

City of Marco Island Florida

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2002



CITY OF MARCO ISLAND, FLORIDA

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2002

Prepared by the Finance Department

Cover Art by Phyllis Pransky

“Catch of the Day”

“Breath in the freshness of evening. Catch the peace...the blanket of cool comes upon us & we are content to be with nature...and perhaps a fresh dinner”

Ms Pransky is an American painter educated in the principles of fine art. She is a resident of Marco Island and has received numerous awards for her work. Her paintings appear in many public and private collections in the United States, South America, Asia, Japan, Europe, and the Middle East. She organizes and plans the “Plein-Air” painting program, a free community service sponsored by the Marco Island Art League.

The Opalescent Romantic & Healing Light of Southwest Florida: The Art of Phyllis Pransky will be on exhibit at the Museum of the Everglades, Everglades City all of February 2003, with a public reception scheduled for February 9th. She also has the privilege of being selected as one of the artists for “Dolphin Debut”.

Cover artwork for City of Marco Island reports are provided through the generous cooperation of the Art League of Marco Island and the artist.

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**CITY OF MARCO ISLAND, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

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City of Marco Island

February 17, 2002

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

The Comprehensive Annual Financial Report of the City of Marco Island for the fiscal year ended September 30, 2002 is submitted herewith. This report was prepared by the City's Finance Department following the guidelines recommended by the Government Finance Officers Association of the United States and Canada. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

In accordance with the above-mentioned guidelines, the accompanying report is divided into the following major sections:

1. *Introduction Section* – This section introduces the reader to the report and includes the title page, table of contents, organization chart, and transmittal letter.
2. *Financial Section* – This section contains the report from the City's independent auditors.
3. *General Purpose Financial Statements* – The combined financial statements, together with the notes to the financial statements, comprise the General Purpose Financial Statements (GPFS). The GPFS are the City's basic financial statements and provide an overview for users who require less detailed information about the City's finances than is contained in the balance of the report.
4. *Required Supplementary Information* – This section contains additional, detailed financial information on the financial status of the City.

5. *Supporting Schedules* – Supporting schedules contain detailed budget to actual information of activities within the General Fund as well as information on fixed assets.
6. *Statistical Sections* – Includes a number of tables of unaudited data depicting the financial history of the government since incorporation in 1997, information on overlapping governments, and demographic and other miscellaneous information.
7. *Governmental Auditing Section* – This section includes reports prepared by our auditors in compliance with Governmental Auditing Standards and Rules of the Auditor General and the Office of Management and Budget.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived therefrom; and b) the evaluation of costs and benefits requires estimates and judgments by management.

We believe all internal controls occur within the above framework and that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of Federal, State and County financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

The City utilizes the State's uniform chart of accounts for all account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of monthly revenue and expenditure reports which compare budgeted appropriations with actual expenditures and encumbrances and estimated revenues with actual revenues. Budget control is maintained at the department level in the General Fund and the fund level in all other funds. The City has established standard procedures for budget amendments to control the integrity of the budget system. Budget amendments are prepared by the department head, reviewed by the Finance Director and forwarded to the City Manager. The City Manager has the authority to approve budget amendments that do not increase the total budget for that department. All budget amendments that increase the total budget for a department require the approval of the City Council.

MAJOR INITIATIVES

CHARTER REFERENDUM:

In September 2002, City of Marco Island voters approved a series of charter amendments affecting the governance of the island:

- Candidates for open City Council seats will now run “at-large”, rather than the former practice of running for a specific seat. Individuals receiving the highest number of votes “at-large” will be elected to the number of vacant seats on the City Council.
- Amendments were approved removing unnecessary and obsolete language from the Charter, clarifying the appointment of a Council Member based on a vacancy, and clarifying the definition of a majority vote. A position of City Clerk was created, removing the former requirement that the City Manager also serve as City Clerk.
- The original City Charter approved in 1997 included a Spending Cap, limiting the annual growth in government spending to three percent plus COLA. The referendum amended the Spending Cap to exclude expenditures funded by grants, gifts, and impact fees, and expenditures for utility and other enterprise funds that are self-supporting from the Spending Cap.

FLORIDA WATER SERVICES ACQUISITION:

Water and sewer utility services on the island have traditionally been provided by a private company. Since incorporation, one of the highest priorities of the City Council has been to acquire these utilities for the benefit of the citizens. This issue is currently in litigation.

RE-BUILDING COLLIER BOULEVARD:

Collier Boulevard is the main thoroughfare on the island, a four-lane roadway beginning at the Judge Jolley Bridge, providing the primary link to the mainland, and terminating at Caxambas Pass. The Florida Department of Transportation had scheduled a “Three-R” overlay project for the boulevard, scheduled to cost \$3.8 million. At the request of the City, those funds will be granted to the City to assist in funding a full rebuilding of the boulevard. Preliminary design work was started in Fiscal Year 2002, with construction to take place over a 20-month schedule during Fiscal Years 2005 and 2006.

FACTORY BAY BRIDGE:

Upon incorporation in 1997, the City of Marco Island inherited a transportation system that includes twelve bridges. These bridges are now approaching 40 years in age and have been subject to the effects of salt water deterioration. The replacement of the Factory Bay Bridge, completed in Fiscal Year 2002, represents the City’s first step in the required major rehabilitation and replacement of these bridges.

THE SPENDING CAP

As noted above, the City of Marco Island is governed by a Spending Cap in the City Charter, revised by a Charter Referendum in September 2002 which removed expenditures funded by grants, gifts, and impact fees, and expenditures of enterprise funds from the Cap. Subsequent to the end of the fiscal year, City Council approved Resolution 03-13, establishing legislative intent and procedures for the calculation of the expenditure limits based on the referendum. Key procedures established by this Resolution are:

- The Spending Cap shall be determined on a "budget-to-budget" basis, with the approved budget for the prior fiscal year used as a base and increased by the allowable 3% and the cost of living index to establish the new Spending Cap.
- Expenditures funded by the proceeds of municipal debt are not counted against the Spending Cap; however, all debt service payments for the life of the debt are counted against the Cap.
- Capital expenditures budgeted and subject to the Spending Cap in a prior fiscal year, but unexpended as of the end of that fiscal year, may be carried forward into a subsequent fiscal year and those expenditures not counted against the Spending Cap.

For the Fiscal Year ended September 30, 2002, the City was in compliance with the Spending Cap:

Fiscal Year 2002 Spending Cap per Original Budget	\$16,388,667
(see Notes to Financial Statements, Note 3)	
Fiscal Year 2002 Spending Cap (Revised per Referendum)	\$13,899,866
Expenditures Subject to Spending Cap:	
1. General Fund	\$9,961,242
Less: Impact Fee Expenditures	(65,697)
Less: Grant Expenditures	(105,483)
Add: Capital Expenditures Carried forward to 2003	<u>224,255</u>
	\$10,014,317
2. Capital Improvements Fund	\$3,388,617
Less: Impact Fee Expenditures	(305,395)
Less: Grant Expenditures	(191,536)
Add: Capital Expenditures Carried forward to 2003	<u>445,333</u>
	\$ 3,337,019
3. Sewer Utility Fund	\$ 0
 TOTAL 2002 EXPENDITURES SUBJECT TO CAP	 \$13,351,336

ECONOMIC CONDITION AND OUTLOOK

The City of Marco Island is located in the southwestern portion of the State of Florida, a pristine island community located at the north edge of the 10,000 islands and the Everglades. The City has a permanent population of approximately 15,000 which more than doubles in the peak winter season. The region enjoys a climate that is classified as sub-tropical. Marco Island is a vacationer's paradise where cold weather is moderated by the warm waters of the Gulf of Mexico and hot summer days are cooled by gulf breezes.

Marco Island was developed as a planned community of exclusive water-access and waterfront residences with hotels, condominiums and commercial businesses to support the economic 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. The business community primarily provides goods and services to the permanent and visitor population.

Marco Island continues to enjoy the results of a planned, platted, and deed restricted community. A full 75% of single-family building lots are located on man-made canals or bays, affording easy boating access to the Gulf of Mexico. The community offers public beach accesses at both the north and south ends of the island, and beach access restricted to island residents. Beachfront property is almost exclusively high-density multi-family and tourist-oriented accommodations.

The long-term economic outlook for the City of Marco Island is positive. The island currently enjoys an exceptionally strong residential real estate market with high growth in new home starts, and home and condominium resales. Total assessed property valuation has increased 40% over the past two years, reflecting the population growth in Collier County and the scarcity of waterfront housing. Marco Island will never be duplicated; the U.S. Army Corps of Engineers now prohibits "dredge and fill" coastal development.

Florida property owners are protected from rising taxes based on increases in property valuations by the "Save Our Homes" constitutional amendment. Approved by voters in 1992, homesteaded properties are limited to an annual increase in taxable assessed value of the lower of 3% or the cost of living. Assessed valuations are adjusted to full value only on the sale of the property. 1994 was the base year for valuations. While initially serving as a constraint of local government revenues, normal turnover of residential properties now provides additional revenues as property valuations are adjusted to market levels.

THE REPORTING ENTITY AND ITS SERVICES

The City provides a full range of municipal services authorized by statute and local charter. These include Police, Fire, Parks & Recreation, Streets & Drainage, public improvements, Planning & Community Development, and general administrative

services. In 2001, the City of Marco Island took over a small sewer utility on the island, formerly operated by Collier County. The City has no component units. Water services and wastewater treatment are handled by Florida Water Services, a private business. Solid waste services are provided under contract by a private business.

The City is operated legislatively by a seven-member City Council elected for four-year staggered terms. The City Manager, as Chief Executive Officer, manages the daily operations of the City and reports directly to the Council. The City Attorney is provided under contract with a local law firm and reports directly to the Council. All other employees report to the City Manager.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues for general governmental functions totaled \$16,037,659 for Fiscal Year 2002, an increase of 22.4% over 2001. This includes the General Fund and Capital Projects Fund. The General Fund finances the traditional services of municipal government: Police, Fire, Parks & Recreation, Streets & Drainage, Building Services, and general administrative services. Principal funding sources are ad valorem tax revenues, proceeds of the local one-half cent sales tax, building permits, and proceeds of the State of Florida Communications Tax. The Capital Projects Fund receives funding from Road and Community Park Impact Fees, grants for roadway and drainage improvements, and sidewalk assessments. Funding for capital project expenditures in excess of fund revenues are handled as an operating transfer from the General Fund. The amount of revenues available from General Governmental Funds from various sources and the changes from last year are presented in the following tabulation:

Revenue Source	Amount	% of Total	Increase (Decrease) from 2001
Taxes	\$ 9,365,217	58.4%	\$ 2,801,133
Licenses & Permits	1,538,919	9.6%	395,401
Intergov't Revenues	2,653,599	16.6%	120,801
Charges for Services	439,640	2.7%	215,536
Fines & Forfeitures	111,235	0.7%	27,263
Interest Income	342,284	2.1%	(247,049)
Debt Proceeds	365,607	2.3%	(253,786)
Other Revenues	1,221,158	7.6%	(122,191)
TOTAL REVENUES	\$ 16,037,659	100.0%	\$ 2,937,108

In addition to the increase in property valuations of 21% for Fiscal Year 2002, the City increased the local mil levy from 1.5087 mils to 1.7437 mils to provide pay-as-you-go funding for the great majority of projects in the five-year Capital Improvements Program. The combination of these two factors increased property tax revenues \$2.25 million. The

balance of the increase in taxes was from the Communications Service Tax, implemented by the State of Florida in Fiscal Year 2002. Building permits were issued at record levels in Fiscal Year 2002, resulting in a large revenue increase from this source. Charges for Services increased from fire prevention fees, levied on new construction.

Assessed valuations of \$4.7 billion represented an increase of 21.1% over the preceding year. Current tax collections were 96.7% of the tax levy. Taxpayers in Florida are allowed a discount of up to 4% for early payment of property taxes.

Expenditures for general governmental functions totaled \$13,349,859 for 2002, a decrease of 2.2% from 2001. As with revenues noted above, this includes the General Fund and Capital Projects Fund.

The amount of expenditures for various purposes and the changes from last year are presented in the following tabulation:

Expenditures	Amount	% of Total	Increase (Decrease) from 2001
Police Services	\$ 2,297,618	17.2%	\$ 330,710
Fire & Rescue	2,537,960	19.0%	(6,706)
Transportation	1,007,203	7.6%	95,413
Culture & Recreation	1,215,340	9.1%	54,464
Community Development	1,285,598	9.6%	212,495
General Government	1,372,799	10.3%	163,450
Debt Service	244,724	1.8%	77,728
Capital Projects	3,388,617	25.4%	(1,226,141)
TOTAL EXPENDITURES	\$ 13,349,859	100.0%	\$ (298,587)

Costs for Police Services increased in Fiscal Year 2002, reflecting the expenditure of grant funds received to fund several new positions in the department. Community Development includes the costs in Building Services related to the high level of construction activity on the island during the year. General Government costs include increases in the costs of insurance, primarily workers' compensation.

The major change in capital expenditures was the construction of the Factory Bay bridge. That project was originally budgeted in Fiscal Year 2001 and the majority of the construction was completed in that fiscal year. Construction was completed and the new bridge opened in Fiscal Year 2002. During 2002, the acquisition of a waterfront parcel was abandoned due to the cost of the parcel and a capital project to build turn lanes on Collier Boulevard at Kendall Drive was cancelled.

SEWER ENTERPRISE FUND

The City of Marco Island operates a small sewer enterprise fund. During the historical development of Marco Island, three separate utilities were established to provide wastewater services to the community: Collier County Utilities, Florida Water Services, and North Marco Utilities. The majority of the single-family residential areas on the island remain on septic systems. In Fiscal Year 2001, by Interlocal Agreement, Collier County transferred its utility operation to the City of Marco Island. All wastewater treatment is handled under a contract with Florida Water Services. As of September 30, 2002, the City's sewer operation consisted of 1,194 accounts.

Comparative data for the Sewer Enterprise Fund for the past two fiscal years is presented in the following tabulation:

	Fiscal Year <u>2001</u>	Fiscal Year <u>2002</u>
Operating Revenues	\$832,759	\$903,153
Operating expenses (excluding depreciation)	<u>(661,727)</u>	<u>(679,390)</u>
Operating income (excluding depreciation)	171,032	223,763
Other Income:		
Intergovernmental revenue	0	147,745
Other income	10,857	25,189
Depreciation	(142,916)	(141,748)
Net Income (before transfers, depreciation On contributed capital, and residual equity Transfers)	\$ 38,973	\$254,949

CAPITAL PROJECTS FUND

One of the major revenue sources for the Capital Projects Fund has been roadway impact fees. Those fees are collected as part of the building permit process and have been controlled by Interlocal Agreement with Collier County. Under that agreement, the City of Marco Island retains 60% of the roadway impact fees and remits the balance to Collier County. The County is required to expend those funds for qualified roadway projects on or immediately adjacent to Marco Island. Traditionally, the County would remit those funds back to the City to assist in qualified roadway projects.

Effective for Fiscal Year 2003, the above Interlocal Agreement was terminated and replaced by two new Interlocal Agreements. Under the first agreement, the City retains the first \$200,000 annually in roadway impact fees received and remits all excess funds to assist in funding the County's roadway program. Under the second agreement, Collier County has agreed to pay to the City of Marco Island the amount of \$1,000,000 annually

for a period of 15 years to assist in the financing of the City's capital program. These new agreements guarantee to the City a stable revenue source to provide financing for capital projects.

PENSION FUNDS

Prior to incorporation, fire services for Marco Island were provided by an Independent Fire District. Upon incorporation, the Independent District was dissolved and employees became members of the City's Fire Department. Employees employed by the Independent District were members of the Florida State Retirement System and, beginning with employees hired after December 1995, were members of a local Section 175 Firefighters' Pension Plan. The City of Marco Island continues those two plans post-incorporation. All other City employees receive a benefits allowance based on a percentage of pay and are eligible to enroll in Section 401(a) and Section 457 Deferred Compensation plans maintained by the City.

DEBT ADMINISTRATION

The City of Marco Island has two long-term debt obligations:

In 1992, the Marco Island Independent Fire District entered into a lease-purchase agreement for the construction of a new fire station. That obligation was transferred to the City upon incorporation. The agreement calls for annual payments of \$177,203, with the final payment to be made in January 2007.

Rebuilding of the Factory Bay Bridge was financed through the Florida Municipal Bond Pool in Fiscal Year 2001 in the amount of \$985,000. The first payment of principal on the debt was made in Fiscal Year 2002. Debt will be fully repaid in Fiscal Year 2016.

CASH MANAGEMENT

Cash temporarily idle during the year was invested through an overnight repurchase agreement as part of the local banking services agreement and through an account maintained with the Florida State Board of Administration Local Investment Pool. In 2002, the City approved an investment ordinance and has a program of active portfolio management, purchasing U.S. Treasury and Agency obligations to increase yields while maintaining safety and liquidity. Investment earnings in Fiscal year 2002 totaled \$342,284, down from \$589,333 in 2001, a result of historically low interest rates recorded this past year.

GENERAL FIXED ASSETS

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the assets of the Sewer Enterprise Fund. As of September 30, 2002, the general fixed assets of the City amounted to \$11,648,819, representing the original cost of the assets. That amount does not include the basic

infrastructure of the City, such as streets, bridges, and drainage systems. Depreciation of general fixed assets is not recognized in the City's accounting system for general governmental functions.

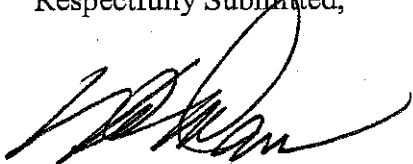
INDEPENDENT AUDIT

The City Charter and State Statutes require an annual audit by independent certified public accountants. Auditors are retained by and report directly to the City Council. The firm of Purvis, Gray and Company has been selected by the Council; their report is included in this report.

ACKNOWLEDGEMENTS

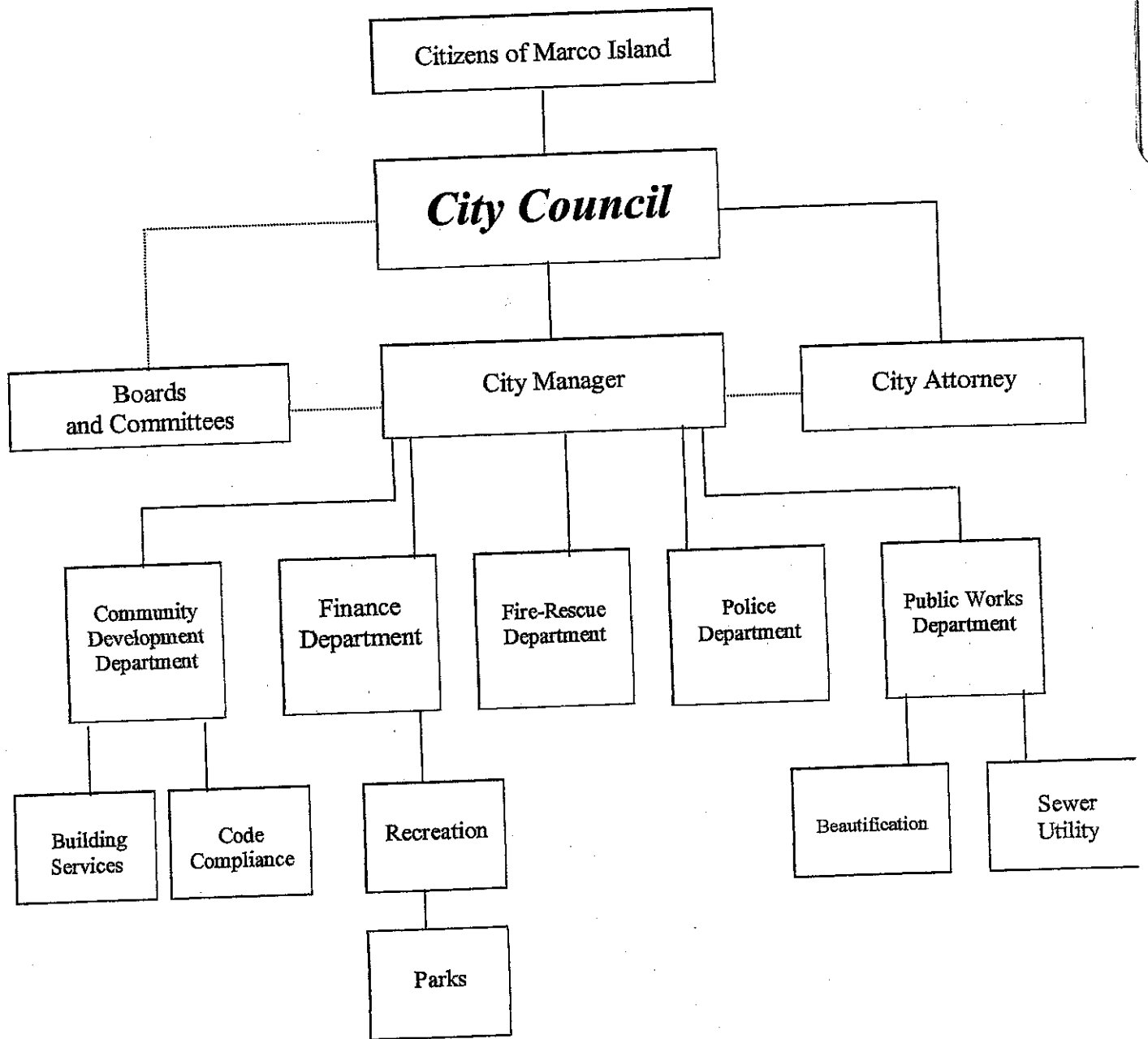
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire Finance Department and we express our appreciation to them. We also thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In addition, we wish to express our appreciation to our audit firm, Purvis, Gray and Company, for their comprehensive and efficient examination of our accounts.

Respectfully Submitted,



William P. Harrison
Finance Director

ORGANIZATIONAL CHART



CITY OF MARCO ISLAND, FLORIDA

PRINCIPAL OFFICIALS:

E. GLENN TUCKER, CITY COUNCIL CHAIRMAN
MICHAEL F. MINOZZI, CITY COUNCIL VICE-CHAIRMAN
JOHN A. ARCERI, COUNCILMAN
HEYWARD E. BOYCE, COUNCILMAN
TERRI DISCIULLO, COUNCILWOMAN
VICKIE KELBER, COUNCILWOMAN
S. JEANNETTE K. PATTERSON, COUNCILWOMAN

A. WILLIAM MOSS, CITY MANAGER
RICHARD YOVANOVICH, CITY ATTORNEY

WILLIAM P. HARRISON, FINANCE DIRECTOR
LAURA LITZAN, CITY CLERK
K. GREG NILES, COMMUNITY DEVELOPMENT DIRECTOR
MICHAEL MURPHY, FIRE CHIEF
ROGER REINKE, POLICE CHIEF
VLADIMIR A. RYZIW, PUBLIC WORKS DIRECTOR
DANA A. SOUZA, RECREATION COORDINATOR

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FINANCIAL SECTION

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, 2002. 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, 2002, 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 15, 2002, 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 and supporting schedules listed in the table of contents which is also the responsibility of the management of the City of Marco Island, Florida are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance in the single audit section is presented for purposes of additional analysis as required by U.S.

Certified Public Accountants

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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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The tables and information included in the statistical section of this report have been summarized by management from the City of Marco Island, Florida's records. Such tables and information have not been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements and supporting schedules and, accordingly, we express no opinion on them.

November 15, 2002
Sarasota, Florida

Purvis, Gray and Company

Supporting Schedules

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GENERAL-PURPOSE FINANCIAL STATEMENTS

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise Fund</u>
Assets and Other Debits			
Cash and Pooled Investments	\$ 7,353,060		\$ 625,948
Other Investments	4,266,667		
Receivables:			
Accounts, Net	127,503		41,149
Assessments, Net		\$ 200,082	1,437
Interest	20,546		
Construction Draws			
Due From Other Funds		81,896	
Due From Other Governments	542,333	363,803	
Inventory	753		
Prepaid Items	132,711		
Deposits			
Fixed Assets:			
Land			
Buildings and Improvements			1,992,532
Vehicles and Equipment			10,676
Property Held Under Capital Lease (Accumulated Depreciation)			(284,664)
Amount to be Provided for Retirement of Long-Term Debt			
Total Assets and Other Debits	<u>\$ 12,443,573</u>	<u>\$ 645,781</u>	<u>\$ 2,387,078</u>

See accompanying notes.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise Fund</u>
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts and Retainages Payable	\$ 290,561	\$ 445,699	\$ 162,172
Accrued Liabilities	125,811		922
Due to Other Funds	81,896		
Deposits	2,000		
Deferred Revenue	530,421	200,082	33,997
Obligation Under Capital Lease			
Revenue Bonds Payable			
Accrued Compensated Absences			
Total Liabilities	<u>1,030,689</u>	<u>645,781</u>	<u>197,091</u>
Fund Equity and Other Credits			
Investment in General Fixed Assets			
Contributed Capital			1,625,004
Retained Earnings			564,983
Fund Balances:			
Reserved for Employees' Pension Benefits			
Other Reserves	3,238,744		
Designated	5,109,898		
Undesignated	3,064,242		
Total Fund Equity and Other Credits	<u>11,412,884</u>	<u>0</u>	<u>2,189,987</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 12,443,573</u>	<u>\$ 645,781</u>	<u>\$ 2,387,078</u>

See accompanying notes.

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Fiduciary Fund Type Pension Trust	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	2002	2001
				\$ 898,432
			126,733	127,763
			81,896	598,073
			2,000	0
			764,500	254,796
		\$ 547,583	547,583	646,256
		935,000	935,000	619,393
		460,277	460,277	449,276
<u>\$ 0</u>	<u>\$ 0</u>	<u>1,942,860</u>	<u>3,816,421</u>	<u>3,805,187</u>
	11,648,819		11,648,819	11,086,435
			1,625,004	1,764,268
			564,983	386,746
616,303			616,303	520,689
			3,238,744	2,110,766
			5,109,898	449,276
			3,064,242	6,165,042
<u>616,303</u>	<u>11,648,819</u>	<u>0</u>	<u>25,867,993</u>	<u>22,483,222</u>
<u>\$ 616,303</u>	<u>\$ 11,648,819</u>	<u>\$ 1,942,860</u>	<u>\$ 29,684,414</u>	<u>\$ 26,288,409</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, 2002
CITY OF MARCO ISLAND, FLORIDA**

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Total 2002</u>	<u>2001</u>
Revenues				
Taxes	\$ 9,365,217	\$ 0	\$ 9,365,217	\$ 6,564,084
Licenses and Permits	1,538,919	0	1,538,919	1,143,518
Intergovernmental	2,262,033	391,566	2,653,599	2,532,798
Charges for Services	439,640	0	439,640	224,104
Fines and Forfeitures	111,235	0	111,235	83,972
Interest Income	342,284	0	342,284	589,333
Miscellaneous	398,507	822,651	1,221,158	1,343,349
Total Revenues	<u>14,457,835</u>	<u>1,214,217</u>	<u>15,672,052</u>	<u>12,481,158</u>
Expenditures				
Current:				
General Government	1,687,119	0	1,687,119	1,478,125
Public Safety	5,952,809	0	5,952,809	5,461,853
Transportation	1,105,974	0	1,105,974	911,790
Culture and Recreation	1,215,340	0	1,215,340	1,160,876
Capital Outlay	0	3,388,617	3,388,617	4,635,802
(Total Expenditures)	<u>(9,961,242)</u>	<u>(3,388,617)</u>	<u>(13,349,859)</u>	<u>(13,648,446)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,496,593</u>	<u>(2,174,400)</u>	<u>2,322,193</u>	<u>(1,167,288)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	365,607	365,607	619,393
Operating Transfers In	0	1,808,793	1,808,793	2,493,934
Operating Transfers Out	(1,808,793)	0	(1,808,793)	(2,519,364)
Total Other Financing Sources (Uses)	<u>(1,808,793)</u>	<u>2,174,400</u>	<u>365,607</u>	<u>593,963</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>2,687,800</u>	<u>0</u>	<u>2,687,800</u>	<u>(573,325)</u>
Fund Balances, October 1	<u>8,725,084</u>	<u>0</u>	<u>8,725,084</u>	<u>9,246,525</u>
Residual Equity Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,884</u>
Fund Balances, September 30	<u>\$ 11,412,884</u>	<u>\$ 0</u>	<u>\$ 11,412,884</u>	<u>\$ 8,725,084</u>

See accompanying notes.

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	General Fund			Capital Projects Fund			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 8,619,382	\$ 9,365,217	\$ 745,835	\$ 0	\$ 0	\$ 0	\$ 8,619,382	\$ 9,365,217	\$ 745,835
Licenses and Permits	974,000	1,538,919	564,919	0	0	0	974,000	1,538,919	564,919
Intergovernmental	2,208,238	2,262,033	53,795	1,261,000	391,566	(869,434)	3,469,238	2,653,599	(815,639)
Charges for Services	228,000	439,640	211,640	0	0	0	228,000	439,640	211,640
Fines and Forfeitures	28,000	111,235	83,235	0	0	0	28,000	111,235	83,235
Interest Income	385,000	342,284	(42,716)	0	0	0	385,000	342,284	(42,716)
Miscellaneous	173,000	398,507	225,507	706,000	822,651	116,651	879,000	1,221,158	342,158
Total Revenues	12,615,620	14,457,835	1,842,215	1,967,000	1,214,217	(752,783)	(14,582,620)	15,672,052	1,089,432
Expenditures									
Current:									
General Government	1,906,352	1,687,119	219,233	0	0	0	1,906,352	1,687,119	219,233
Public Safety	6,073,276	5,952,809	120,467	0	0	0	6,073,276	5,952,809	120,467
Transportation	1,137,188	1,105,974	31,214	0	0	0	1,137,188	1,105,974	31,214
Culture and Recreation	1,401,150	1,215,340	185,810	0	0	0	1,401,150	1,215,340	185,810
Capital Outlay	0	0	0	5,053,000	3,388,617	1,664,383	5,053,000	3,388,617	1,664,383
(Total Expenditures)	(10,517,966)	(9,961,242)	556,724	(5,053,000)	(3,388,617)	1,664,383	(15,570,966)	(13,349,859)	2,221,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,097,654	4,496,593	2,398,939	(3,086,000)	(2,174,400)	911,600	(988,346)	2,322,193	3,310,539
Other Financing Sources (Uses)									
Debt Proceeds	0	0	0	0	365,607	365,607	0	365,607	365,607
Operating Transfers In	0	0	0	3,086,000	1,808,793	(1,277,207)	3,086,000	1,808,793	(1,277,207)
Operating Transfers Out	(3,086,000)	(1,808,793)	1,277,207	0	0	0	(3,086,000)	(1,808,793)	1,277,207
Total Other Financing Sources (Uses)	(3,086,000)	(1,808,793)	1,277,207	3,086,000	2,174,400	(911,600)	0	365,607	365,607
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (988,346)	2,687,800	\$ 3,676,146	\$ 0	0	\$ 0	\$ (988,346)	2,687,800	\$ 3,676,146
Fund Balances, October 1		8,725,084						8,725,084	
Fund Balances, September 30		\$ 11,412,884						\$ 11,412,884	

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	<u>2002</u>	<u>Total (Memorandum Only) 2001</u>
Operating Revenues		
Charges for Services	\$ 832,759	\$ 902,882
Miscellaneous Income	0	271
Total Operating Revenues	<u>832,759</u>	<u>903,153</u>
Operating Expenses		
Personal Services	38,543	28,223
Contractual Services and Utilities	614,771	616,480
Insurance Premiums and Claims	0	23,119
Other Expenses	8,413	11,568
Depreciation	142,916	141,748
(Total Operating Expenses)	<u>(804,643)</u>	<u>(821,138)</u>
Operating Income (Loss)	<u>28,116</u>	<u>82,015</u>
Nonoperating Revenues		
Interest Earnings	4,272	10,505
Assessments	1,881	14,206
Intergovernmental Revenue	0	147,745
Other Nonoperating Revenue	4,704	478
Total Nonoperating Revenues	<u>10,857</u>	<u>172,934</u>
Net Income (Loss) Before Operating Transfers	<u>38,973</u>	<u>254,949</u>
Operating Transfers In (Out)	0	25,430
Net Income (Loss)	<u>38,973</u>	<u>280,379</u>
Add Back: Depreciation on Contributed Capital	<u>139,264</u>	<u>139,264</u>
Increase (Decrease) in Retained Earnings	<u>178,237</u>	<u>419,643</u>
Retained Earnings, October 1	386,746	18,987
Residual Equity Transfer In (Out)	0	(51,884)
Retained Earnings, September 30	<u>\$ 564,983</u>	<u>\$ 386,746</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES - ENTERPRISE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2002
 CITY OF MARCO ISLAND, FLORIDA**

	<u>2002</u>		<u>Total (Memorandum Only) 2001</u>
Cash Flows From Operating Activities	\$ 28,116	\$	82,015
Operating Income (Loss)			
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided By (Used In) Operating Activities:	142,916		141,748
Depreciation			
Increase (Decrease) in Estimated Liability for Self- Insurance Losses	0		(60,000)
Changes in Assets - Increase (Decrease) and Liabilities - Decrease (Increase):	16,408		(37,588)
Accounts Receivable	5,061		(6,498)
Assessments Receivable	103,543		59,551
Accounts Payable and Other Accrued Liabilities	639		33,358
Deferred Revenue	0		(1,726)
Deposits	<u>296,683</u>		<u>210,860</u>
Net Cash Provided By (Used In) Operating Activities			
Cash Flows From Noncapital Financing Activities	0		25,430
Operating Transfers In	0		(51,884)
Residual Equity Transfer	4,704		478
Other Nonoperating Revenue	<u>4,704</u>		<u>(25,976)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities			
Acquisition of Property, Plant and Equipment (Excluding Contributed Assets)	(89,000)		(10,676)
Intergovernmental Revenue	0		147,745
Assessment Revenue	1,881		14,206
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(87,119)</u>		<u>151,275</u>
Cash Flows From Investing Activities			
Interest Received on Investments	<u>4,272</u>		<u>10,505</u>
Net Increase (Decrease) in Cash and Cash Equivalents	218,540		346,664
Cash and Cash Equivalents, October 1	407,408		60,744
Cash and Cash Equivalents, September 30	<u>\$ 625,948</u>	<u>\$</u>	<u>407,408</u>
Supplemental Disclosure of Noncash Activities			
Contributed Assets	<u>\$ 0</u>	<u>\$</u>	<u>1,903,532</u>

See accompanying notes.

**STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	<u>2002</u>	<u>Total (Memorandum Only) 2001</u>
Additions		
Contributions		
Employer	\$ 2,343	\$ 1,596
State of Florida	177,414	148,398
Total Contributions	<u>179,757</u>	<u>149,994</u>
Investment Income (Loss)		
Investment Earnings (Losses)	(69,560)	19,131
(Investment Expenses)	(4,144)	0
Total Investment Income (Loss)	<u>(73,704)</u>	<u>19,131</u>
Total Additions	<u>106,053</u>	<u>169,125</u>
Deductions		
Refunds of Contributions	259	0
Legal	6,600	5,000
Actuary	350	3,977
Audit	1,500	1,500
Administrative	1,730	2,008
(Total Deductions)	<u>(10,439)</u>	<u>(12,485)</u>
Net Increase (Decrease)	95,614	156,640
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>520,689</u>	<u>364,049</u>
End of Year	<u>\$ 616,303</u>	<u>\$ 520,689</u>

See accompanying notes.

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**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 enterprise fund is used to account for the 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/nonexpendable 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, proprietary and fiduciary 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 unmaturing 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.

The proprietary fund type 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.

The proprietary fund type 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

The proprietary fund type follows 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 fund 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, 2002, is \$15,645.

Inventory

Inventories consist of merchandise held for resale by the racquet club.

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 fund is capitalized in the fund. Depreciation of exhaustible fixed assets used by the fund is charged as an expense against operations, and accumulated depreciation is reported on the balance sheet of the fund. 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.

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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. However, only the portion of the unpaid vacation and sick pay benefits that are to be paid from current assets of the general fund are accrued in the general fund. The long-term portion of the general fund unpaid sick and vacation pay is reported in the general long-term debt account group as accrued compensated absences.

Fund Equity

Contributed capital is recorded in the proprietary fund type that has received prior year capital grants or contributions from developers, other governments or other funds. Unreserved retained earnings in the proprietary fund type 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 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.

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**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. Prior year totals include internal service fund activity for one month.

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 are reappropriated in the following fiscal year.

The budget must be a balanced budget, and certain budgeted expenditures subject to the "spending cap" shall be limited to an increase from the prior year's budgeted expenditures of 3% plus the then-current federal cost-of-living adjustment. This limitation was amended and clarified in 2002 by voter referendum, and in 2003 by Council Resolution. Following is a calculation of the "spending cap" limitation for 2002 and the calculation of the City's compliance.

Calculation of Spending Cap and Proof of Compliance:

	Spending Cap Limit Fiscal Year 2001 For Fiscal Year 2002	Final Appropriation Amounts Fiscal Year 2002
Total Appropriations	\$ 15,450,322	\$ 16,388,667
Calculation of Spending Cap:		
Charter Increase Allowed	3.0%	
Cost of Living Increase	3.5%	
Spending Cap Increase Limitation	6.5%	
Fiscal Year 2002 Spending Cap	\$ 16,454,593	

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

Note 3 - Legal Compliance - Budgets (Concluded)

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 (excluding transfers):

	General	Capital Projects
Original Budget - Appropriations	\$10,472,966	\$ 5,163,000
Supplemental Appropriations (Reductions)	45,000	(110,000)
Amended Budget	\$10,517,966	\$ 5,053,000

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, 2001
Levy Date	October 1, 2001
Installment Payments	
First Installment	No Later Than June 30, 2001
Second Installment	No Later Than September 30, 2001
Third Installment	No Later Than December 31, 2001
Fourth Installment	No Later Than March 31, 2002
Regular Payments	
Discount Periods	November 2001 Through February 2002
No Discount Period	After March 1, 2002
Delinquent Date	April 1, 2002

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

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 deposit (excluding the repurchase agreement) may be negative. At September 30, 2002, the bank balance of the City's deposits was \$20,445 and the carrying amount was a negative position of \$227,878. In addition, the repurchase agreement had a balance of \$686,000 at year end, for a combined positive position of \$458,122.

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.

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 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 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.

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

Note 5 - Deposits and Investments (Concluded)

Investments (Concluded)

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 \$4,266,667 at September 30, 2002. Following is a listing of other investments held at September 30, 2002:

	Investment Category			Carrying Amount (Market)
	1	2	3	
Overnight Repurchase Agreement	\$ 0	\$ 0	\$ 686,000	\$ 686,000
United States Treasury Securities	1,053,226	0	0	1,053,226
United States Government Agency Securities	6,133,855	0	0	6,133,855
Government Bonds	156,472	0	0	156,472
Certificates of Deposit	0	0	398,000	398,000
Common Stock	300,999	0	0	300,999
Total	<u>\$ 7,644,552</u>	<u>\$ 0</u>	<u>\$ 1,084,000</u>	<u>8,728,552</u>
Money Market Funds - Pension				29,487
Total Investments				<u><u>\$ 8,758,039</u></u>

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 2.85% and 5.36%. 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:

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

Note 6 - Property, Plant and Equipment (Concluded)

	Balance 10/1/01 *	Additions	(Deductions)	Balance 9/30/02
Land	\$ 4,752,067	\$ 190,459		\$ 4,942,526
Buildings and Improvements	1,931,757	117,417		2,049,174
Vehicles and Equipment	2,792,731	384,238	\$ (129,730)	3,047,239
Property Held Under Capital Lease	1,609,880			1,609,880
Total	\$ 11,086,435	\$ 692,114	\$ (129,730)	\$ 11,648,819

* The October 1, 2001, general fixed asset balance has been restated; removing \$10,676 of enterprise fund assets incorrectly included in the prior year.

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.

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, 2002:

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

Note 7 - General Long-Term Debt (Concluded)

Year Ending September 30,	General Long-Term Debt Account Group
2003	\$ 145,952
2004	145,952
2005	145,952
2006	145,952
2007	72,979
Total Remaining Minimum Lease Payments (Imputed Interest)	656,787 (109,204)
Present Value of Minimum Lease Payments	\$ 547,583

Changes in long-term indebtedness for the year ended September 30, 2002, are summarized below:

	Balance 10/01/01	Additions	(Payments and Other Reductions)	Balance 9/30/02
General Long-Term Debt				
Obligations Under Capital Leases	\$ 646,256		\$ (98,673)	\$ 547,583
Accrued Compensated Absences	449,276	\$ 11,001		460,277
Florida Municipal Council Revenue Bond Series 2000B	619,393	365,607	(50,000)	935,000
Total General Long-Term Debt	\$ 1,714,925	\$ 376,608	\$ (148,673)	\$ 1,942,860

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.

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

Fiscal Year	Principal	Interest	Total
2003	\$ 50,000	\$ 45,121	\$ 95,121
2004	50,000	42,928	92,928
2005	55,000	40,604	95,604
2006	55,000	38,143	93,143
2007	60,000	35,540	95,540
Thereafter	665,000	172,520	837,520
Total	\$ 935,000	\$ 374,856	\$ 1,309,856

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

Note 8 - Contributed Capital - Enterprise Fund

	Enterprise Fund
Balances, Beginning of Year	\$ 1,764,268
(Amortization of Contributed Capital)	(139,264)
Balances, End of Year	<u>\$ 1,625,004</u>

Note 9 - Fund Balance Reserves and Designations

Fund balance in the general fund is reserved for the following purposes at September 30, 2002:

Parks Construction or Operation	\$ 598,825
Road Construction	1,469,448
Fire Equipment and Purchases	450,595
Police Equipment and Purchases	6,659
Building Department Equipment and Purchases	712,464
Inventory	753
Total Reserved Fund Balance	<u>\$ 3,238,744</u>

Fund balance in the general fund is designated for the following purposes at September 30, 2002:

Accrued Compensated Absences	\$ 460,277
2003 Capital Roll Forward	919,588
Emergency	2,682,684
Future Years' Capital Improvements	1,047,349
Total	<u>\$ 5,109,898</u>

Fund balance designations are created by resolutions authorized by the City Council.

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.

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

Note 10 - Firefighters' Pension Plan (Continued)

Plan Description (Continued)

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

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.

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.

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

Note 10 - Firefighters' Pension Plan (Continued)

Plan Description (Concluded)

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 no 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 2002, the City paid the required employee contribution totalling \$2,343.

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, 2002, were based on actuarial computations performed for 2000, in the last actuarial report dated October 1, 2000.

For the year ended September 30, 2002, the actuarially determined contribution amount was \$5,227 and the anticipated state contribution was \$113,935. Accordingly, the required employer contribution for 2002 was \$0. For the year ended September 30, 2002, the City's total covered payroll for participants in the Plan amounted to \$268,665. 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, 2002, was \$5,874,744.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost for the year ended September 30, 2002, was \$0 (the required contribution). The City had no net pension obligation. The annual required contribution for the 2002 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).

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

Note 10 - Firefighters' Pension Plan (Concluded)

Annual Pension Cost and Net Pension Obligation (Concluded)

Three-Year Trend Information

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligation
2002	\$0	100.0%	\$0
2001	\$0	100.0%	\$0
2000	\$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 investment 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.

Note 11 - Defined Benefit Pension Plan

All City employees, with the exception of firefighters with required membership in either the Plan or the System, based on date of hire, are provided with a benefits allowance as a percentage of gross pay. From the benefit allowance, employees are eligible for membership in the City's group health, life, and disability plans and may defer compensation into two separate Section 457 plans maintained by the City.

The Marco Island Independent Fire Protection District provided fire and rescue services to the community prior to the 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 establishment of the local Firefighters' Pension Plan (see note 10) and after incorporation of the City.

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

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

Note 11 - Defined Benefit Pension Plan (Concluded)

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 six years of service. Vested employees may retire after six 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. Firefighters are considered special risk employees; contribution rates paid into the System are determined annually on an actuarial basis. These acts provide that employers, such as the City, are required to contribute 20.29% for special risk members up to June 30, 2002; 16.0% thereafter.

The City's contributions to the System for the years ended September 30, 2002, 2001, and 2000, were \$154,420, \$199,023, and \$229,092, 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, 2002, the City had the following commitments related to significant unfinished capital projects:

<u>Projects</u>	<u>Expended as of 9/30/02</u>	<u>Remaining Commitment</u>
Tallwood Street Storm Sewer (Quality Enterprises U.S.A., Inc.)	\$ 199,004	\$ 696,937
Mackie Park Bocce Courts (Quality Enterprises U.S.A., Inc.)	11,256	93,742
Totals	<u>\$ 210,260</u>	<u>\$ 790,679</u>

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REQUIRED SUPPLEMENTARY INFORMATION

- 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, 2002
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, 2002
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%

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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, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2001
CITY OF MARCO ISLAND, FLORIDA**

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Revenues				
Taxes				
Property Taxes - Current	\$ 7,771,332	\$ 7,904,281	\$ 132,949	\$ 5,642,805
Property Taxes - Delinquent	1,000	4,094	3,094	4,735
Local Option Fuel Tax	597,050	709,178	112,128	654,994
Cable Franchise Fees	0	74,829	74,829	261,550
Communication Service Tax	250,000	672,835	422,835	0
Total Taxes	<u>8,619,382</u>	<u>9,365,217</u>	<u>745,835</u>	<u>6,564,084</u>
Licenses and Permits				
County Occupational Licenses	16,000	30,960	14,960	29,601
Beach Vendor Licenses	3,000	3,750	750	3,000
Building Permits	955,000	1,503,759	548,759	1,110,767
Special Fire Permits	0	450	450	150
Total Licenses and Permits	<u>974,000</u>	<u>1,538,919</u>	<u>564,919</u>	<u>1,143,518</u>
Intergovernmental				
Grants:				
Federal Emergency Management				
Agency	0	2,609	2,609	(287)
U.S. Department of Justice	110,000	200,395	90,395	98,276
State Marine Turtle Education Grant	4,326	4,326	0	0
Island Drug Reduction Grant	0	10,000	10,000	0
Florida DCA - Comprehensive Plan	0	0	0	40,000
Florida Department of Transportation	0	16,344	16,344	16,344
Total Grants	<u>114,326</u>	<u>233,674</u>	<u>119,348</u>	<u>154,333</u>
State-Shared Revenues:				
Municipal Revenue Sharing	318,087	313,232	(4,855)	308,652
Half-Cent Sales Tax	1,714,249	1,654,801	(59,448)	1,523,954
Firefighters' Supplemental	5,200	3,950	(1,250)	5,056
Total State-Shared Revenues	<u>2,037,536</u>	<u>1,971,983</u>	<u>(65,553)</u>	<u>1,837,662</u>
Other Shared Revenues:				
Fire Services Contract	56,376	56,376	0	56,376
Total Intergovernmental	<u>2,208,238</u>	<u>2,262,033</u>	<u>53,795</u>	<u>2,048,371</u>

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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2001
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Revenues (Concluded)				
Charges for Services				
General Government	\$ 32,000	\$ 57,807	\$ 25,807	\$ 66,990
Public Safety	110,000	289,939	179,939	78,991
Culture and Recreation	86,000	90,459	4,459	77,351
Public Education	0	1,435	1,435	772
Total Charges for Services	<u>228,000</u>	<u>439,640</u>	<u>211,640</u>	<u>224,104</u>
Fines and Forfeitures				
Court Fines	10,000	33,915	23,915	19,274
Other Violations	18,000	77,320	59,320	64,698
Total Fines and Forfeitures	<u>28,000</u>	<u>111,235</u>	<u>83,235</u>	<u>83,972</u>
Interest Income				
Interest Income	<u>385,000</u>	<u>342,284</u>	<u>(42,716)</u>	<u>589,333</u>
Miscellaneous				
Impact Fees	148,000	303,421	155,421	232,688
Sale of Fixed Assets	0	31,887	31,887	0
Donations	0	550	550	0
Miscellaneous	25,000	62,649	37,649	72,613
Total Miscellaneous	<u>173,000</u>	<u>398,507</u>	<u>225,507</u>	<u>305,301</u>
Total Revenues	<u>12,615,620</u>	<u>14,457,835</u>	<u>1,842,215</u>	<u>10,958,683</u>
Expenditures				
Current:				
General Government				
Legislative:				
Personal Services	45,838	49,292	(3,454)	41,557
Operating Expenses	20,248	9,171	11,077	7,827
Capital Outlay	2,500	0	2,500	0
Total Legislative	<u>68,586</u>	<u>58,463</u>	<u>10,123</u>	<u>49,384</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2001
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

Expenditures (Continued)	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Current: (Continued)				
General Government (Continued)				
Executive:				
Personal Services	\$ 362,453	\$ 335,253	\$ 27,200	\$ 307,507
Operating Expenses	16,011	8,027	7,984	8,397
Capital Outlay	2,250	0	2,250	2,166
Total Executive	380,714	343,280	37,434	318,070
Finance:				
Personal Services	243,245	225,975	17,270	187,386
Operating Expenses	59,296	46,549	12,747	51,927
Capital Outlay	3,000	2,085	915	1,050
Total Finance	305,541	274,609	30,932	240,363
Legal:				
Operating Expenses	200,000	197,611	2,389	139,470
Community Development:				
Personal Services	234,460	254,100	(19,640)	219,943
Operating Expenses	78,555	40,936	37,619	39,714
Capital Outlay	20,000	19,284	716	9,119
Total Community Development	333,015	314,320	18,695	268,776
Other General Government:				
Operating Expenses	503,396	477,186	26,210	393,886
Capital Outlay	115,100	21,650	93,450	68,176
Total Other General Government	618,496	498,836	119,660	462,062
Total General Government	1,906,352	1,687,119	219,233	1,478,125
Public Safety				
Code Compliance:				
Personal Services	175,388	162,854	12,534	108,750
Operating Expenses	50,295	34,622	15,673	32,586
Capital Outlay	10,500	10,361	139	6,961
Total Code Compliance	236,183	207,837	28,346	148,297

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2001
CITY OF MARCO ISLAND, FLORIDA
(Continued)**

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Expenditures (Continued)				
Current: (Continued)				
Public Safety (Concluded)				
Police Services:				
Personal Services	\$ 1,758,253	\$ 1,730,097	\$ 28,156	\$ 1,557,007
Operating Expenses	537,189	507,157	30,032	375,533
Capital Outlay	83,700	60,364	23,336	34,368
Total Police Services	<u>2,379,142</u>	<u>2,297,618</u>	<u>81,524</u>	<u>1,966,908</u>
Fire/Rescue:				
Personal Services	2,124,992	2,144,673	(19,681)	1,963,096
Operating Expenses	266,603	235,011	31,592	208,942
Capital Outlay	156,846	158,276	(1,430)	372,628
Debt Service	146,000	145,953	47	145,952
Total Fire/Rescue	<u>2,694,441</u>	<u>2,683,913</u>	<u>10,528</u>	<u>2,690,618</u>
Building Services:				
Personal Services	534,766	548,524	(13,758)	477,814
Operating Expenses	195,740	186,614	(9,126)	176,012
Capital Outlay	33,004	28,303	4,701	2,204
Total Building Services	<u>763,510</u>	<u>763,441</u>	<u>69</u>	<u>656,030</u>
Total Public Safety	<u>6,073,276</u>	<u>5,952,809</u>	<u>120,467</u>	<u>5,461,853</u>
Transportation				
Streets and Drainage:				
Personal Services	438,803	467,232	(28,429)	385,520
Operating Expenses	592,608	539,971	52,637	516,390
Capital Outlay	8,500	0	8,500	9,880
Debt Service	97,277	98,771	(1,494)	0
Total Transportation	<u>1,137,188</u>	<u>1,105,974</u>	<u>31,214</u>	<u>911,790</u>
Culture and Recreation				
Parks Maintenance:				
Operating Expenses	320,760	283,489	37,271	248,475
Capital Outlay	93,486	66,121	27,365	114,852
Total Parks Maintenance	<u>414,246</u>	<u>349,610</u>	<u>64,636</u>	<u>363,327</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR 2001
CITY OF MARCO ISLAND, FLORIDA
(Concluded)**

	<u>2002</u>		Variance Favorable (Unfavorable)	<u>2001</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (Concluded)				
Current: (Concluded)				
Culture and Recreation (Concluded)				
Recreation:				
Personal Services	\$ 67,116	\$ 70,621	\$ (3,505)	\$ 64,130
Operating Expenses	425,576	338,105	87,471	278,781
Capital Outlay	15,000	9,857	5,143	17,519
Total Recreation	<u>507,692</u>	<u>418,583</u>	<u>89,109</u>	<u>360,430</u>
Beautification:				
Operating Expenses	479,212	447,147	32,065	398,917
Capital Outlay	0	0	0	38,202
Total Beautification	<u>479,212</u>	<u>447,147</u>	<u>32,065</u>	<u>437,119</u>
Total Culture and Recreation	<u>1,401,150</u>	<u>1,215,340</u>	<u>185,810</u>	<u>1,160,876</u>
(Total Expenditures)	<u>(10,517,966)</u>	<u>(9,961,242)</u>	<u>556,724</u>	<u>(9,012,644)</u>
Excess of Revenues Over (Under) Expenditures	2,097,654	4,496,593	2,398,939	1,946,039
Other Financing (Uses) Operating Transfers Out	<u>(3,086,000)</u>	<u>(1,808,793)</u>	<u>1,277,207</u>	<u>(2,519,364)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (988,346)</u>	2,687,800	<u>\$ 3,676,146</u>	(573,325)
Fund Balance, October 1		8,725,084		9,246,525
Residual Equity Transfer In		<u>0</u>		<u>51,884</u>
Fund Balance, September 30		<u>\$11,412,884</u>		<u>\$ 8,725,084</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, 2002 AND 2001
 CITY OF MARCO ISLAND, FLORIDA**

	2002	2001
General Fixed Assets		
Land	\$ 4,942,526	\$ 4,752,067
Buildings and Improvements	2,049,174	1,931,757
Vehicles and Equipment	3,047,239	2,792,731
Property Held Under Capital Lease	1,609,880	1,609,880
Total General Fixed Assets	11,648,819	11,086,435
 Investment in General Fixed Assets By Source		
General Fund Revenue	4,120,587	3,558,203
Fire District Taxes	2,626,946	2,626,946
Contributions	4,901,286	4,901,286
Total Investment in General Fixed Assets	\$ 11,648,819	\$ 11,086,435

**SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2002
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	68,576	0	68,576
Community Development	45,000	0	71,387	0	116,387
Other General Government	890,030	662,906	122,413	0	1,675,349
Total General Government	<u>935,030</u>	<u>662,906</u>	<u>384,634</u>	<u>0</u>	<u>1,982,570</u>
Public Safety					
Code Compliance	0	0	36,114	0	36,114
Police Services	0	0	458,665	0	458,665
Fire/Rescue	575,227	184,144	1,873,241	1,609,880	4,242,492
Building Services	0	6,041	63,125	0	69,166
Total Public Safety	<u>575,227</u>	<u>190,185</u>	<u>2,431,145</u>	<u>1,609,880</u>	<u>4,806,437</u>
Culture and Recreation					
Parks Maintenance	150,231	17,155	62,507	0	229,893
Recreation	3,160,050	1,156,205	10,957	0	4,327,212
Beautification	121,988	21,726	87,336	0	231,050
Total Culture and Recreation	<u>3,432,269</u>	<u>1,195,086</u>	<u>160,800</u>	<u>0</u>	<u>4,788,155</u>
Transportation					
Public Works	0	997	70,660	0	71,657
Total General Fixed Assets	<u>\$ 4,942,526</u>	<u>\$ 2,049,174</u>	<u>\$ 3,047,239</u>	<u>\$ 1,609,880</u>	<u>\$11,648,819</u>

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

	General Fixed Assets 10/1/01	Additions	(Deductions)	General Fixed Assets 9/30/02
General Government				
City Council	\$ 24,554	\$ 0	\$ 0	\$ 24,554
Executive	97,704	0	0	97,704
Finance	66,491	2,085	0	68,576
Community Development	97,103	19,284	0	116,387
Other General Government	1,356,135	319,214	0	1,675,349
Total General Government	<u>1,641,987</u>	<u>340,583</u>	<u>0</u>	<u>1,982,570</u>
Public Safety				
Code Compliance	25,753	10,361	0	36,114
Police Services	398,301	60,364	0	458,665
Fire/Rescue	4,195,698	176,524	(129,730)	4,242,492
Building Services	40,863	28,303	0	69,166
Total Public Safety	<u>4,660,615</u>	<u>275,552</u>	<u>(129,730)</u>	<u>4,806,437</u>
Culture and Recreation				
Parks Maintenance	163,771	66,122	0	229,893
Recreation	4,327,212	0	0	4,327,212
Beautification	221,193	9,857	0	231,050
Total Culture and Recreation	<u>4,712,176</u>	<u>75,979</u>	<u>0</u>	<u>4,788,155</u>
Transportation				
Public Works	71,657	0	0	71,657
Total General Fixed Assets	<u>\$ 11,086,435</u>	<u>\$ 692,114</u>	<u>\$ (129,730)</u>	<u>\$ 11,648,819</u>

STATISTICAL SECTION (UNAUDITED)

Table 2

CITY OF MARCO ISLAND, FLORIDA
General Governmental Revenue by Source (1)
Last Five Fiscal Years (2)

	2002	2001	2000	1999
Ad Valorem Tax (3)	\$ 7,908,375	\$ 5,647,540	\$ 5,539,370	\$ 6,248,575
Other Taxes	1,456,842	916,544	832,635	782,929
Licenses & Permits	1,538,919	1,143,518	1,147,608	1,054,380
Intergov'tal Revenues	2,653,599	2,532,798	2,244,772	1,727,424
Charges for Services	439,640	224,104	202,721	159,460
Fines & Forfeitures	111,235	83,972	79,198	59,732
Interest Income	342,284	589,333	611,434	370,834
Debt Proceeds (4)	365,607	619,393	-	-
Miscellaneous	1,221,158	1,343,349	1,134,144	1,516,452
TOTAL	\$ 16,037,659	\$ 13,100,551	\$ 11,791,882	\$ 11,919,786

- (1) Includes General Fund and Capital Projects Fund.
- (2) The City of Marco Island was incorporated in August 1997.
A ten-year schedule of revenues is not applicable.
- (3) Property Tax revenues for Fiscal Year 1998 levied by the Marco Island Fire Control District. District dissolved upon incorporation and reorganized as the Fire Department for the City of Marco Island.
- (4) Debt Proceeds in Fiscal Years 2001 and 2002 represent proceeds from the Florida Municipal Loan Pool financing the replacement of the Factory Bay bridge.

1998

\$ 2,421,336

562,882

22,867

2,292,319

15,653

2,375

155,524

-

398,325

\$ 5,871,281

Table 3

CITY OF MARCO ISLAND, FLORIDA

Property Tax Levies and Collections (1)

Last Five Fiscal Years (2)

Fiscal Year	Taxes Assessed January 1st	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections
1998	1997 (3)	\$ 2,547,087	\$ 2,419,717	95.0%	\$ 1,619
1999	1998	6,462,356	6,243,114	96.6%	5,461
2000	1999	5,726,991	5,525,097	96.5%	14,273
2001	2000	5,850,687	5,642,805	96.4%	4,735
2002	2001	8,180,349	7,904,281	96.7%	4,094

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 of Marco Island are not significant.
- (2) The City of Marco Island was incorporated in August 1997. A ten-year history of tax levies and collections is not applicable.
- (3) Property taxes collected in Fiscal Year 1998, assessed on January 1, 1997 were for the Marco Island Fire District, subsequently incorporated into the City of Marco Island.

Table 4

CITY OF MARCO ISLAND, FLORIDA
Assessed Value of Exempt and Taxable Property
Last Six Fiscal Years (1)

Fiscal Year	Assessed January 1st	Taxable Values	Percent Increase Over Prior Year	Taxable Value of New Construction
1998	1997 (2)	\$ 2,841,082,435	n/a	\$ 118,283,165
1999	1998	3,060,987,023	7.7%	61,749,131
2000	1999	3,466,113,897	13.2%	151,720,050
2001	2000	3,874,706,433	11.8%	84,105,188
2002	2001	4,691,374,309	21.1%	91,909,090
2003	2002	5,609,781,378	19.6%	186,691,776

Source: Collier County Property Appraiser

- (1) The City of Marco Island was incorporated in August 1997. A ten-year schedule of property values is not applicable.
- (2) Taxable values of the incorporated city limits for January 1, 1997 were estimated by the Collier County Property Appraiser.

Table 5

CITY OF MARCO ISLAND, FLORIDA
Property Tax Rates - Direct and Overlapping Governments

Last 6 Fiscal Years (1)
 (Per \$1,000 of Assessed Value)

Fiscal Year Ended	City Operating	Marco Fire District	Roads & Streets MSTU#1	Collier County Unincorp. MSTD	Marco Beautific'n MSTD	Collier County Parks & Rec MSTU	Collier County
1998 (2)	0	0.8800	0.1950	0.5721	0.1670	0.0535	3.6813
1999 (3)	2.1112	0	0	0	0	0.0495	3.5510
2000	1.6500	0	0	0	0	0.0436	3.5058
2001	1.5087	0	0	0	0	0.0377	3.5028
2002	1.7437	0	0	0	0	0.0318	3.8772
2003 (4)	1.6900	0	0	0	0	0.0268	3.8772

- (1) The City of Marco Island was incorporated in August 1997. A ten-year schedule of property tax rates is not applicable.
- (2) The City of Marco Island did not levy it's own property tax for Fiscal Year 1998. Property taxes collected in FY 98 were for the Marco Island Fire Control District.
- (3) City operating tax levy of 2.1112 in FY 99 was set at a level to allow the City to be eligible for Florida State Revenue Sharing.
- (4) Information only. 2002 tax levies are for revenues to be received in Fiscal Year 2003.

Collier School Board	Mosquito Control	South FL Water Managm't	Water Pollution Control	Big Cypress Basin	TOTAL LEVY
8.4240	0.1821	0.2840	0.0452	0.2780	14.7622
8.5100	0.1953	0.2840	0.0413	0.2780	14.7423
7.7600	0.1923	0.2840	0.0355	0.2780	13.4357
7.7220	0.1748	0.2840	0.0445	0.2780	13.2300
7.2310	0.1465	0.2840	0.0420	0.2425	13.3142
6.9110	0.1167	0.2840	0.0347	0.2425	13.1829

Table 6

CITY OF MARCO ISLAND, FLORIDA
Special Assessment Billing and Collection
Last Five Fiscal Years (1)

Fiscal Year	Liens Assessed	Collections	Unpaid Balance (2)
1998	\$ -	\$ -	\$ -
1999	-	-	-
2000	-	-	-
2001	358,385 (3)	131,566	226,819
2002	139,809 (4)	165,109	201,519

- (1) The City of Marco Island was incorporated in August 1997. A ten-year schedule of Special Assessments is not applicable.
- (2) Includes minor sewer assessments receivable.
- (3) Sidewalk Assessment Districts I and II completed in Fiscal Year 2001.
- (4) Sidewalk Assessment District III completed in Fiscal Year 2002.

Table 7

CITY OF MARCO ISLAND, FLORIDA

Computation of Direct and Overlapping General Obligation Debt

As of September 30, 2002

Direct Debt

Lease-Purchase Agreement Marco Island Fire Station January 23, 1992	\$ 664,826	
Florida Municipal Bond Pool Series 2000B November 15, 2000	935,000	
TOTAL DIRECT DEBT		\$ 1,599,826

Overlapping Debt (1)

Collier County (2) Parks & Recreation MSTU General Obligation Bonds, Series 1996 Percent applicable to City: 8%	795,000	63,600
TOTAL DIRECT AND OVERLAPPING DEBT		\$ 1,663,426

- (1) The City of Marco Island is not responsible for the overlapping debt.
- (2) Payable from County-wide General Property Taxes.

Table 8

CITY OF MARCO ISLAND, FLORIDA

Ratio of Annual Debt Service Expenditures for General and Special
Revenue Bonded Debt to Total General Expenditures

Last Five Fiscal Years (1)

Fiscal Year	Principal	Interest	Total	Total General Expenditures	Debt Service as a Percent of Total General Expenditures
1998	\$ 72,272	\$ 73,680	\$ 145,952	\$ 3,819,166	3.82%
1999	78,677	67,275	145,952	7,017,613	2.08%
2000	85,132	60,820	145,952	10,674,025	1.37%
2001	91,587	75,409	166,996	13,648,446	1.22%
2002	148,673	96,051	244,724	13,349,859	1.83%

(1) The City of Marco Island was incorporated in August 1997.
A ten-year schedule of debt service is not applicable.

Table 9

CITY OF MARCO ISLAND, FLORIDA

**Ratio of Debt Principal Outstanding
to Total Assessed Valuation**

Last Five Fiscal Years (1)

Fiscal Year	Debt Principal Outstanding End of Fiscal Year	Total Assessed Valuation	Debt Principal as a Percent of Total Valuation
1998	\$ 901,652	\$ 2,841,082,435	0.03%
1999	822,975	3,060,987,023	0.03%
2000	737,843	3,466,113,897	0.02%
2001	1,265,649	3,874,706,433	0.03%
2002	1,482,583	4,691,374,309	0.03%

(1) The City of Marco Island was incorporated in August 1997.
A ten-year schedule of debt to assessed valuations is not applicable.

Table 10

CITY OF MARCO ISLAND, FLORIDA

Demographic Statistics

Population:

<u>Year</u>	<u>City of Marco Island (1)</u>	<u>Collier County</u>	<u>State of Florida</u>
1980	4,679	85,971	9,746,400
1990	9,493	152,099	12,937,926
1995	11,343	186,504	14,149,317
1996	11,713	193,036	14,411,563
1997	11,805	200,024	14,712,922
1998	12,165	213,439	14,934,950
1999	12,408	219,685	15,322,040
2000	14,879	251,377	15,982,978
2001	15,280	264,475	16,331,739
2002	15,680	277,457	16,674,608

Projections:

2005	16,700	316,500	17,094,600
2010	18,700	381,500	17,794,800

Population by Age Group - 2000 Census:

Age:	City of Marco Island (1)	Collier County	State of Florida
0-14	1,327	41,552	
15-24	753	25,090	
25-44	2,153	61,730	
45-65	4,931	61,492	
65+	5,715	61,513	

Source: University of Florida Bureau of Economic and Business Research, 2000.

(1) Population statistics for the City of Marco Island prior to incorporation in 1997 based on the current City Limits.

Table 11

CITY OF MARCO ISLAND, FLORIDA

Construction Activity

Last Five Years (1)

Calendar Year (2)	New Single-Family Residences	New Multi-Family Units	Total Permits Issued	Estimated Value of Work Permitted
1998 (3)	40	12	669	\$ 12,365,583
1999	336	79	3,684	105,659,151
2000	369	237	3,758	134,497,043
2001	257	111	3,495	131,113,481
2002	202	254	4,304	244,080,609

Source: Collier County Property Appraiser

(1) The City of Marco Island was incorporated in August 1997.
The City began issuing building permits October 1, 1998.

(2) The Building Department maintains records on a calendar year basis.

(3) Three months data.

Table 12

CITY OF MARCO ISLAND, FLORIDA

Principal Taxpayers
As of September 30, 2002

Taxpayer:	Property by Type:	January 1, 2002 Assessed Valuation	% of Total Assessed Valuation
1) City Natl Bank of Miami dba Marriott Marco Island Resort	Hospitality	\$ 88,628,498	1.57%
2) Marco Island Utilities	Water/Sewer Utility	55,245,147	0.98%
3) Marco Beach Hotel Inc.	Hospitality	38,860,938	0.69%
4) Meristar Marco Island Co. dba Marco Island Radisson Hotel	Hospitality	33,350,807	0.59%
5) Marco Town Center Inc.	Shopping Center	13,764,632	0.24%
6) Bay Colony - Gateway Inc.	Real Estate Developer	7,114,680	0.12%
7) Hagenbuckle, Walter S.	Residence	7,003,088	0.12%
8) Island Country Club Inc.	Golf Course	6,750,999	0.12%
9) A & N of Marco Inc. dba Esplanade	Real Estate Developer	6,282,251	0.11%
10) Mission Plaza Ltd	Shopping Center	6,278,382	0.11%
Total		\$ 263,279,422	4.65%

Table 13

CITY OF MARCO ISLAND, FLORIDA

Miscellaneous Statistics

Date of Incorporation	August 28, 1997
Date of Adoption of City Charter	August 28, 1997
Form of Government	Council - Manager
Area	7.4 Square Miles
Streets	127 Centerline Miles Paved
Fire Protection:	
Number of Firefighters	29
Police Protection:	
Number of Sworn Officers	28
City Employees of 9/30/2002	98
Election:	
Number of Registered Voters	10,043
Votes Cast in Last Election	5,206
Last Election	City Council Election 3/12/2002
Signalized Intersections	7
Bridges	12
Marco Island Beaches:	
Total Beach Length	5.7 Miles
Total Area	230 Acres
Parks:	
Community Parks	6
Regional Parks	3
Hospitals:	Marco Healthcare Center (Naples Community Hospital)
Schools:	1 Elementary School 1 Charter Middle School

SINGLE AUDIT SECTION

Required
Supplementary Information

General Purpose
Financial Statements

Statistical Sections

Supporting Schedules

Governmental
Auditing Section

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA

Agency/Program Title	CRDA/ CSFA Number	Grant Number	Award Amount	Grant Period	Required Match	Receipts	Expenditures	Ending Receivable (Deferred)
U.S. Department of Justice Passed Through State of Florida Department of Law Enforcement Office of Criminal Justice: Island Drug Reduction/Eradication* COPS Universal Hiring Award	16.592 16.710	02-CI-2M-09-21-02-095 2000-UMMWX-0047	\$ 10,000 375,000	03/01/02-9/30/02 12/01/99-11/30/02	\$ 1,100 506,515	\$ 10,000 82,926	\$ 9,695 117,740	\$ (1,275) 34,814
Passed Through State of Florida Office of Attorney General: Victims of Crime Acts	16.575	V1073	15,694	10/01/01-09/30/02	3,138	13,580	16,718	** 0
U.S. Department of Housing and Urban Development Passed Through Collier County, Florida Community Development Block Grant: Urban County Cooperation Agreement*	14.218	B-01-UC-12-0016	750,000	10/01/01-9/30/04	0	85,201	199,004	113,803
U.S. Department of Transportation National Highway Traffic Safety Administration Passed Through State of Florida Department of Transportation: Alcohol Safety Action Project	20.600	AL-02-05-15	78,900	01/02/02-10/01/02	0	69,075	69,075	0
Total Federal Awards			1,229,594		510,753	260,782	412,232	147,342
State Financial Assistance								
Florida Fish and Wildlife Conservation Commission Marine Turtle Grants Program			4,637	10/01/01-09/30/02	0	4,326	4,326	0
Total Federal Awards and State Assistance		01-003	\$1,234,231		\$ 510,753	\$ 265,108	\$ 416,558	\$ 147,342
Not Stated								

* Denotes Major Program
** Includes In-Kind Match

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Marco Island, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2002. The City of Marco Island, Florida's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City of Marco Island, Florida's management. Our responsibility is to express an opinion on the City of Marco Island, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marco Island, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Marco Island, Florida's compliance with those requirements.

In our opinion, the City of Marco Island, Florida complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the City of Marco Island, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Marco Island, Florida's internal control over compliance with requirements that could have a direct and material

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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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(Concluded)**

Internal Control Over Compliance (Concluded)

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Chairman and City Council members, management, and federal 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 15, 2002
Sarasota, Florida

Perris, Gray and Company

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
CITY OF MARCO ISLAND, FLORIDA**

Part A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the general-purpose financial statements of the City of Marco Island, Florida.
2. There were no reportable conditions disclosed during the audit of the general-purpose financial statements.
3. No instances of noncompliance material to the general-purpose financial statements of the City of Marco Island, Florida were disclosed during the audit.
4. The audit disclosed no instances of reportable conditions in internal control over the major federal programs or reportable conditions which were material weaknesses in internal control over the federal major programs.
5. The "Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133" for the major federal award programs of the City of Marco Island, Florida expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported under Section .510(a) of OMB Circular A-133.
7. The programs tested as major programs included:
 - U.S. Department of Housing and Urban Development, Community Development Block Grant, CFDA Number 14.218
 - U.S. Department of Justice, Island Drug Reduction/Eradication, CFDA Number 16.710
8. The dollar threshold used to distinguish between Type A and B programs was \$300,000 (major federal programs were determined by using the percentage of coverage rule).
9. The City of Marco Island, Florida does not qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

Part B - FINDINGS - FINANCIAL STATEMENTS AUDIT

Reportable Conditions
None

Part C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

The audit disclosed no findings which are required to be reported under Section .510(a) of OMB Circular A-133.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF MARCO ISLAND, FLORIDA

1. Status of Prior Audit Findings

There were no prior year audit findings related to federal award programs.

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**CORRECTIVE ACTION PLAN IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF MARCO ISLAND, FLORIDA**

1. Corrective Action Planned for Current Year Audit Findings

There are no current year audit findings related to federal award programs.

Required
Supplementary Information

General Purpose
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GOVERNMENTAL AUDITING SECTION

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

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

We have audited the general-purpose financial statements of the City of Marco Island, Florida as of and for the year ended September 30, 2002, and have issued our report thereon dated November 15, 2002, which was unqualified.

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.

Compliance

As part of obtaining reasonable assurance about whether the City of Marco Island, Florida's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Marco Island, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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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 15, 2002
Sarasota, Florida

Purvis, Gray and Company

MANAGEMENT LETTER

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

We have audited the general-purpose financial statements of the City of Marco Island, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated November 15, 2002, which was unqualified.

We have issued our independent auditors' report on compliance and internal control dated November 15, 2002. 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. Recommendations made in the preceding year have been followed to our satisfaction.

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.].

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

MANAGEMENT LETTER
(Concluded)

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 primary government and each component unit of the reporting entity be disclosed in the management letter. 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.	

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(a)], we determined that the financial report for the City of Marco Island, Florida for the fiscal year ended September 30, 2002, 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, 2002.

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.

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.

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 15, 2002
Sarasota, Florida

Purvis, Gray and Company

Supporting Schedules

Statistical Sections

Governmental Auditing Section

Supplementary Information