

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2001**

CITY OF MARCO ISLAND, FLORIDA

**CITY OF MARCO ISLAND, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2001**

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and City Council
City of Marco Island
Marco Island, Florida

We have audited the accompanying general-purpose financial statements of the City of Marco Island, Florida as of and for the year ended September 30, 2001. These general-purpose financial statements are the responsibility of the City of Marco Island, Florida's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Marco Island, Florida as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2001, on our consideration of the City of Marco Island, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The required supplementary information, the supporting schedules, and the schedule of expenditures of federal awards and state financial assistance listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information and schedules have been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

November 30, 2001
Sarasota, Florida

Purvis, Gray and Company
Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

GENERAL-PURPOSE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise Fund</u>	<u>Internal Service</u>
Assets and Other Debits				
Cash and Pooled Investments	\$ 473,894		\$ 407,408	
Cash With Claims Administrator				
Other Investments	7,960,128			
Receivables:				
Accounts, Net	81,858		57,557	
Assessments, Net		\$ 220,321	6,498	
Construction Draws		619,393		
Due From Other Funds	598,073			
Due From Other Governments	166,208	484,427		
Inventory	578			
Prepaid Items	115,557			
Deposits	2,000			
Fixed Assets:				
Land				
Buildings and Improvements			1,903,532	
Vehicles and Equipment			10,676	
Property Held Under Capital Lease (Accumulated Depreciation)			(141,748)	
Amount to be Provided For Retirement of Long-Term Debt				
Total Assets and Other Debits	<u>\$ 9,398,296</u>	<u>\$ 1,324,141</u>	<u>\$ 2,243,923</u>	<u>\$ 0</u>

81 ← 24,122

See accompanying notes.

Fiduciary Fund Type	Account Groups		Totals	
	General	General	(Memorandum Only)	
	Fixed Assets	Long-Term Debt	2001	2000
\$ 3,657			\$ 884,959	\$ 1,965,115
465,914			0	30,042
			8,426,042	7,746,786
			139,415	289,631
			226,819	0
			619,393	0
			598,073	0
51,118			701,753	290,345
			578	1,045
			115,557	4,037
			2,000	2,000
	\$ 4,752,067		4,752,067	3,897,419
	1,931,757		3,835,289	1,323,842
	2,803,407		2,814,083	2,299,757
	1,609,880		1,609,880	1,609,880
			(141,748)	0
		\$ 1,714,925	1,714,925	1,121,336
\$ 520,689	\$ 11,097,111	\$ 1,714,925	\$ 26,299,085	\$ 20,581,235

(Continued)

See accompanying notes.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA

	Governmental Fund Types		Proprietary Fund Types	
	General	Capital Projects	Enterprise Fund	Internal Service
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts and Retainages Payable	\$ 544,332	\$ 505,747	\$ 59,551	
Accrued Liabilities	127,763			
Due to Other Funds		598,073		
Deposits				
Deferred Revenue	1,117	220,321	33,358	
Obligation Under Capital Lease				
Revenue Bonds Payable				
Estimated Liability For Self-Insurance Losses				
Accrued Compensated Absences				
Total Liabilities	673,212	1,324,141	92,909	\$ 0
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Contributed Capital			1,764,268	
Retained Earnings			386,746	
Fund Balances:				
Reserved For Employees' Pension Benefits				
Other Reserves	2,110,766			
Designated	449,276			
Undesignated	6,165,042			
Total Fund Equity and Other Credits	8,725,084	0	2,151,014	0
Total Liabilities, Fund Equity and Other Credits	\$ 9,398,296	\$ 1,324,141	\$ 2,243,923	\$ 0

IMPACT FEES 2,110,766 ← SEE PA 20 } NOTE 9
449,276 ← " " 21 }

See accompanying notes.

Fiduciary Fund Type Pension Trust	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	2001	2000
			\$ 1,109,630	\$ 421,864
			127,763	96,614
			598,073	0
				1,726
			254,796	119,236
		\$ 646,256	646,256	737,843
		619,393	619,393	0
			0	60,000
		449,276	449,276	383,493
<u>\$ 0</u>	<u>\$ 0</u>	<u>1,714,925</u>	<u>3,805,187</u>	<u>1,820,776</u>
	11,097,111		11,097,111	9,130,898
			1,764,268	0
			386,746	18,987
520,689			520,689	364,049
			2,110,766	2,225,274
			449,276	383,493
			6,165,042	6,637,758
<u>520,689</u>	<u>11,097,111</u>	<u>0</u>	<u>22,493,898</u>	<u>18,760,459</u>
<u>\$ 520,689</u>	<u>\$ 11,097,111</u>	<u>\$ 1,714,925</u>	<u>\$ 26,299,085</u>	<u>\$ 20,581,235</u>

(Concluded)

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	<u>Governmental Fund Types</u>			Total (Memorandum Only) 2000
	<u>General</u>	<u>Capital Projects</u>	<u>Total 2001</u>	
Revenues				
Taxes	\$ 6,564,084	\$ 0	\$ 6,564,084	\$ 6,372,005
Licenses and Permits	1,143,518	0	1,143,518	1,147,608
Intergovernmental	2,048,371	484,427	2,532,798	2,244,772
Charges For Services	224,104	0	224,104	202,721
Fines and Forfeitures	83,972	0	83,972	79,198
Interest Income	589,333	0	589,333	611,434
Miscellaneous	305,301	1,038,048	1,343,349	1,134,144
Total Revenues	<u>10,958,683</u>	<u>1,522,475</u>	<u>12,481,158</u>	<u>11,791,882</u>
Expenditures				
Current:				
General Government	1,478,125	0	1,478,125	1,562,566
Public Safety	5,461,853	0	5,461,853	4,955,390
Transportation	911,790	0	911,790	795,072
Culture and Recreation	1,160,876	0	1,160,876	928,508
Capital Outlay	0	4,635,802	4,635,802	2,432,489
(Total Expenditures)	<u>(9,012,644)</u>	<u>(4,635,802)</u>	<u>(13,648,446)</u>	<u>(10,674,025)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,946,039</u>	<u>(3,113,327)</u>	<u>(1,167,288)</u>	<u>1,117,857</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	619,393	619,393	0
Operating Transfers In	0	2,493,934	2,493,934	1,280,472
Operating Transfers (Out)	(2,519,364)	0	(2,519,364)	(1,280,472)
Total Other Financing Sources (Uses)	<u>(2,519,364)</u>	<u>3,113,327</u>	<u>593,963</u>	<u>0</u>
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	<u>(573,325)</u>	<u>0</u>	<u>(573,325)</u>	<u>1,117,857</u>
Fund Balances, October 1	9,246,525	0	9,246,525	8,128,668
Residual Equity Transfers In	<u>51,884</u>	<u>0</u>	<u>51,884</u>	<u>0</u>
Fund Balances, September 30	<u>\$ 8,725,084</u>	<u>\$ 0</u>	<u>\$ 8,725,084</u>	<u>\$ 9,246,525</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	Enterprise Fund	Internal Service	Total (Memorandum Only)	
			2001	2000
Operating Revenues				
Charges For Services	\$ 872,567	\$ 30,315	\$ 902,882	\$ 415,376
Miscellaneous Income	0	271	271	23,613
Total Operating Revenues	<u>872,567</u>	<u>30,586</u>	<u>903,153</u>	<u>438,989</u>
Operating Expenses				
Personal Services	28,223	0	28,223	0
Contractual Services	607,568	0	607,568	0
Utilities	8,912	0	8,912	0
Insurance Premiums and Claims	0	23,119	23,119	391,842
Other Expenses	11,568	0	11,568	0
Depreciation	141,748		141,748	0
(Total Operating Expenses)	<u>(798,019)</u>	<u>(23,119)</u>	<u>(821,138)</u>	<u>(391,842)</u>
Operating Income (Loss)	<u>74,548</u>	<u>7,467</u>	<u>82,015</u>	<u>47,147</u>
Nonoperating Revenues				
Interest Earnings	10,505	0	10,505	0
Assessments	14,206	0	14,206	0
Intergovernmental Revenue	147,745	0	147,745	0
Other Nonoperating Revenue	478	0	478	0
Total Nonoperating Revenue	<u>172,934</u>	<u>0</u>	<u>172,934</u>	<u>0</u>
Net Income Before Operating Transfers	247,482	7,467	254,949	47,147
Operating Transfers In	0	25,430	25,430	0
Net Income	<u>247,482</u>	<u>32,897</u>	<u>280,379</u>	<u>47,147</u>
Add Back: Depreciation on Contributed Capital	139,264	0	139,264	0
Increase in Retained Earnings	<u>386,746</u>	<u>32,897</u>	<u>419,643</u>	<u>47,147</u>
Retained Earnings, October 1, 2000	0	18,987	18,987	(28,160)
Residual Equity Transfer Out	0	(51,884)	(51,884)	0
Retained Earnings, September 30, 2001	<u>\$ 386,746</u>	<u>\$ 0</u>	<u>\$ 386,746</u>	<u>\$ 18,987</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	Enterprise Fund	Internal Service	Total (Memorandum Only)	
			2001	2000
Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 74,548	\$ 7,467	\$ 82,015	\$ 47,147
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Depreciation	141,748	0	141,748	0
Increase in Estimated Liability For Self-Insurance Losses	0	(60,000)	(60,000)	27,092
Changes in Assets - Increase (Decrease) and Liabilities - (Increase) Decrease:				
Accounts Receivable	(57,557)	19,969	(37,588)	(19,969)
Assessments Receivable	(6,498)	0	(6,498)	0
Accounts Payable and Other Accrued Liabilities	59,551	0	59,551	0
Deferred Revenue	33,358	0	33,358	0
Deposits	0	(1,726)	(1,726)	(1,062)
Net Cash Provided By (Used In) Operating Activities	<u>245,150</u>	<u>(34,290)</u>	<u>210,860</u>	<u>55,332</u>
Cash Flows From Noncapital Financing Activities				
Operating Transfers In	0	25,430	25,430	0
Residual Equity Transfer	0	(51,884)	(51,884)	0
Other Nonoperating Income	478	0	478	0
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>478</u>	<u>(26,454)</u>	<u>(25,976)</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition of Property, Plant and Equipment (Excluding Contributed Assets)	(10,676)	0	(10,676)	0
Intergovernmental Revenue	147,745	0	147,745	0
Assessment Revenue	14,206	0	14,206	0
Net Cash Provided By Capital and Related Financing Activities	<u>151,275</u>	<u>0</u>	<u>151,275</u>	<u>0</u>
Cash Flows From Investing Activities				
Interest Received on Investments	10,505	0	10,505	0
Net Increase (Decrease) in Cash and Cash Equivalents	407,408	(60,744)	346,664	55,332
Cash and Cash Equivalents, October 1	<u>0</u>	<u>60,744</u>	<u>60,744</u>	<u>5,412</u>
Cash and Cash Equivalents, September 30	<u>\$ 407,408</u>	<u>\$ 0</u>	<u>\$ 407,408</u>	<u>\$ 60,744</u>

STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA
(Concluded)

	<u>Enterprise Fund</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>	
			<u>2001</u>	<u>2000</u>
<u>Reconciliation of Cash and Cash Equivalents (Above) to Combined Balance Sheet</u>				
Captions on Combined Balance Sheet				
Cash and Pooled Investments	\$ 407,408	\$ 0	\$ 407,408	\$ 30,702
Cash With Claims Administrator	0	0	0	30,042
Total	<u>\$ 407,408</u>	<u>\$ 0</u>	<u>\$ 407,408</u>	<u>\$ 60,744</u>
<u>Supplemental Disclosure of Noncash Activities</u>				
Contributed Assets	<u>\$ 1,903,532</u>	<u>\$ 0</u>	<u>\$ 1,903,532</u>	<u>\$ 0</u>

See accompanying notes.

**STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	<u>2001</u>	<u>Total (Memorandum Only) 2000</u>
Additions		
Contributions		
Employer	\$ 1,596	\$ 1,028
State of Florida	148,398	178,945
Total Contributions	<u>149,994</u>	<u>179,973</u>
Investment Income		
Investment Earnings	<u>19,131</u>	<u>10,332</u>
Total Additions	<u>169,125</u>	<u>190,305</u>
 Deductions		
Refunds of Contributions	0	2,378
Legal	5,000	7,000
Actuary	3,977	601
Audit	1,500	1,500
Administrative	<u>2,008</u>	<u>1,015</u>
(Total Deductions)	<u>(12,485)</u>	<u>(12,494)</u>
 Net Increase	 156,640	 177,811
 Net Assets Held in Trust For Pension Benefits:		
Beginning of Year	<u>364,049</u>	<u>186,238</u>
End of Year	<u>\$ 520,689</u>	<u>\$ 364,049</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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

Note 1 - Reporting Entity

The City

The City of Marco Island, Florida (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 was first adopted by the electorate on August 28, 1997. The Charter provides for a Council/Manager form of government.

Component Units

The City has no component units. However, this report does include the accounts and transactions of the following entity, which does not satisfy the definition of a component unit because it is not legally separate from the City.

- The City of Marco Island Firefighters' Pension Plan (the Firefighters' Pension Plan)

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The City has created several types of funds and account groups. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

- **Governmental Fund Types** are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies and specific revenue sources (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund. The City has no special revenue or debt service funds.
- **Proprietary Fund Types** are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The City added the enterprise fund in the current year to account for the acquisition and operations of its wastewater collection facilities. The City closed out its internal service fund (self-insurance) to the general fund effective November 1, 2000.

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Concluded)

- **Fiduciary Fund Types** are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The City uses the pension trust fund to account for the activities in the Firefighters' Pension Plan.

In addition to the governmental and proprietary fund types, the City also maintains two **account groups**. These two account groups are not funds. They are used to maintain accounting control and accountability for the City's general fixed assets (general fixed assets account group) and the unmatured principal of its general long-term obligations (general long-term debt account group).

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The general fund and capital projects fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary fund types and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Pension trust fund operating statements present increases (additions) and decreases (deductions) in plan net assets.

Basis of Accounting

The general and capital projects funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. In order for the revenues to be susceptible to accrual, they must be both measurable and available. "Measurable" means that the amount of the transaction can be determined. "Available" means the revenues must be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, impact fees, state-shared revenues and investment earnings are recorded when earned (measurable and available). Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are reported as revenues when received in cash. Expenditures are generally recognized in the

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies *(Continued)*

Basis of Accounting *(Concluded)*

accounting period in which the related liability is incurred, except that principal and interest on general long-term debt is recognized when due, and accumulated leave time is recognized when paid.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise in governmental fund types when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

All proprietary fund types and the pension trust fund use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Applicable Pronouncements

Proprietary fund types follow all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989, to its proprietary fund type activities.

Cash and Investments

Cash and cash equivalents for purposes of the statement of cash flows for the enterprise and internal service funds include demand deposits and state pool investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts at September 30, 2001, is \$20,000.

Property, Plant and Equipment

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Public domain (infrastructure) fixed assets consisting of certain improvements such as roads, sidewalks and bridges are not capitalized as these assets are immovable and of value only to the government. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend its life are not capitalized. Assets in the general fixed assets account group are not depreciated.

Property, plant and equipment in the enterprise and internal service funds are capitalized in those funds. Depreciation of exhaustible fixed assets used by these funds is charged as an expense against operations, and accumulated depreciation is reported on the balance sheets of these funds. Depreciation is provided over the estimated useful life of each asset using the straight-line method. The range of estimated useful lives of proprietary fund type assets are:

Buildings and Improvements	30 Years
Machinery and Equipment	3-5 Years

All property, plant and equipment are originally recorded at cost. Property plant and equipment formerly owned by the Marco Island Fire Control District (the Fire Control District), which were acquired by the City upon incorporation and, upon the dissolution of the Fire Control District, are recorded at the Fire Control District's cost or, if donated, at fair value on the date donated. These assets totalled \$3,594,821.

During 2001, a sanitary sewer system was received from Collier County, Florida. The donated sewer system consists of a gravity collection system, lift stations, master pump station and approximately 18 miles of force main. The City agreed to take over the repair and maintenance and billing/collection of the system. The system was valued at \$1,903,532 at the time of donation.

In addition, five parks with land and buildings totalling \$4,255,286 were received from Collier County, Florida during 1999. These assets were recorded at their estimated value on the date donated.

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies *(Continued)*

Long-Term Obligations

Long-term debt is recognized as a liability in a governmental fund type, if due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund type operations are accounted for in those funds.

Compensated Absences

City firefighters under union contract earn from 216 to 288 hours per year in personal leave time. The amount earned depends upon years of service. City firefighters can accrue up to a maximum of 936 hours. Upon termination, the employee is entitled to all personal leave hours, paid out at the hourly rate upon termination. Other employees have been granted paid leave under terms of their employment.

Full-time City employees earn from 160 to 200 hours annually, based upon years of service, and can accrue up to 720 hours. Upon termination, the employee is entitled to all personal leave hours paid out at the hourly rate upon termination.

Accumulated unpaid vacation and sick pay are accrued when earned in the accompanying balance sheets. Only the portion of the unpaid vacation and sick pay benefits that are to be paid from current assets are accrued in the general fund. The long-term portion of the unpaid sick and vacation pay is reported in the general long-term debt account group as accrued compensated absences. The internal service and pension trust funds have no employees to which paid leave is provided.

Fund Equity

Contributed capital is recorded in proprietary fund types that have received capital grants or contributions from developers, other governments or other funds. Unreserved retained earnings in the proprietary funds represent net assets available for future operations. Reserved retained earnings, if any, would represent net assets that had been legally restricted for specific purposes.

Unreserved fund balance in the governmental fund type represents that amount available to be budgeted for future operations. Reserved fund balance in the governmental fund type represents the amount that has been legally identified for specific purposes. Designated fund balances, if any, would represent amounts identified by City management to be used in the future.

Pension Costs

The provision for pension costs is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Concluded)

Columns Captioned "Totals (Memorandum Only)"

Total columns on the combined financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Legal Compliance - Budgets

The City Council annually adopts a budget ordinance for the general and capital projects funds of the City pursuant to general law. Budgets are prepared for the enterprise and pension trust funds for internal use only. All annual operating budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrances lapse at year end.

Per the City Charter, the budget must be a balanced budget, and operating expenditures shall be limited to an increase from the prior year's expenditures of 3% plus the then-current federal cost of living adjustment, following the third full year of incorporation. This limit shall not apply to expenditures under emergency ordinances or certain capital expenditures.

Supplemental Appropriations

If, during the fiscal year, revenues in excess of those estimated in the budget are available for appropriation, the City Council may make supplemental appropriations for the year up to the amount of such excess.

Transfer of Appropriations

At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among expenditures within a department, office or agency and, upon written request by the City Manager, the City Council may transfer part or all of any unencumbered appropriation balance from one department, office or agency to another.

The budgeted amounts on the accompanying statement of revenues, expenditures and changes in fund balances - all governmental fund types are presented as amended. Following is a reconciliation of original to amended budgeted appropriations for the general and capital projects funds:

	General	Capital Projects
Original Budget (Expenditures)	\$ 9,512,979	\$ 4,295,343
Supplemental Appropriations (Reductions)	(165,429)	1,007,000
Amended Budget	<u>\$ 9,347,550</u>	<u>\$ 5,302,343</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 4 - Property Taxes

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.

Details of the tax calendar are presented below:

Lien Date	January 1, 2000
Levy Date	October 1, 2000
Installment Payments	
First Installment	No Later Than June 30, 2000
Second Installment	No Later Than September 30, 2000
Third Installment	No Later Than December 31, 2000
Fourth Installment	No Later Than March 31, 2001
Regular Payments	
Discount Periods	November 2000 Through February 2001
No Discount Period	After March 1, 2001
Delinquent Date	April 1, 2001

Note 5 - Deposits and Investments

Deposits

At the end of each working day, the City invests available cash balances to improve yields, under terms of a Master Repurchase Agreement (the repurchase agreement) with the bank, collateralized by U.S. government agency securities. The repurchase agreement requires the bank to repurchase those securities at the start of the next working day, returning those cash balances, plus interest, to the City. Under this arrangement, the City's "bank balance" never dips below zero. However, because of outstanding checks, the "carrying amount" of the City's deposits (excluding the repurchase agreement) may be negative. At September 30, 2001, the bank balance of the City's deposits was \$127,038 and the carrying amount was a negative position of \$1,034,041. In addition, the repurchase agreement had a balance of \$1,522,000 at year end, for a combined positive position of \$487,959.

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 50% to 125% 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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 5 - Deposits and Investments (Continued)

Deposits (Concluded)

As a result of the provisions of Chapter 280, all cash and time deposits held by banks can be classified as category 1 credit risk (fully insured) as defined in GASB Statement No. 3. Assignment of category 1 credit risk means that the cash and time deposits are fully insured or collateralized.

Investments

The City's investment practices are also governed by Chapter 280, Florida Statutes, which allows the City to invest in certificates of deposit; money market investments; obligations of the U.S. Treasury, its agencies and instrumentalities; repurchase and reverse repurchase agreements collateralized by U.S. securities; and the State Board of Administration.

The pension trust fund may also invest in qualified public depositories, or other investments as determined by an investment advisor, retained by the Pension Board, subject to guidelines prescribed by the Pension Board.

Generally accepted accounting principles require that the credit risk of most investments be classified into one of the following three categories:

- **Category 1** - Insured or registered, or securities held by the City or its agent in the City's name.
- **Category 2** - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- **Category 3** - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

The investments in the State Board of Administration - Local Government Surplus Trust Funds Investment Pool cannot be classified within the categories described above because they are not evidenced by securities that exist in physical or book entry form. These amounts totalled \$8,426,042 at September 30, 2001. Following is a listing of other investments held at September 30, 2001:

	<u>Investment Category</u>			<u>Carrying Amount (Market)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Overnight Repurchase Agreement	\$ 0	\$ 0	\$ 1,522,000	\$ 1,522,000
Certificates of Deposit	0	0	397,000	397,000
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,919,000</u>	<u>\$ 1,919,000</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 5 - Deposits and Investments (Concluded)

The overnight repurchase agreement is a contract collateralized by government agency securities. Certificates of deposit are in individual amounts of \$100,000 or less with varying terms from one year to two years, and bearing interest between 5.22% and 7.35%. The repurchase agreement and certificates of deposit are included under cash and pooled investments on the accompanying balance sheet because they are maintained by the City in a pooled account for the use of all funds.

Note 6 - Property, Plant and Equipment

Activity for general fixed assets is summarized below:

	Balance			Balance
	10/1/00	Additions	(Deductions)	9/30/01
Land	\$ 3,897,419	\$ 854,648	\$ 0	\$ 4,752,067
Buildings	1,323,842	607,915	0	1,931,757
Vehicles and Equipment	2,299,757	503,650	0	2,803,407
Property Held Under				
Capital Lease	1,609,880	0	0	1,609,880
Total	<u>\$ 9,130,898</u>	<u>\$ 1,966,213</u>	<u>\$ 0</u>	<u>\$ 11,097,111</u>

Note 7 - General Long-Term Debt

The City is obligated under certain lease agreements originally between the Fire Control District and other parties. On January 23, 1992, under terms of a Ground Lease, the Fire Control District agreed to lease approximately 1.5 acres of undeveloped land, upon which the current main fire protection facility is located, to First Continental Financial Corporation, Little Rock, Arkansas (FCFC). The lease called for payments of \$1 per year through January 25, 2007, and included up to eight automatic renewal periods of five years each.

Also, on January 23, 1992, the Fire Control District signed an agreement with FCFC (Lessor) which granted Lessor a leasehold estate in the land for the purpose of constructing a 13,000 square foot fire station. This agreement was a Lease/Purchase Option Agreement, where FCFC would lease the fire station and certain other personal property to the Fire Control District for \$88,601, semiannually through January 2007 (unless early terminated, or upon payment of the option price). The option price was established and is pursuant to a fixed schedule, which decreases annually to \$1 on January 2007. The option price is slightly higher than the outstanding principal balance at any time. Subsequent to the construction of the facility, FCFC assigned their rights to collections under the lease purchase to LaSalle Bank. Upon dissolution of the Fire Control District, the City acquired the Lessee's rights and responsibilities under these leases.

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 7 - General Long-Term Debt (Continued)

Due to the \$1 purchase option at the end of the lease term, the lease-purchase of the fire station has been accounted for as a capital lease for financial reporting. An asset of \$1,609,880 was recorded in the general fixed assets account group, with a corresponding liability in general long-term debt. The liability is being amortized using an imputed interest rate of 7.60%, the rate implicit in the lease. In January 1994, a prepayment of the liability totalling \$249,040 was made, reducing future minimum lease payments to \$72,976 semiannually.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2001:

Year Ending September 30,	General Long-Term Debt Account Group
2002	\$ 145,952
2003	145,952
2004	145,952
2005	145,952
2006	145,952
2007 and Thereafter	72,976
Total Remaining Minimum Lease Lease Payments (Imputed Interest)	802,736 (156,480)
Present Value of Minimum Lease Payments	\$ 646,256

Changes in long-term indebtedness for the year ended September 30, 2001, are summarized below:

	Balance 10/01/00	Additions	(Payments and Other Reductions)	Balance 9/30/01
General Long-Term Debt				
Obligations Under Capital Leases	\$ 737,843	\$ 0	\$ (91,587)	\$ 646,256
Accrued Compensated Absences	383,493	65,783	0	449,276
Florida Municipal Council Revenue Bond Series 2000B	0	619,393	0	619,393
Total General Long-Term Debt	\$ 1,121,336	\$ 685,176	\$ (91,587)	\$ 1,714,925

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 7 - General Long-Term Debt (Continued)

On November 15th, 2000, the City borrowed \$985,000 from the Florida Municipal Loan Council. In conjunction with their issuances of the Florida Municipal Loan Council Revenue Bonds, Series 2000B, Resolution 00-50 approved the loan agreement and the use of the proceeds for the demolition and reconstruction of a bridge on North Barfield Drive. Interest payments are due semiannually beginning May 1, 2001 through November 1, 2015, with interest varying from 4.25% to 5.75% per annum. Principal payments on the loan are due annually beginning November 1, 2001 through November 1, 2015. The loan is collateralized by a covenant to budget and appropriate from legally available non-ad valorem revenues. Prior to September 30, 2001, the City had submitted a request for the initial draw down of \$619,393. That amount is recorded as receivable in the general fund.

Following is a summary of the principal and interest requirements under the loan agreement.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 50,000	\$ 46,215	\$ 96,215
2003	50,000	44,028	94,028
2004	55,000	41,827	96,827
2005	55,000	39,380	94,380
2006	60,000	36,905	96,905
Thereafter	715,000	236,068	951,068
Total	\$ 985,000	\$ 444,423	\$ 1,429,423

Note 8 - Contributed Capital

	<u>Enterprise Fund</u>
Balances, Beginning of Year	\$ 0
Receipt of Sewer System	1,903,532
(Amortization of Contributed Capital)	(139,264)
Balances, End of Year	\$ 1,764,268

Note 9 - Fund Balance Reserves and Designations

Fund balance in the general fund is reserved for the following purposes at September 30, 2001:

Parks Construction or Operation	\$ 445,665
Road Construction	1,277,090
Fire Equipment and Purchases	388,011
Total Reserved Fund Balance	\$ 2,110,766

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 9 - Fund Balance Reserves and Designations (Concluded)

Fund balance in the general fund is designated for the following purposes at September 30, 2001:

Accrued Compensated Absences	<u>\$ 449,276</u>
------------------------------	-------------------

Note 10 - Firefighters' Pension Plan

Plan Description

Full-time firefighters hired after December 31, 1995, are covered by the City's Firefighters' Pension Plan (formerly the Marco Island Fire Control District Firefighters' Pension Plan).

The City is the administrator of the single-employer, defined benefit pension plan (the Plan) that was established by the Fire Control District on December 12, 1995, under Resolution 95-006. Upon dissolution of the Fire Control District, the City assumed all assets and obligations of the Plan. The Plan does not prepare separate financial statements and is included as part (reporting as a pension trust fund) of the City's financial reporting entity since it is not legally separate.

As of October 1, 2000 (date of the latest annual actuarial valuation), employee membership data related to the Plan were:

Retirees and Beneficiaries Currently Receiving Benefits	0
Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>0</u>
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>0</u>
Active Plan Participants	
Vested	0
Nonvested	<u>2</u>
Total Active Plan Participants	<u>2</u>
Vested Terminated Members	<u>0</u>

The Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with ten 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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 10 - Firefighters' Pension Plan (Continued)

Plan Description (Concluded)

The final five-year average compensation (AFC) 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, is 100% of their final five-year average compensation. An additional supplemental benefit is also payable in the monthly amount of \$3 multiplied by credited service.

Early retirement is available at age 50, with ten 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 AFC as of the actual retirement date.

Participants are not vested until they reach ten years of service, at which time they become 100% vested. Terminated nonvested employees receive refunds of their accumulated member contributions 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 AFC (42% if service incurred or 25% if nonservice 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. There have been plan amendments since the last actuarial valuation.

Funding Policy

Participants in the Plan are required to pay 1% of their compensation of the Plan. 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. During 2001, the City paid the required employee contribution totalling \$1,596.

In addition to the employee contribution, the City makes periodic contributions totalling 100% of the actuarially determined amount (after state contributions) annually to the Plan. The City's policy currently is to have actuarial studies conducted every three years. Contributions for the fiscal year ended September 30, 2001, were based on actuarial computations performed for 2000, in the last actuarial report dated October 1, 2000.

For the year ended September 30, 2001, the actuarially determined contribution amount was \$5,227 and the anticipated state contribution was \$113,935. Accordingly, the required employer contribution for 2001 was \$0. For the year ended September 30, 2001, the City's total covered payroll for participants in the Plan amounted to \$159,526. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan on which contributions to the Plan are based. Total payroll for the City (covered, state retirement system, and uncovered) for the year ended September 30, 2001, was \$4,622,089.

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Note 10 - Firefighters' Pension Plan (Concluded)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost for the year ended September 30, 2001, was \$0 (the required contribution). The City had no net pension obligation. The annual required contribution for the 2001 fiscal year was based on the 1999 year, and was determined as part of the October 1, 2000, actuarial valuation using the entry age actuarial costs method (with allocation of future normal costs based on earnings and determined by individual). The actuarial assumptions in the October 1, 2000, valuation included: (a) 8% investment rate of return (net of administrative expenses; (b) projected salary increases of 6% per year; and (c) 4.0% rate of inflation. The assumptions included postretirement benefit 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, 2000, was thirty years (closed basis).

Three-Year Trend Information

<u>Fiscal Year Ended September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Pension Obligation</u>
2001	\$0	100.0%	\$0
2000	\$0	100.0%	\$0
1999	\$0	100.0%	\$0

Summary of Significant Accounting Policies and Plan Asset Matters

■ **Basis of Accounting**

The pension trust fund statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Interest and dividend income is recognized when earned by the Plan. Realized gains and losses on the sale of investments held by the Plan are recognized when incurred. Net appreciation in the fair value of investments held by the Plan is recorded as an increase to investment income based on the valuation of investments as of the date of the balance sheet. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

■ **Investments**

Investments in securities are reported at fair value. There are no investments in, loans to, or leases with parties related to the Plan.

NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Continued)

Note 11 - Defined Benefit Pension Plan

All full-time employees of the City, which are not eligible for participation in the Firefighters' Pension Plan, are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. 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, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

Under the System, special risk employees who retire at or after age 55, with ten years of creditable service; and all other employees who retire at or after age 62, with ten 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 ten years of service. Vested employees may retire after ten years of creditable service and receive reduced retirement benefits. The System also provides death benefits, disability benefits and cost of living adjustments, as established by Florida Statute.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the City are required to contribute 10.15% of the compensation for regular members up to June 30, 2000; 9.15% thereafter, and 21.6% for special risk members up to June 30, 2000; 20.29% thereafter.

The City's contributions to the System for the years ended September 30, 2001, 2000, and 1999, were \$266,798, \$229,092, and \$248,618, respectively, equal to the required contributions for each year.

Note 12 - Commitments and Contingencies

Litigation

The City is a party to claims and lawsuits arising in the normal course of business. Management does not expect that these matters will have a material effect on the financial position or results of operations of the City.

Construction Commitments

As of September 30, 2001, the City had the following commitments related to significant unfinished capital projects:

**NOTES TO FINANCIAL STATEMENTS
CITY OF MARCO ISLAND, FLORIDA
(Concluded)**

Note 12 - Commitments and Contingencies (Concluded)

Projects	Expended as of 9/30/01	Remaining Commitment
Factory Bay Bridge (Thomas Marine Construction, Inc.)	\$ 566,355	\$ 629,722

Note 13 - 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. Beginning in fiscal year 1998, the City implemented a new self-insurance program with reinsurance for its medical and dental coverage. This self-insurance program was terminated during fiscal year 2001 in favor of externally purchased insurance.

The medical and dental risk management activities were accounted for by the City within its internal service fund through October 31, 2001. Effective November 1, 2001, the fund was closed and the net assets (\$51,884) distributed to the general fund. Total expenses for risk management services were \$23,119 for the month of October. Following is the change in liabilities for known claims, and incurred but not reported claims, in the internal service fund:

Balance, October 1, 2000	\$ 60,000
Current Year Claims and Changes in Estimate	(83,119)
(Claims Paid)	23,119
Balance, September 30, 2001	\$ 0

There were no other significant reductions in insurance coverage from 2000 to 2001. In addition, no settlements exceeded insurance coverage in the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION -
(UNAUDITED)**

Pension Trust Funds

Schedule of Funding Progress

Schedule of Employer and State Contributions

**SCHEDULE OF FUNDING PROGRESS
CITY OF MARCO ISLAND FIREFIGHTERS' PENSION PLAN
SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
10/01/96	\$ 466	\$ 129	\$ (337)	361.2%	\$ 142,309	(0.2%)
10/01/97	53,383	41,289	(12,094)	129.3%	164,716	(7.3%)
10/01/00	364,049	105,398	(258,651)	345.4%	90,046	(287.2%)

Note: Latest valuation was October 1, 2000.

**SCHEDULE OF EMPLOYER AND STATE CONTRIBUTIONS
CITY OF MARCO ISLAND FIREFIGHTERS' PENSION PLAN
SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Actual Contribution (State)	Percentage Contributed
09/30/98	10/01/97	\$ 41,924	\$ 72,389	172.7%
09/30/99	10/01/97	41,924	69,046	164.7%
09/30/00	10/01/00	41,924	178,945	426.8%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2000
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases	6.0%
Inflation Rate	4.0%

SUPPORTING SCHEDULES

GENERAL FUND

The general fund is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2000
CITY OF MARCO ISLAND, FLORIDA**

	<u>2001</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2000</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues				
Taxes				
Property Taxes - Current	\$ 5,558,153	\$ 5,642,805	\$ 84,652	\$ 5,525,097
Property Taxes - Delinquent	1,000	4,735	3,735	14,273
Local Option Fuel Tax	568,451	654,994	86,543	619,616
Cable Franchise Fees	211,000	261,550	50,550	213,019
Total Taxes	<u>6,338,604</u>	<u>6,564,084</u>	<u>225,480</u>	<u>6,372,005</u>
Licenses and Permits				
County Occupational Licenses	8,000	29,601	21,601	28,171
Beach Vendor Licenses	3,000	3,000	0	3,500
Building Permits	800,000	1,110,767	310,767	1,115,187
Special Fire Permits	600	150	(450)	750
Total Licenses and Permits	<u>811,600</u>	<u>1,143,518</u>	<u>331,918</u>	<u>1,147,608</u>
Intergovernmental				
Grants				
Federal Emergency Management Agency	0	(287)	(287)	10,491
U.S. Department of Justice	125,000	98,276	(26,724)	3,000
Florida DCA - Comprehensive Plan	40,000	40,000	0	40,000
Florida Department of Transportation	0	16,344	16,344	0
Total Grants	<u>165,000</u>	<u>154,333</u>	<u>(10,667)</u>	<u>53,491</u>
State-Shared Revenues				
Cigarette Tax	0	0	0	96,480
Municipal Revenue Sharing	317,460	308,652	(8,808)	235,021
Half-Cent Sales Tax	1,442,533	1,523,954	81,421	1,439,279
Firefighters' Supplemental	4,800	5,056	256	5,484
Total State-Shared Revenues	<u>1,764,793</u>	<u>1,837,662</u>	<u>72,869</u>	<u>1,776,264</u>
Other Shared Revenues				
Fire Services Contract	56,376	56,376	0	56,376
Total Intergovernmental	<u>1,986,169</u>	<u>2,048,371</u>	<u>62,202</u>	<u>1,886,131</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2000
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Revenues (Concluded)				
Charges For Services				
General Government	\$ 31,000	\$ 66,990	\$ 35,990	\$ 68,239
Public Safety	8,000	78,991	70,991	63,074
Culture and Recreation	114,000	77,351	(36,649)	71,408
Public Education	0	772	772	0
Total Charges For Services	<u>153,000</u>	<u>224,104</u>	<u>71,104</u>	<u>202,721</u>
Fines and Forfeitures				
Court Fines	10,000	19,274	9,274	16,055
Other Violations	18,700	64,698	45,998	63,143
Total Fines and Forfeitures	<u>28,700</u>	<u>83,972</u>	<u>55,272</u>	<u>79,198</u>
Interest Income				
Interest Income	498,000	589,333	91,333	611,434
Miscellaneous				
Rents	0	0	0	1,438
Impact Fees	148,000	232,688	84,688	250,794
Sale of Fixed Assets	0	0	0	16,000
Donations	0	0	0	120
Miscellaneous	74,517	72,613	(1,904)	72,416
Total Miscellaneous	<u>222,517</u>	<u>305,301</u>	<u>82,784</u>	<u>340,768</u>
Total Revenues	<u>10,038,590</u>	<u>10,958,683</u>	<u>920,093</u>	<u>10,639,865</u>
Expenditures				
Current:				
General Government				
Legislative				
Personal Services	42,374	41,557	817	45,137
Operating Expenses	18,099	7,827	10,272	21,867
Total Legislative	<u>60,473</u>	<u>49,384</u>	<u>11,089</u>	<u>67,004</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2000
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

	<u>2001</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2000</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (Continued)				
Current: (Continued)				
General Government (Continued)				
Executive				
Personal Services	\$ 320,918	\$ 307,507	\$ 13,411	\$ 283,909
Operating Expenses	20,370	8,397	11,973	7,966
Capital Outlay	2,800	2,166	634	1,058
Total Executive	<u>344,088</u>	<u>318,070</u>	<u>26,018</u>	<u>292,933</u>
Finance				
Personal Services	192,662	187,386	5,276	170,152
Operating Expenses	85,140	51,927	33,213	49,071
Capital Outlay	3,500	1,050	2,450	2,701
Total Finance	<u>281,302</u>	<u>240,363</u>	<u>40,939</u>	<u>221,924</u>
Legal				
Operating Expenses	160,000	139,470	20,530	136,062
Community Development				
Personal Services	235,596	219,943	15,653	232,011
Operating Expenses	66,499	39,714	26,785	133,210
Capital Outlay	9,140	9,119	21	5,929
Total Community Development	<u>311,235</u>	<u>268,776</u>	<u>42,459</u>	<u>371,150</u>
Other General Government				
Operating Expenses	404,909	393,886	11,023	465,997
Capital Outlay	72,894	68,176	4,718	7,496
Total Other General Government	<u>477,803</u>	<u>462,062</u>	<u>15,741</u>	<u>473,493</u>
Total General Government	<u>1,634,901</u>	<u>1,478,125</u>	<u>156,776</u>	<u>1,562,566</u>
Public Safety				
Code Compliance				
Personal Services	126,042	108,750	17,292	121,064
Operating Expenses	35,834	32,586	3,248	43,405
Capital Outlay	7,816	6,961	855	21,024
Total Code Compliance	<u>169,692</u>	<u>148,297</u>	<u>21,395</u>	<u>185,493</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2000
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Expenditures (Continued)				
Current: (Continued)				
Public Safety (Concluded)				
Police Services				
Personal Services	\$ 1,637,580	\$ 1,557,007	\$ 80,573	\$ 1,221,621
Operating Expenses	363,369	375,533	(12,164)	352,224
Capital Outlay	34,368	34,368	0	363,933
Total Police Services	<u>2,035,317</u>	<u>1,966,908</u>	<u>68,409</u>	<u>1,937,778</u>
Fire/Rescue				
Personal Services	1,958,992	1,963,096	(4,104)	1,845,873
Operating Expenses	205,018	208,942	(3,924)	207,385
Capital Outlay	373,364	372,628	736	136,487
Debt Service	146,000	145,952	48	145,953
Total Fire/Rescue	<u>2,683,374</u>	<u>2,690,618</u>	<u>(7,244)</u>	<u>2,335,698</u>
Building Services				
Personal Services	499,356	477,814	21,542	390,957
Operating Expenses	194,885	176,012	18,873	88,806
Capital Outlay	2,250	2,204	46	16,658
Total Building Services	<u>696,491</u>	<u>656,030</u>	<u>40,461</u>	<u>496,421</u>
Total Public Safety	<u>5,584,874</u>	<u>5,461,853</u>	<u>123,021</u>	<u>4,955,390</u>
Transportation				
Streets and Drainage				
Personal Services	400,078	385,520	14,558	338,044
Operating Expenses	522,834	516,390	6,444	449,654
Capital Outlay	9,492	9,880	(388)	7,374
Total Transportation	<u>932,404</u>	<u>911,790</u>	<u>20,614</u>	<u>795,072</u>
Culture and Recreation				
Parks Maintenance				
Operating Expenses	292,496	248,475	44,021	217,843
Capital Outlay	94,744	114,852	(20,108)	33,652
Total Parks Maintenance	<u>387,240</u>	<u>363,327</u>	<u>23,913</u>	<u>251,495</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2000
CITY OF MARCO ISLAND, FLORIDA
(Concluded)**

	<u>2001</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2000</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (Concluded)				
Current: (Concluded)				
Recreation				
Personal Services	\$ 63,168	\$ 64,130	\$ (962)	\$ 57,470
Operating Expenses	288,243	278,781	9,462	239,317
Capital Outlay	17,519	17,519	0	13,716
Total Recreation	<u>368,930</u>	<u>360,430</u>	<u>8,500</u>	<u>310,503</u>
Beautification				
Operating Expenses	400,998	398,917	2,081	279,174
Capital Outlay	38,203	38,202	1	87,336
Total Beautification	<u>439,201</u>	<u>437,119</u>	<u>2,082</u>	<u>366,510</u>
Total Culture and Recreation	<u>1,195,371</u>	<u>1,160,876</u>	<u>34,495</u>	<u>928,508</u>
(Total Expenditures)	<u>(9,347,550)</u>	<u>(9,012,644)</u>	<u>334,906</u>	<u>(8,241,536)</u>
Excess of Revenues Over Expenditures	691,040	1,946,039	1,254,999	2,398,329
Other Financing (Uses)				
Operating Transfers (Out)	<u>(4,021,103)</u>	<u>(2,519,364)</u>	<u>1,501,739</u>	<u>(1,280,472)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	<u>\$ (3,330,063)</u>	<u>(573,325)</u>	<u>\$ 2,756,738</u>	<u>1,117,857</u>
Fund Balance, October 1		9,246,525		8,128,668
Residual Equity Transfer In		<u>51,884</u>		<u>0</u>
Fund Balance, September 30		<u>\$ 8,725,084</u>		<u>\$ 9,246,525</u>

ACCOUNT GROUP

Account groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the general fixed assets and the general long-term obligations, respectively.

General Fixed Assets Account Group - This account group is used to maintain control and cost information for all fixed assets other than those accounted for in the proprietary fund types.

**SCHEDULES OF GENERAL FIXED ASSETS BY SOURCE
 SEPTEMBER 30, 2001 AND 2000
 CITY OF MARCO ISLAND, FLORIDA**

	<u>2001</u>	<u>2000</u>
General Fixed Assets		
Land	\$ 4,752,067	\$ 3,897,419
Buildings and Improvements	1,931,757	1,323,842
Vehicles and Equipment	2,803,407	2,299,757
Property Held Under Capital Lease	1,609,880	1,609,880
Total General Fixed Assets	<u>11,097,111</u>	<u>9,130,898</u>
 Investment in General Fixed Assets By Source		
General Fund Revenue	3,568,879	1,602,666
Fire District Taxes	2,626,946	2,626,946
Contributions	4,901,286	4,901,286
Total Investment in General Fixed Assets	<u>\$ 11,097,111</u>	<u>\$ 9,130,898</u>

**SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	Land	Buildings and Improvements	Vehicles and Equipment	Property Held Under Capital Lease	Total
General Government					
City Council	\$ 0	\$ 0	\$ 24,554	\$ 0	\$ 24,554
Executive	0	0	97,704	0	97,704
Finance	0	0	66,491	0	66,491
Community Development	45,000	0	52,103	0	97,103
Other General Government	699,571	571,821	84,743	0	1,356,135
Total General Government	<u>744,571</u>	<u>571,821</u>	<u>325,595</u>	<u>0</u>	<u>1,641,987</u>
Public Safety					
Code Compliance	0	0	25,753	0	25,753
Police Services	0	0	398,301	0	398,301
Fire/Rescue	575,227	184,144	1,826,447	1,609,880	4,195,698
Building Services	0	6,041	34,822	0	40,863
Total Public Safety	<u>575,227</u>	<u>190,185</u>	<u>2,285,323</u>	<u>1,609,880</u>	<u>4,660,615</u>
Culture and Recreation					
Parks Maintenance	150,231	680	12,860	0	163,771
Recreation	3,160,050	1,156,205	10,957	0	4,327,212
Beautification	121,988	11,869	87,336	0	221,193
Total Culture and Recreation	<u>3,432,269</u>	<u>1,168,754</u>	<u>111,153</u>	<u>0</u>	<u>4,712,176</u>
Transportation					
Public Works	0	997	70,660	0	71,657
Utilities	0	0	10,676	0	10,676
Total Transportation	<u>0</u>	<u>997</u>	<u>81,336</u>	<u>0</u>	<u>82,333</u>
Total General Fixed Assets	<u>\$ 4,752,067</u>	<u>\$ 1,931,757</u>	<u>\$ 2,803,407</u>	<u>\$ 1,609,880</u>	<u>\$11,097,111</u>

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2001
CITY OF MARCO ISLAND, FLORIDA**

	General Fixed Assets 10/1/00	Additions	(Deductions)	Transfers In (Out)	General Fixed Assets 9/30/01
General Government					
City Council	\$ 24,554	\$ 0	\$ 0	\$ 0	\$ 24,554
Executive	95,538	5,220	0	(3,054)	97,704
Finance	65,441	1,050	0	0	66,491
Community Development	67,594	29,509	0	0	97,103
Other General Government	22,977	1,333,158	0	0	1,356,135
Total General Government	<u>276,104</u>	<u>1,368,937</u>	<u>0</u>	<u>(3,054)</u>	<u>1,641,987</u>
Public Safety					
Code Compliance	25,753	0	0	0	25,753
Police Services	363,933	34,368	0	0	398,301
Fire/Rescue	3,823,070	372,628	0	0	4,195,698
Building Services	38,659	2,204	0	0	40,863
Total Public Safety	<u>4,251,415</u>	<u>409,200</u>	<u>0</u>	<u>0</u>	<u>4,660,615</u>
Culture and Recreation					
Parks Maintenance	48,919	114,852	0	0	163,771
Recreation	4,321,562	5,650	0	0	4,327,212
Beautification	171,122	50,071	0	0	221,193
Total Culture and Recreation	<u>4,541,603</u>	<u>170,573</u>	<u>0</u>	<u>0</u>	<u>4,712,176</u>
Transportation					
Public Works	61,776	6,827	0	3,054	71,657
Utilities	0	10,676	0	0	10,676
Total Transportation	<u>61,776</u>	<u>17,503</u>	<u>0</u>	<u>3,054</u>	<u>82,333</u>
Total General Fixed Assets	<u>\$ 9,130,898</u>	<u>\$ 1,966,213</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,097,111</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL
OF THE UNITED STATES; AND THE *RULES OF THE
AUDITOR GENERAL* OF THE STATE OF FLORIDA**

Honorable Chairman and City Council
City of Marco Island
Marco Island, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Concluded)**

This report is intended solely for the information and use of the Chairman and City Council members, management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 30, 2001
Sarasota, Florida

Purvis, Gray and Company

MANAGEMENT LETTER

Honorable Chairman and City Council
City of Marco Island
Marco Island, Florida

We have audited the financial statements of the City of Marco Island, Florida, as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated November 30, 2001, which was unqualified.

We have issued our independent auditors' report on compliance and internal control dated November 30, 2001. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(a)] require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules and regulations reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(b)] require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The following recommendation is substantially repeated from the prior year.

Repeated Audit Recommendation

■ **Revenues**

Our review of procedures over the issuance of building permits, indicated that the same City employee was generally responsible for determining the applicability of specific permit and impact fees, calculating and collecting those fees, issuing and recording permits, and depositing cash. For proper accounting controls, the activities of handling cash, calculating fees/issuing permits, and recordkeeping should be segregated. In addition, an appropriate review of completed transactions should be performed periodically by the Department Head. We are available to assist the City in the redesign of procedures, if needed.

In addition, we recommend the City document the procedures, controls and risk assessment in the following areas:

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Chairman and City Council
City of Marco Island
Marco Island, Florida

MANAGEMENT LETTER
(Continued)

Repeated Audit Recommendation (Concluded)

- **Revenues (Concluded)**
 - Occupational and Special Licenses
 - Copying Charges
 - Land Use Fees
 - Miscellaneous Revenues

The *Rules of the Auditor General* [Section 10.554(1)(g)2.], require that we determine whether the City complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Sections 10.554(1)(g)3., 4.(a), (b), and (c)] require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal control: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters that were required to be disclosed by *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.], except as noted above in Repeated Audit Recommendation.

The *Rules of the Auditor General* [Section 10.554(1)(g)5.] also require that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See note 1 of the September 30, 2001, City of Marco Island, Florida financial statements for this information.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.], we determined that the financial report for the City of Marco Island, Florida for the fiscal year ended September 30, 2001, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2001.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(b)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City of Marco Island, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

Honorable Chairman and City Council
City of Marco Island
Marco Island, Florida

MANAGEMENT LETTER
(Concluded)

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(c)], we applied financial condition assessment procedures pursuant to Rule 10.556(8). There were no findings of deteriorating financial condition which were required to be reported.

The *Rules of the Auditor General* [Section 10.554(1)(e)9.] also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Marco Island, Florida was established in a special election by mail ballot per Florida House of Representatives HB 1729 on August 28, 1997. In addition, an annual financial report for the City of Marco Island, Florida also includes the accounts and transactions of the following entity, which does not satisfy the definition of component units because it is not legally separate from the City:

<u>Entity</u>	<u>Presentation</u>
City of Marco Island Firefighters' Pension Plan	Blended

The Firefighters' Pension Plan was established by
Resolution 95-006 of the Marco Island Fire Control
District, the predecessor entity to the City.

This management letter is intended solely for the information and use of the Chairman and City Council members, management, and the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

November 30, 2001
Sarasota, Florida

Purvis, Gray and Company



City of Marco Island

February 5, 2002

RESPONSE TO AUDIT MANAGEMENT LETTER

Honorable Chairman and City Council
City of Marco Island, Florida

While there were no irregularities, inaccuracies, or material weaknesses in the City's financial reporting operations and internal control components during the Audit of the Financial Reports for the year ended September 30, 2001, the City's Auditors made one observation and recommendation that requires a response:

Revenues from Permit Fees

The City recognizes the importance of separation of duties with regards to calculating and collecting permit and impact fees. The fiscal year 2002 budget includes a full time assistant permit clerk to help with various clerical activities including cashier type duties. In addition, the Department Head will perform periodic reviews of cashiering transactions.

The City of Marco Island remains committed to the highest standards of integrity and excellence in its financial reporting and accounting procedures. All audit comments and suggestions have been accepted and incorporated into our accounting procedures.

Sincerely,

A. William Moss
City Manager

