restricted                                | 11,127,210           | 4,542,380         | 2,646,961         | 2,220,355         | -                 | -                 | -                 | -                 | -                 | -                 |
| Committed                                 | 8,162,739            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Assigned                                  | 3,641,749            | 7,552,331         | 9,501,487         | 8,539,639         | -                 | -                 | -                 | -                 | -                 | -                 |
| Unassigned                                | 5,383,767            | 8,653,648         | 7,003,460         | 6,363,876         | -                 | -                 | -                 | -                 | -                 | -                 |
| Undesignated                              | -                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Reserved                                  | -                    | -                 | -                 | -                 | 2,545,762         | 2,854,355         | 2,436,986         | 1,907,330         | 1,355,312         | 4,863,895         |
| Unreserved                                | -                    | -                 | -                 | -                 | 12,901,004        | 13,673,197        | 13,289,661        | 20,638,287        | 28,624,646        | 26,181,834        |
| <b>Total governmental funds</b>           | <b>\$ 28,315,465</b> | <b>20,748,384</b> | <b>19,151,933</b> | <b>17,127,201</b> | <b>15,446,766</b> | <b>16,527,552</b> | <b>15,726,647</b> | <b>22,545,617</b> | <b>29,979,958</b> | <b>31,045,729</b> |

(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

|   | 2014                | 2013              | 2012              | 2011              | 2010               | 2009              | 2008               | 2007               | 2006              | 2005              |
|---|---------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| <b>Revenues</b>   |                     |                   |                   |                   |                    |                   |                    |                    |                   |                   |
| Taxes   | \$ 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        | 12,585,979        |
| Licenses and permits                                      | 1,888,027           | 1,938,989         | 1,533,176         | 993,199           | 953,501            | 775,843           | 840,236            | 1,008,708          | 1,199,975         | 1,229,030         |
| Intergovernmental   | 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         | 8,842,937         |
| Charges for services                                      | 1,336,950           | 1,218,312         | 1,217,785         | 920,267           | 314,391            | 238,987           | 378,902            | 435,456            | 302,343           | 355,670           |
| Fines and forfeitures                                     | 170,001             | 154,965           | 133,835           | 231,662           | 351,497            | 573,210           | 198,951            | 82,001             | 37,047            | 252,832           |
| Interest income   | 235,708             | 50,316            | 182,507           | 210,351           | 200,612            | 368,780           | 560,622            | 919,185            | 1,279,907         | 621,291           |
| Miscellaneous   | 433,770             | 357,448           | 130,680           | 165,845           | 441,478            | 1,165,249         | 589,362            | 355,365            | 344,177           | 528,190           |
| <b>Total revenues</b>                                     | <b>25,531,762</b>   | <b>24,794,503</b> | <b>24,171,775</b> | <b>24,759,048</b> | <b>24,049,463</b>  | <b>25,574,731</b> | <b>24,307,844</b>  | <b>25,892,029</b>  | <b>25,956,130</b> | <b>24,415,929</b> |
| <b>Expenditures</b>                                       |                     |                   |                   |                   |                    |                   |                    |                    |                   |                   |
| <b>Current:</b>   |                     |                   |                   |                   |                    |                   |                    |                    |                   |                   |
| General government  | \$ 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         | 2,868,842         |
| Police services   | 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         | 2,593,972         |
| Fire and rescue   | 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         | 3,371,921         |
| Code compliance   | 358,722             | 290,187           | 304,010           | 268,625           | 282,859            | 244,027           | 220,857            | 177,469            | 177,085           | 112,562           |
| Building services   | 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         | 1,011,005         |
| Transportation  | 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           | 1,106,152         |
| Culture and recreation                                    | 768,273             | 692,649           | 599,266           | 1,980,400         | 1,879,614          | 1,948,370         | 1,701,382          | 1,712,998          | 1,413,631         | 1,244,657         |
| <b>Debt service:</b>                                      |                     |                   |                   |                   |                    |                   |                    |                    |                   |                   |
| Principal   | 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           | 131,922           |
| Interest  | 4,251,728           | 366,606           | 413,411           | 477,221           | 517,849            | 590,537           | 661,787            | 728,053            | 568,046           | 349,192           |
| Bond issue cost   | -                   | -                 | -                 | -                 | -                  | -                 | -                  | -                  | 33,810            | 71,228            |
| <b>Capital outlay</b>                                     | <b>3,430,204</b>    | <b>3,535,449</b>  | <b>3,712,662</b>  | <b>4,195,157</b>  | <b>4,535,622</b>   | <b>4,764,578</b>  | <b>11,745,066</b>  | <b>14,906,202</b>  | <b>15,680,011</b> | <b>6,690,666</b>  |
| <b>Total expenditures</b>                                 | <b>27,998,281</b>   | <b>23,091,774</b> | <b>22,147,043</b> | <b>23,224,473</b> | <b>25,130,250</b>  | <b>25,345,852</b> | <b>31,126,814</b>  | <b>33,343,370</b>  | <b>30,929,192</b> | <b>19,552,119</b> |
| Excess (deficiency) of revenues over (under) expenditures | (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)       | 4,863,810         |
| <b>Other financing sources (uses)</b>                     |                     |                   |                   |                   |                    |                   |                    |                    |                   |                   |
| Transfers in  | 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         | 6,572,583         |
| Transfers out   | (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)       | (6,786,877)       |
| Proceeds from sale of capital asset                       | -                   | -                 | -                 | -                 | -                  | -                 | -                  | 20,000             | -                 | -                 |
| Capital leases  | 734,435             | 350,000           | -                 | -                 | -                  | 532,026           | -                  | -                  | -                 | 786,292           |
| Bonds issued  | 9,919,549           | -                 | -                 | -                 | -                  | -                 | -                  | -                  | 4,000,000         | 6,000,000         |
| <b>Total other financing sources (uses)</b>               | <b>10,146,932</b>   | <b>395,481</b>    | <b>-</b>          | <b>145,500</b>    | <b>-</b>           | <b>572,026</b>    | <b>-</b>           | <b>20,000</b>      | <b>4,000,000</b>  | <b>6,571,998</b>  |
| <b>Net change in fund balance</b>                         | <b>\$ 7,680,413</b> | <b>2,098,210</b>  | <b>2,024,732</b>  | <b>1,680,075</b>  | <b>(1,080,787)</b> | <b>800,905</b>    | <b>(6,818,970)</b> | <b>(7,431,341)</b> | <b>(973,062)</b>  | <b>11,435,808</b> |
| Debt service as a percentage of non-capital expenditures  | 22.41%              | 7.58%             | 8.06%             | 10.80%            | 13.27%             | 13.54%            | 14.85%             | 14.13%             | 8.56%             | 5.35%             |
| Capital outlay (per above)                                | 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        | 6,690,666         |
| Capital outlay included in current expenditures           | -                   | -                 | 87,639            | 316,570           | 855,459            | 906,286           | 1,153,197          | 1,340,988          | 396,895           | 2,546,777         |
| <b>Total capital outlay</b>                               | <b>\$ 3,430,204</b> | <b>3,535,449</b>  | <b>3,800,301</b>  | <b>4,511,727</b>  | <b>5,391,081</b>   | <b>5,670,864</b>  | <b>12,898,263</b>  | <b>16,247,190</b>  | <b>16,076,906</b> | <b>9,237,443</b>  |

(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**

| <u>Fiscal Year</u>  | <u>Assessed</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total Assessed</u> | <u>Percentage</u> | <u>Total Direct</u> |
|---------------------|-----------------|----------------------|--------------------------|-----------------------|-------------------|---------------------|
| 2005                | 2004            | 7,034,182,252        | 82,851,261               | 7,117,033,513         | 12.0%             | 1.586               |
| 2006 <sup>(1)</sup> | 2005            | 9,416,315,319        | 83,290,481               | 9,499,605,800         | 33.5%             | 1.388               |
| 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 <sup>(2)</sup> | 2014            | 7,900,449,654        | 70,102,819               | 7,970,552,473         | 5.6%              | 2.151               |

<sup>(1)</sup> Includes annexation of Key Marco, approximately 4% of the annual growth.

<sup>(2)</sup> Information only. 2014 assessed values are used for fiscal year 2015 tax revenues

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 |            |
| 2005                | 1.5400         | 0.0460            | 3.8772                   | 6.2200               | 0.0962           | 0.2840                    | 0.0347                  | 0.2425            | 0.2500               | 12.5906    |
| 2006                | 1.2925         | 0.0950            | 3.8772                   | 5.9730               | 0.0830           | 0.2840                    | 0.0347                  | 0.2425            | 0.2500               | 12.1319    |
| 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 <sup>(1)</sup> | 2.0466         | 0.1041            | 3.5645                   | 5.5800               | 0.1001           | 0.1577                    | 0.0293                  | 0.1520            | 0.0000               | 11.7343    |

(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**

| <u>Taxpayer</u>                   | <u>Property by Type</u> | <u>January 1, 2013<br/>Taxable Valuation</u> | <u>Rank</u> | <u>% of Total Assessed<br/>Valuation</u> | <u>Taxpayer</u>                | <u>Property by Type</u> | <u>January 1, 2005<br/>Taxable Valuation</u> | <u>Rank</u> | <u>% of Total Assessed<br/>Valuation</u> |
|-----------------------------------|-------------------------|--|-------------|--|--------------------------------|-------------------------|--|-------------|--|
| Marco Hotel Inc.                  | Hospitality             | \$ 78,884,275                                | 1           | 1.05%                                    | City National Bank of Miami Tr | Hospitality             | 93,310,481                                   | 1           | 1.31%                                    |
| Marco Beach Hotel Inc.            | Hospitality             | 35,676,565                                   | 2           | 0.48%                                    | Marco Beach Hotel Inc.         | Hospitality             | 35,022,396                                   | 2           | 0.49%                                    |
| Marriott Ownership Resorts Inc.   | Hospitality             | 18,420,848                                   | 3           | 0.25%                                    | Boykin Marco LLC               | Hospitality             | 24,136,104                                   | 3           | 0.34%                                    |
| BRE Southeast Retail Holdings LLC | Shopping Center         | 12,497,284                                   | 4           | 0.17%                                    | Marco Town Center, Inc.        | Shopping Center         | 14,613,435                                   | 4           | 0.21%                                    |
| Talbot Trust                      | Single Family Residence | 8,420,949                                    | 5           | 0.11%                                    | Marco Island Condo LLC         | Real Estate Developer   | 11,338,338                                   | 5           | 0.16%                                    |
| GM Esplanade LLC                  | Shopping Center         | 8,241,327                                    | 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 | 7,205,598                                    | 7           | 0.10%                                    | Gregg Holdings, Inc.           | Real Estate Developer   | 7,335,545                                    | 7           | 0.10%                                    |
| Venetian Investments, LLC         | Shopping Center         | 7,157,060                                    | 8           | 0.10%                                    | Island Country Club, Inc.      | Golf Course             | 7,188,740                                    | 8           | 0.10%                                    |
| Gregg Holdings, Inc.              | Single Family Residence | 7,093,634                                    | 9           | 0.09%                                    | Venetian Investments, LLC      | Real Estate Developer   | 7,080,448                                    | 9           | 0.10%                                    |
| Brian R Williamson Trust          | Single Family Residence | 6,997,965                                    | 10          | 0.09%                                    | Jack C. & Dorothy J. Skoog     | Single Family Residence | 6,573,487                                    | 10          | 0.09%                                    |
| <b>Total</b>                      |                         | <b>\$ 190,595,505</b>                        |             | <b>2.55%</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**

| <b>Fiscal Year</b> | <b>Taxes Assessed January 1st</b> | <b>Total Tax Levy <sup>(2)</sup></b> | <b>Current Tax Collections <sup>(2)</sup></b> | <b>Percent of Current Taxes Collected</b> | <b>Delinquent Tax Collections</b> | <b>Total Collections To Date</b> | <b>Percent of Total Collections To Date</b> |
|--------------------|-----------------------------------|--------------------------------------|---|---|-----------------------------------|----------------------------------|---|
| 2004               | 2003                              | 10,291,715                           | 9,919,609                                     | 96.4%                                     | 13,523                            | N/A                              | N/A   |
| 2005               | 2004                              | 11,287,615                           | 10,866,603                                    | 96.3%                                     | 3,823                             | N/A                              | N/A   |
| 2006               | 2005                              | 13,163,819                           | 12,713,792                                    | 96.6%                                     | 9,304                             | N/A                              | N/A   |
| 2007               | 2006                              | 16,857,132                           | 16,212,857                                    | 96.2%                                     | 11,693                            | N/A                              | N/A   |
| 2008               | 2007                              | 15,683,488                           | 15,124,912                                    | 96.4%                                     | 27,794                            | N/A                              | N/A   |
| 2009               | 2008                              | 16,787,689                           | 16,276,943                                    | 97.0%                                     | 50,638                            | N/A                              | N/A   |
| 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                       | 96.8%                                       |

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 debt, 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> Revenue Bonds & Loans | STRP <sup>(2)</sup> Assessment Bonds & Notes |                          |  |                           |
| 2005        | 9,860,000                | 780,000        | 6,000,000               | 459,370        | 101,115,000                                      | -  | 118,214,370              | 18.42%                                       | 7,549                     |
| 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                                   | 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                                   | 196,753,483              | 27.91%                                       | 11,700                    |
| 2010        | 7,025,000                | 475,000        | 4,940,000               | 615,494        | 186,218,288                                      | 31,986,098                                   | 231,259,880              | 31.22%                                       | 14,090                    |
| 2011        | 6,415,000                | -              | 4,565,000               | 532,026        | 176,042,107                                      | 38,821,263                                   | 226,375,396              | 29.59%                                       | 13,767                    |
| 2012        | 5,790,000                | -              | 4,175,000               | 475,332        | 165,096,346                                      | 50,178,723                                   | 225,715,401              | 29.20%                                       | 13,662                    |
| 2013        | 5,145,000                | -              | 3,775,000               | 754,273        | 160,928,201                                      | 54,728,048                                   | 225,330,522              | 27.41%                                       | 13,426                    |
| 2014        | 4,480,000                | -              | 6,045,000               | 1,314,357      | 154,401,849                                      | 52,311,347                                   | 219,932,135              | 27.11%                                       | 13,243                    |

<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 \$38,301,832 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.

Source: City of Marco Island Finance Department.

**CITY OF MARCO ISLAND, FLORIDA**

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

**Last Ten Fiscal Years**

**Schedule 10**

| <u>Fiscal Year</u> | <u>General Obligation</u> | <u>Percentage of Net Assessed<br/>Property Value <sup>(1)</sup></u> | <u>Per Capita <sup>(2)</sup></u> |
|--------------------|---------------------------|---|----------------------------------|
| 2004               | 9,860,000                 | 0.155%  | 633                              |
| 2005               | 9,860,000                 | 0.139%  | 630                              |
| 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               | 4,480,000                 | 0.059%  | 270                              |

<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, 2014**

**Schedule 11**

|   | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Direct and<br/>Overlapping Debt</u> |
|---|-----------------------------|--|---|
| <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                        | 4,480,000                   | 100.00%  | 4,480,000   |
| Sales tax revenue bonds                         | 3,360,000                   | 100.00%  | 3,360,000   |
| Capital leases                                  | 1,314,357                   | 100.00%  | <u>1,314,357</u>  |
| Total direct debt                               |                             |  | <u>15,199,357</u>   |
| <b>Overlapping debt</b>                         |                             |  |   |
| Collier County                                  | 360,920,536                 | 13.14%   | 47,424,958  |
| Collier County School Board                     | 439,481,832                 | 13.14%   | <u>57,747,913</u>   |
| Total overlapping debt                          |                             |  | <u>105,172,871</u>  |
| <b>Total direct and overlapping debt</b>        |                             |  | \$ <u><u>120,372,228</u></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 <sup>(2)</sup> | Coverage With Impact Fees <sup>(3)</sup> | Coverage Without Impact Fees <sup>(4)</sup> | Sales Tax Revenues | Debt Service | Coverage |
| 2004 <sup>(5)</sup> | 15,396,743                  | 1,443,296               | 7,753,809               | 9,086,230                     | 7,642,934                        | 4,226,703                   | 2.15                                     | 1.81  | N/A                | N/A          | N/A      |
| 2005                | 18,069,517                  | 1,374,463               | 8,314,877               | 11,129,103                    | 9,754,640                        | 6,597,764                   | 1.69                                     | 1.48  | 1,814,116          | 0            | 0.00     |
| 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                   | 1.74                                     | 1.68  | 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              | 18,129,483                    | 9,236,659                        | 9,236,659                   | 2.03                                     | 1.96  | 1,860,287          | 546,685      | 3.40     |

(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.

(5) Utility was acquired November 7, 2003. Fiscal Year 2004 is a partial year for revenues and expenses. Debt service is interest only.

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>(2)</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>(3)</sup> | Naples-Marco Island Per Capita Personal Income <sup>(3)</sup> | Florida Per Capita Personal Income <sup>(3)</sup> |  |
| 2005        | 15,659                              | 319,905                       | 17,872,295                      | 641,866   | 53,867  | 33,377  | 3.5                                      |
| 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  | 4.3                                      |
| 2008        | 16,856                              | 332,854                       | 18,807,219                      | 720,618   | 62,559  | 38,316  | 8.2                                      |
| 2009        | 16,816                              | 333,032                       | 18,750,483                      | 704,854   | 61,807  | 37,591  | 11.7                                     |
| 2010        | 16,413 (1)                          | 333,554 (1)                   | 18,773,356 (1)                  | 740,651   | 61,308  | 37,854  | 12.0                                     |
| 2011        | 16,443                              | 321,520                       | 18,801,310                      | 764,917   | 59,985  | 40,427  | 10.7                                     |
| 2012        | 16,521                              | 328,134                       | 19,057,542                      | 773,062   | 59,264  | 40,565  | 8.7                                      |
| 2013        | 16,556                              | 333,663                       | 19,259,543                      | 810,887   | 60,391  | 42,103  | 7.1                                      |
| 2014        | 16,607                              | 336,783                       | 19,507,369                      | 811,377   | 64,872  | 41,497  | 5.6                                      |

(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

**CITY OF MARCO ISLAND, FLORIDA**

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

**Fiscal Year 2014 and Nine Years Ago**

**Schedule 14**

| <b>Fiscal Year 2014</b>                 |                      |                  |             | <b>Fiscal Year 2005</b>                 |                      |                  |             |
|---|----------------------|------------------|-------------|---|----------------------|------------------|-------------|
| <b>Employer</b>                         | <b>Business Type</b> | <b>Employees</b> | <b>Rank</b> | <b>Employer</b>                         | <b>Business Type</b> | <b>Employees</b> | <b>Rank</b> |
| Collier County Public Schools           | Public Education     | 4,759            | 1           | Collier County Public Schools           | Public Education     | 5,335            | 1           |
| NCH Healthcare System                   | Health Care          | 4,000            | 2           | NCH Healthcare System                   | Health Care          | 3,500            | 2           |
| Collier County Government (non-Sheriff) | Government           | 2,214            | 3           | Employee Professionals                  | Human Resources      | 3,394            | 3           |
| Collier County Sheriff                  | Government           | 1,946            | 4           | Collier County Government (non-Sheriff) | Government           | 2,226            | 4           |
| Ritz Carlton, Naples                    | Hospitality          | 1,574            | 5           | Publix Supermarket                      | Supermarket          | 2,221            | 5           |
| Gargiulo, Inc.                          | Food Safety          | 1,367            | 6           | Collier County Sheriff                  | Government           | 1,179            | 6           |
| Arthrex, Inc.                           | Health Care          | 760              | 7           | Ritz Carlton, Naples                    | Hospitality          | 1,500            | 7           |
| Hometown Inspection Svc.                | Home Safety          | 758              | 8           | Marriott Corporation                    | Hospitality          | 843              | 8           |
| Publix                                  | Supermarket          | 743              | 9           | Waldorf Astoria (Registry Resort)       | Hospitality          | 830              | 9           |
| Naples Grande Beach Resort              | Hospitality          | 733              | 10          | Cleveland Clinic                        | Hospitality          | 790              | 10          |
| Total                                   |                      | <u>18,854</u>    |             | Total                                   |                      | <u>21,818</u>    |             |

Source: Collier County Fiscal Year 2015 Budget

Note: Naples-Marco Island



**CITY OF MARCO ISLAND, FLORIDA**

**Full-time Equivalent Employees  
by Department as of September 30, 2014  
(Unaudited)**

**Last Ten Fiscal Years**

**Schedule 15**

| <b>Department</b>             | <b>2014<sup>(2)</sup></b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010<sup>(1)</sup></b> | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|-------------------------------|---------------------------|-------------|-------------|-------------|---------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>General Fund:</b>          |                           |             |             |             |                           |             |             |             |             |             |
| Executive Administrative      | 7                         | 7           | 8.5         | 6           | 8                         | 8           | 8           | 6           | 5           | 5           |
| Information Technology        | 3                         | 3           |             |             |                           |             |             |             |             |             |
| Finance                       | 7                         | 6           | 7           | 7           | 7                         | 14          | 14          | 15          | 15          | 14          |
| Community Development         | 5                         | 5           | 4           | 6           | 6                         | 8           | 8           | 8           | 8           | 8           |
| Fire / Rescue                 | 38                        | 38          | 38          | 38          | 38                        | 38          | 35          | 35          | 32          | 32          |
| Code Compliance               | 3                         | 3           | 3           | 3           | 3                         | -           | -           | -           | -           | -           |
| Police                        | 41.5                      | 41.5        | 35.5        | 35.5        | 35.5                      | 36          | 36          | 36          | 33          | 33          |
| Public Works                  | 11                        | 13          | 5.5         | 6           | 10                        | 11          | 11          | 11          | 9           | 8           |
| Parks and Recreation          | <u>10</u>                 | <u>9</u>    | <u>15</u>   | <u>15</u>   | <u>20</u>                 | <u>15</u>   | <u>15</u>   | <u>15</u>   | <u>14</u>   | <u>12</u>   |
| Total General Fund            | 125.5                     | 125.5       | 116.5       | 116.5       | 127.5                     | 130         | 127         | 126         | 116         | 112         |
| Water / Sewer Enterprise Fund | 69                        | 69          | 78          | 77          | 74                        | 63          | 61          | 58          | 51          | 49          |
| Building Services Fund        | 10.5                      | 8.5         | 8           | 8           | 10                        | 10          | 10          | 10          | 8           | 8           |
| Recreation Enterprise Fund    | <u>3</u>                  | <u>3</u>    | <u>3.5</u>  | <u>3.5</u>  | <u>4.5</u>                | <u>3</u>    | <u>3</u>    | <u>1</u>    | <u>1</u>    | <u>1</u>    |
| Total                         | 208                       | 206         | 206         | 205         | 216                       | 206         | 201         | 195         | 176         | 170         |

(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**

| <b>Department</b>                                | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police Department                                |             |             |             |             |             |             |             |             |             |             |
| Calls for Service                                | 42,600      | 58,855      | 58,014      | 70,740      | 77,628      | 68,215      | 61,430      | 52,273      | 29,291      | 33,480      |
| Fire Department                                  |             |             |             |             |             |             |             |             |             |             |
| Calls for Service                                | 3,413       | 3,202       | 2,897       | 2,688       | 2,802       | 2,430       | 2,448       | 2,911       | 2,467       | 2,481       |
| Building Department                              |             |             |             |             |             |             |             |             |             |             |
| New Single-Family Homes                          | 101         | 92          | 74          | 25          | 33          | 16          | 28          | 43          | 72          | 136         |
| New Multi-Family Units                           | -           | -           | -           | -           | -           | -           | 7           | 0           | 0           | 33          |
| Total Permits Issued                             | 5,987       | 5,647       | 5,369       | 5,149       | 5,381       | 4,800       | 5,194       | 5,456       | 7,121       | 4,917       |
| Water Production                                 |             |             |             |             |             |             |             |             |             |             |
| Number of Customers                              | 9,554       | 9,847       | 9,583       | 9,756       | 9,623       | 9,428       | 9,496       | 9,517       | 8,929       | 8,784       |
| Raw Flow into Water Plants: (Surface and Ground) |             |             |             |             |             |             |             |             |             |             |
| Average Daily Treatment (Millions of gallons)    | 7.40        | 7.02        | 7.97        | 7.89        | 7.80        | 6.37        | 8.88        | 10.25       | 10.19       | 10.13       |
| Maximum Daily Treatment (Millions of gallons)    | 10.63       | 13.99       | 16.25       | 16.25       | 16.01       | 13.05       | 14.27       | 16.22       | 17.86       | 15.36       |
| Wastewater Treatment                             |             |             |             |             |             |             |             |             |             |             |
| Number of Customers                              | 9,136       | 8,652       | 8,424       | 8,375       | 7,044       | 6,412       | 5,669       | 5,032       | 4,120       | 4,061       |
| Flow into Wastewater Plants:                     |             |             |             |             |             |             |             |             |             |             |
| Average Daily Treatment (Millions of gallons)    | 2.00        | 2.03        | 1.96        | 1.94        | 1.92        | 1.91        | 1.88        | 1.87        | 1.87        | 1.70        |
| Maximum Daily Treatment (Millions of gallons)    | 3.54        | 3.20        | 3.76        | 3.72        | 3.67        | 3.44        | 4.65        | 3.00        | 3.00        | 2.83        |

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 |      |      |      |      |      |      |      |      |      |
|------------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                              | 2013        | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Police Department            |             |      |      |      |      |      |      |      |      |      |
| Number of Stations           | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Number of Patrol Units       | 12          | 12   | 11   | 11   | 12   | 12   | 12   | 12   | 12   | 11   |
| Fire Department              |             |      |      |      |      |      |      |      |      |      |
| Number of Stations           | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Parks and Recreation         |             |      |      |      |      |      |      |      |      |      |
| Number of Parks              | 10          | 10   | 10   | 10   | 10   | 8    | 8    | 8    | 8    | 8    |
| Park Acreage                 | 60.0        | 60.0 | 60.0 | 60.0 | 60.0 | 53.8 | 53.8 | 53.8 | 53.8 | 53.8 |
| Tennis Courts                | 10          | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   |
| Bocce Ball Courts            | 3           | 3    | 3    | 3    | 3    | 3    | 2    | 2    | 2    | 2    |
| Shuffleboard Courts          | 7           | 7    | 7    | 7    | 7    | 4    | 4    | 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    | 2    | 2    | 2    | 2    | 2    |
| Teen Center                  | 1           | 1    | 1    | 1    | 1    | 1    | 0    | 0    | 0    | 0    |
| Public Beach Access          | 2           | 2    | 2    | 2    | 2    | 1    | 1    | 0    | 0    | 0    |
| Public River Access          | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 0    | 0    |
| Public Works                 |             |      |      |      |      |      |      |      |      |      |
| Streets (Centerline Miles)   | 127         | 127  | 127  | 127  | 127  | 127  | 127  | 127  | 127  | 127  |
| Signalized intersections     | 10          | 10   | 10   | 10   | 10   | 10   | 8    | 8    | 7    | 7    |
| Bridges                      | 15          | 15   | 15   | 15   | 15   | 15   | 12   | 12   | 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  | 140  | 140  | 140  | 140  | 140  | 140  | 140  |
| Sewer Lines (Miles)          | 202         | 191  | 175  | 160  | 145  | 132  | 86   | 82   | 82   | 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 14, 2015. Our report includes a reference to the changes in accounting principal resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB No. 25* as of October 1, 2013.

**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 2014-001 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 Findings**

Management's responses to the findings and recommendations identified in our audit are 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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 14, 2015

**CITY OF MARCO ISLAND, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

|  |  |
|--|--|
| Type of auditor's report issued  | Unmodified   |
| Internal control over financial reporting:<br>Material weaknesses identified?    | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no            |
| Significant deficiencies identified not considered<br>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**

**2014 - 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, 2013, due to the misclassification of funds held in trust as revenue vs. liabilities and 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, 2014, misstatements were identified that caused the need to restate opening equity for the year ended September 30, 2013, 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 liability balances in the General Fund, and assessments receivable within the Water and Sewer Fund and Recreation Fund.

**Effect:** Audit adjustments to decrease net position / fund balance and increase accounts receivable within the Water and Sewer Fund by \$1,002,527 and the Recreation Fund by \$88,334 was required to be reported as of September 30, 2013. Additionally, an adjustment to increase liabilities and decrease fund balance within the General Fund by \$113,333 was required to be reported as of September 30, 2013.



**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 funds held on behalf of others are properly reported as liabilities and that the assessments receivable are properly recorded as of yearend 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**

There were no prior audit findings for the fiscal year ended September 30, 2013.



## 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, 2014, and have issued our report thereon dated April 14, 2015.

### **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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated April 14, 2015, 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 2013-01 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., 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., 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, 2014, 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, 2014. 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  
April 14, 2015

**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, 2014. 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, 2014.

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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 14, 2015