

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2018**

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## **INTRODUCTORY SECTION**

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## *Islamorada, Village of Islands*

June 26, 2019

Citizens of Islamorada, Village of Islands, and  
Honorable Mayor and Members of the Village Council  
Islamorada, Village of Islands, Florida

Presented for your consideration and review is the Comprehensive Annual Financial Report for Islamorada, Village of Islands, Florida, for the year ended September 30, 2018. This report was prepared by the Village's Finance and Administration Department in accordance with the Village Charter, State Statutes, and generally accepted accounting principles for governments. Village management is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures.

The Village has established an internal control framework that is designed both to protect the Village's assets from loss or misuse and to compile sufficiently reliable accounting information for financial statement preparation in conformity with United States generally accepted accounting principles (GAAP) established by the Government Accounting Standards Board (GASB). We believe that the Village's framework of internal controls has been designed to provide reasonable, but not absolute, assurance that the Village's assets are protected and that the financial statements will be free of material misstatement. The concept of reasonable assurance recognizes that the cost of internal controls should not outweigh the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

To the best of our knowledge and belief, the data, as presented, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Village. All disclosures necessary to enable the reader to gain an understanding of the Village's financial activities have been included.

Chapter 281.39 of the Florida Statutes requires that an independent certified public accountant audit the financial statements of municipalities. This requirement has been met for the fiscal year ended September 30, 2018 and the report of the independent auditors, Mauldin & Jenkins, LLC, has been included in the Financial Section of this report.

Governmental accounting and auditing principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the Village's MD&A, which can be found immediately following the Independent Auditors Report in the Financial Section of this report.

## **THE VILLAGE**

Islamorada, Village of Islands, is a string of subtropical islands eighteen miles long with a population of 5,990 residents. The Village consists of four Keys; Plantation Key, Windley Key, Upper Matecumbe Key and Lower Matecumbe Key. The Village derives its municipal powers from a charter granted by the legislature of the State of Florida on December 31, 1997. The Village operates under the Council-Manager form of government. The governing body of the Village consists of a five-member Village Council, each of whom is elected for a two-year term. The Village Council determines policy, adopts local legislation, approves the Village's budget, sets taxes and fees, and appoints the Village Manager, Village Attorney and members of various boards and committees. The day to day operations of the Village are under the leadership of the Village Manager.

The Village provides a wide variety of services, including; general government administration; building and code enforcement; planning and zoning; public safety (fire protection and emergency medical services); public works; parks and recreation (parks maintenance, recreational activities, cultural events, and related facilities); and solid waste collection. In addition, the Village operates a recreational marina, a wastewater utility and a stormwater utility as enterprise funds.

The financial reporting entity includes all of the funds and account groups of the Village and, in accordance with GASB Codification of Governmental and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity," includes only those activities over which the Village is financially accountable.

## **BUDGETARY PROCEDURES AND CONTROLS**

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Village Manager is responsible for preparation of the annual budget, which is submitted to the Village Council for approval in July of each year. A series of public hearings is conducted, and prior to October 1, a final operating budget is legally enacted through the passage of a resolution. In addition, the Village maintains budgetary controls, including an encumbrance system for the issuance of purchase orders and travel authorizations. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Village Council. Changes or amendments to the total budget of the Village or a department must be approved by the Council.



## **ECONOMIC CONDITION AND OUTLOOK**

The Village's primary focus continues to be reductions in discretionary operating expenditures, with an emphasis on maintaining an acceptable level of service for Village residents. The Village monitors budgeted versus actual expenditures and revenue collections closely for early identification of unfavorable trends. The Village's strong and stable overall financial condition and adequate fund balances give reasonable assurance that the Village can adjust to unexpected reductions in revenue or significant unplanned expenditures.

On September 10, 2017, Hurricane Irma affected the Florida Keys and the Village. The Village was able to fund hurricane response and recovery efforts, including debris management and debris monitoring activities, through use of unassigned fund balance accumulated for this purpose. The local economy appears to be improving post Hurricane Irma, and the quality of life for Village residents continues to be enhanced by the availability of superior recreational facilities, the tropical climate, and the superb fishing and diving, which also makes the Village a consistently popular tourist attraction. Through fiscal year 2018-2019, housing sales and tourism levels remain high despite impacts from Hurricane Irma. Within the Village, many renovations of existing residential and commercial structures occurred and construction of new single family residential developments for sale or for use as vacation rentals were started. Affordable workforce housing continues to be an issue that the Village Council is activity addressing through acquisition of lands for construction of affordable housing units and donations to Habitat for Humanity.

The Village's tourism-based economy is at times affected by economic events worldwide. However, for fiscal year ending September 30, 2018 the Village's two largest sales tax derived revenue sources (local government ½ cent sales tax and local discretionary sales surtax) increased from fiscal year 2017-2018. The outlook for fiscal year 2018-2019 and fiscal year 2019-2020 is for sales tax revenues to continue to gradually increase. The importance of the tourist industry in Islamorada is demonstrated by the fact that many of the Village's top taxpayers are hotels and resorts.

In fiscal year 2017-2018 and in fiscal year 2018-2019, the Village has experienced increased revenues due to increased issuance of building permits for new construction and renovations. The Village Council waived building permit fees associated with Hurricane Irma recovery. The required hookup to the wastewater collection and transmission system has contributed to increased building permit and other revenues although permit activity in this area is beginning to decline. In June 2019, the area's unemployment rate was the lowest among all counties in the State of Florida.

## **LONG TERM PLANNING**

The Village continues to pursue and modify its long term goals as outlined in the adopted Five-Year Capital Improvement Plan. The Village has completed construction of a Village-wide wastewater collection and transmission system. With completion of this project, the Village has been able to begin considering funding stormwater and canal restoration projects to improve water quality in the area. The Village continues to seek grants from the state and federal governments to supplement its other revenue sources and minimize borrowing.

## RELEVANT FINANCIAL POLICIES AND MAJOR INITIATIVES

Legislation passed by the 1999 Florida Legislature (chapter 99-395 Law of Florida) mandated higher wastewater treatment standards in the Florida Keys. By December 31, 2015, all wastewater treatment systems in the Keys must be Advanced Wastewater Treatment (AWT) or Best Available Technology (BAT) for treatment. The mandate required that all wastewater treatment systems in the Keys be upgraded or replaced to meet stringent nutrient reduction requirements.

In 2009 the Village completed construction of a collection system and treatment plant in the North Plantation Key area providing wastewater services to 16% of the properties within the boundaries of the Village. At the end of fiscal year 2011-2012, the Village entered into a contract with Reynolds Water Islamorada, LLC, to design, build and operate a wastewater collection and transmission system in the remaining areas of the Village not yet serviced with wastewater (the Remaining Service Area (RSA)). Service availability to all areas of the Village was accomplished by December 31, 2015, pursuant to the State of Florida's mandate.

Repayment of financing of the entire project and cash availability and flow continues to be a priority of Village staff and the Village Council as the Village has moved toward full operations and maintenance capacity. In FY 2017-2018 previously contracted wastewater operations and maintenance staff was brought in-house. To accommodate in-house staff, the Village purchased vehicles and equipment.

## ACKNOWLEDGMENTS

We express our appreciation and thanks to the Mayor and Council members for their interest and support in planning and conducting the financial operations of the Village in a responsible and progressive matter.

Respectfully submitted,

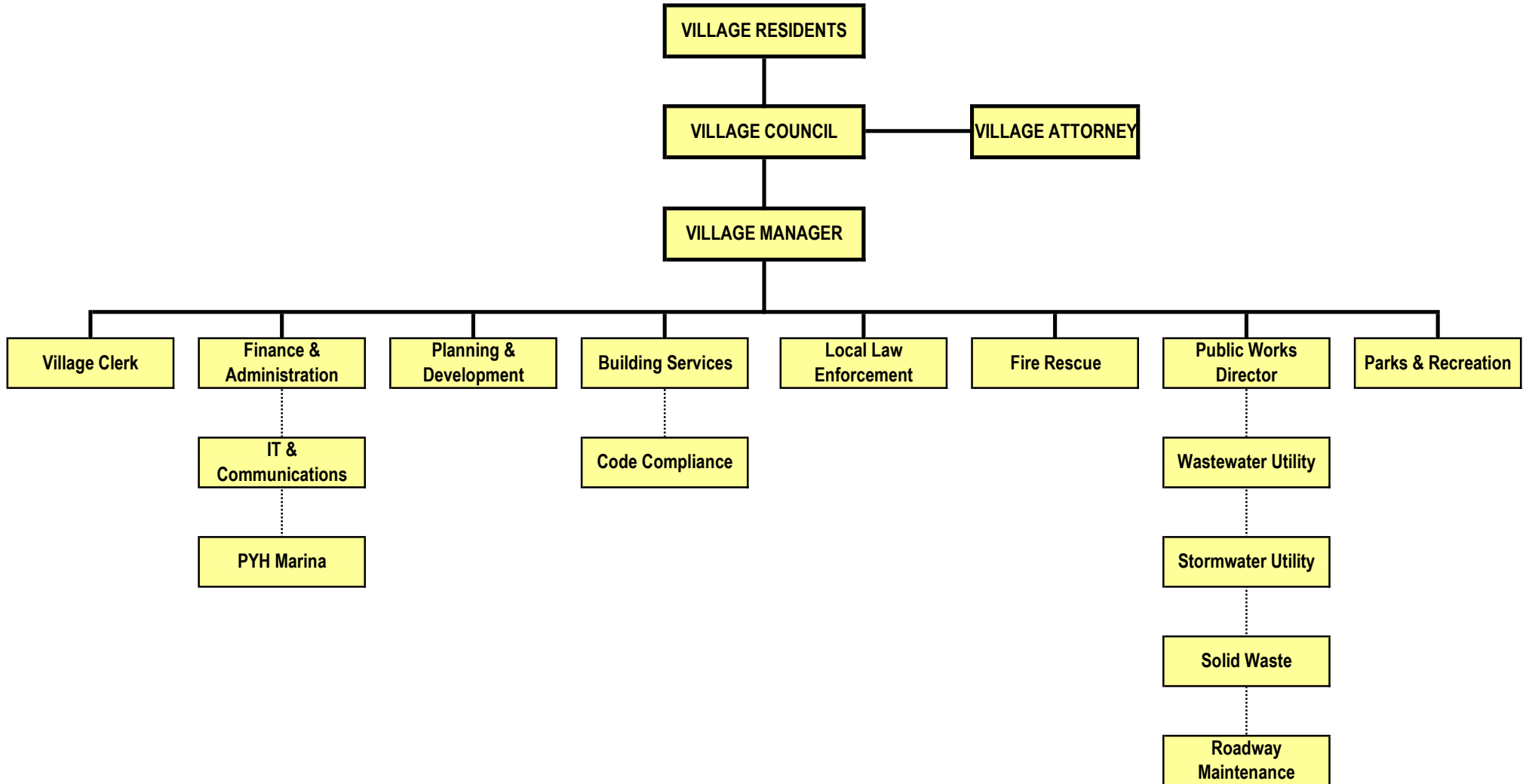


Seth Lawless  
Village Manager



Maria T. Bassett  
Finance Director

ISLAMORADA, VILLAGE OF ISLANDS  
ORGANIZATIONAL CHART



**ISLAMORADA, VILLAGE OF ISLANDS**

**LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2018**

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**VILLAGE COUNCIL**

Chris Sante, Mayor  
Deb Gillis, Vice Mayor  
Mike Forster, Councilmember  
Cheryl Meads, Councilmember  
Jim Mooney, Councilmember

**VILLAGE MANAGER**

Seth Lawless

**VILLAGE ATTORNEY**

Roget V. Bryan

**FINANCE DIRECTOR**

Maria T. Bassett

**VILLAGE CLERK**

Kelly Toth

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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Village Council and Village Manager  
Islamorada, Village of Islands, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Islamorada, Village of Islands, Florida, (the "Village"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 10 and 14, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changed the accounting for the Village's other post-employment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 through 14) and the schedules of revenues, expenditures and changes in fund balances – budget and actual, schedules of Village's proportionate share of the net pension liability, schedules of contributions, and schedule of changes in the Village's OPEB liability and related ratios (on pages 60 through 68) to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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



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The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of Islamorada, Village of Islands, Florida.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
June 28, 2019

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# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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As management of Islamorada, Village of Islands (the "Village"), we offer readers of the Village's Comprehensive Annual Financial Report ("CAFR") this narrative overview and analysis of the financial activities of the Village for the current fiscal year ended September 30, 2018, in comparison to the previous fiscal year ended September 30, 2017. We encourage readers to consider this information in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report, as well as information in the Village's financial statements and notes.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the Village's fund-based comparative changes.

### FINANCIAL HIGHLIGHTS

- The Village's total assets plus deferred outflow of resources at September 30, 2018, was \$244,925,367, and total liabilities plus deferred inflow of resources was \$109,139,163. The difference (total net position) at year-end September 30, 2018, was \$135,786,204, a decrease of \$5,543,543 from the prior year. The total net position for governmental activities was \$31,032,917, and the total net position for business-type activities was \$104,753,287.
- Unrestricted net position at September 30, 2018, available to meet the Village's ongoing obligations, totaled \$13,131,352, a decrease of \$1,016,538 from the prior year. Unrestricted net assets for governmental activities were (\$2,714,745), while unrestricted net assets for business-type activities were \$15,846,097.
- At September 30, 2018, the Village's governmental fund statement shows a combined ending fund balance of \$4,953,026, a decrease of \$6,818,199 in comparison with the prior year ending fund balance. Unassigned fund balance in the General Fund is showing a deficit due to funds expended to cover response and recovery costs related to Hurricane Irma pending reimbursement by the Federal Emergency Management Agency ("FEMA") and the Florida Department of Emergency Management ("FDEM"). Borrowing from other funds occurred to cover operating needs until a draw on a line of credit was secured by the Village after the fiscal year-end in the amount \$2.5 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements include:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains other supplementary information in addition to the financial statements.

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the Village and are similar to private-sector financial statements. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements appear on pages 15 and 16 of this report.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Changes in net position over time may indicate an improving or deteriorating financial position. Net position is shown in three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year ending September 30, 2018. It provides a breakdown of revenues and expenses by functions. All changes in net position are reported as soon as the underlying event which contributes to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, as well as unused compensated absences, all of which will produce changes in cash in a future fiscal period.

Both statements attempt to distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (*business-type activities*). The governmental activities of the Village include general government, public safety, physical environment, transportation and culture and recreation. The business-type activities of the Village include the Plantation Yacht Harbor Marina, the Wastewater Utility, and the Stormwater Utility.

### FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Islamorada, Village of Islands, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two general categories: governmental funds and proprietary funds.

### GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year.

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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The focus of governmental funds is narrower than that of the government-wide financial statements. Therefore, it can be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Reconciliations have been provided as a link between the governmental fund statements and the government-wide statements to assist in this comparison. Page 18 provides a reconciliation of the balance sheet of governmental funds to the Statement of Net Position. Page 20 provides a reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

The Village maintains eight governmental funds. For presentation purposes, authoritative accounting standards require that "major" funds be reported in a separate column on the financial statements. A government's General Fund is always classified and presented separately as a major fund. The relative size of the other funds is assessed based on proportionate share of certain financial statement elements to determine whether they qualify as major funds. Governmental funds that are individually presented as major funds in the Village's governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances include the General Fund, Solid Waste Fund, Debt Services Fund and Capital Projects Fund. Data from the other four governmental funds (Transportation Fund, Affordable Housing Fund, CDBG Fund and Canal Debris Removal Program Fund) are presented in a single column titled "Other Non-major Governmental Funds." This year the Solid Waste Fund and the Debt Service Fund do not calculate as major funds; however, they continue to be reflected in separate columns in the governmental financial statements as they have historically appeared.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report

### **PROPRIETARY FUNDS**

The Village maintains one type of proprietary fund. Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Plantation Yacht Harbor Marina, the Wastewater Utility and the Stormwater Utility.

The proprietary fund financial statements provide separate information for the Marina and the Wastewater Utility, both of which are considered to be major funds of the Village, as well as the Stormwater Utility, which is a non-major fund.

The basic proprietary fund financial statements appear on pages 21 through 23 of this report.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to financial statements can be found on pages 24 through 59 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary comparison schedules for its General Fund, Debt Service Fund and Solid Waste Fund. The required supplementary information can be found on pages 60 through 63 of this report.

Combining statements in connection with non-major governmental funds can be found on pages 69 and 70 of this report.

Additional information about the Village can be found in the Statistical Section beginning on page 75 of this report.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

The following table provides a summary of the Village's total net position as of September 30, 2018:

<b>Islamorada, Village of Islands, Florida Total Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,901,272	\$ 13,782,162	\$ 40,423,866	\$ 41,761,820	\$ 49,325,138	\$ 55,543,982
Capital assets	38,053,056	36,340,493	151,865,985	156,932,132	189,919,041	193,272,625
Total assets	<u>46,954,328</u>	<u>50,122,655</u>	<u>192,289,851</u>	<u>198,693,952</u>	<u>239,244,179</u>	<u>248,816,607</u>
Deferred outflows of resources	<u>5,374,212</u>	<u>5,334,849</u>	<u>306,976</u>	<u>316,962</u>	<u>5,681,188</u>	<u>5,651,811</u>
Current liabilities	3,549,792	2,021,114	927,290	931,728	4,477,082	2,952,842
Noncurrent liabilities	16,873,124	17,313,898	86,866,422	92,321,987	103,739,546	109,635,885
Total liabilities	<u>20,422,916</u>	<u>19,335,012</u>	<u>87,793,712</u>	<u>93,253,715</u>	<u>108,216,628</u>	<u>112,588,727</u>
Deferred inflows of resources	<u>872,707</u>	<u>520,456</u>	<u>49,828</u>	<u>29,488</u>	<u>922,535</u>	<u>549,944</u>
Net investment in capital assets	30,946,977	28,038,919	65,576,951	65,153,935	96,523,928	93,192,854
Restricted	2,800,685	3,300,974	23,330,239	30,688,029	26,130,924	33,989,003
Unrestricted	(2,714,745)	4,262,143	15,846,097	9,885,747	13,131,352	14,147,890
Total net position	<u>\$ 31,032,917</u>	<u>\$ 35,602,036</u>	<u>\$ 104,753,287</u>	<u>\$ 105,727,711</u>	<u>\$ 135,786,204</u>	<u>\$ 141,329,747</u>

**Net Position**

As noted earlier, net position can serve, over time, as a useful indicator of a government's financial position. For the Village, assets exceeded liabilities by \$135,786,204 at the close of fiscal year 2017-2018. The Village's total net position decreased \$5,543,543 from the previous fiscal year.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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The largest portion of the Village's net position (71%) is its investment in capital assets (e.g. land, buildings, infrastructure improvements and equipment) less any outstanding debt related to their acquisition. The Village uses these capital assets to provide services and recreational opportunities to its citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it is important to note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

It should also be noted that another portion of the Village's net position (17%) is restricted for payment of debt service obligations related to the wastewater capital project in future years.

The remaining component of net position is unrestricted in the amount of \$13,131,352. Unrestricted net position may be used to meet the Village's ongoing obligations to its citizens and creditors. The Village's unrestricted net position reflects a positive balance as the Village is able to apply restricted net position to its debt service obligations for the wastewater capital project and wastewater rate revenues increase. At the end of the fiscal year ended September 30, 2018, the Village is able to report positive balances in all of the three categories of net position for the government as a whole even though totals decreased significantly from the prior fiscal year due to expenditures incurred for Hurricane Irma response and recovery.

**Changes in Net Position**

Governmental activities and business-type activities decreased the Village's net position by \$5,543,543 from the previous fiscal year. The relevant revenue and expense categories and their effect on net position are summarized in the table below. The information presented in this table will be used in the subsequent discussion of governmental and business-type activities:

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

### Islamorada, Village of Islands, Florida Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 4,743,216	\$ 4,729,238	\$ 7,831,758	\$ 7,960,385	\$ 12,574,974	\$ 12,689,623
Operating grants	68,171	300,183	-	-	68,171	300,183
Capital grants	2,255,249	1,367,086	2,281,205	2,717,782	4,536,454	4,084,868
<b>General Revenues</b>						
Property taxes	8,947,561	8,124,785	-	-	8,947,561	8,124,785
Other taxes	2,737,983	2,877,942	-	-	2,737,983	2,877,942
Franchise fees	598,906	578,734	-	-	598,906	578,734
Intergovernmental - unrestricted	1,574,990	1,688,815	-	-	1,574,990	1,688,815
Unrestricted interest	24,506	11,941	1,679,939	1,690,890	1,704,445	1,702,831
Miscellaneous	-	-	185,452	42,501	185,452	42,501
Total revenues	<u>20,950,582</u>	<u>19,678,724</u>	<u>11,978,354</u>	<u>12,411,558</u>	<u>32,928,936</u>	<u>32,090,282</u>
<b>Expenses</b>						
General government	4,326,484	4,348,203	-	-	4,326,484	4,348,203
Public safety	15,033,000	8,266,762	-	-	15,033,000	8,266,762
Physical environment	2,659,957	1,994,621	-	-	2,659,957	1,994,621
Transportation	1,170,068	1,067,892	-	-	1,170,068	1,067,892
Economic environment	261,586	466,830	-	-	261,586	466,830
Culture and recreation	1,807,646	1,945,151	-	-	1,807,646	1,945,151
Interest on long-term debt	233,419	266,244	-	-	233,419	266,244
Plantation Yacht Harbor Marina	-	-	1,181,510	1,150,839	1,181,510	1,150,839
Wastewater utility	-	-	11,764,339	12,752,577	11,764,339	12,752,577
Stormwater utility	-	-	34,470	35,517	34,470	35,517
Total expenses	<u>25,492,160</u>	<u>18,355,703</u>	<u>12,980,319</u>	<u>13,938,933</u>	<u>38,472,479</u>	<u>32,294,636</u>
Increase (decrease) in net position						
before transfers	(4,541,578)	1,323,021	(1,001,965)	(1,527,375)	(5,543,543)	(204,354)
Transfers	(27,541)	(138,506)	27,541	138,506	-	-
Change in net position	<u>(4,569,119)</u>	<u>1,184,515</u>	<u>(974,424)</u>	<u>(1,388,869)</u>	<u>(5,543,543)</u>	<u>(204,354)</u>
Net position, beginning	35,602,036	34,417,521	105,727,711	107,116,580	141,329,747	141,534,101
Net position, end of year	<u>\$ 31,032,917</u>	<u>\$ 35,602,036</u>	<u>\$104,753,287</u>	<u>\$ 105,727,711</u>	<u>\$ 135,786,204</u>	<u>\$ 141,329,747</u>

### Governmental Activities

Governmental activities during the fiscal year resulted in a decrease to the Village's net position by \$4,569,119 from the prior year. Unassigned fund balance in the General Fund is showing a deficit due to funds expended to cover response and recovery costs related to Hurricane Irma pending reimbursement by the Federal Emergency Management Agency ("FEMA") and the Florida Department of Emergency Management ("FDEM"). Borrowing from other funds occurred to cover operating needs until a draw on a line of credit was secured by the Village after the fiscal year-end in the amount \$2.5 million.

The largest single ongoing revenue source for the Village's governmental activities is property taxes at \$8,947,561, which represents 43% of total governmental revenues. Another significant source of revenue for governmental activities is charges for services, including assessments for solid waste services, fees for building permits and planning review, emergency medical service fees and charges for park admission and recreation programs. These charges for services total \$4,743,216 or 23% of total revenues for governmental activities.



# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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The single biggest expenditure category among governmental activities for the fiscal year ending September 30, 2018, was public safety. This function totals \$15,033,000 or 59% of total expenditures for governmental activities. Public safety expenditures include the cost of the Village's Fire Rescue Department and the Building Services Department as well as contract costs paid to the Monroe County Sheriff's Office to provide Village police services. In fiscal year 2016-2017, Hurricane Irma impacted the Florida Keys and the Village. A Public Emergency Department was created to account for costs associated with hurricane response and recovery. Expenditures for this special department were included under the public safety expenditure category.

The next largest category of expenditures is general government, totaling \$4,326,484 or 17%. This expenditure category includes the operating budget for the Village Council, Village Manager, Village Attorney, Village Clerk, Planning and Development Services, Finance and Administration, IT and Communications and Code Compliance Departments.

### **Business-Type Activities**

The Village's business-type activities are enterprise funds for the Plantation Yacht Harbor Marina, the Wastewater Utility and the Stormwater Utility. Business-type activities during the fiscal year decreased the Village's net position by \$974,424 from the prior fiscal year. The Wastewater Utility enterprise fund formerly accounted for the operations of the Village's wastewater treatment facility in North Plantation Key (supported by user charges), as well as capital investments and debt service associated with construction of additional wastewater facilities in the remaining service areas. Substantial completion of the additional wastewater facilities occurred in December 2016. In fiscal year 2017-2018, the Village continued paying principal, interest and other debt service fees on loans associated with the wastewater collection and transmission system capital project for the remaining service areas. Additionally, depreciation began being calculated and recorded for the same multi-million dollar capital project in 2016. The Plantation Yacht Harbor Marina continues to recover operating costs through charges for services and goods. The Stormwater Utility was created for the purpose of segregating stormwater assessment revenue, capital costs for stormwater projects and maintenance costs for stormwater infrastructure from the activities of the general government.

Capital grants and contributions represent 19% of the total business-type revenues. The Wastewater Utility recognized \$2,281,205 in grant funding and non-ad valorem assessment revenue in fiscal year 2017-2018. The Utility also recorded \$6,242,365 in revenue from charges for services.

### **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

As noted above, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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In fiscal year 2011, the Village adopted the GASB 54 fund balance policy whereby fund balance is classified to one of five types: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned. At the end of fiscal year 2017-2018, the Village's governmental fund statement reported a combined ending fund balance of \$4,953,026, a decrease of \$6,818,199 in comparison with the prior year. Of this amount, unassigned fund balance shows a deficit of \$1,412,647 meaning that there are no funds available for spending at the government's discretion. Unassigned fund balance in the General Fund is showing this deficit amount due to funds expended to cover response and recovery costs related to Hurricane Irma pending reimbursement by the Federal Emergency Management Agency ("FEMA") and the Florida Department of Emergency Management ("FDEM"). Borrowing from other funds occurred to cover operating needs until a draw on a line of credit was secured by the Village after the fiscal year-end in the amount \$2.5 million to supplement operations.

Of the total non-spendable, restricted and committed fund balances totaling \$6,365,673, 36% or \$2,304,645 is primarily restricted to capital improvement projects funded by infrastructure sales tax, and 41% or \$2,636,664 is committed to expenditures to be funded by revenue sources established by Village Council action. 8% or \$496,040 is restricted for use on expenditures funded by revenue sources established by agencies external to the Village – primarily local option sales tax restricted for use on transportation-related expenditures; and 15% or \$928,324 is in a non-spendable form as it relates to prepayments and deposits.

The General Fund is the chief operating fund of the Village. At the end of the current year, the unassigned fund balance in the General Fund was (\$1,412,647). Under GASB 54, the General Fund is the only fund that can have an unassigned fund balance. In the prior year, the total unassigned fund balance in the General Fund was \$4,525,818, while total fund balance was \$5,720,379. The current year's unassigned fund balance is \$5,938,465 less than the prior year's unassigned fund balance. The Village Council has established a policy that targets an unassigned fund balance of 25% to 30% of projected General Fund expenditures for each fiscal year. When compared to the adopted fiscal year 2017-2018 budget, the unassigned fund balance does not meet the 25% target. As mentioned previously, the Florida Keys and the Village were affected by Hurricane Irma, which passed through the area on September 10, 2017. Costs associated with hurricane recovery were paid from fund balance pending reimbursement from the FEMA and FDEM, as applicable.

The Capital Projects Fund is used to account for revenues and expenses associated with major governmental capital and infrastructure projects and capital asset purchases. In the prior year, the total fund balance in the Capital Project Fund was \$4,558,589. The ending fund balance of the Capital Project Fund at September 30, 2018, is \$4,889,607, an increase of \$3,331,018 due mainly to increases in impact fee revenues that have not yet been utilized for capital projects associated with growth, as required. Discretionary sales surtax recorded in the Capital Projects Fund was used in fiscal year 2017-2018, to fund capital projects needed to replace assets damaged by Hurricane Irma. As with the General Fund, these capital costs were paid from fund balance pending reimbursement from the FEMA and FDEM, as applicable.

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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The Capital Projects Fund reflects a transfer out of \$876,881. The Village's receipts from a discretionary sales tax for infrastructure capital projects are transferred to other funds, including the Debt Service Fund, the Marina Fund and the Wastewater Utility Fund, to cover debt service previously incurred for capital project funding or to provide direct funding for capital projects as directed by the Village Council.

The Debt Service Fund had a total fund balance of \$0 at year-end. While the Village's Debt Service Fund is used to account for the payment of principal, interest and expenditures on long-term governmental debt during each fiscal year, it relies on transfers from other funds as the revenue source. These transfers equal the debt service expense requirements each fiscal year, and no fund balance is intended to be retained in the Debt Service Fund.

### **Proprietary Funds**

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail. Unrestricted net position at the end of the year totaled (\$85,729) for the Plantation Yacht Harbor Marina, \$15,298,810 for the Wastewater Utility and \$633,016 for the Stormwater Utility -- a total unrestricted assets balance of \$15,846,097 in business-type activities.

Other factors concerning the finances of the two major proprietary funds have already been addressed in the discussion of the Village's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original fiscal year 2017-2018, General Fund budget and the final amended budget resulted in a \$4,785,725 increase to total budgeted General Fund expenditures. The budget was amended to increase expenditures due to Hurricane Irma-related response and recovery costs incurred at the end of the year. The budget amendment included decreases in budgeted expenditures in other departments. The total estimated General Fund revenue in the amended budget represents an increase of \$370,000 above the original adopted budget. Ultimately total General Fund expenditures exceeded revenues at year-end by \$6,294,113.

### **CAPITAL ASSETS**

The Village's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings, infrastructure and equipment) and those not subject to depreciation (such as land and construction in progress).

The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2018, was \$189,919,041 net of accumulated depreciation. Of this total, \$38,053,056 relates to governmental activities, while \$151,865,985 relates to business-type activities. In total, net assets decreased by \$3,353,584. The decrease is attributable mainly to calculation and recording of increased depreciation relating to the wastewater collection and transmission system in the remaining service areas.

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Major capital asset events during the current fiscal year included the following:

- Total capital assets in governmental activities increased \$1,712,563 due primarily to acquisition of \$2,588,823 in assets offset by recording of depreciation.
- Total capital assets in the business-type activities decreased by \$5,066,147. Assets acquired in the amount of \$740,240 were offset by depreciation recorded for all assets in the amount of \$5.8 million.

Capital assets held by the Village at the end of the current and prior year are summarized as follows:

### Islamorada, Village of Islands, Florida Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 25,477,758	\$ 23,927,854	\$ 1,061,948	\$ 1,061,948	\$ 26,539,706	\$ 24,989,802
Construction in progress	185,184	109,906	61,862	-	247,046	109,906
Land improvements	38,613	61,393	20,581	34,176	59,194	95,569
Buildings and improvements	7,315,304	7,595,029	603,193	634,472	7,918,497	8,229,501
Improvements other than buildings	1,064,947	709,016	1,874,978	1,925,989	2,939,925	2,635,005
Infrastructure	1,894,667	2,117,529	147,285,537	152,379,364	149,180,204	154,496,893
Equipment and furniture	1,231,057	1,127,977	810,633	896,183	2,041,690	2,024,160
Vehicles	845,526	691,789	147,253	-	992,779	691,789
Total	<u>\$ 38,053,056</u>	<u>\$ 36,340,493</u>	<u>\$ 151,865,985</u>	<u>\$ 156,932,132</u>	<u>\$ 189,919,041</u>	<u>\$ 193,272,625</u>

Additional information on the Village's capital assets can be found in Note 5 on pages 37 and 38 of this report.

### LONG-TERM DEBT

At the end of the current fiscal year, the Village had total long-term debt outstanding in the amount of \$108,216,631. The Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds, special assessment bonds), as well as compensated absences payable and OPEB liability. The Village has no general obligation bonds. This debt is comprised of \$20,422,916 for governmental activities and \$89,793,712 for business-type activities, mainly related to the wastewater capital project.

During the year, the Village increased its long-term debt for governmental activities by \$1,086,114 and decreased the business-type activities long-term debt by \$5,460,179. The long-term debt balance increase in governmental activities was mainly due to pension liability. Effective January 1, 2016, the Village began offering pension benefits through the Florida Retirement System to its employees. The Village's pension liability increased accordingly as existing and new employees opted for the new benefit. The decrease in debt balances for business-type activities was due to debt service payments, including principal, commencing during the fiscal year on debt related to the remaining service areas of the wastewater capital project.

# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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More detailed information about the Village's long-term liabilities is presented in Note 7 on pages 40 through 43 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

On October 24, 2018, the Village closed on a line of credit from Centennial Bank. The purpose of the line of credit for \$7.5 million was to provide the Village a funding source in the event another hurricane impacts the Florida Keys before reimbursement of Hurricane Irma costs is received from FEMA and FDEM. At closing, the Village drew \$2.5 million from the line of credit to supplement operating revenues until reimbursement of nearly \$10 million in Hurricane Irma costs is received. Most of the Hurricane Irma response and recovery costs incurred was for debris management and monitoring services. As of June 2019, the Village has received almost \$1.5 million in reimbursement funds. The Village has recovery projects ongoing. Full close-out of the Hurricane Irma reimbursement process will not occur for many years.

For the fiscal year 2018-2019 budget, the Village Council set a millage rate of 3.0247 mills, which was .2247 mills higher than the previous fiscal year, and 14.3% higher than the rolled-back rate. Knowing that the hurricane expense reimbursement process could take years, as the fiscal year 2019-2020 budget process begins, the Village anticipates a more substantial increase in the millage rate may be necessary to rebuild unassigned fund balance levels and to pay the principal on the line of credit due in November 2019.

During fiscal year 2018-2019, a number of the Village's governmental debt service obligations have been paid off. The Village anticipates being able to utilize a pay-as-you-go methodology to fund capital projects and other capital purchases in coming years leading to improved financial conditions and fund balance levels.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Islamorada, Village of Islands, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Islamorada, Village of Islands, 86800 Overseas Highway, Islamorada, Florida 33036.

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## **BASIC FINANCIAL STATEMENTS**

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**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,736,522	\$ 3,891,734	\$ 10,628,256
Restricted cash and cash equivalents	-	5,956,118	5,956,118
Receivables, net	93,225	836,645	929,870
Special assessment receivables, net	-	1,145,487	1,145,487
Due from other governments	1,143,201	7,641	1,150,842
Other current assets	928,324	89,475	1,017,799
Special assessment receivables, net, noncurrent	-	28,496,766	28,496,766
Capital assets not being depreciated			
Land	25,477,758	1,061,948	26,539,706
Construction in progress	185,184	61,862	247,046
Capital assets being depreciated			
Land improvements	643,925	173,588	817,513
Buildings and improvements	10,438,101	882,631	11,320,732
Improvements other than buildings	4,868,641	2,396,069	7,264,710
Infrastructure	8,484,105	165,865,381	174,349,486
Equipment and furniture	3,506,181	1,819,706	5,325,887
Vehicles	3,507,873	153,655	3,661,528
Accumulated depreciation	(19,058,712)	(20,548,855)	(39,607,567)
Capital assets, net	<u>38,053,056</u>	<u>151,865,985</u>	<u>189,919,041</u>
Total assets	<u>46,954,328</u>	<u>192,289,851</u>	<u>239,244,179</u>
<b>Deferred Outflows of Resources</b>			
Accumulated decrease in fair value of hedging derivatives	3,627	1,926	5,553
Deferred outflows - pensions	5,366,037	304,621	5,670,658
Deferred outflows - OPEB	4,548	429	4,977
Total deferred outflows of resources	<u>5,374,212</u>	<u>306,976</u>	<u>5,681,188</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3,198,114	450,577	3,648,691
Accrued interest payable	89,594	476,713	566,307
Unearned revenue	262,084	-	262,084
Noncurrent liabilities			
Due within one year	767,463	4,400,287	5,167,750
Due in more than one year	16,105,661	82,466,135	98,571,796
Total liabilities	<u>20,422,916</u>	<u>87,793,712</u>	<u>108,216,628</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	865,050	49,107	914,157
Deferred inflows - OPEB	7,657	721	8,378
Total deferred inflows of resources	<u>872,707</u>	<u>49,828</u>	<u>922,535</u>
<b>Net position</b>			
Net investment in capital assets	30,946,977	65,576,951	96,523,928
Restricted for			
Police training	46,417	-	46,417
Capital projects	2,488,318	-	2,488,318
Transportation	265,950	-	265,950
Debt service	-	23,330,239	23,330,239
Unrestricted	(2,714,745)	15,846,097	13,131,352
Total net position	<u>\$ 31,032,917</u>	<u>\$ 104,753,287</u>	<u>\$ 135,786,204</u>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/programs</b>							
<b>Governmental activities</b>							
General government	\$ 4,326,484	\$ 135,000	\$ -	\$ -	\$ (4,191,484)	\$ -	\$ (4,191,484)
Public safety	15,033,000	2,322,292	9,664	40,882	(12,660,162)	-	(12,660,162)
Physical environment	2,659,957	1,693,485	25,000	1,207,888	266,416	-	266,416
Transportation	1,170,068	35,221	26,707	55,741	(1,052,399)	-	(1,052,399)
Economic environment	261,586	5,051	6,800	752,306	502,571	-	502,571
Culture and recreation	1,807,646	552,167	-	198,432	(1,057,047)	-	(1,057,047)
Interest on long-term debt	233,419	-	-	-	(233,419)	-	(233,419)
<b>Total governmental activities</b>	<b>25,492,160</b>	<b>4,743,216</b>	<b>68,171</b>	<b>2,255,249</b>	<b>(18,425,524)</b>	<b>-</b>	<b>(18,425,524)</b>
<b>Business-type activities</b>							
Plantation Yacht Harbor Marina	1,181,510	1,398,850	-	-	-	217,340	217,340
Wastewater utility	11,764,339	6,242,365	-	2,281,205	-	(3,240,769)	(3,240,769)
Stormwater utility	34,470	190,543	-	-	-	156,073	156,073
<b>Total business-type activities</b>	<b>12,980,319</b>	<b>7,831,758</b>	<b>-</b>	<b>2,281,205</b>	<b>-</b>	<b>(2,867,356)</b>	<b>(2,867,356)</b>
<b>Total primary government</b>	<b>\$ 38,472,479</b>	<b>\$ 12,574,974</b>	<b>\$ 68,171</b>	<b>\$ 4,536,454</b>	<b>(18,425,524)</b>	<b>(2,867,356)</b>	<b>(21,292,880)</b>
<b>General revenues</b>							
Property taxes					8,947,561	-	8,947,561
Sales tax					2,068,543	-	2,068,543
Communication services tax					252,803	-	252,803
Motor fuel tax					416,637	-	416,637
Franchise fees					598,906	-	598,906
Intergovernmental revenues, unrestricted					1,574,990	-	1,574,990
Unrestricted interest					24,506	1,679,939	1,704,445
Miscellaneous					-	185,452	185,452
<b>Transfers</b>					(27,541)	27,541	-
<b>Total general revenues and transfers</b>					<b>13,856,405</b>	<b>1,892,932</b>	<b>15,749,337</b>
<b>Change in net position</b>					<b>(4,569,119)</b>	<b>(974,424)</b>	<b>(5,543,543)</b>
<b>Net position, beginning of year, as previously stated</b>					<b>35,599,847</b>	<b>105,727,496</b>	<b>141,327,343</b>
Restatement of net position					2,189	215	2,404
<b>Net position, beginning of year</b>					<b>35,602,036</b>	<b>105,727,711</b>	<b>141,329,747</b>
<b>Net position, end of year</b>					<b>\$ 31,032,917</b>	<b>\$ 104,753,287</b>	<b>\$ 135,786,204</b>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	<u>General</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,129,664	\$ 405,440	\$ -	\$ 4,119,411	\$ 1,082,007	\$ 6,736,522
Receivables	93,225	-	-	-	-	93,225
Due from other funds	251,270	-	-	-	-	251,270
Due from other governments	271,402	1,019	-	191,307	679,473	1,143,201
Prepays	258,952	114	-	666,585	-	925,651
Deposits	-	-	-	-	2,563	2,563
Other current assets	110	-	-	-	-	110
Total assets	<u>\$ 2,004,623</u>	<u>\$ 406,573</u>	<u>\$ -</u>	<u>\$ 4,977,303</u>	<u>\$ 1,764,043</u>	<u>\$ 9,152,542</u>
<b>Liabilities</b>						
Accounts payable	\$ 2,065,452	\$ 281,106	\$ -	\$ 80,354	\$ 397,677	\$ 2,824,589
Accrued expenditures	322,593	426	-	-	-	323,019
Other accrued liabilities	963	-	-	-	-	963
Due to other funds	-	-	-	-	251,270	251,270
Unearned revenue	-	-	-	7,342	254,742	262,084
Deposits	49,543	-	-	-	-	49,543
Total liabilities	<u>2,438,551</u>	<u>281,532</u>	<u>-</u>	<u>87,696</u>	<u>903,689</u>	<u>3,711,468</u>
<b>Deferred inflow of resources</b>						
Unavailable revenue	<u>139,807</u>	<u>852</u>	<u>-</u>	<u>-</u>	<u>347,389</u>	<u>488,048</u>
<b>Fund balances (deficit)</b>						
Nonspendable	258,952	114	-	666,585	2,563	928,214
Restricted	230,090	-	-	2,304,645	265,950	2,800,685
Committed	349,760	124,075	-	1,918,377	608,774	3,000,986
Unassigned	(1,412,537)	-	-	-	(364,322)	(1,776,859)
Total fund balances (deficit)	<u>(573,735)</u>	<u>124,189</u>	<u>-</u>	<u>4,889,607</u>	<u>512,965</u>	<u>4,953,026</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,004,623</u>	<u>\$ 406,573</u>	<u>\$ -</u>	<u>\$ 4,977,303</u>	<u>\$ 1,764,043</u>	<u>\$ 9,152,542</u>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS  
RECONCILIATION OF THE BALANCE SHEET–  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

<b>Fund Balances–Total Governmental Funds</b>		\$ 4,953,026
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 57,111,768	
Accumulated depreciation	<u>(19,058,712)</u>	38,053,056
<p>Other long-term assets are not available to pay for current period expenditures, and, therefore, are reported as unavailable revenue in the funds.</p>		
		488,048
<p>Noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Accrued interest	(89,594)	
Bonds and notes payable	(7,106,079)	
Compensated absences	(719,293)	
Net pension liability, net of related deferred outflows & inflows	(4,474,687)	
Other post-employment benefits payable, net of related deferred outflows & inflows	<u>(71,560)</u>	<u>(12,461,213)</u>
<b>Net Position of Governmental Activities</b>		<u>\$ 31,032,917</u>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 9,149,632	\$ -	\$ -	\$ 2,068,543	\$ 416,637	\$ 11,634,812
Permits, fees and assessments	2,514,330	1,693,485	-	295,055	120,292	4,623,162
Intergovernmental	1,501,208	-	-	1,242,552	391,914	3,135,674
Charges for services	836,821	-	-	-	-	836,821
Fines and forfeitures	163,035	-	-	-	-	163,035
Interest	9,396	986	-	10,865	3,259	24,506
Miscellaneous	45,898	-	-	83,502	5,051	134,451
Total revenues	<u>14,220,320</u>	<u>1,694,471</u>	<u>-</u>	<u>3,700,517</u>	<u>937,153</u>	<u>20,552,461</u>
<b>Expenditures</b>						
Current						
General government	3,858,822	-	-	-	-	3,858,822
Public safety	13,885,055	-	-	89,150	-	13,974,205
Physical environment	-	1,693,183	-	-	646,384	2,339,567
Transportation	1,168,327	-	-	-	-	1,168,327
Economic environment	-	-	-	-	261,586	261,586
Culture/recreation	1,525,281	-	-	-	-	1,525,281
Capital outlay	-	-	-	2,775,779	-	2,775,779
Debt service						
Principal	-	-	1,195,623	-	-	1,195,623
Interest	-	-	243,929	-	-	243,929
Total expenditures	<u>20,437,485</u>	<u>1,693,183</u>	<u>1,439,552</u>	<u>2,864,929</u>	<u>907,970</u>	<u>27,343,119</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(6,217,165)</u>	<u>1,288</u>	<u>(1,439,552)</u>	<u>835,588</u>	<u>29,183</u>	<u>(6,790,658)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	1,439,552	372,311	138,436	1,950,299
Transfers out	(76,949)	-	-	(876,881)	(1,024,010)	(1,977,840)
Total other financing sources (uses)	<u>(76,949)</u>	<u>-</u>	<u>1,439,552</u>	<u>(504,570)</u>	<u>(885,574)</u>	<u>(27,541)</u>
<b>Change in fund balances</b>	(6,294,114)	1,288	-	331,018	(856,391)	(6,818,199)
<b>Fund balances, beginning of year</b>	<u>5,720,379</u>	<u>122,901</u>	<u>-</u>	<u>4,558,589</u>	<u>1,369,356</u>	<u>11,771,225</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ (573,735)</u>	<u>\$ 124,189</u>	<u>\$ -</u>	<u>\$ 4,889,607</u>	<u>\$ 512,965</u>	<u>\$ 4,953,026</u>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<b>Net Change in Fund Balances–Total Governmental Funds</b>	<b>\$ (6,818,199)</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>	
Capital outlay	\$ 2,778,461
Less current year depreciation	<u>(1,051,602)</u>
	1,726,859
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p>	
	(14,296)
<p>Resources in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	398,121
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	1,195,495
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Change in accrued interest payable	10,510
Change in compensated absences	(23,903)
Change in net pension liability	(1,032,432)
Change in other post-employment benefits	<u>(11,274)</u>
	<u>(1,057,099)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (4,569,119)</u></u></b>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	<b>Business-type Activities—Enterprise Funds</b>			
	<b>Major Funds</b>		<b>Nonmajor</b>	
	<b>Plantation Harbor Marina</b>	<b>Yacht Wastewater Utility</b>	<b>Stormwater Utility</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 300	\$ 3,229,017	\$ 662,417	\$ 3,891,734
Restricted cash and cash equivalents	-	5,956,118	-	5,956,118
Receivables	32,537	804,108	-	836,645
Special assessments receivable, net	-	1,145,487	-	1,145,487
Due from other governments	-	3,566	4,075	7,641
Prepays	19,691	54,081	114	73,886
Deposits	200	15,389	-	15,589
Total current assets	<u>52,728</u>	<u>11,207,766</u>	<u>666,606</u>	<u>11,927,100</u>
<b>Noncurrent assets</b>				
Special assessments receivable, net	-	28,496,766	-	28,496,766
Capital assets not being depreciated				
Land	-	1,061,948	-	1,061,948
Construction in progress	2,442	-	59,420	61,862
Capital assets being depreciated				
Land improvements	32,567	80,108	60,913	173,588
Buildings and improvements	882,631	-	-	882,631
Improvements other than buildings	2,396,069	-	-	2,396,069
Infrastructure	687,058	164,960,883	217,440	165,865,381
Equipment and furniture	1,813,010	6,696	-	1,819,706
Vehicles	-	153,655	-	153,655
Less Accumulated depreciation	<u>(2,090,396)</u>	<u>(18,326,899)</u>	<u>(131,560)</u>	<u>(20,548,855)</u>
Capital assets, net	<u>3,723,381</u>	<u>147,936,391</u>	<u>206,213</u>	<u>151,865,985</u>
Total assets	<u>3,776,109</u>	<u>187,640,923</u>	<u>872,819</u>	<u>192,289,851</u>
<b>Deferred outflows of resources</b>				
Deferred outflows - pension	85,682	214,861	4,078	304,621
Deferred outflows - OPEB	229	198	2	429
Accumulated decrease in fair value of hedging derivatives	1,926	-	-	1,926
Total assets and deferred outflows of resources	<u>\$ 3,863,946</u>	<u>\$ 187,855,982</u>	<u>\$ 876,899</u>	<u>\$ 192,596,827</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	5,482	394,884	26,453	426,819
Accrued expenses	7,587	15,745	426	23,758
Accrued interest payable	2,321	474,392	-	476,713
Amounts due within one year				
Compensated absences payable	17,929	3,426	1,408	22,763
Bonds and loan payable	237,704	4,139,820	-	4,377,524
Total current liabilities	<u>271,023</u>	<u>5,028,267</u>	<u>28,287</u>	<u>5,327,577</u>
<b>Noncurrent liabilities</b>				
Compensated absences payable	30,088	4,758	1,871	36,717
Net pension liability	143,318	359,393	6,822	509,533
Bonds and loans payable	97,191	81,814,319	-	81,911,510
Other post-employment benefits payable	3,445	2,974	30	6,449
Interest rate swap liability	1,926	-	-	1,926
Total non-current liabilities	<u>275,968</u>	<u>82,181,444</u>	<u>8,723</u>	<u>82,466,135</u>
Total liabilities	<u>546,991</u>	<u>87,209,711</u>	<u>37,010</u>	<u>87,793,712</u>
<b>Deferred inflows of resources</b>				
Deferred inflows - pension	13,813	34,637	657	49,107
Deferred inflows - OPEB	385	333	3	721
Total deferred inflows of resources	<u>14,198</u>	<u>34,970</u>	<u>660</u>	<u>49,828</u>
<b>Net position</b>				
Net investment in capital assets	3,388,486	61,982,252	206,213	65,576,951
Restricted for				
Debt service	-	23,330,239	-	23,330,239
Unrestricted	<u>(85,729)</u>	<u>15,298,810</u>	<u>633,016</u>	<u>15,846,097</u>
Total net position	<u>3,302,757</u>	<u>100,611,301</u>	<u>839,229</u>	<u>104,753,287</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,863,946</u>	<u>\$ 187,855,982</u>	<u>\$ 876,899</u>	<u>\$ 192,596,827</u>

The accompanying notes to financial statements are an integral part of this statement.

**ISLAMORADA, VILLAGE OF ISLANDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<b>Business-type Activities—Enterprise Funds</b>				
	<b>Major Funds</b>		<b>Nonmajor</b>	<b>Total</b>	
	<b>Plantation Harbor</b>	<b>Yacht Marina</b>	<b>Wastewater Utility</b>		<b>Stormwater Utility</b>
<b>Operating revenues</b>					
Charges for services					
Utilities	\$	-	\$ 6,242,365	\$ 190,543	\$ 6,432,908
Dock rentals		854,183	-	-	854,183
Fuel sales		509,381	-	-	509,381
Ramp		35,286	-	-	35,286
Miscellaneous		37,846	147,606	-	185,452
Total operating revenues		<u>1,436,696</u>	<u>6,389,971</u>	<u>190,543</u>	<u>8,017,210</u>
<b>Operating expenses</b>					
Personal services		269,810	374,130	12,071	656,011
Operating		682,303	3,497,188	7,357	4,186,848
Depreciation		206,712	5,584,633	15,042	5,806,387
Total operating expenses		<u>1,158,825</u>	<u>9,455,951</u>	<u>34,470</u>	<u>10,649,246</u>
Operating income (loss)		<u>277,871</u>	<u>(3,065,980)</u>	<u>156,073</u>	<u>(2,632,036)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest revenue		-	1,678,445	1,494	1,679,939
Interest and fiscal charges/amortization expense		(22,685)	(2,308,388)	-	(2,331,073)
Total nonoperating revenues (expenses)		<u>(22,685)</u>	<u>(629,943)</u>	<u>1,494</u>	<u>(651,134)</u>
Income (loss) before capital contributions and transfers		255,186	(3,695,923)	157,567	(3,283,170)
<b>Capital contributions</b>					
Capital grants		-	1,996,000	-	1,996,000
Capital assessments		-	285,205	-	285,205
Total capital contributions		<u>-</u>	<u>2,281,205</u>	<u>-</u>	<u>2,281,205</u>
<b>Transfers in</b>		27,541	-	-	27,541
Changes in net position		282,727	(1,414,718)	157,567	(974,424)
<b>Net position, beginning of year</b>		3,019,896	102,025,939	681,661	105,727,496
Restatement of net position		134	80	1	215
Net position, beginning of year, as restated		<u>3,020,030</u>	<u>102,026,019</u>	<u>681,662</u>	<u>105,727,711</u>
<b>Net position, end of year</b>	\$	<u>3,302,757</u>	\$ <u>100,611,301</u>	\$ <u>839,229</u>	\$ <u>104,753,287</u>

The accompanying notes to financial statements are an integral part of this statement.



**ISLAMORADA, VILLAGE OF ISLANDS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Business-type Activities—Enterprise Funds</b>							
	<b>Major Funds</b>		<b>Nonmajor</b>					
	<b>Plantation Harbor</b>	<b>Yacht Marina</b>	<b>Wastewater Utility</b>	<b>Stormwater Utility</b>	<b>Total</b>			
<b>Cash flows from operating activities</b>								
Cash received from customers	\$	1,422,151	\$	6,453,241	\$	190,626	\$	8,066,018
Cash paid to suppliers		(702,557)		(3,384,298)		17,369		(4,069,486)
Cash paid to employees		(250,462)		(324,071)		(11,021)		(585,554)
Net cash provided by operating activities		469,132		2,744,872		196,974		3,410,978
<b>Cash flows from noncapital financing activities</b>								
Transfers in		27,541		-		-		27,541
Net cash provided by noncapital financing activities		27,541		-		-		27,541
<b>Cash flows from capital and related financing activities</b>								
Principal payments on loans and bonds		(461,959)		(5,027,205)		-		(5,489,164)
Interest payments on loans and bonds		(25,805)		(2,330,584)		-		(2,356,389)
Proceeds from capital grants and contributions		-		4,420,230		-		4,420,230
Acquisition and construction of capital assets		(8,609)		(672,210)		(59,421)		(740,240)
Net cash used by capital and related financing activities		(496,373)		(3,609,769)		(59,421)		(4,165,563)
<b>Cash flows from investing activities</b>								
Interest received		-		1,678,445		1,494		1,679,939
Net cash provided by investing activities		-		1,678,445		1,494		1,679,939
<b>Net change in cash and cash equivalents</b>		300		813,548		139,047		952,895
<b>Cash and cash equivalents, beginning of year</b>		-		8,371,587		523,370		8,894,957
<b>Cash and cash equivalents, end of year</b>	\$	300	\$	9,185,135	\$	662,417	\$	9,847,852
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>								
Operating income (loss)	\$	277,871	\$	(3,065,980)	\$	156,073	\$	(2,632,036)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities								
Depreciation		206,712		5,584,633		15,042		5,806,387
Decrease (increase) in assets and deferred outflows								
Accounts receivable		(14,545)		63,270		-		48,725
Inventories		-		-		-		-
Prepaid items		(10,624)		(20,857)		(114)		(31,595)
Deposits		-		134,611		-		134,611
Due from other governments		-		-		83		83
Deferred outflows - OPEB		(205)		(183)		(2)		(390)
Deferred outflows - pension		(868)		(2,177)		(41)		(3,086)
Increase (decrease) in liabilities and deferred inflows								
Accounts payable		(9,630)		(1,618)		24,829		13,581
Accrued payroll		(1,582)		8,848		31		7,297
Compensated absences payable		4,545		(277)		234		4,502
Net pension liability		11,835		29,677		563		42,075
Other post-employment benefits payable		(281)		754		11		484
Deferred inflows - pension		5,519		333		3		5,855
Deferred inflows - pension		385		13,838		262		14,485
Net cash provided by operating activities	\$	469,132	\$	2,744,872	\$	196,974	\$	3,410,978
<b>Noncash investing, capital and financing activities</b>								
Change in value of interest rate swap	\$	13,463	\$	-	\$	-	\$	13,463

The accompanying notes to financial statements are an integral part of this statement.

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# ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1 – ORGANIZATION AND OPERATIONS

Islamorada, Village of Islands, Florida (the “Village”) was created pursuant to Chapter 97-348, *Florida Statutes*, as of December 31, 1997, to become operational March 26, 1998. The Village includes four keys: Plantation Key, Windley Key, Upper Matecumbe Key, and Lower Matecumbe Key, within Monroe County, Florida. The Village operates under a Council-Manager form of government and provides or contracts for a wide range of community services including general government; public works; planning, zoning and building; public safety (fire protection, emergency medical services and police services); cultural and recreation (parks maintenance, recreational activities, cultural events, and related facilities); and operation of a marina, a wastewater utility and a stormwater utility. The Village Council (the “Council”) is responsible for legislative and fiscal control of the Village.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices, and the presentation of the financial statements for the Village conform with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies and practices.

#### **A. Reporting Entity:**

As required by generally accepted accounting principles, these financial statements present the government and its component units, if applicable. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Village’s financial statements to be misleading or incomplete. A primary government is considered financially accountable if it appoints a voting majority of an organization’s governing body and is able to impose its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government and a financial benefit or burden relationship exists, regardless of the authority of the organization’s governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as part of the primary government.

Based on the application of the criteria set forth by the Government Accounting Standards Board, management has determined that no component units exist which would require inclusion in this report. Further, management is not aware of any entity which would consider the Village to be a component unit.

#### **B. Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a given function or program. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's wastewater function and various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**C. Fund Financial Statements:**

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary funds – are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Village reports the following major governmental funds:

The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Solid Waste Fund** accounts for revenues from charges for services and expenditures for collection, disposal and hauling of solid waste.

The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The **Capital Projects Fund** accounts for revenues from discretionary sales surtax, grants and impact fees for capital improvement projects.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Village reports the following major proprietary funds:

The **Plantation Yacht Harbor Marina Fund** is used to account for marina services provided to the community that are financed and operated in a manner similar to a private business enterprise. The costs of providing services are generally recovered through user charges.

The **Wastewater Utility Fund** is used to account for the design, construction and operation of Village owned wastewater treatment facilities that are financed and operated in a manner similar to a private business enterprise. The costs of providing services are recovered through user charges.

Additionally, the Village reports the following nonmajor funds:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The **Stormwater Utility Fund** is used to account for the construction of a Village owned stormwater drainage utility that provides drainage services to the residents of the Village and is operated in a manner similar to a private business enterprise. The costs of providing services will be recovered through user charges in the future.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenues or expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year-end, provided that amounts received pertain to billings through the fiscal year. Intergovernmental revenues, which include federal and state grants, state revenue sharing allotments, local government one-half cent sales tax and county shared revenue, among other sources are recorded in accordance with their legal or contractual requirements if collected in the current period or within 90 days after year-end. Interest income is recorded when earned. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Information:**

Florida Statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Village Council annually adopts an operating budget and appropriates funds for the General, Special Revenue, Capital Project, Debt Service, and Enterprise funds consistent with generally accepted accounting principles. The procedures for establishing budgetary data are as follows:

- In August of each year, the Village Manager submits a proposed operating budget to the Council for the fiscal year commencing the following October 1. The operating budget includes proposed appropriations and the means of funding them.
- Two public hearings are conducted, usually during the month of September, to obtain taxpayer comments on the proposed budgets for each fund.
- Upon completion of the public hearings and before October 1, a final operating budget is legally enacted through the passage of a resolution. Passage of this resolution constitutes appropriation of the amounts specified in the budget as expenditures.

The adopted budget resolution specifies that the initial limitation on expenditures is by department or category total. The total allocated to each department, category (personnel, operating or capital) or line item may be increased or decreased by the Village Manager so long as the modification does not exceed the Village's total budgeted funds. Whenever a department, category or line item reallocation occurs, the Village Manager must present a resolution to the Village Council for approval amending the budget to reflect such department, category or line item reallocation within thirty days of the date of the reallocation.

Additionally, the adopting budget resolution provides that all outstanding encumbrances (open purchase orders) at the end of the fiscal year shall lapse. Those outstanding encumbrances may be re-appropriated into the next fiscal year budget. The total amount of outstanding encumbrances at year-end are reflected in assigned fund balance of the respective funds. When the year-end outstanding encumbrances are re-appropriated the next fiscal year, a use of fund balance is requested for approval by the Village Council.

Florida Statutes provide that the governing body of each municipality may amend the budget at any time within the fiscal year or within 60 days following the end of the fiscal year. Within 60 days of the fiscal year-end, the Village prepares a re-appropriation budget amendment to try to ensure that budget deficiencies at department, category, or line item level are covered.

For the year ended September 30, 2018, expenditures exceeded appropriations in several departments of the General Fund as follows:

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund	
Village manager/Village clerk	\$ (2,530)
Finance and administrative/IT	(36,205)
Legal	(5,850)
Planning and zoning	(89,073)
Emergency response	(1,681,777)
Affordable Housing Fund	
Economic environment	\$ (53,188)
Canal Debris Removal Fund	
Physical environment	\$ (646,384)
Debt Service Fund	
Principal	\$ (113)
Interest	(8,139)
Capital Projects Fund	
Public safety	\$ (2,150)
Capital outlay	(47,910)

Expenditures in excess of appropriations is a budgetary violation. Section 166.241, *Florida Statutes*, allows a municipality to amend its budget within 60 days following the fiscal year-end. A re-appropriation budget amendment provides a municipality an opportunity to reflect increased revenues in order to offset expenditure budget overages or to reflect revised additions to fund balance when expenditures are below budget before budget to actual information is presented in the Comprehensive Annual Financial Report. On November 29, 2018, the Village Council adopted Resolution No. 18-11-121 to amend the fiscal year 2017-2018 budget in accordance with Section 166.241, *Florida Statutes*. Final journal entries needed to prepare the fiscal year 2017-2018 general ledger for the annual audit were not yet completed, however. Additional journal entries needed after posting of the approved amended budget, created the budget overages indicated.

The budget overages in the General Fund departments as of September 30, 2018, were mainly attributable to adjustments made to retirement and pension contribution liability accounts. Overages resulted in the other governmental funds mainly due to posting of payables for invoices received after fiscal year-end. One invoice for Hurricane Irma debris management work could not be paid until the draw on the line of credit was received. The closing on the line of credit occurred in late October, and the invoice was paid in November. In preparing the budget amendment for Council approval, the invoice was missed.



ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position:

Cash and Cash Equivalents:

Cash and cash equivalents are defined as cash on hand, demand deposits and highly liquid investments with original maturities of three months or less from the date of acquisition.

Prepays:

Prepayments are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefitted. These amounts are reported as nonspendable in the governmental fund financial statements.

Special Assessments:

Special assessments, levied pursuant to Florida Statutes, are used to finance wastewater utility capital projects, in combination with grants and other revenue sources. The assessments are levied and imposed on all real estate parcels in the assessment districts upon adoption of a final assessment resolution. Typically, when special assessments are imposed they may be prepaid in a lump sum or spread over a 25-30 year amortization period (with interest and fees) as a non-ad valorem assessment, at the discretion of the affected property owner. During the amortization period, property owners also have the option annually to pay off the remaining principal amount of an assessment and remove it from future tax rolls. Each year, in order to perfect the lien, the Village must adopt an assessment resolution to place the annual non-ad valorem assessments on the current tax roll.

Under full accrual accounting, the estimated value of the current wastewater assessment roll levied for the 2018-2019 fiscal year (less an allowance for uncollectible amounts and interest and fees which are applicable to fiscal year 2019) is considered a current receivable for fiscal year 2017-2018. The remaining unpaid principal of each assessment (less an allowance for uncollectible amounts) is recorded as a noncurrent receivable.

Capital Assets:

Capital assets, which include land, construction-in-progress, equipment and furniture, vehicles, buildings and building renovation, improvements other than buildings, infrastructure and infrastructure improvements, land improvements, and park improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment and furniture	5-12
Vehicles	6-7
Buildings and building renovations	50
Infrastructure and infrastructure improvements	10-40
Land improvements	10
Park improvements	15-50
Improvements other than buildings	12

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position and Proprietary Funds Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. One is the accumulated decrease in the fair value of hedging activities. The second relates to the Village's defined benefit pension plan. The third relates to the Village's other post-employment benefit liability.

In addition to liabilities, the Statement of Net Position and Proprietary Funds Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized an inflow of resources (revenue) until that time. The deferred inflows of resources reported in these statements are related to the Village's defined benefit pension plan and total other post-employment liability.

The Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance also reports unavailable revenue as a deferred inflow of resources which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the amount becomes available.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Village reports deferred outflows and deferred inflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension expense over time instead of all being recognized in the year of occurrence.

Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. The changes in proportion and differences between Village contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five year period.

Additionally, any contributions made by the Village to the pension plan before year-end but subsequent to the measurement date of the Village's net pension liability are reported as deferred outflows of resources.

Pension:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Village's FRS plan and additions to/deductions from this plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences:

The Village's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service. Unused compensated absences are payable upon separation from service. Vacation is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the vacation liability and it is probable that the Village will compensate the employees in some manner, e.g., in cash or in paid time-off, now or upon termination or retirement. The Village uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are eligible to receive termination payments upon separation. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

In the fund financial statements, governmental funds report only the compensated absence liability payable if they are material (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). The General Fund has typically been used in prior years to liquidate such amounts. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Long-Term Obligations:

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable is reported net of the applicable bond premiums or discounts.

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

Fund Balance/Net Position:

The Village desires to provide a stable financial environment for operations that allows the Village to provide quality services in a fiscally responsible manner. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained.

When both restricted and unrestricted fund balance/net position are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed. Within unrestricted fund balance, the order in which expenditures will be applied is as follows: committed, assigned and then unassigned.

Pursuant to GASB Statement No. 54, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Additionally, fund balance classifications should depict the nature of the net resources that are reported in a governmental fund. The following definitions provided by GASB Statement No. 54 will be used in reporting activity in governmental funds of the Village.

- Nonspendable Fund Balance: Amounts that cannot be spent because they are either: (1) not in spendable form, or (2) legally or contractually required to be maintained intact. Amounts included as nonspendable include inventories, prepaid amounts, long-term amounts of loans and notes receivable, and property held for resale, unless proceeds are restricted, committed or assigned, as well as funds legally or contractually required to be maintained intact.
- Restricted Fund Balance: Amounts that may only be spent for specific purposes, as stipulated by external resource providers, by constitution or through enabling legislation that is legally enforceable by an external party. Enabling legislation that creates a revenue stream must also stipulate the purposes for which that revenue can be used. Restrictions may only be changed by parties external to the Village.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Committed Fund Balance: Amounts committed for specific purposes by formal action of the government’s highest level of decision-making authority. Fund balance can be committed pursuant to constraints imposed by either an ordinance, resolution, or a valid agreement between the Village and a counterparty for which it is clearly documented that the Village will use existing resources, rather than future revenues, to satisfy the contractual obligation. These amounts cannot be used for any other purpose unless the Village Council removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. Formal action to commit an amount to a specific purpose must be made prior to the end of the Village’s fiscal year. The actual amount, however, may be computed after year-end as part of the preparation of the financial statements.
- Assigned Fund Balance: Amounts that are intended by the government to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by: (1) the governing body itself, or (2) a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes. This authority is granted by Village Council to the Village Manager. Assignment calculations may be made after year-end as part of the preparation of the financial statements. Included in this category is any fund balance carry-forward used to balance the subsequent year’s budget.
- Unassigned Fund Balance: The residual classification of fund balance which has not been restricted, committed or assigned to specific purposes. Only the General Fund may report positive unassigned fund balance. Unassigned residual deficits may apply to other governmental funds to the extent fund balances are insufficient to satisfy restricted and committed balances.

Government-wide and proprietary fund financial statements utilize a net position presentation. Net position is presented in three components as follows:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or borrowings that are attributable to the acquisition, construction or improvement of those assets. This component does not include the unspent proceeds of debt.
2. Restricted net position – Consists of funds with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property Taxes:**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State Law. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy is established by the Council prior to October 1 of each year during the budget process. The millage rate assessed by the Village for the year ended September 30, 2018, was 2.80 mills (\$2.80 for each \$1,000 of assessed valuation). The nonexempt assessed value of property within the Village limits at January 1, 2018, was approximately \$3.29 billion.

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

**H. Estimates:**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The Village maintains a cash pool that is available for use by all funds to facilitate the cash management process. Each fund's portion of this pool is included on the Statement of Net Position and Balance Sheet as "cash and cash equivalents." Interest is allocated to the various funds based on their proportionate share of the cash pool.

Cash – All of the Village's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the act, every qualified public depository shall deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits 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.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

At year-end, the carrying amount of the Village’s deposits was \$16,584,374 and the total bank balance was \$16,753,218. Included in cash and equity in pooled cash on the Statement of Net Position and Balance Sheet – Governmental Funds is \$1,870 cash on hand. All balances are covered by federal depository insurance or by collateral held by the State Treasurer.

Investments – In accordance with the Village’s investment policy, the Village may invest in the following:

- Interest-bearing time deposits and checking or savings accounts in qualified public depositories as defined in Florida Statute 280.02.
- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Direct obligations of the United States Treasury.
- Federal Agencies or instrumentalities.

At September 30, 2018, the Village’s surplus funds were held in interest-bearing checking and savings accounts.

**NOTE 4 – RECEIVABLES**

Receivables at September 30, 2018, for the Village’s individual major funds and total nonmajor funds are as follows:

	<u>Accounts</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities</b>				
Major funds				
General Fund	\$ 93,225	\$ -	\$ 271,402	\$ 364,627
Solid Waste Fund	-	-	1,019	1,019
Capital Projects Fund	-	-	191,307	191,307
Nonmajor funds	-	-	679,473	679,473
Total governmental activities	<u>93,225</u>	<u>-</u>	<u>1,143,201</u>	<u>1,236,426</u>
<b>Business-type Activities</b>				
Major funds				
Plantation Yacht Harbor Marina Fund	32,537	-	-	32,537
Wastewater Utility Fund	804,108	29,642,253	3,566	30,449,927
Nonmajor fund	-	-	4,075	4,075
Total business-type activities	<u>836,645</u>	<u>29,642,253</u>	<u>7,641</u>	<u>30,486,539</u>
Total primary government	<u>\$ 929,870</u>	<u>\$ 29,642,253</u>	<u>\$ 1,150,842</u>	<u>\$ 31,722,965</u>

Special assessment receivables are net of an allowance for uncollectible accounts in the amount of \$1,235,094. All other receivables are deemed fully collectible by the Village.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2018, was as follows:

	<u>Balance</u> <u>October 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 23,927,854	\$ 1,550,532	\$ (628)	\$ -	\$ 25,477,758
Construction in progress	109,906	109,999	-	(34,721)	185,184
Total capital assets, not being depreciated	<u>24,037,760</u>	<u>1,660,531</u>	<u>(628)</u>	<u>(34,721)</u>	<u>25,662,942</u>
Capital assets, being depreciated					
Land improvements	644,665	-	(740)	-	643,925
Buildings and improvements	10,403,380	-	-	34,721	10,438,101
Improvements other than buildings	4,413,308	512,503	(57,170)	-	4,868,641
Infrastructure	8,474,505	9,600	-	-	8,484,105
Equipment and furniture	3,285,554	351,727	(131,100)	-	3,506,181
Vehicles	3,263,773	244,100	-	-	3,507,873
Total capital assets, being depreciated	<u>30,485,185</u>	<u>1,117,930</u>	<u>(189,010)</u>	<u>34,721</u>	<u>31,448,826</u>
Less accumulated depreciation for					
Land improvements	(583,272)	(22,780)	740	-	(605,312)
Buildings and improvements	(2,808,351)	(314,446)	-	-	(3,122,797)
Improvements other than buildings	(3,704,292)	(149,418)	50,016	-	(3,803,694)
Infrastructure	(6,356,976)	(232,462)	-	-	(6,589,438)
Equipment and furniture	(2,157,577)	(242,133)	124,586	-	(2,275,124)
Vehicles	(2,571,984)	(90,363)	-	-	(2,662,347)
Total accumulated depreciation	<u>(18,182,452)</u>	<u>(1,051,602)</u>	<u>175,342</u>	<u>-</u>	<u>(19,058,712)</u>
Total capital assets, being depreciated, net	<u>12,302,733</u>	<u>66,328</u>	<u>(13,668)</u>	<u>34,721</u>	<u>12,390,114</u>
Governmental activities capital assets, net	<u>\$ 36,340,493</u>	<u>\$ 1,726,859</u>	<u>\$ (14,296)</u>	<u>\$ -</u>	<u>\$ 38,053,056</u>

Depreciation expense was charged to the governmental activities as follows:

<b>Governmental Activities</b>	
General government	\$ 245,216
Public safety	295,319
Physical environment	266,416
Culture and recreation	244,651
Total depreciation expense, governmental activities	<u>\$ 1,051,602</u>



**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the business-type activities for the year ended September 30, 2018, was as follows:

	<u>Balance</u> <u>October 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 1,061,948	\$ -	\$ -	\$ -	\$ 1,061,948
Construction in progress	-	61,862	-	-	61,862
Total capital assets, not being depreciated	<u>1,061,948</u>	<u>61,862</u>	<u>-</u>	<u>-</u>	<u>1,123,810</u>
Capital assets, being depreciated					
Land improvements	173,588	-	-	-	173,588
Buildings and improvements	882,631	-	-	-	882,631
Improvements other than buildings	2,396,069	-	-	-	2,396,069
Infrastructure	165,351,020	514,361	-	-	165,865,381
Equipment and furniture	1,809,344	10,362	-	-	1,819,706
Vehicles	-	153,655	-	-	153,655
Total capital assets, being depreciated	<u>170,612,652</u>	<u>678,378</u>	<u>-</u>	<u>-</u>	<u>171,291,030</u>
Less accumulated depreciation for					
Land improvements	(139,412)	(13,595)	-	-	(153,007)
Buildings and improvements	(248,159)	(31,279)	-	-	(279,438)
Improvements other than buildings	(470,080)	(51,011)	-	-	(521,091)
Infrastructure	(12,971,656)	(5,608,188)	-	-	(18,579,844)
Equipment and furniture	(913,161)	(95,912)	-	-	(1,009,073)
Vehicles	-	(6,402)	-	-	(6,402)
Total accumulated depreciation	<u>(14,742,468)</u>	<u>(5,806,387)</u>	<u>-</u>	<u>-</u>	<u>(20,548,855)</u>
Total capital assets, being depreciated, net	<u>155,870,184</u>	<u>(5,128,009)</u>	<u>-</u>	<u>-</u>	<u>150,742,175</u>
Business-type activities capital assets, net	<u>\$156,932,132</u>	<u>\$ (5,066,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,865,985</u>

Depreciation expense was charged to the business-type activities as follows:

<b>Business-type Activities</b>	
Plantation Yacht Harbor Marina	\$ 206,712
Wastewater Utility	5,584,633
Stormwater Utility	15,042
Total depreciation expense, business-type activities	<u>\$ 5,806,387</u>

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 6 – INTERFUND BALANCES**

Interfund transfers between funds for the year ended September 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities</b>		
Major Funds		
General Fund	\$ -	\$ 76,949
Debt Service Fund	1,439,552	-
Capital Projects Fund	372,311	876,881
Nonmajor Funds	138,436	1,024,010
<b>Business-type Activities</b>		
Major Funds		
Plantation Yacht Harbor Marina Fund	27,541	-
Total	<u>\$ 1,977,840</u>	<u>\$ 1,977,840</u>

Because the Village's governmental debt is secured by discretionary sales surtax levied to fund infrastructure capital projects, a transfer of \$849,340 occurred from the Capital Projects Fund to the Debt Service Fund. In addition to this transfer of discretionary sales surtax revenue, a transfer of \$27,541 was made from the Capital Projects Fund to the Marina Fund to assist with debt service coverage.

In addition, \$91,543 was transferred from the Capital Projects Fund to the Wastewater Utility Fund for costs related to the wastewater project. Transfers of \$76,948 and \$513,265 were made from the General and Transportation Funds, respectively, to the Debt Service Fund to fund long-term debt payments. A transfer of \$88,956 was made from the CDBG Fund to the Affordable Housing Fund to fund affordable housing grants. Finally, a transfer of \$372,311 was made from the Affordable Housing Fund to the Capital Projects Fund to fund capital expenditures.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES**

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2018:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
Series 2003	\$ 74,600	\$ -	\$ (49,300)	\$ 25,300	\$ 25,300
Series 2004A	142,865	-	(94,291)	48,574	48,575
Series 2004B	870,000	-	(575,000)	295,000	295,000
Series 2012	2,230,175	-	(27,970)	2,202,205	28,588
Series 2013	4,890,000	-	(355,000)	4,535,000	370,000
Capital lease payable	93,934	-	(93,934)	-	-
Interest rate swap liability	21,756	-	(18,129)	3,627	-
Compensated absences	695,390	523,619	(499,716)	719,293	-
Net pension liability	8,234,493	5,074,933	(4,333,752)	8,975,674	-
Total OPEB liability	<u>60,685</u>	<u>16,228</u>	<u>(8,462)</u>	<u>68,451</u>	<u>-</u>
Total governmental activities	<u>\$ 17,313,898</u>	<u>\$ 5,614,780</u>	<u>\$ (6,055,554)</u>	<u>\$ 16,873,124</u>	<u>\$ 767,463</u>

The beginning balance for the total OPEB liability has been modified from the amount reported in the September 30, 2017, financial statements in order to reflect the change in accounting principle as required by GASB Statement No. 75.

Typically, compensated absences, the net pension liability, and other post-employment benefits are liquidated with funds from the General Fund.

Long-term debt of the governmental activities at September 30, 2018, is composed of the following bonds payable:

	<u>Governmental Activities</u>
<u>Public Improvement Revenue Bond, Series 2003</u>	
The Village issued bonds in the amount of \$598,000 to finance the cost of acquisition and construction of renovations and improvements to the Village's South Fire Station. Principal and interest at 3.87% is payable semi-annually on August 1 and February 1 through February 2019. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax.	\$ 25,300
<u>Public Improvement Revenue Bond, Series 2004A</u>	
The Village issued bonds in the amount of \$2,111,355 to finance the cost of acquisition and construction of certain capital projects within the Village, including a municipal center and the Lower Matecumbe Fire and EMS project. Principal and interest at 4.05% is payable semi-annually on August 1 and February 1 through February 1, 2019. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax and marina operating revenues.	48,574

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

Public Improvement Revenue Bond, Series 2004B

The Village issued bonds in the amount of \$6,770,000 to refund \$6,769,938 of outstanding Public Improvement Revenue Bonds, Series 2002A. Principal and interest at 3.88% is payable semi-annually on August 1 and February 1 through February 1, 2019. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax and marina operating revenues.

295,000

Capital Improvement Refunding Revenue Bond, Series 2012

The Village issued bonds in the amount of \$2,392,749 to refund \$2,332,600 of outstanding Public Improvement Revenue Bonds, Series 2007, plus accrued interest and issuance costs. Principal and interest at 2.210% is payable semi-annually on December 1 and June 1 through June 2027. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax.

2,202,205

Capital Improvement Revenue Bond, Series 2013

The Village issued bonds in the amount of \$6,000,000 to finance the cost of acquisition and construction of capital improvements to the road system and pay issuance costs. Principal and interest at 3.13% is payable semi-annually on October 1 and April 1 through October 1, 2028. The bonds are secured by, and payable from, the Village's local option gas tax revenues.

4,535,000

\$ 7,106,079

Annual debt service requirements to maturity for outstanding bonds for governmental activities are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 767,463	\$ 194,599	\$ 962,062
2020	644,219	172,564	816,783
2021	659,947	154,643	814,590
2022	680,803	136,281	817,084
2023	691,787	117,319	809,106
2024-2028	3,411,860	289,657	3,701,517
2029 and 2030	250,000	3,913	253,913
	<u>\$ 7,106,079</u>	<u>\$ 1,068,976</u>	<u>\$ 8,175,055</u>

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

The following is a summary of changes in business-type activities long-term debt for the year ended September 30, 2018:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
Bonds Payable					
Series 2004A	\$ 697,135	\$ -	\$ (460,709)	\$ 236,426	\$ 236,425
Series 2012	2,769,189	-	(247,695)	2,521,494	253,158
State Revolving Fund Loans					
2006	2,900,632	-	(255,883)	2,644,749	262,935
2012	85,411,241	-	(4,524,877)	80,886,364	3,625,006
Interest rate swap liability	15,389	-	(13,462)	1,927	-
Compensated absences	54,978	47,712	(43,210)	59,480	22,763
Net pension liability	467,458	288,094	(246,019)	509,533	-
Total OPEB liability	5,965	1,635	(1,151)	6,449	-
Total governmental activities	<u>\$ 92,321,987</u>	<u>\$ 337,441</u>	<u>\$ (5,793,006)</u>	<u>\$ 86,866,422</u>	<u>\$ 4,400,287</u>

The beginning balance for the total OPEB liability has been modified from the amount reported in the September 30, 2017, financial statements in order to reflect the change in accounting principle as required by GASB Statement No. 75.

Long-term debt of the business-type activities at September 30, 2018, is composed of the following bonds payable:

	<u>Business-type Activities</u>
<u>Public Improvement Revenue Bond, Series 2004A</u>	
The Village issued bonds in the amount of \$4,388,645 to finance the cost of acquisition and construction of certain capital projects within the Plantation Yacht Harbor Marina. Principal and interest at 4.05% is payable semi-annually on August 1 and February 1 through February 2019. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax and marina operating revenues.	\$ 236,426
<u>Capital Improvement Refunding Revenue Bond, Series 2012</u>	
The Village issued bonds in the amount of \$3,931,877 to refund \$2,492,276 of outstanding Special Assessment Improvement Bonds, Series 2006, \$104,288 of outstanding Public Improvement Revenue Bonds, Series 2007, and \$1,175,198 of outstanding Capital Improvement Revenue Bonds, Series 2009, plus accrued interest and issuance costs. Principal and interest at 2.210% is payable semi-annually on December 1 and June 1 through June 2027. The bonds are secured by, and payable from, the Village's portion of the one-cent governmental infrastructure surtax.	2,521,494

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

2006 State Revolving Fund Loan Program

The Village entered into a loan agreement with the State Department of Environmental Protection Clean Water Revolving Fund Loan program to borrow funds to finance the engineering and design of a wastewater collection system in the amount of \$5,219,564 (including capitalized interest and service fees). The combined interest and grant allocation assessment for this agreement is fixed as 2.92%. Principal and interest payments in the amount of \$166,769 are payable semi-annually on January 15 and July 15 through July 15, 2027. The loan is secured by assessments and annual revenues derived from the operation of the sewer system.

2,644,749

2012 State Revolving Fund Loan Program

The Village entered into a loan agreement with the State Department of Environmental Protection Clean Water State Revolving Fund program to borrow funds to finance the design and construction of a wastewater collection system. As of September 30, 2013, the approved loan amount was \$47,799,014, including capitalized interest, and \$22,502,437 had been borrowed to date. The combined interest and grant allocation assessment for this agreement is 2.33%. Payments will begin June 15, 2016, and semi-annually thereafter on December 15 and June 15 until paid in full. The loan is secured by assessments and annual revenues derived from the operation of the sewer system.

80,886,364

\$ 86,289,033

The annual requirements to amortize the outstanding debt of the business-type activities as of September 30, 2018, is as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 4,377,524	\$ 2,226,908	\$ 6,604,432
2020	4,258,250	2,115,127	6,373,377
2021	4,368,147	2,005,212	6,373,359
2022	4,480,927	1,892,412	6,373,339
2023	4,596,668	1,776,648	6,373,316
2024-2028	24,115,331	7,041,182	31,156,513
2029-2033	24,681,260	3,992,803	28,674,063
2034-2036	15,410,926	735,176	16,146,102
	<u>\$ 86,289,033</u>	<u>\$ 21,785,468</u>	<u>\$ 108,074,501</u>

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 – SWAP AGREEMENTS**

*Series 2004A and 2004B Public Improvement Revenue Bonds Swap Agreements:*

The Village entered into two interest rate swaps in connection with its \$6,500,000 Series 2004A and its \$6,770,000 Series 2004B Public Improvement Revenue Bonds with notional amounts equal to the bonds outstanding. The intent of the swaps is to effectively change the Village's variable interest rate on the debt to a synthetic fixed rate of 4.05% and 3.88%. The Series 2004A and 2004B Bond and the related swap agreements mature on February 1, 2019. Under the requirements of the swaps, the Village receives variable payments based on 67% of U.S. LIBOR plus .80% from the counterparty, which equals the outstanding rate on the bonds. The swaps had a negative fair value of approximately \$3,272 and \$2,281, respectively, at September 30, 2018. The following table summarizes the objective and terms of the Village's hedging derivative instruments outstanding at September 30, 2018.

Bond Issue	Original Notional Amount	Notional Amount 9/30/2018	Effective Date	Maturity Date	Fair Value 9/30/2018	Fair Value 9/30/2017	Change in Value
2004A	\$ 6,500,000	\$ 285,000	2/27/04	2/1/19	\$ (3,272)	\$ (18,665)	\$ 15,393
2004B	\$ 6,770,000	\$ 295,000	3/15/04	2/1/19	\$ (2,281)	\$ (18,479)	\$ 16,198
					<u>\$ (5,553)</u>	<u>\$ (37,144)</u>	<u>\$ 31,591</u>

Per GASB Statement 53, when debt is associated with a derivative instrument such as the Series 2004A and 2004B Public Improvement Revenue Bonds Swap Agreements, the net cash flows between the amount owed on the bonds and the amount received from the hedging instrument should be disclosed. In the case of these Swap Agreements, there is no variation between the variable rate payments, and the Village does not exchange variable rate funds in a bank loan swap. The Village only pays the lender the fixed rate. The variable rate aspect is internal within the lending bank. Therefore, a schedule of net cash flows is not included in this disclosure note. The future maturity schedules in Note 7 disclose all future payments related to the swap agreements calculated at the fixed rates.

Credit risk – As of September 30, 2018, the Village was not exposed to credit risk because the swaps had a negative value.

Basis risk – The Village is not exposed to basis risk because the interest rate on the bonds and the swaps are the same.

Termination risk – The Village or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the swap contract. If, at the time of termination, a swap agreement has a negative fair market value to the Village, the Village may be liable to the counterparty for a termination payment calculated pursuant to the swap agreement.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – FUND BALANCE**

Fund balance as of September 30, 2018, consists of the following:

	General Fund	Solid Waste Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>					
Prepays	\$ 259,062	\$ 114	\$ 666,585	\$ -	\$ 925,761
Deposits	-	-	-	2,563	2,563
Total nonspendable	<u>259,062</u>	<u>114</u>	<u>666,585</u>	<u>2,563</u>	<u>928,324</u>
<b>Restricted</b>					
Police training	46,417	-	-	-	46,417
Capital projects	183,673	-	2,304,645	-	2,488,318
Transportation	-	-	-	265,950	265,950
Total restricted	<u>230,090</u>	<u>-</u>	<u>2,304,645</u>	<u>265,950</u>	<u>2,800,685</u>
<b>Committed</b>					
Landscape mitigation	213,792	-	-	-	213,792
Building code enforcement training	135,968	-	-	-	135,968
GTH/KTCP master plan	-	-	-	-	-
Affordable housing	-	-	-	608,774	608,774
Fire rescue projects	-	-	288,960	-	288,960
Park projects	-	-	1,248,210	-	1,248,210
Transportation projects	-	-	381,207	-	381,207
Solid waste projects and operations	-	124,075	-	-	124,075
Library projects	-	-	-	-	-
Total committed	<u>349,760</u>	<u>124,075</u>	<u>1,918,377</u>	<u>608,774</u>	<u>3,000,986</u>
<b>Unassigned</b>	<u>(1,412,647)</u>	<u>-</u>	<u>-</u>	<u>(364,322)</u>	<u>(1,776,969)</u>
Total fund balance	<u>\$ (573,735)</u>	<u>\$ 124,189</u>	<u>\$ 4,889,607</u>	<u>\$ 512,965</u>	<u>\$ 4,953,026</u>



ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS**

Plan Description – The Village provides healthcare benefits through a single-employer defined benefit plan (the “Plan”) administered by the Village. Pursuant to the provisions of Section 112.0801, *Florida Statutes*, former employees and eligible dependents who retire from the Village may continue to participate in the Village’s self-funded health and hospitalization plans for medical and prescription drug coverage. The Village subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The Plan does not issue a stand-alone financial report.

Employees Covered by the Benefit Terms – At September 30, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries	-
Inactive, nonretired members	-
Active plan members	94
Total	<u>94</u>

Benefits Provided – A retired employee and his or her spouse and eligible dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable retirement plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents. At age 65, Medicare becomes the primary insurance.

The Village’s total OPEB liability was measured as of September 30, 2017, based on an actuarial valuation as of September 30, 2017, using the following assumptions:

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	3.64%
Initial trend rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	55

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Millimnan’s July 1, 2018, Florida Retirement System (FRS) valuation report.

*Mortality - Active Lives:* For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue- Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*Mortality - Inactive Healthy Lives:* For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

*Mortality - Disabled Lives:* For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

*Discount Rate:* Given the Village's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in the Total OPEB Liability of the Village: The changes in the total OPEB liability of the Village for the year ended September 30, 2018, were as follows:

	Total OPEB Liability
Balances at September 30, 2017	\$ 66,650
Changes for the year:	
Service cost	15,749
Interest on the total OPEB liability	2,514
Changes of assumptions	(9,575)
Benefit payments	(438)
Net changes	<u>8,250</u>
Balances at September 30, 2018	<u>\$ 74,900</u>

Changes in assumptions reflect a change in the discount rate from 3.06% for the reporting period ended September 30, 2017, to 3.64% for the reporting period ended September 30, 2018.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	<u>1% Decrease</u> 2.64%	<u>Current Discount Rate</u> 3.64%	<u>1% Increase</u> 4.64%
Total OPEB liability	\$ 80,611	\$ 74,900	\$ 69,294

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Village, as well as what the Village’s Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u> 3.00% - 7.50%	<u>Current Healthcare Cost Trend Rate</u> 4.00% - 8.50%	<u>1% Increase</u> 5.00% - 9.50%
Total OPEB liability	\$ 63,754	\$ 74,900	\$ 88,315

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended September 30, 2018, the Village will recognize OPEB expense of \$17,066.

On September 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions and other inputs	\$ -	\$ 8,378
Benefits Paid subsequent to the measurement date	<u>4,977</u>	<u>-</u>
Total	<u>\$ 4,977</u>	<u>\$ 8,378</u>

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The deferred outflows of resources related to the total OPEB liability, totaling \$4,976 resulting from benefits paid subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	\$ (1,197)
2020	(1,197)
2021	(1,197)
2022	(1,197)
2023	(1,197)
Thereafter	<u>(2,393)</u>
Total	<u>\$ (8,378)</u>

**NOTE 11 – EMPLOYEE BENEFIT PLANS**

Islamorada, Village of Islands' Money Purchase Plan is a defined contribution plan that was established by the Village and is administered by Nationwide Retirement Solutions, Inc. to provide benefits at retirement for certain Village employees who did not convert to the Florida Retirement System (FRS) when it became available in January 2016. New enrollments into this plan are not permissible; therefore, participant numbers and contribution amounts decline as employees in the plan leave employment with the Village. Plan revisions and contribution requirements are established and may be amended by the Village Council. Effective October 1, 2011, the Village Council agreed that the Village would make 4% employer contributions to the plan for non-fire rescue personnel. For the fiscal years ended September 30, 2018 and 2017, the Village contributed approximately \$21,460 and \$29,157, respectively, to this plan. Plan members do not make contributions to the plan. Effective October 1, 2011, the term of vesting for new participants was increased to two years from anniversary date.

As part of the Village Manager Village Attorney's contracts, the Village makes 10% contributions to a 457 plan on their behalf up to a maximum limit established by the Internal Revenue Service. For the year ended September 30, 2018, the Village contributed \$32,040 to the plan.

The Village offers its employees two optional deferred compensation plans – one through Nationwide Retirement Solutions, Inc., and another through ING. The Village has adopted the provision of IRS Code Section 457(g) and GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*. Under these provisions, all assets and income of the Plan are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the Village's financial statements.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Florida Retirement System (FRS)**

General Information – The Village provides contributions to the Florida Retirement System for its employees. As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”).

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating village or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code*. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Pension Plan**

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided – Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

In addition, to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular—7.92% and 8.26%; Special Risk Administrative Support—34.63% and 34.98%; Special Risk—23.27% and 24.50%; Senior Management Service—22.71% and 24.06%; Elected Officers'—45.50% and 48.70%; and DROP participants—13.26% and 14.03%. These employer contribution rates do not include 1.66% HIS Plan subsidy for the periods October 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018, respectively.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

The Village’s contributions to the Pension Plan totaled \$675,445 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Village reported a liability of \$7,565,313 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Village’s proportionate share of the net pension liability was based on the Village’s 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2018, the Village's proportionate share was 0.02511681%, which was an increase of 0.00190264% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Village recognized pension expense of \$1,543,033. In addition the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 640,896	\$ 23,262
Assumption changes	2,471,976	-
Net difference between projected and actual earnings on Pension Plan investments	-	584,513
Changes in proportion and differences between Village Pension Plan contributions and proportionate share of contributions	1,300,491	101,292
Village Pension Plan contributions subsequent to the measurement date	160,308	-
Total	\$ 4,573,671	\$ 709,067

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

The deferred outflows of resources related to the Pension Plan, totaling \$160,308 resulting from Village contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2019	\$ 1,435,200
2020	979,464
2021	136,566
2022	652,195
2023	436,096
Thereafter	64,774
Total	<u>\$ 3,704,296</u>

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.



**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation <sup>(1)</sup>	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.80%
Fixed income	18.00%	4.40%	4.30%	4.00%
Global equity	54.00%	7.60%	6.30%	17.00%
Real estate	11.00%	6.60%	6.00%	11.30%
Private equity	10.00%	10.70%	7.80%	26.50%
Strategic investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed Inflation - Mean		2.60%		1.90%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Village's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability	\$ 12,428,120	\$ 7,565,313	\$ 2,249,253

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

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

Payables to the Pension Plan – At September 30, 2018, the Village reported a payable in the amount of \$71,966 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**HIS Plan**

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

Benefits Provided – For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contribution for the period October 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018, was 1.66%. The Village contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Village's contributions to the HIS Plan totaled \$93,348 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Village reported a liability of \$1,919,894 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Village's proportionate share of the net pension liability was based on the Village's 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2018, the Village's Proportionate share was 0.01813940%, which was an increase of 0.00097441% from its proportionate share measured as of June 30, 2017.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

For the fiscal year ended September 30, 2018, the Village recognized pension expense of \$314,441. In addition, the Village reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 29,393	\$ 3,262
Assumption changes	212,357	201,828
Net difference between projected and actual earnings on HIS Plan investments	1,159	-
Changes in proportion and differences between Village HIS Plan contributions and proportionate share of contributions	832,468	-
Village HIS Plan contributions subsequent to the measurement date	21,610	-
Total	<u>\$ 1,096,987</u>	<u>\$ 205,090</u>

The deferred outflows of resources related to the HIS Plan, totaling \$21,610 resulting from Village contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2019	\$ 607,825
2020	605,577
2021	424,247
2022	95,288
2023	(591,478)
Thereafter	(271,171)
Total	<u>\$ 870,287</u>

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 11 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

Actuarial Assumptions – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.87%

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

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Village’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the Village’s proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Village's proportionate share of the net pension liability	\$ 2,094,388	\$ 1,919,894	\$ 1,619,602

Pension Plan Fiduciary Net Position – Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2018, the Village reported a payable in the amount of \$7,333 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 12 – RISK MANAGEMENT AND INSURANCE**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which commercial insurance is carried. Specifically, the Village purchases commercial insurance for property, medical benefits, workers' compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The Village is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000 - \$200,000 for all claims relating to the same incident. There were no settlements that exceeded insurance coverage in the last three years.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

Contingencies:

There are various claims and legal actions pending against the Village for which no provision has been made in the financial statements. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, based the advice of the Village Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Commitments:

There were no balances of commitments for construction contracts of the governmental and enterprise funds as of September 30, 2018.

Agreement for Police Services:

The Village has had contracts with the Monroe County Sheriff's Office for the provision of professional police services since incorporation. On September 26, 2014, the Village entered into a contract with the Monroe County Sheriff's Office to provide professional police services for the period from October 1, 2014 through September 30, 2019. Costs for local police services under this contract for the year ended September 30, 2018, were \$1,831,016.

Agreement for Solid Waste Collection Services:

On November 14, 2013, the Village entered into a contract with Advanced Disposal Services Solid Waste Southeast, Inc. to provide residential and commercial solid waste, yard waste and recycling collection and disposal services for the period from January 1, 2014 through December 31, 2023. Costs for solid waste, yard waste and recycling collection and disposal services under this contract for the year ended September 30, 2018, were \$1,676,170.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

The Village determined that restatements to beginning net position of the governmental activities, business-type activities, Plantation Yacht Harbor Marina Fund, Wastewater Utility Fund, and Stormwater Utility Fund were required to recognize the change in accounting principal for implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* as of October 1, 2017. These restatements are as follows:

	Governmental Activities	Business-type Activities
Net position, Governmental Activities, as previously reported	\$ 35,599,847	\$ 105,727,496
Adjustment to remove the net OPEB obligation in accordance with GASB Statement No. 45	62,475	6,141
Adjustment to record the total OPEB liability in accordance with GASB Statement No. 75	(60,685)	(5,965)
Adjustment to record OPEB deferred outflows of resources for benefits paid subsequent to the measurement date in accordance with GASB Statement No. 75	399	39
Beginning net position, Governmental Activities, as restated	\$ 35,602,036	\$ 105,727,711

	Enterprise Funds		
	Plantation Yacht Harbor Marina	Wastewater Utility	Stormwater Utility
Net position, Governmental Activities, as previously reported	\$ 3,019,896	\$ 102,025,939	\$ 681,661
Adjustment to remove the net OPEB obligation in accordance with GASB Statement No. 45	3,836	2,285	20
Adjustment to record the total OPEB liability in accordance with GASB Statement No. 75	(3,726)	(2,220)	(19)
Adjustment to record OPEB deferred outflows of resources for benefits paid subsequent to the measurement date in accordance with GASB Statement No. 75	24	15	-
Beginning net position, Governmental Activities, as restated	\$ 3,020,030	\$ 102,026,019	\$ 681,662

**REQUIRED SUPPLEMENTARY INFORMATION**

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**ISLAMORADA, VILLAGE OF ISLANDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Ad valorem	\$ 8,923,500	\$ 8,896,800	\$ 8,896,829	\$ 29
Communication services tax	263,660	252,860	252,803	(57)
Permits, fees and assessments				
Franchise fees	560,000	505,680	598,906	93,226
Building permits	1,418,000	1,898,900	1,915,424	16,524
Intergovernmental				
Local government one-half cent sales tax	1,203,000	1,098,000	1,097,955	(45)
State revenue sharing	280,280	262,200	262,488	288
Other	129,100	142,400	140,765	(1,635)
Charges for services	807,500	803,300	836,821	33,521
Fines and forfeitures	66,500	162,900	163,035	135
Interest	5,000	5,000	9,396	4,396
Miscellaneous	52,200	50,800	45,898	(4,902)
Total revenues	<u>13,708,740</u>	<u>14,078,840</u>	<u>14,220,320</u>	<u>141,480</u>
<b>Expenditures</b>				
General government				
Legislative				
Personnel services	64,590	64,590	64,590	-
Operating	302,000	230,400	229,046	1,354
Total legislative	<u>366,590</u>	<u>294,990</u>	<u>293,636</u>	<u>1,354</u>
Village manager/Village clerk				
Personnel services	731,850	720,350	723,011	(2,661)
Operating	111,000	107,138	107,007	131
Total Village manager/Village clerk	<u>842,850</u>	<u>827,488</u>	<u>830,018</u>	<u>(2,530)</u>
Finance and administrative/IT				
Personnel services	758,580	725,080	760,027	(34,947)
Operating	820,200	642,312	643,570	(1,258)
Total finance and administrative/IT	<u>1,578,780</u>	<u>1,367,392</u>	<u>1,403,597</u>	<u>(36,205)</u>
Legal				
Personnel services	291,620	318,620	325,838	(7,218)
Operating	202,500	52,400	51,032	1,368
Total legal	<u>494,120</u>	<u>371,020</u>	<u>376,870</u>	<u>(5,850)</u>
Planning and zoning				
Personnel services	710,130	590,430	590,023	407
Operating	435,000	275,198	364,678	(89,480)
Total planning and zoning	<u>1,145,130</u>	<u>865,628</u>	<u>954,701</u>	<u>(89,073)</u>
Total general government	<u>4,427,470</u>	<u>3,726,518</u>	<u>3,858,822</u>	<u>(132,304)</u>

**ISLAMORADA, VILLAGE OF ISLANDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
Public safety				
Law enforcement				
Personnel services	\$ 62,240	\$ 59,740	\$ 59,024	\$ 716
Operating	2,003,600	1,906,500	1,904,526	1,974
Total law enforcement	<u>2,065,840</u>	<u>1,966,240</u>	<u>1,963,550</u>	<u>2,690</u>
Fire control and EMS				
Personnel services	3,347,290	3,447,290	3,403,668	43,622
Operating	578,300	506,751	502,603	4,148
Total fire control and EMS	<u>3,925,590</u>	<u>3,954,041</u>	<u>3,906,271</u>	<u>47,770</u>
Emergency response				
Operating	-	5,572,626	7,254,403	(1,681,777)
Total emergency response	<u>-</u>	<u>5,572,626</u>	<u>7,254,403</u>	<u>(1,681,777)</u>
Building services				
Personnel services	622,750	635,750	636,010	(260)
Operating	120,500	125,700	124,821	879
Total building services	<u>743,250</u>	<u>761,450</u>	<u>760,831</u>	<u>619</u>
Total public safety	<u>6,734,680</u>	<u>12,254,357</u>	<u>13,885,055</u>	<u>(1,630,698)</u>
Transportation				
Road and street facilities				
Personnel services	770,420	799,720	755,180	44,540
Operating	319,500	407,200	413,147	(5,947)
Total physical environment	<u>1,089,920</u>	<u>1,206,920</u>	<u>1,168,327</u>	<u>38,593</u>
Culture and recreation				
Personnel services	1,009,760	877,060	876,656	404
Operating	792,500	707,200	648,625	58,575
Total culture and recreation	<u>1,802,260</u>	<u>1,584,260</u>	<u>1,525,281</u>	<u>58,979</u>
Total expenditures	<u>14,054,330</u>	<u>18,772,055</u>	<u>20,437,485</u>	<u>(1,665,430)</u>
Deficiency of revenues under expenditures	<u>(345,590)</u>	<u>(4,693,215)</u>	<u>(6,217,165)</u>	<u>(1,523,950)</u>
<b>Other financing uses</b>				
Transfers out	(182,950)	(250,950)	(76,949)	174,001
Total other financing uses	<u>(182,950)</u>	<u>(250,950)</u>	<u>(76,949)</u>	<u>174,001</u>
Change in fund balance	(528,540)	(4,944,165)	(6,294,114)	(1,349,949)
Fund balance, beginning of year	5,720,379	5,720,379	5,720,379	-
Fund balance, end of year	<u>\$ 5,191,839</u>	<u>\$ 776,214</u>	<u>\$ (573,735)</u>	<u>\$ (1,349,949)</u>

**ISLAMORADA, VILLAGE OF ISLANDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**SOLID WASTE FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Permits, fees and assessments	\$ 1,698,470	\$ 1,693,570	\$ 1,693,485	\$ (85)
Interest income	-	-	986	986
Total revenues	<u>1,698,470</u>	<u>1,693,570</u>	<u>1,694,471</u>	<u>901</u>
<b>Expenditures</b>				
Current				
Physical environment	<u>1,698,470</u>	<u>1,693,570</u>	<u>1,693,183</u>	<u>387</u>
Total expenditures	<u>1,698,470</u>	<u>1,693,570</u>	<u>1,693,183</u>	<u>387</u>
Change in fund balance	-	-	1,288	1,288
Fund balance, beginning of year	<u>122,901</u>	<u>122,901</u>	<u>122,901</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 122,901</u></u>	<u><u>\$ 122,901</u></u>	<u><u>\$ 124,189</u></u>	<u><u>\$ 1,288</u></u>

**ISLAMORADA, VILLAGE OF ISLANDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Debt Service				
Principal	\$ 1,195,510	\$ 1,195,510	\$ 1,195,623	\$ (113)
Interest	235,790	235,790	243,929	(8,139)
Total expenditures	<u>1,431,300</u>	<u>1,431,300</u>	<u>1,439,552</u>	<u>(8,252)</u>
Deficiency of revenues under expenditures	<u>(1,431,300)</u>	<u>(1,431,300)</u>	<u>(1,439,552)</u>	<u>(8,252)</u>
<b>Other financing sources</b>				
Transfers in	<u>1,431,300</u>	<u>1,439,300</u>	<u>1,439,552</u>	<u>252</u>
Total other financing sources	<u>1,431,300</u>	<u>1,439,300</u>	<u>1,439,552</u>	<u>252</u>
Change in fund balance	-	8,000	-	(8,000)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ (8,000)</u>

ISLAMORADA, VILLAGE OF ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 FLORIDA RETIREMENT SYSTEM PENSION PLAN

Reporting period ending Measurement date	9/30/2018 6/30/2018	9/30/2017 6/30/2017	9/30/2016 6/30/2016	9/30/2015 6/30/2015	9/30/2014 6/30/2014
Village's proportion of the FRS net pension liability	0.02511681%	0.02321416%	0.01754437%	0.013256768%	0.011688803%
Village's proportionate share of the FRS net pension liability	\$ 7,565,313	\$ 6,866,593	\$ 4,429,967	\$ 1,712,289	\$ 713,189
Village's covered employee payroll	\$ 5,592,650	\$ 5,594,675	\$ 3,775,204	\$ 2,042,187	\$ 1,893,991
Village's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	135.27%	122.73%	117.34%	83.85%	37.66%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability					
FRS total pension liability	84.88%	84.88%	84.88%	92.00%	96.09%

**Notes to the Schedule:**

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

**ISLAMORADA, VILLAGE OF ISLANDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Contractually required FRS contribution	\$ 675,445	\$ 643,425	\$ 510,264	\$ 323,211	\$ 256,034
FRS Contributions in relation to the contractually required FRS contribution	<u>675,445</u>	<u>643,425</u>	<u>510,264</u>	<u>323,211</u>	<u>256,034</u>
FRS Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,535,131	\$ 5,594,675	\$ 3,775,204	\$ 2,042,187	\$ 1,893,991
FRS Contributions as a percentage of covered employee payroll	12.20%	11.50%	13.52%	15.83%	13.52%

**Notes to the Schedule:**

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

ISLAMORADA, VILLAGE OF ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 HEALTH INSURANCE SUBSIDY PENSION PLAN

Reporting period ending Measurement date	9/30/2018 6/30/2018	9/30/2017 6/30/2017	9/30/2016 6/30/2016	9/30/2015 6/30/2015	9/30/2014 6/30/2014
Village's proportion of the HIS net pension liability	0.018139398%	0.017164980%	0.010020070%	0.006287427%	0.005517242%
Village's proportionate share of the HIS net pension liability	\$ 1,919,894	\$ 1,835,358	\$ 1,167,798	\$ 641,219	\$ 515,876
Village's covered employee payroll	\$ 5,592,650	\$ 5,594,675	\$ 3,775,204	\$ 2,042,187	\$ 1,893,991
Village's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	34.33%	32.81%	30.93%	31.40%	27.24%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.97%	0.97%	0.97%	1.22%	1.06%

**Notes to the Schedule:**

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

ISLAMORADA, VILLAGE OF ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Contractually required HIS contribution	\$ 93,348	\$ 92,834	\$ 69,020	\$ 24,034	\$ 18,900
HIS Contributions in relation to the contractually required HIS contribution	<u>93,348</u>	<u>92,834</u>	<u>69,020</u>	<u>24,034</u>	<u>18,900</u>
HIS Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,535,131	\$ 5,594,675	\$ 3,775,204	\$ 2,042,187	\$ 1,893,991
HIS Contributions as a percentage of covered employee payroll	1.69%	1.66%	1.83%	1.18%	1.00%

**Notes to the Schedule:**

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



**ISLAMORADA, VILLAGE OF ISLANDS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE VILLAGE'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
SEPTEMBER 30, 2018**

<b>Reporting period end Measurement date</b>	<b>9/30/18 <u>9/30/17</u></b>
<b>Total OPEB liability</b>	
Service cost	\$ 15,749
Interest	2,514
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(9,575)
Benefit payments	<u>(438)</u>
<b>Net change in total OPEB liability</b>	8,250
<b>Total OPEB liability - beginning</b>	<u>66,650</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 74,900</u></u>
<b>Covered-employee payroll</b>	\$ 5,335,131
<b>Total OPEB liability as a percentage of Covered-Employee Payroll</b>	1.40%

**Notes to Schedule:**

This schedule is intended to have ten years of data. Additional data to be compiled as information becomes available.

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

2018	3.64%
2017	3.06%

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**OTHER SUPPLEMENTARY INFORMATION**

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ISLAMORADA, VILLAGE OF ISLANDS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				Nonmajor Governmental Funds
	Transportation Fund	Affordable Housing Fund	CDBG Fund	Canal Debris Removal Fund	
Assets					
Cash and cash equivalents	\$ 218,491	\$ 863,516	\$ -	\$ -	\$ 1,082,007
Due from other governments	47,459	-	-	632,014	679,473
Deposits	-	-	-	2,563	2,563
Total assets	<u>\$ 265,950</u>	<u>\$ 863,516</u>	<u>\$ -</u>	<u>\$ 634,577</u>	<u>\$ 1,764,043</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 397,677	\$ 397,677
Due to other funds	-	-	-	251,270	251,270
Unearned revenue	-	254,742	-	-	254,742
Total liabilities	<u>-</u>	<u>254,742</u>	<u>-</u>	<u>648,947</u>	<u>903,689</u>
Deferred inflow of resources					
Unavailable revenue	-	-	-	347,389	347,389
Fund balances					
Nonspendable	-	-	-	2,563	2,563
Restricted	265,950	-	-	-	265,950
Committed	-	608,774	-	-	608,774
Unassigned	-	-	-	(364,322)	(364,322)
Total fund balances	<u>265,950</u>	<u>608,774</u>	<u>-</u>	<u>(361,759)</u>	<u>512,965</u>
Total liabilities and fund balances	<u>\$ 265,950</u>	<u>\$ 863,516</u>	<u>\$ -</u>	<u>\$ 634,577</u>	<u>\$ 1,764,043</u>

**ISLAMORADA, VILLAGE OF ISLANDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue Funds				Nonmajor Governmental Funds
	Transportation Fund	Affordable Housing Fund	CDBG Fund	Canal Debris Removal Fund	
<b>Revenues</b>					
Taxes	\$ 416,637	\$ -	\$ -	\$ -	\$ 416,637
Permits, fees and special assessments	-	120,292	-	-	120,292
Intergovernmental	100,489	-	6,800	284,625	391,914
Interest income	541	2,718	-	-	3,259
Miscellaneous	-	5,051	-	-	5,051
Total revenues	<u>517,667</u>	<u>128,061</u>	<u>6,800</u>	<u>284,625</u>	<u>937,153</u>
<b>Expenditures</b>					
Current					
Physical environment	-	-	-	646,384	646,384
Economic environment	-	243,886	17,700	-	261,586
Total expenditures	<u>-</u>	<u>243,886</u>	<u>17,700</u>	<u>646,384</u>	<u>907,970</u>
Excess (deficiency) of revenues over (under) expenditures	517,667	(115,825)	(10,900)	(361,759)	29,183
<b>Other financing uses</b>					
Transfers in	-	88,956	49,480	-	138,436
Transfers out	(513,265)	(421,789)	(88,956)	-	(1,024,010)
Total other financing uses	<u>(513,265)</u>	<u>(332,833)</u>	<u>(39,476)</u>	<u>-</u>	<u>(885,574)</u>
Change in fund balances	4,402	(448,658)	(50,376)	(361,759)	(856,391)
Fund balances, beginning of year	<u>261,548</u>	<u>1,057,432</u>	<u>50,376</u>	<u>-</u>	<u>1,369,356</u>
Fund balances, end of year	<u>\$ 265,950</u>	<u>\$ 608,774</u>	<u>\$ -</u>	<u>\$ (361,759)</u>	<u>\$ 512,965</u>

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL  
TRANSPORTATION FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 425,280	\$ 416,680	\$ 416,637	\$ (43)
Intergovernmental	100,940	100,540	100,489	(51)
Interest income	-	-	541	541
Total revenues	<u>526,220</u>	<u>517,220</u>	<u>517,667</u>	<u>447</u>
Other financing uses				
Transfers out	<u>(505,320)</u>	<u>(513,320)</u>	<u>(513,265)</u>	<u>55</u>
Total other financing uses	<u>(505,320)</u>	<u>(513,320)</u>	<u>(513,265)</u>	<u>55</u>
Change in fund balance	20,900	3,900	4,402	502
Fund balance, beginning of year	<u>261,548</u>	<u>261,548</u>	<u>261,548</u>	<u>-</u>
Fund balance, end of year	<u>\$ 282,448</u>	<u>\$ 265,448</u>	<u>\$ 265,950</u>	<u>\$ 502</u>

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL  
AFFORDABLE HOUSING FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Permits, fees and special assessments	\$ 100,000	\$ 120,300	\$ 120,292	\$ (8)
Interest income	1,000	1,000	2,718	1,718
Miscellaneous	20,000	5,000	5,051	51
Total revenues	<u>121,000</u>	<u>126,300</u>	<u>128,061</u>	<u>1,761</u>
Expenditures				
Economic environment	<u>55,600</u>	<u>190,700</u>	<u>243,886</u>	<u>(53,186)</u>
Total expenditures	<u>55,600</u>	<u>190,700</u>	<u>243,886</u>	<u>(53,186)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,400</u>	<u>(64,400)</u>	<u>(115,825)</u>	<u>(51,425)</u>
Other financing sources (uses)				
Transfers in	-	89,000	88,956	(44)
Transfers out	<u>(65,400)</u>	<u>(420,100)</u>	<u>(421,789)</u>	<u>(1,689)</u>
Total other financing sources (uses)	<u>(65,400)</u>	<u>(331,100)</u>	<u>(332,833)</u>	<u>(1,733)</u>
Change in fund balance	-	(395,500)	(448,658)	(51,425)
Fund balance, beginning of year	<u>1,057,432</u>	<u>1,057,432</u>	<u>1,057,432</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,057,432</u>	<u>\$ 661,932</u>	<u>\$ 608,774</u>	<u>\$ (51,425)</u>



**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**CDBG FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 50,000	\$ 56,300	\$ 6,800	\$ (49,500)
Total revenues	<u>50,000</u>	<u>56,300</u>	<u>6,800</u>	<u>(49,500)</u>
Expenditures				
Economic environment	<u>115,400</u>	<u>17,700</u>	<u>17,700</u>	<u>-</u>
Total expenditures	<u>115,400</u>	<u>17,700</u>	<u>17,700</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,400)</u>	<u>38,600</u>	<u>(10,900)</u>	<u>(49,500)</u>
Other financing sources (uses)				
Transfers in	65,400	-	49,480	49,480
Transfers out	-	89,000	(88,956)	(177,956)
Total other financing sources (uses)	<u>65,400</u>	<u>89,000</u>	<u>(39,476)</u>	<u>(128,476)</u>
Change in fund balance	-	127,600	(50,376)	(177,976)
Fund balance, beginning of year	<u>50,376</u>	<u>50,376</u>	<u>50,376</u>	<u>-</u>
Fund balance, end of year	<u>\$ 50,376</u>	<u>\$ 177,976</u>	<u>\$ -</u>	<u>\$ (177,976)</u>

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN NET POSITION—BUDGET AND ACTUAL  
CANAL DEBRIS REMOVAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 284,625	\$ 284,625
Total revenues	<u>-</u>	<u>-</u>	<u>284,625</u>	<u>284,625</u>
Expenditures				
Physical environment	-	-	646,384	(646,384)
Total expenditures	<u>-</u>	<u>-</u>	<u>646,384</u>	<u>(646,384)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(361,759)</u>	<u>(361,759)</u>
Change in fund balance	-	-	(361,759)	(361,759)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (361,759)</u>	<u>\$ (361,759)</u>

**ISLAMORADA, VILLAGE OF ISLANDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,380,090	\$ 2,068,560	\$ 2,068,543	\$ (17)
Permits, fees and assessments	233,000	247,100	295,055	47,955
Intergovernmental	428,000	1,221,250	1,242,552	21,302
Interest income	2,600	2,600	10,865	8,265
Miscellaneous	-	74,900	83,502	8,602
Total revenues	<u>3,043,690</u>	<u>3,614,410</u>	<u>3,700,517</u>	<u>86,107</u>
<b>Expenditures</b>				
Current				
Public safety	87,000	87,000	89,150	(2,150)
Capital outlay	<u>3,670,520</u>	<u>2,727,869</u>	<u>2,775,779</u>	<u>(47,910)</u>
Total expenditures	<u>3,757,520</u>	<u>2,814,869</u>	<u>2,864,929</u>	<u>(50,060)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(713,830)</u>	<u>799,541</u>	<u>835,588</u>	<u>36,047</u>
<b>Other financing sources (uses)</b>				
Transfers in	106,000	546,800	372,311	(174,489)
Transfers out	<u>(1,476,040)</u>	<u>(1,473,350)</u>	<u>(876,881)</u>	<u>596,469</u>
Total other financing uses	<u>(1,370,040)</u>	<u>(926,550)</u>	<u>(504,570)</u>	<u>421,980</u>
Change in fund balance	(2,083,870)	(127,009)	331,018	458,027
Fund balance, beginning of year	<u>4,558,589</u>	<u>4,558,589</u>	<u>4,558,589</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,474,719</u>	<u>\$ 4,431,580</u>	<u>\$ 4,889,607</u>	<u>\$ 458,027</u>

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## **STATISTICAL SECTION**

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**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**STATISTICAL SECTION**  
**For the Year Ended September 30, 2018**

This part of the Islamorada, Village of Islands, Florida’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements says about the Village’s overall financial health.

Contents	Page
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village’s financial performance and well-being have changed over time.	76-80
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village’s most significant local revenue source, the property tax.	81-84
<b>Debt Capacity</b> These schedules contain information to help the reader assess the affordability of the Village’s current levels of outstanding debt and the Village’s ability to issue additional debt in the future.	85-89
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand how the environment within which the Village’s financial activities takes place.	90-91
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village’s financial report relates to the services the Village provides and activities it performs.	92-94

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2009	2010	2011	2012	2013 <sup>(1)</sup>	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 31,904,470	\$ 33,730,987	\$ 33,075,888	\$ 32,693,895	\$ 31,983,555	\$ 26,946,172	\$ 26,168,847	\$ 26,572,055	\$ 28,038,919	\$ 30,946,977
Restricted	1,765,304	566,272	986,154	1,141,557	1,992,475	4,375,977	2,773,434	3,333,947	3,300,974	2,800,685
Unrestricted	3,913,555	3,733,234	4,688,194	5,345,149	4,786,168	3,148,688	3,440,777	4,511,519	4,259,954	(2,714,745)
Total governmental activities net position	\$ 37,583,329	\$ 38,030,493	\$ 38,750,236	\$ 39,180,601	\$ 38,762,198	\$ 34,470,837	\$ 32,383,058	\$ 34,417,521	\$ 35,599,847	\$ 31,032,917
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 17,260,731	\$ 18,363,835	\$ 19,508,818	\$ 22,906,007	\$ 37,092,647	\$ 62,679,462	\$ 62,887,417	\$ 65,599,655	\$ 65,153,935	\$ 65,576,951
Restricted	5,366,413	134,194	3,684,381	2,047,753	40,389,802	37,694,565	37,805,598	37,162,394	30,688,029	23,330,239
Unrestricted (deficit)	(226,403)	(363,076)	88,216	528,111	(5,354,130)	(8,368,365)	(1,153,975)	4,354,531	9,885,532	15,846,097
Total business-type activities net position	\$ 22,400,741	\$ 18,134,953	\$ 23,281,415	\$ 25,481,871	\$ 72,128,319	\$ 92,005,662	\$ 99,539,040	\$ 107,116,580	\$ 105,727,496	\$ 104,753,287
<b>Total government:</b>										
Net investment in capital assets	\$ 49,165,201	\$ 52,094,822	\$ 52,584,706	\$ 55,599,902	\$ 69,076,202	\$ 89,625,634	\$ 89,056,264	\$ 92,171,710	\$ 93,192,854	\$ 96,523,928
Restricted	7,131,717	700,466	4,670,535	3,189,310	42,382,277	42,070,542	40,579,032	40,496,341	33,989,003	26,130,924
Unrestricted	3,687,152	3,370,158	4,776,410	5,873,260	(567,962)	(5,219,677)	2,286,802	8,866,050	14,145,486	13,131,352
Total primary government net position	\$ 59,984,070	\$ 56,165,446	\$ 62,031,651	\$ 64,662,472	\$ 110,890,517	\$ 126,476,499	\$ 131,922,098	\$ 141,534,101	\$ 141,327,343	\$ 135,786,204

<sup>(1)</sup> In 2013, net position increased significantly due to the sewer assessment resolutions that were finalized.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2009	2010	2011	2012	2013 <sup>(1)</sup>	2014	2015	2016	2017	2018
<b>EXPENSES:</b>										
Governmental activities:										
General government	\$ 2,629,471	\$ 2,959,730	\$ 2,523,782	\$ 2,991,371	\$ 3,315,610	\$ 3,269,118	\$ 4,820,298	\$ 3,521,955	\$ 4,350,392	\$ 4,326,484
Public safety	4,994,451	4,972,632	4,817,666	4,791,810	5,500,953	6,109,484	5,728,730	6,418,351	8,266,762	15,033,000
Physical environment	4,234,190	3,698,654	3,498,516	3,512,410	2,182,733	2,212,768	2,349,359	1,882,482	1,994,621	2,659,957
Transportation	-	-	-	-	379,788	421,427	527,242	1,118,995	1,067,892	1,170,068
Economic environment	-	-	-	-	16,314	665	27,190	147,300	466,830	261,586
Culture and recreation	1,533,396	1,583,158	1,523,548	1,543,532	1,692,705	1,758,477	1,920,665	2,156,958	1,945,151	1,807,646
Interest on long-term debt	317,144	326,875	310,381	286,043	229,214	376,598	344,031	305,670	266,244	233,419
Total governmental activities	13,708,652	13,541,049	12,673,893	13,125,166	13,317,317	14,148,537	15,717,515	15,551,711	18,357,892	25,492,160
Business-type activities:										
Plantation Yacht Harbor Marina	1,142,599	1,122,118	1,208,582	1,066,432	1,128,296	1,235,811	1,215,792	1,175,037	1,150,839	1,181,510
Wastewater Utility	1,500,168	2,536,997	2,387,297	2,174,584	2,119,785	2,815,724	4,707,772	5,101,708	12,752,792	11,764,339
Stormwater Utility	38,267	62,405	44,887	51,758	52,251	56,931	49,882	44,457	35,517	34,470
Total business-type activities	2,681,034	3,721,520	3,640,766	3,292,774	3,300,332	4,108,466	5,973,446	6,321,202	13,939,148	12,980,319
Total governmental expenses	\$ 16,389,686	\$ 17,262,569	\$ 16,314,659	\$ 16,417,940	\$ 16,617,649	\$ 18,257,003	\$ 21,690,961	\$ 21,872,913	\$ 32,297,040	\$ 38,472,479
<b>PROGRAM REVENUES:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 39,557	\$ 45,946	\$ 48,388	\$ 42,226	\$ 9,415	\$ 1,198,570	\$ 286,517	\$ 434,051	\$ 166,279	\$ 135,000
Public safety	455,964	463,799	455,142	264,884	1,226,314	286,746	1,896,275	2,260,926	2,308,161	2,322,292
Physical environment	2,765,372	2,497,008	2,611,919	2,535,014	1,539,994	1,538,853	1,546,024	1,663,890	1,675,782	1,693,485
Transportation	-	-	-	-	-	-	-	8,957	2,000	35,221
Economic environment	-	-	-	-	-	-	-	5,051	5,051	5,051
Culture and recreation	414,794	371,297	403,070	452,495	422,058	491,184	549,379	566,564	571,965	552,167
Operating grants and contributions	301,996	186,257	132,585	373,673	148,959	160,056	106,584	175,257	300,183	68,171
Capital grants and contributions	6,758,942	2,064,196	84,859	-	273,588	293,240	507,018	483,026	1,367,086	2,255,249
Total governmental activities	10,736,625	5,628,503	3,735,963	3,668,292	3,620,328	3,968,649	4,891,797	5,599,722	6,396,507	7,066,636
Business-type activities:										
Charges for services:										
Plantation Yacht Harbor Marina	767,204	908,640	1,014,076	1,016,185	1,113,144	1,303,384	1,306,232	1,316,060	1,273,723	1,398,850
Wastewater Utility	401,289	833,017	973,037	946,933	937,214	1,029,352	1,265,174	5,741,322	6,500,404	6,242,365
Stormwater Utility	-	-	-	-	47,076	99,679	195,959	191,482	186,258	190,543
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	7,944,489	2,089,299	6,232,989	3,123,476	27,578,804	15,868,777	6,809,610	4,051,219	2,717,782	2,281,205
Total business-type activities	9,112,982	3,830,956	8,220,102	5,086,594	29,676,238	18,301,192	9,576,975	11,300,083	10,678,167	10,112,963
Total program revenues	\$ 19,849,607	\$ 9,459,459	\$ 11,956,065	\$ 8,754,886	\$ 33,296,566	\$ 22,269,841	\$ 14,468,772	\$ 16,899,805	\$ 17,074,674	\$ 17,179,599

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCURAL BASIS OF ACCOUNTING)  
(continued)

	2009	2010	2011	2012	2013 <sup>(1)</sup>	2014	2015	2016	2017	2018
<b>NET (EXPENSE)/REVENUE:</b>										
Governmental activities	\$ (2,972,027)	\$ (7,912,546)	\$ (8,937,930)	\$ (9,456,874)	\$ (9,696,989)	\$ (10,179,888)	\$ (10,825,718)	\$ (9,951,989)	\$ (11,961,385)	\$ (18,425,524)
Business-type activities	6,431,948	109,436	4,579,336	1,793,820	26,375,906	14,192,726	3,603,529	4,978,881	(3,260,981)	(2,867,356)
Total net expense	\$ 3,459,921	\$ (7,803,110)	\$ (4,358,594)	\$ (7,663,054)	\$ 16,678,917	\$ 4,012,838	\$ (7,222,189)	\$ (4,973,108)	\$ (15,222,366)	\$ (21,292,880)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 6,322,552	\$ 6,350,518	\$ 6,000,543	\$ 6,010,989	\$ 6,066,519	\$ 6,024,109	\$ 6,230,467	\$ 6,230,467	\$ 8,124,785	\$ 8,947,561
Other taxes	675,808	1,178,067	1,146,835	1,259,664	1,287,604	1,781,552	1,933,123	1,933,123	2,191,969	2,068,543
State revenue sharing/sales taxes	1,065,998	2,521,195	2,643,624	2,797,216	2,757,988	2,494,204	2,557,817	2,557,817	2,953,522	2,843,336
Investment income and miscellaneous	763,950	1,153,956	84,919	149,739	163,037	87,673	12,284	12,284	11,941	24,506
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-
Transfers	(133,861)	(1,495,578)	(1,147,196)	(559,935)	(387,909)	(1,105,652)	(4,845,164)	(4,845,164)	(138,506)	(27,541)
Prior period adjustment	-	-	(369,015)	-	-	-	-	-	-	-
Total governmental activities	8,694,447	9,708,158	8,359,710	9,657,673	9,887,239	9,281,886	5,888,527	5,888,527	13,143,711	13,856,405
Business-type activities:										
Investment income and miscellaneous	38,748	19,155	41,628	7,191	18,727	62,751	2,020,460	2,020,460	1,733,391	1,865,391
Transfers	133,861	1,495,578	1,147,196	559,935	387,909	1,105,652	4,845,164	4,845,164	138,506	27,541
Special assessment refund	-	-	(5,564,048)	-	-	-	-	-	-	-
Total business-type activities	172,609	1,514,733	(4,375,224)	567,126	406,636	1,168,403	6,865,624	6,865,624	1,871,897	1,892,932
Total general revenues	\$ 8,867,056	\$ 11,222,891	\$ 3,984,486	\$ 10,224,799	\$ 10,293,875	\$ 10,450,289	\$ 12,754,151	\$ 12,754,151	\$ 15,015,608	\$ 15,749,337
<b>CHANGE IN NET POSITION:</b>										
Governmental activities	\$ 5,722,420	\$ 1,795,612	\$ (578,220)	\$ 200,799	\$ 190,250	\$ (898,002)	\$ (4,937,191)	\$ (4,063,462)	\$ 1,182,326	\$ (4,569,119)
Business-type activities	6,604,557	1,624,169	204,112	2,360,946	26,782,542	15,361,129	10,469,153	11,844,505	(1,389,084)	(974,424)
Total change in net position	\$ 12,326,977	\$ 3,419,781	\$ (374,108)	\$ 2,561,745	\$ 26,972,792	\$ 14,463,127	\$ 5,531,962	\$ 7,781,043	\$ (206,758)	\$ (5,543,543)

<sup>(1)</sup> In 2013, various revenues and expenses were reclassified for reporting purposes. Also, a \$20 million sewer assessment was finalized in 2013.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2009	2010	2011	2012	2013 <sup>(1)</sup>	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 84,225	\$ 133,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,422,114	2,189,862	-	-	-	-	-	-	-	-
Nonspendable	-	-	114,186	123,903	37,607	43,467	54,239	186,900	408,416	258,952
Restricted	-	-	-	-	33,492	33,492	225,698	222,231	226,906	230,090
Committed	-	-	-	-	252,770	252,770	174,096	455,667	302,299	349,760
Assigned	-	-	36,835	174,600	307,839	307,839	24,010	58,510	256,940	-
Unassigned	-	-	2,974,676	3,240,474	3,045,698	2,763,824	4,124,805	4,621,968	4,525,818	(1,412,537)
Total General Fund	\$ 2,506,339	\$ 2,323,399	\$ 3,125,697	\$ 3,538,977	\$ 3,677,406	\$ 3,401,392	\$ 4,602,848	\$ 5,545,276	\$ 5,720,379	\$ (573,735)
All other governmental funds:										
Reserved	\$ 1,765,304	\$ 566,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	1,370,430	1,329,220	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	231	-	-	14,632	14,495	669,262
Restricted	-	-	986,154	1,141,557	1,958,983	4,342,485	2,738,639	3,295,389	3,074,068	2,570,595
Committed	-	-	1,461,786	1,700,558	1,020,055	1,144,556	1,415,858	1,629,281	2,809,833	2,651,226
Assigned	-	-	7,500	28,799	-	-	-	-	152,450	-
Unassigned	-	-	-	-	-	-	-	-	-	(364,322)
Total all other governmental funds	\$ 3,135,734	\$ 1,895,492	\$ 2,455,440	\$ 2,870,914	\$ 2,979,269	\$ 5,487,041	\$ 4,154,497	\$ 4,939,302	\$ 6,050,846	\$ 5,526,761

Note: Amounts reported prior to the implementation of GASB 54 in fiscal year 2011 have not been restated.

<sup>(1)</sup> In 2013, various revenues and expenses were reclassified for reporting purposes. Also, a \$20 million sewer assessment was finalized in 2013.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>REVENUES:</b>										
Taxes	\$ 8,535,582	\$ 8,283,390	\$ 8,470,727	\$ 8,518,975	\$ 8,696,316	\$ 8,882,429	\$ 9,466,821	\$ 10,135,057	\$ 11,709,533	\$ 11,634,812
Licenses and permits	1,028,094	999,773	1,040,263	810,168	2,859,077	3,147,252	3,630,067	4,013,951	4,249,593	4,207,815
Intergovernmental	8,614,693	2,876,228	1,859,548	2,043,163	1,416,297	1,580,382	1,712,737	1,817,532	2,182,978	3,135,674
Fines and forfeitures	88,896	88,681	60,787	32,884	45,339	65,042	109,595	111,431	70,507	163,035
Impact fees	408,975	167,819	197,154	199,308	273,589	240,415	452,235	340,168	1,173,106	415,347
Charges for services	2,088,951	1,974,339	2,034,881	2,171,218	629,575	712,068	791,026	946,618	823,042	836,821
Investment income	71,373	62,266	52,340	46,425	11,987	12,284	11,323	10,715	11,941	24,506
Miscellaneous	50,853	166,825	1,803	116,119	63,991	62,468	281,369	432,602	164,830	134,451
Donations and contributions	200,439	1,834	159,877	-	-	-	-	-	-	-
Total revenues	21,087,856	14,621,155	13,877,380	13,938,260	13,996,171	14,702,340	16,455,173	17,808,074	20,385,530	20,552,461
<b>EXPENDITURES:</b>										
Current:										
General government	2,612,348	2,525,757	2,295,828	2,643,092	2,996,838	3,164,964	3,184,477	3,373,606	3,836,819	3,858,822
Public safety	4,388,519	4,454,665	4,366,628	4,381,591	5,006,655	6,052,482	5,579,624	5,941,540	7,390,734	13,974,205
Physical environment	3,406,601	3,167,031	2,958,248	3,159,733	1,880,317	1,944,842	2,065,287	1,642,074	1,642,074	2,339,567
Transportation	-	-	-	-	379,788	421,427	527,242	1,118,995	1,067,892	1,168,327
Economic environment	-	-	-	-	16,314	665	27,190	147,300	466,830	261,586
Culture and recreation	1,115,239	1,055,520	1,031,896	1,080,317	1,244,787	1,430,119	1,497,931	1,772,297	1,673,658	1,525,281
Capital outlay	10,418,804	2,794,004	484,938	628,092	297,077	92,193	505,601	346,895	1,443,071	2,775,779
Debt service:										
Principal	646,961	577,091	604,042	579,416	650,257	633,527	1,166,094	1,118,455	1,162,793	1,195,623
Interest and other fiscal charges	286,510	330,405	314,076	289,740	250,802	286,524	354,723	315,833	276,506	243,929
Total expenditures	22,874,982	14,904,473	12,055,656	12,761,981	12,722,835	14,026,743	14,908,169	15,752,569	18,960,377	27,343,119
Excess (deficiency) of revenues over (under) expenditures	(1,787,126)	(283,318)	1,821,724	1,176,279	1,273,336	675,597	1,547,004	2,055,505	1,425,153	(6,790,658)
<b>OTHER FINANCING SOURCES (USES):</b>										
Issuance of debt	2,365,000	-	-	-	2,393,493	6,000,000	-	-	-	-
Settlements and insurance proceeds	257,200	6,736	1,500	22,627	18,207	3,725	-	-	-	-
Proceeds from sale of capital assets	5,830	596	750	17,757	-	32,600	14,606	-	-	-
Proceeds from capital lease	-	-	98,207	-	-	365,000	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	(2,332,600)	-	-	-	-	-
Transfers in	1,020,440	1,216,634	2,527,856	969,156	840,166	877,402	1,840,454	1,447,091	1,592,416	1,950,299
Transfers out	(2,165,440)	(2,363,830)	(3,087,791)	(1,357,065)	(1,945,818)	(5,722,566)	(3,533,152)	(1,775,363)	(1,730,922)	(1,977,840)
Total other financing sources (uses)	1,483,030	(1,139,864)	(459,478)	(347,525)	(1,026,552)	1,556,161	(1,678,092)	(328,272)	(138,506)	(27,541)
Net change in fund balances	\$ (304,096)	\$ (1,423,182)	\$ 1,362,246	\$ 828,754	\$ 246,784	\$ 2,231,758	\$ (131,088)	\$ 1,727,233	\$ 1,286,647	\$ (6,818,199)
Debt service as a percentage of non-capital expenditures	7.49%	7.49%	7.93%	7.16%	7.25%	6.60%	10.56%	9.31%	7.59%	5.86%

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS  
(DOLLARS IN THOUSANDS)**

Fiscal Year Ended September 30	Tax Roll Year	Real Property	Personal Property	Total Net		Direct Tax Rate	Total Estimated		Estimated Actual	
				Assessed Value <sup>(2)</sup>	Assessed Value <sup>(2)</sup>		Actual Value <sup>(1)</sup>	Actual Value <sup>(1)</sup>	Value as a % of Net Assessed Value <sup>(1)</sup>	Assessed Value <sup>(1)</sup>
2009	2008	3,478,903	44,168	3,523,071		1.85	n/a	n/a	n/a	n/a
2010	2009	2,978,315	42,089	3,020,404		2.04	n/a	n/a	n/a	n/a
2011	2010	2,676,894	45,358	2,722,252 <sup>(2)</sup>		2.28	n/a	n/a	n/a	n/a
2012	2011	2,421,412	45,299	2,466,711 <sup>(2)</sup>		2.52	n/a	n/a	n/a	n/a
2013	2012	2,412,956	42,805	2,455,761 <sup>(2)</sup>		2.53	n/a	n/a	n/a	n/a
2014	2013	2,507,733	40,187	2,547,920		2.53	n/a	n/a	n/a	n/a
2015	2014	2,632,453	34,529	2,666,982		2.53	n/a	n/a	n/a	n/a
2016	2015	2,810,656	36,840	2,847,496		2.65	n/a	n/a	n/a	n/a
2017	2016	2,983,365	39,459	3,022,824		3.00	n/a	n/a	n/a	n/a
2018	2017	3,247,655	37,875	3,285,530		2.80	n/a	n/a	n/a	n/a

Note <sup>(1)</sup>:

Property in the Village is reassessed each year. The Property Appraiser estimates a just (market) value for all types of real property. For non-homesteaded properties the just value is equal to the assessed value. For homesteaded properties, the just value is adjusted for both the Florida 'Save Our Homes' valuation cap and the homestead exemption amount to arrive at the assessed value. As a result, there is no formula available to estimate the relationship between overall just (actual) value and assessed value.

Note <sup>(2)</sup>:

Values are from each year's DR-420.

Sources:

Monroe County Property Appraiser's Office and the Village Administration and Finance Department.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Roll Year	Village of Islamorada - Operating Millage (Direct Rate)	Overlapping Rates <sup>(1)</sup>							Total Direct and Overlapping Rates
			Monroe County School Board	Monroe County	South Florida Water Management District	Florida Keys Mosquito Control District	Other			
2009	2008	1.85	2.92	2.69	0.25	0.38	0.37	8.46		
2010	2009	2.04	3.39	3.08	0.25	0.43	0.37	9.56		
2011	2010	2.28	3.82	3.35	0.25	0.46	0.37	10.53		
2012	2011	2.52	3.57	3.35	0.18	0.48	0.26	10.36		
2013	2012	2.53	3.65	3.12	0.18	0.52	0.26	10.26		
2014	2013	2.53	3.68	3.14	0.17	0.51	0.24	10.27		
2015	2014	2.53	3.63	3.13	0.16	0.48	0.23	10.16		
2016	2015	2.65	3.55	2.98	0.15	0.50	0.21	10.04		
2017	2016	3.00	3.48	2.83	0.14	0.58	0.19	10.23		
2018	2017	2.80	3.36	2.70	0.13	0.46	0.18	9.63		

All millage rates are based on \$1 for every \$1,000 of assessed value.

Note <sup>(1)</sup>: Overlapping rates are those of other local and county governments or entities that apply to property owners within the Village of Islamorada.

Sources: Monroe County Tax Collector's Office.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2018 (Tax Roll Year 2017)			Fiscal Year 2009 (Tax Roll Year 2008)				
Taxpayer	Net Assessed Value	Rank	% of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	% of Total Village Net Assessed Value
NWCL LLC (Cheeca Lodge)	\$ 63,158,968	1	1.92%	CSC Holiday Land LTD Partnership	\$ 28,831,496	1	0.79%
RDB Industries INC	44,768,981	2	1.36%	Anglers Reef LLC	22,056,443	2	0.61%
CRP Holiday Isle LLC	41,798,499	3	1.27%	Oil Development	21,897,572	3	0.60%
The Islander Resort (H & C Islander Resort, LLC)	29,242,304	4	0.89%	Ocean Front Development LLC	21,154,392	4	0.58%
CRP 80001 Overseas LLC	16,181,125	5	0.49%	Cheeca Holdings Inc	11,975,910	5	0.33%
Murray Timothy and Charene	15,206,010	6	0.46%	S&H, Inc. (The Islander)	10,646,483	6	0.29%
CRP 84457 Overseas LLC	12,138,530	7	0.37%	EDCO STD (Hampton Inn & Suites)	10,293,305	7	0.28%
Westman Kurt	10,376,714	8	0.32%	American Caribbean	9,871,238	8	0.27%
Witness Resources Inc	9,892,571	9	0.30%	City National Bank of Florida	9,299,615	9	0.26%
American Caribbean Investments	8,843,097	10	0.27%	Chesapeake Resort	8,908,592	10	0.25%
	<u>\$ 251,606,799</u>		<u>7.66%</u>		<u>\$ 154,935,046</u>		<u>4.27%</u>

Source: Tax rolls provided by Monroe County Property Appraiser's Office.



**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended September 30</b>	<b>Total Taxes Levied for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years <sup>(1)</sup></b>		<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>	<b>Amount</b>	<b>% of Levy</b>	<b>Amount</b>	<b>% of Levy</b>
2009	\$ 6,532,479	\$ 6,350,518	97.21%	N/A		\$ 6,350,518	97.21%
2010	6,148,939	6,000,543	97.59%	N/A		6,000,543	97.59%
2011	6,217,352	6,010,989	96.68%	N/A		6,010,989	96.68%
2012	6,324,401	6,066,519	95.92%	N/A		6,066,519	95.92%
2013	6,220,197	6,024,109	96.85%	N/A		6,024,109	96.85%
2014	6,453,625	6,230,467	96.54%	N/A		6,230,467	96.54%
2015	6,755,199	6,560,162	97.11%	N/A		6,560,162	97.11%
2016	7,534,190	7,303,500	96.94%	N/A		7,303,500	96.94%
2017	9,068,472	8,831,591	97.39%	N/A		8,831,591	97.39%
2018	9,387,746	8,905,882	94.87%	N/A		8,905,882	94.87%

Note <sup>(1)</sup>: This information is not available from Monroe County.

Sources: Monroe County Tax Collector's Office and Village of Islamorada Administration and Finance Department.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		% of Net Assessed Value <sup>(1)</sup>	Per Capita <sup>(2)</sup>
	Revenue Bonds & Notes	Revenue Bonds & Notes	Loans Payable	Total		
2009	\$ 8,367,300	\$ 8,041,247	\$ 4,428,937	\$ 20,837,484	0.59%	2,927
2010	7,790,310	7,551,876	4,196,487	19,538,673	0.65%	2,735
2011	7,186,267	7,041,915	3,967,810	18,195,992	0.67%	2,960
2012	6,606,853	6,508,811	3,732,545	16,848,209	0.68%	2,733
2013	6,017,489	6,064,966	26,264,166	38,346,621	0.69%	5,966
2014 <sup>(2)</sup>	11,383,961	15,443,688	46,637,695	73,465,344	2.88%	11,826
2015	10,582,952	11,582,948	81,584,976	103,750,876	3.89%	16,737
2016	9,464,353	4,152,778	90,526,956	104,144,087	3.66%	16,792
2017	8,207,640	3,466,324	88,311,873	99,985,837	3.31%	16,122
2018	7,106,080	2,757,920	83,531,114	93,395,114	2.84%	15,592

Note <sup>(1)</sup>: Total personal income amounts for Islamorada, Village of Islands separate from total for Monroe County was not available. Therefore, assessed taxable value was used as the relevant economic base.

Note <sup>(2)</sup>: Source for population: Bureau of Economic and Business Research ([www.bebr.ufl.edu/population](http://www.bebr.ufl.edu/population)).

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
September 30, 2018**

The Village does not have any general obligation bonds outstanding as of September 30, 2018.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**LEGAL DEBT MARGIN INFORMATION**

**September 30, 2018**

The Village Charter and the Constitution of the State of Florida, Florida State Statute 200.181, do not provide for a legal debt limit.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Improvement Revenue Notes & Bonds										Debt Service	
	Local Government Infrastructure Tax	Local Government Half Cent Sales Tax (2)	Local Government Option Gas Taxes (5)	1st and 2nd Local Option Gas Taxes	Wastewater Special Assessments (3)	Marina Operating Revenues (1)	Less Marina Operating Expenses (4)	Net Available Revenue	Principal	Interest	Coverage	
2009	\$ 1,522,177	\$ 826,193	\$ -	\$ -	\$ 522,799	\$ 767,204	\$ (737,258)	\$ 2,901,115	\$ 1,247,357	\$ 664,378	1.52	
2010	1,606,275	863,075	-	-	460,374	908,640	(757,127)	3,081,237	1,298,813	768,732	1.49	
2011	1,700,862	917,261	-	-	398,927	1,014,075	(871,416)	3,159,709	1,342,680	747,424	1.51	
2012	1,674,732	898,542	-	-	449,290	1,017,544	(733,350)	3,306,758	1,347,977	699,334	1.62	
2013	1,781,552	951,618	-	-	1,585,519	1,139,143	(812,446)	4,645,386	1,488,031	628,835	2.19	
2014	1,933,123	1,030,975	-	-	175,218	1,335,278	(938,595)	3,535,999	1,254,806	282,926	2.30	
2015	2,165,932	1,105,954	-	514,820	631,939	1,341,554	(929,551)	4,830,648	1,947,930	592,706	1.90	
2016	2,134,496	1,137,327	-	526,295	3,142,137	1,358,286	(908,492)	7,390,049	2,017,115	538,115	2.89	
2017	2,191,969	1,165,777	-	530,024	10,019,402	1,309,916	(1,110,825)	14,106,263	4,064,330	5,566,989	1.46	
2018	2,068,543	1,097,955	-	517,667	10,349,623	1,436,696	(1,158,825)	14,311,659	6,684,787	2,600,321	1.54	

Note (1): Marina revenues not pledged against debt service until issuance of 2004A Public Improvement Revenue Bond.

Note (2): Local Government Half Cent Sales Tax pledged against debt service for Series 2007 revenue bond which converted to fixed 20 year repayment in August 2009 and refunded in November 2012.

Note (3): Reflects only those wastewater assessments pledged against bonds.

Note (4): Marina operating expenses shown exclude provision for depreciation and amortization (non-cash item).

Note (5): Pledged for \$6 million Paving Loan associated with wastewater capital project.

Source: Islamorada, Village of Islands Finance Department.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**September 30, 2018**

The Village does not have any direct and overlapping governmental activities debt as of September 30, 2018.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<b>Year</b>	<b>Village Population <sup>(1)</sup></b>	<b>Monroe County Personal Income <sup>(2)</sup></b>	<b>Monroe County Per Capita Personal Income <sup>(2)</sup></b>	<b>Monroe County Unemployment Rate <sup>(2)</sup></b>
2008	7,113	4,577,905,000	62,456	4.4%
2009	7,120	4,402,566,000	60,173	6.6%
2010	7,144	4,438,341,000	60,294	7.4%
2011	6,147	4,651,379,000	62,843	6.6%
2012	6,165	4,354,126,000	58,941	5.0%
2013	6,427	4,245,050,000	56,745	4.0%
2014	6,212	4,415,284,000	57,829	4.2%
2015	6,199	5,368,160,000	69,593	3.5%
2016	6,202	5,765,374,000	74,409	3.2%
2017	6,326	5,869,890,000	74,230	3.2%
2018	5,990	6,417,335,000	83,328	2.6%

Sources:

<sup>(1)</sup> Florida Legislature's Office of Economic and Demographic Research.

<sup>(2)</sup> Florida Legislature's Office of Economic and Demographic Research; data is for all of Monroe County.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**PRINCIPAL EMPLOYERS  
CURRENT AND FIVE YEARS PRIOR**

<b>Employer</b>	<b>2018</b>		<b>2009</b>	
	<b>Number of Employees <sup>(1)</sup></b>	<b>Rank</b>	<b>Number of Employees <sup>(1)</sup></b>	<b>Rank</b>
Publix Super Markets Inc #1495	135	1	115	1
Islamorada, Village of Islands	110	2	81	2
World Wide Sportsman	100	3	57	3
Cheeca Lodge & Spa	25	4	32	4
Doooley Construction	25	5	25	5
Forest Tek Lumber	20	6	22	6
Houston Air	20	7	22	7
Hershoff Lupino & Yagel LLP	17	8	21	8
Sands of the Keys	17	9	20	9
Coral Medical Equipment & Supply	16	10	20	10
			20	10
			20	10

**Notes:**

<sup>(1)</sup> The data provided does have one notable limitation. The Monroe County Tax Collector does not have employee data for the Village's businesses in the following categories: overnight accommodations (hotels, motels, apartment), restaurants and bars, professional business services other than medical or banks. Therefore these businesses are not included in this ranking. The Village does not have a reliable method for collecting data relative to number of employees for any entity but the Village itself.

Source: Monroe County Tax Collector's Office Occupational License Department.



**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**FULL-TIME EQUIVALENT VILLAGE GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Employees:										
General government <sup>(1)</sup>	11	11	11	11	11	17	21	20	24	25
Public safety <sup>(2)</sup>	27	27	29	29	29	40	40	41	41	42
Physical environment <sup>(3)</sup>	31	29	28	27	29	16	15	24	19	20
Culture and recreation <sup>(4)</sup>	20	17	16	16	16	24	24	16	24	23
Total Number of Employees	88	84	84	83	85	97	100	101	107	110

Notes:

- <sup>(1)</sup> Includes Village Manager, Village Attorney, Village Clerk, Finance & Administration, Planning & Development Services, IT & Communications, Code Compliance Departments.
- <sup>(2)</sup> Includes Fire Rescue, Building Services, Local Law Enforcement Departments.
- <sup>(3)</sup> Includes Public Works, Stormwater, Wastewater, Solid Waste.
- <sup>(4)</sup> Includes Parks & Recreation and Marina.

Source: Islamorada, Village of Islands Department of Finance and Administration.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Public safety:										
Police:										
Police personnel and officers <sup>(1)</sup>										
Police calls for service	25,284	20,351	27,027	28,193	24,616	28,048	27,732	25,735	23,860	25,270
Fire/EMS:										
Fire personnel	25	25	25	25	25	28	28	28	28	30
Fire rescue calls answered	263	290	346	363	319	317	252	467	454	472
Emergency medical services calls	1,078	793	760	882	881	926	963	1,110	1,040	903
Community Development:										
Building permits issued	1,319	1,547	705	1,443	1,854	1,767	1,886	2,988	1,833	2,281
Community Services:										
Transportation:										
Public right of way maintenance (miles)	65	65	65	65	65	65	68	68	68	68
Culture and recreation:										
Marina:										
Boat slips	83	83	83	83	83	83	83	83	83	83

Note <sup>(1)</sup>: Police services are provided under contract with the Monroe County Sheriff's Department.

Utility services are provided by Florida Keys Aqueduct Authority and Florida Keys Electric Coop. Business permits and occupational licenses are issued and regulated by Monroe County. Solid waste services are provided by a contract solid waste hauler.

Sources: Various City Departments, Monroe County Sheriff's Office.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Transportation:										
Miles of streets	65	65	65	65	65	65	65	65	65	65
Number of street lights	203	203	203	203	203	209	209	209	209	209
Number of traffic signals	3	3	3	3	3	3	3	3	3	2
Number of street signs	285	312	334	334	334	346	346	346	364	364
Culture and recreation:										
Parks	7	7	7	7	7	7	7	7	7	7
Parks acreage	95.3	95.3	95.3	95.3	95.3	95.3	95.3	95.3	95.3	95.3
Beaches	3	3	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1	1	1
Splash pad	1	1	1	1	1	1	1	1	1	1
Soccer fields	1	1	1	1	1	1	1	1	1	1
Skate park	1	1	1	1	1	0	0	0	0	0
Basketball courts	1	1	1	1	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1	1	1	1	1
Baseball/softball fields	1	1	1	1	1	1	1	1	1	1
Utility system:										
Fire hydrants <sup>(1)</sup>										
Solid waste:										
Collection trucks <sup>(2)</sup>										

Note <sup>(1)</sup>: The Village's water utility is operated by the independent Florida Keys Aqueduct Authority.

Note <sup>(2)</sup>: Islamorada, Village of Islands does not own any solid waste collection trucks. Solid waste services are contracted to a private company.

Sources: Various City Departments and Florida Keys Electric Cooperative Assn.

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**OTHER REPORTS OF INDEPENDENT AUDITORS**

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

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Village Council and Village Manager  
Islamorada, Village of Islands, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Islamorada, Village of Islands, Florida (the "Village"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 28, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2018-001 described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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

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**Compliance and Other Matters**

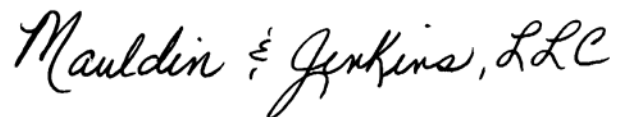
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

**Islamorada, Village of Islands, Florida's Response to Finding**

Islamorada, Village of Islands, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Bradenton, Florida  
June 28, 2019





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

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Village Council and Village Manager  
Islamorada, Village of Islands, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Islamorada, Village of Islands, Florida's (the "Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Village's major federal programs for the year ended September 30, 2018. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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***Opinion on Each Major Federal Program***

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

**Report on Internal Control Over Compliance**

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
June 28, 2019

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Agency/Pass-through Entity</u>	<u>CFDA/ CFDA No.</u>	<u>Grantors Number</u>	<u>Expenditures</u>
<b><u>Federal Awards</u></b>			
U.S. Department of Agriculture			
Passed through Department of Agriculture and Consumer Services			
Volunteer Fire Assistance Grant	10.664	N/A	\$ 9,664
Passed through Natural Resources Conservation Service			
Monroe County Hurricane Irma EWP - Debris Removal	10.923	N/A	474,220
Total U.S. Department of Agriculture			<u>483,884</u>
U.S. Department of Defense			
Direct - Department of the Army, Office of the Chief of Engineers			
Florida Keys Water Quality Program - Section 109 - Recovery	12.128	N/A	1,996,000
Total U.S. Department of Defense			<u>1,996,000</u>
U.S. Department of Housing and Urban Development			
Passed through Florida Department of Economic Opportunity			
Housing Rehabilitation	14.228	15DB-OJ-11-54-02-H 19	6,800
Total U.S. Department of Housing and Urban Development			<u>6,800</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,486,684</u>
<b><u>State Financial Assistance</u></b>			
Florida Department of Environmental Protection			
Division of Water Restoration Assistance	37.039	LP44052	\$ 157,794
Total Florida Department of Environmental Protection			<u>157,794</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 157,794</u>

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Basis of Presentation**

The Schedule of Federal Awards and State Financial Assistance includes federal and state grant activity of Islamorada, Village of Islands, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits, and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

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

Significant deficiencies identified not considered  
Material weaknesses identified?        yes   X   no

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

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

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

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

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

Identification of major federal programs:

CFDA Number	Name of Federal Program
12.128	Florida Keys Water Quality Program – Section 109 – Recovery

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

**State Financial Assistance Projects**

There was not an audit of major state award programs as of September 30, 2018, due to the total amount expended being less than \$750,000.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2018-001. Accounts Payable**

**Criteria:** Internal controls should be in place to provide reasonable assurance that all transactions are recorded in the proper fiscal year. As part of the audit process, we identified a disbursement subsequent to year-end that was not properly accrued to be a fiscal year 2018 expenditure.

**Condition:** A material expenditure was not recorded in the proper period, causing the unadjusted financial statements in the General Fund to understate liabilities and expenditures in the amount of \$1,746,863.

**Context:** Our testing identified a Hurricane Irma related clean-up expenditure in the amount of \$1,746,863 that was recorded as a fiscal year 2019 expenditure, though the expenditure was incurred in fiscal year 2018. Upon discussion with management, the invoice for Hurricane Irma debris management expenditures was held pending a draw from a line of credit to pay the invoice. The timing of receipt of the line of credit draw affected when the invoice would be paid.

**Effect:** A journal entry was required in the General Fund to increase expenditures and accounts payable in the amount of \$1,746,863 in order for the financial statements to be free of material misstatement.

**Recommendation:** We recommend the Village implement controls over the disbursement process to ensure that all disbursements are recorded in the proper period.

**View of Responsible Officials and Planned Corrective Action:** We concur with the finding. The Village is in the process of implementing controls over all disbursements to ensure they are reported in the proper period.

**ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

None reported.

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

The prior audit finding number 2017-001 was corrected by the Village and is not repeated in the current year.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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Village Council and Village Manager  
Islamorada, Village of Islands, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Islamorada, Village of Islands, Florida's (the "Village"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 28, 2019.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.556, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 28, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Islamorada, Village of Islands, Florida was created pursuant to Chapter 97-348, *Florida Statutes*, as of December 31, 1997. Additional information on the Village's creation is disclosed within the Village's footnotes. There were no component units related to the Village.

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**Financial Condition and Management**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

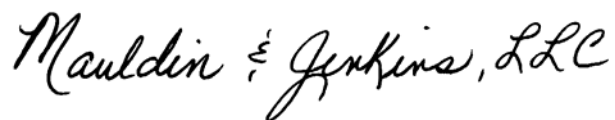
Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

**Additional Matters**

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

**Purpose of this Letter**

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



Bradenton, Florida  
June 28, 2019





## INDEPENDENT ACCOUNTANT'S REPORT

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Village Council and Village Manager  
Islamorada, Village of Islands, Florida

We have examined Islamorada, Village of Islands, Florida's (the "Village") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

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

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

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

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

Bradenton, Florida  
June 28, 2019

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