ISLAMORADA VILLAGE OF ISLANDS

Annual Financial Statements

FOR FISCAL YEAR ENDING SEPTEMBER 30, 2025

86800 OVERSEAS HIGHWAY
ISLAMORADA, FL 33036

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (Village) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

BRADENTON 1001 3rd Avenue West, Suite 700 Bradenton, FL 34205 ph 941.748.1040
SARASOTA 1515 Ringling Boulevard, Suite 900 Sarasota, FL 34236 ph 941.954.4040
TAMPA 101 East Kennedy Boulevard, Suite 1460 Tampa, FL 33602 ph 813.490.4490
www.CSLcpa.com

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedules, and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2026, 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 solely 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 the effectiveness of the Village's 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.

CS&L CPAs

CS&L CPAs, P.A.

June 19, 2026
Bradenton, Florida

As management of Islamorada, Village of Islands, Florida (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the current fiscal year ended September 30, 2025, in comparison to the previous fiscal year ended September 30, 2024. We encourage readers to consider this information in conjunction with the information in the Village's financial statements and notes.

Fund-based financial reporting and government-wide reporting serve different purposes and are not directly comparable; however, together they provide a comprehensive view of the Village's financial condition. This analysis primarily emphasizes government-wide results while also addressing key fund-level activity.

FINANCIAL HIGHLIGHTS

- The Village's total assets plus deferred outflows of resources at September 30, 2025 was $250,925,229, and total liabilities plus deferred inflows of resources was $67,622,901. The difference (total net position) at September 30, 2025 was $183,302,328, an increase of $4,799,555 from the prior year. The total net position for governmental activities was $75,745,193, and the total net position for business-type activities was $107,557,135.

- Unrestricted net position at September 30, 2025, available to meet the Village's ongoing obligations, totaled $33,111,077, a decrease of $1,376,852 from the prior year. Unrestricted net position for governmental activities were $4,738,748, while unrestricted net position for business-type activities were $28,372,329.

- At September 30, 2025, the Village's governmental fund statement shows a combined ending fund balance of $25,775,294, an increase of $163,763 in comparison with the prior year ending fund balance.

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

The Village's financial report consists of government-wide financial statements, fund financial statements, and notes to the financial statements. Additional supplementary information is also included.

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 deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Village's financial position is improving or deteriorating. Net position is reported 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 ended September 30, 2025. This statement provides a summary of revenues and expenses by functional area. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are recorded in this statement for items that may affect cash flows in future periods, such as revenues earned but not yet received and expenses incurred but not yet paid. Other examples include changes in long-term liabilities, such as compensated absences, which will impact cash flows in future periods.

Both statements distinguish between functions of the Village that are primarily supported by taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). Governmental activities include general government, public safety, physical environment, transportation, economic environment, and culture and recreation. Business-type activities 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. The Village, 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: (1) governmental funds, and (2) proprietary funds. The Village does not have any fiduciary activities.

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 fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. This provides readers with a better understanding of the long-term impact of the Village's short-term financing decisions. To assist in this comparison, reconciliations are provided between the governmental fund financial statements and the government-wide financial statements. Page 18 includes a Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position, and 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 seven governmental funds. For financial reporting purposes, authoritative accounting standards require that major funds be reported separately. The general fund is always reported as a major fund. The Village's major governmental funds include the General Fund, Debt Service Fund, and Capital Projects Fund. The remaining governmental funds (Solid Waste, Transportation, Affordable Housing, and Building) are reported collectively as nonmajor governmental funds.

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—which are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village's enterprise funds include the Plantation Yacht Harbor Marina Fund, the Wastewater Utility Fund, and the Stormwater Utility Fund.

The proprietary fund financial statements provide separate information for the Plantation Yacht Harbor Marina Fund and the Wastewater Utility Fund, both of which are considered major funds. The Stormwater Utility Fund is reported as a nonmajor fund.

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

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data presented in both the government-wide financial statements and the fund financial statements. These notes supplement the financial statements by providing detailed disclosures on accounting policies, significant balances, and other matters that impact the Village's financial position and results of operations. The notes to the financial statements begin on page 24 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report includes certain required supplementary information (RSI). This information consists of the Village's budgetary comparison schedule for the General Fund, as well as schedules related to pension and other post-employment benefits (OPEB), as listed in the table of contents.

Other supplementary information is also provided and includes combining and individual fund financial statements for nonmajor governmental funds, as well as budgetary comparison schedules for nonmajor special revenue funds, the debt service fund, and the capital projects fund.

The Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA) is presented as additional supplementary information and is included in the Single Audit Compliance and Other Reports section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table provides a condensed summary of the Village's total net position as of September 30, 2025 compared to the Village's total net position as of September 30, 2024:

Islamorada, Village of Islands, Florida
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 27,953,359	$ 27,228,969	$ 29,967,723	$ 32,639,633	$ 57,921,082	$ 59,868,602
Capital and right-to-use assets	64,351,336	57,810,744	125,317,090	129,051,853	189,668,426	186,862,597
Total assets	92,304,695	85,039,713	155,284,813	161,691,486	247,589,508	246,731,199
Deferred outflows of resources	3,133,329	3,316,801	202,392	216,333	3,335,721	3,533,134
Current liabilities	2,072,231	1,639,820	831,185	1,456,178	2,903,416	3,095,998
Noncurrent liabilities	15,449,238	18,151,149	46,959,390	51,220,012	62,408,628	69,371,161
Total liabilities	17,521,469	19,790,969	47,790,575	52,676,190	65,312,044	72,467,159
Deferred inflows of resources	2,171,362	1,177,215	139,495	81,172	2,310,857	1,258,387
Net investment in capital assets	60,896,486	53,489,682	79,184,806	78,803,666	140,081,292	132,293,348
Restricted	10,109,959	9,757,510	-	-	10,109,959	9,757,510
Unrestricted	4,738,748	4,141,138	28,372,329	30,346,791	33,111,077	34,487,929
Total net position	$ 75,745,193	$ 67,388,330	$ 107,557,135	$ 109,150,457	$ 183,302,328	$ 176,538,787

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $183,302,328 as of September 30, 2025. The Village's total net position increased $4,799,555 from the previous fiscal year's net position.

The largest portion of the Village's net position (76.42%) 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 (5.5%) is restricted for police training, capital projects and the building fund.

The remaining component of net position is unrestricted in the amount of $33,111,077. Unrestricted net position may be used to meet the Village's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended September 30, 2025, the Village is able to report positive balances in all of the three categories of net position for the government as a whole.

Changes in Net Position

Governmental activities and business-type activities combined increased the Village's total net position by $4,799,555 during the fiscal year ended September 30, 2025. The relevant revenue and expense categories and their effect on net position are summarized in the table below.

Islamorada, Village of Islands, Florida
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 5,669,699	$ 6,359,260	$ 8,383,430	$ 8,887,017	$ 14,053,129	$ 15,246,277
Operating grants	463,631	1,094,153	-	-	463,631	1,094,153
Capital grants	6,069,603	3,406,079	14,000	1,451,825	6,083,603	4,857,904
General revenues						
Property taxes	16,665,580	15,812,483	-	-	16,665,580	15,812,483
Other taxes	6,061,153	5,999,280	-	-	6,061,153	5,999,280
Franchise fees	980,723	849,068	-	-	980,723	849,068
Unrestricted interest	1,182,427	1,424,777	1,815,304	1,877,027	2,997,731	3,301,804
Miscellaneous	303,525	332,573	99,788	362,743	403,313	695,316
Total revenues	37,396,341	35,277,673	10,312,522	12,578,612	47,708,863	47,856,285
Expenses						
General government	6,999,370	6,441,816	-	-	6,999,370	6,441,816
Public safety	13,333,451	12,665,400	-	-	13,333,451	12,665,400
Physical environment	2,398,063	2,252,582	-	-	2,398,063	2,252,582
Transportation	2,966,615	2,528,016	-	-	2,966,615	2,528,016
Economic environment	50,000	13,600	-	-	50,000	13,600
Culture and recreation	3,224,256	3,028,975	-	-	3,224,256	3,028,975
Interest on long-term debt	104,740	84,597	-	-	104,740	84,597
Plantation Yacht Harbor Marina	-	-	1,823,026	1,522,779	1,823,026	1,522,779
Wastewater utility	-	-	11,716,448	11,792,079	11,716,448	11,792,079
Stormwater utility	-	-	293,339	143,331	293,339	143,331
Total expenses	29,076,495	27,014,986	13,832,813	13,458,189	42,909,308	40,473,175
Increase (Decrease) in net position before transfers	8,319,846	8,262,687	(3,520,291)	(879,577)	4,799,555	7,383,110
Transfers	(91,546)	(91,510)	91,546	91,510	-	-
Change in net position	8,228,300	8,171,177	(3,428,745)	(788,067)	4,799,555	7,383,110
Net position, beginning	67,388,330	59,217,153	109,150,457	109,938,524	176,538,787	169,155,677
Change in accounting principle	128,563	-	1,835,423	-	1,963,986	-
Net position, ending	$ 75,745,193	$ 67,388,330	$ 107,557,135	$ 109,150,457	$ 183,302,328	$ 176,538,787

Governmental Activities

Governmental activities during the fiscal year resulted in an increase in the Village's net position of $8,228,300. This increase reflects continued strength in ad valorem tax revenues, charges for services, and capital grant activity.

The largest single ongoing revenue source for governmental activities is property taxes, which totaled $16,665,580, representing the most significant portion of total governmental revenues. Another major source of revenue is charges for services, which totaled $5,669,699, and includes assessments for solid waste services, building and planning fees, emergency medical service fees, and fees for parks and recreational programs. In addition, the Village recognized capital grants totaling $6,069,603, reflecting continued investment in infrastructure and capital projects.

Total governmental expenses were $29,076,495, with public safety representing the largest functional category at $13,333,451, or approximately 45.9% of total governmental expenditures. Public safety expenditures include costs associated with the Village's Fire Rescue Department, Building Services Department, and contractual services with the Monroe County Sheriff's Office for law enforcement. The next largest expenditure category was general government, totaling $6,999,370, which supports overall administrative and operational functions of the Village.

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 accounted for through enterprise funds, including the Plantation Yacht Harbor Marina Fund, Wastewater Utility Fund, and Stormwater Utility Fund. During the fiscal year ended September 30, 2025, business-type activities experienced a decrease in net position of $3,428,745, primarily attributable to operating losses, which includes depreciation expense within the wastewater utility operations.

The Plantation Yacht Harbor Marina Fund continued to recover a substantial portion of its operating costs through charges for services and sales. During the fiscal year, the fund reported a decrease in net position of $54,893, reflecting modest operating losses, which includes depreciation expense.

The Wastewater Utility Fund accounts for the operations of the Village-wide wastewater collection and transmission system, as well as the associated capital investments and long-term debt obligations incurred to support system construction. Substantial completion of the system occurred in December 2016, and the Village continues to incur significant depreciation and debt service costs related to this multi-million-dollar infrastructure investment. During the current fiscal year, the fund reported a decrease in net position of $3,312,249, primarily due to depreciation expense and interest on outstanding debt.

The Stormwater Utility Fund was established to segregate stormwater assessment revenues and related capital improvement and maintenance costs associated with the Village's stormwater infrastructure. During the fiscal year, the fund reported a decrease in net position of $61,603, reflecting ongoing operating costs.

Total business-type revenues were $10,312,522, while total expenses were $13,832,813, resulting in the overall decrease in net position. Capital grants during the year were limited, with $14,000 recognized, along with a transfer of $91,546 from the Capital Projects Fund to support wastewater-related expenditures.

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 and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, which establishes five classifications of fund balance: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned. As of September 30, 2025, the Village's governmental funds reported a combined ending fund balance of $25,775,294, representing an increase of $163,763 from the prior year. Of this total, $5,365,697 is classified as unassigned fund balance and is available for discretionary use. Of the remaining fund balance of $20,409,597, $5,010,940 (24.6%) is restricted primarily for capital improvement projects funded by infrastructure sales tax, $3,464,194 (17.0%) is committed to expenditures supported by revenue sources established by Village Council action, and $11,626,909 (57.0%) is assigned primarily for hurricane response and Hazard Mitigation Grant Program (HMGP) projects. A minimal portion of $307,554 is classified as non-spendable and relates to prepayments and deposits.

The General Fund is the Village's primary operating fund. At the end of the fiscal year, unassigned fund balance totaled $5,365,697, compared to $6,176,431 in the prior year, representing a decrease of $810,734. This decrease is largely attributable to an increase in assigned fund balance for hurricane response. The Village Council has established a policy to maintain an unassigned fund balance between 25% and 30% of projected General Fund expenditures. As of September 30, 2025, the Village's unassigned fund balance exceeds this target.

General Fund revenues totaled $22,757,020, a decrease of $7,568 over the prior year. This decrease was driven primarily by growth in ad valorem tax revenues, which increased by $848,303, or 5.2%, compared to the prior year, offset by a decrease in intergovernmental revenues of $912,203. General Fund expenditures increased by $1,469,743, largely due to higher public safety costs, which increased by $1,069,222.

The Capital Projects Fund accounts for revenues and expenditures associated with major governmental capital and infrastructure projects and capital asset purchases. The ending fund balance at September 30, 2025 was $9,508,731, an increase of $741,234 from the prior year, reflecting reduced, but significant, capital outlay activity. The fund also recorded transfers out of $1,169,260. Discretionary sales surtax revenues collected for infrastructure capital projects are transferred to other funds, including the Debt Service Fund and the Wastewater Utility Fund, to support debt service requirements or to directly fund capital projects as directed by the Village Council.

The Debt Service Fund had no ending fund balance at September 30, 2025, consistent with its purpose. This fund is used to account for the payment of principal, interest, and related expenditures on long-term governmental debt and relies on transfers from other funds to meet its obligations. No fund balance is intended to be retained.

Proprietary Funds

Proprietary (enterprise) fund statements provide the same type of information presented for business-type activities in the government-wide financial statements, but in greater detail. At September 30, 2025, unrestricted net position was reported as follows:

- Plantation Yacht Harbor Marina Fund: $1,407,586
- Wastewater Utility Fund: $26,313,848
- Stormwater Utility Fund: $650,895

Total unrestricted net position for proprietary funds was $28,372,329, representing a decrease of $1,974,462 from the prior year. This decrease is primarily attributable to increased construction activity reflected in construction in progress, including the breakwater restoration project. Additional factors affecting proprietary funds are discussed in the Business-Type Activities section of this MD&A.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final fiscal year 2025 budget for the General Fund included an increase in budgeted revenues of $235,668 and a decrease in budgeted expenditures of $174,446. The increase in budgeted revenues was largely related to higher anticipated interest earnings.

Actual revenues were $3,021,839 less than final budgeted amounts, primarily due to lower-than-anticipated intergovernmental revenues. Actual expenditures were $1,817,317 less than final budgeted amounts, reflecting overall spending levels coming in below budget across departments.

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 total investment in capital assets for its governmental and business-type activities as of September 30, 2025 was $188,470,009, net of accumulated depreciation. Of this total, $63,152,919 relates to governmental activities and $125,317,090 relates to business-type activities. Overall, net capital assets increased by $2,955,631 from the prior fiscal year.

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	
	2025	2024	2025	2024	2025	2024
Land	$ 38,879,557	$ 35,777,266	$ 1,061,948	$ 1,061,948	$ 39,941,505	$ 36,839,214
Construction in progress	4,871,674	3,107,257	1,884,366	2,999,286	6,756,040	6,106,543
Land improvements	557,083	192,504	-	-	557,083	192,504
Buildings and improvements	5,770,311	5,959,571	681,020	711,289	6,451,331	6,670,860
Improvements other than buildings	2,565,319	2,375,655	3,066,712	2,291,507	5,632,031	4,667,162
Infrastructure	5,947,938	4,600,398	117,655,876	121,005,348	123,603,814	125,605,746
Equipment and furniture	1,516,679	1,295,410	839,377	802,144	2,356,056	2,097,554
Vehicles	3,044,358	3,154,464	127,791	180,331	3,172,149	3,334,795
Total assets	$ 63,152,919	$ 56,462,525	$ 125,317,090	$ 129,051,853	$ 188,470,009	$ 185,514,378

Major capital asset activity during the fiscal year included the following:

- Governmental activities capital assets increased by $6,690,394, primarily due to acquisitions totaling $8,767,415, offset by $2,077,021 in depreciation, transfers, and disposals. Current year additions included the purchase of land of approximately $2,840,000 and construction in progress of $4,854,581.

- Business-type activities capital assets decreased by $3,734,763, primarily due to asset additions and transfers of $2,756,237, offset by depreciation expense of $6,615,250.

Additional information on the Village's capital assets can be found in Note 5 in this report.

LONG-TERM LIABILITIES

At the end of the fiscal year, the Village reported total long-term liabilities of $62,408,628. These liabilities consist primarily of bonds secured by specific revenue sources (such as revenue bonds and special assessment bonds), as well as compensated absences, net pension liability, and total other post-employment benefit (OPEB) liability. The Village does not have any general obligation bonds. Long-term liabilities are comprised of $15,449,238 related to governmental activities and $46,959,390 related to business-type activities.

Included in total long-term liabilities are bonds payable of $2,768,787 and state revolving fund loans of $45,568,755, which decreased during the year due to principal payments totaling $4,855,117. Other long-term obligations include compensated absences of $1,005,937, net pension liability of $11,539,626, and total OPEB liability of $275,931. The net pension liability decreased by $2,002,903 during the fiscal year.

Additional details regarding long-term liabilities are provided in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village Council approved the Village's budget for the fiscal year ending September 30, 2026, pursuant to a resolution adopted on September 17, 2025. The final millage rate was established at 2.6500 mills, which is equal to $2.65 per $1,000 of taxable assessed value. The rollback rate was 2.5297 mills, and the adopted rate represents an increase of 0.1203 mills, or 4.76% above the rollback rate.

The adopted fiscal year 2026 budget includes total revenues of $56,089,433 and total expenditures of $60,720,257. The budgeted difference will be funded through the use of available fund balance or net position, consistent with planned capital and operational needs.

During fiscal year 2026, the Village initiated a comprehensive rate study to evaluate user fee structures and ensure the long-term financial sustainability of its enterprise fund, the Wastewater Utility Fund. This effort is intended to align user charges more closely with the cost of service and support future financial stability within the utility operations. Additionally, the Plantation Yacht Harbor Marina implemented fee adjustments to increase revenues and better support ongoing operational and capital needs.

Economic conditions within the Village and the Florida Keys region remain favorable. Tourism continues to perform at strong levels, supporting sales tax and related revenue streams. Additionally, ongoing development and redevelopment activity within Islamorada continues to contribute to increasing property values and strengthening the Village's tax base.

Overall, the Village's financial condition remains stable, and its outlook continues to be positive as it maintains investments in infrastructure and service delivery.

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.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 17,780,729	$ 5,600,610	$ 23,381,339
Investments	8,720,045	2,746,659	11,466,704
Receivables, net	174,520	955,584	1,130,104
Special assessment receivables, net, current	-	1,390,929	1,390,929
Due from other governments	970,511	72,558	1,043,069
Other current assets	307,554	55,853	363,407
Special assessment receivables, net, noncurrent	-	19,145,530	19,145,530
Capital assets not being depreciated			
Land	38,879,557	1,061,948	39,941,505
Construction in progress	4,871,674	1,884,366	6,756,040
Capital assets being depreciated			
Land improvements	1,298,974	173,588	1,472,562
Buildings and improvements	10,982,760	1,145,806	12,128,566
Improvements other than buildings	7,681,263	4,103,778	11,785,041
Infrastructure	14,953,254	177,593,353	192,546,607
Equipment and furniture	5,472,814	2,457,866	7,930,680
Vehicles	5,358,455	449,277	5,807,732
Accumulated depreciation	(26,345,832)	(63,552,892)	(89,898,724)
Right-to-use asset	1,198,417	-	1,198,417
Total assets	92,304,695	155,284,813	247,589,508
Deferred outflows of resources			
Deferred outflows - pension	3,007,512	178,481	3,185,993
Deferred outflows - OPEB	125,817	23,911	149,728
Total deferred outflows of resources	3,133,329	202,392	3,335,721
Liabilities			
Accounts payable and accrued liabilities	1,671,785	588,717	2,260,502
Accrued interest payable	35,622	242,468	278,090
Unearned revenue	364,824	-	364,824
Noncurrent liabilities			
Due within one year	1,233,553	4,270,178	5,503,731
Due in more than one year	14,215,685	42,689,212	56,904,897
Total liabilities	17,521,469	47,790,575	65,312,044
Deferred inflows of resources			
Deferred inflows - pension	2,087,134	123,861	2,210,995
Deferred inflows - OPEB	84,228	15,634	99,862
Total deferred inflows of resources	2,171,362	139,495	2,310,857
Net position			
Net investment in capital assets	60,896,486	79,184,806	140,081,292
Restricted for			
Police training	76,127	-	76,127
Capital projects	9,508,731	-	9,508,731
Transportation	171,791	-	171,791
Building	353,310	-	353,310
Unrestricted	4,738,748	28,372,329	33,111,077
Total net position	$ 75,745,193	$ 107,557,135	$ 183,302,328

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs							
Governmental activities							
General government	$ 6,999,370	$ 69,115	$ 241,378	$ –	$ (6,688,877)	$ –	$ (6,688,877)
Public safety	13,333,451	279,427	123,253	–	(12,930,771)	–	(12,930,771)
Physical environment	2,398,063	4,065,741	–	2,333,687	4,001,365	–	4,001,365
Transportation	2,966,615	42,917	–	881,670	(2,042,028)	–	(2,042,028)
Economic environment	50,000	–	–	–	(50,000)	–	(50,000)
Culture and recreation	3,224,256	1,212,499	99,000	2,854,246	941,489	–	941,489
Interest on long-term debt	104,740	–	–	–	(104,740)	–	(104,740)
Total governmental activities	29,076,495	5,669,699	463,631	6,069,603	(16,873,562)	–	(16,873,562)
Business-type activities							
Plantation Yacht Harbor Marina	1,823,026	1,696,896	–	14,000	–	(112,130)	(112,130)
Wastewater utility	11,716,448	6,484,188	–	–	–	(5,232,260)	(5,232,260)
Stormwater utility	293,339	202,346	–	–	–	(90,993)	(90,993)
Total business-type activities	13,832,813	8,383,430	–	14,000	–	(5,435,383)	(5,435,383)
Total primary government	$ 42,909,308	$ 14,053,129	$ 463,631	$ 6,083,603	$ (16,873,562)	$ (5,435,383)	$ (22,308,945)
		General revenues					
		Property taxes			16,665,580	–	16,665,580
		Sales tax			5,166,137	–	5,166,137
		Communication services tax			386,747	–	386,747
		Motor fuel tax			461,770	–	461,770
		Other taxes			46,499	–	46,499
		Franchise fees			980,723	–	980,723
		Unrestricted interest			1,182,427	1,815,304	2,997,731
		Miscellaneous			303,525	99,788	403,313
		Total general revenues			25,193,408	1,915,092	27,108,500
		Transfers			(91,546)	91,546	–
		Total general revenues and transfers			25,101,862	2,006,638	27,108,500
		Change in net position			8,228,300	(3,428,745)	4,799,555
		Net position, beginning of year, as originally stated			67,388,330	109,150,457	176,538,787
		Change in accounting principle (Note 2)			128,563	14,423	142,986
		Correction of an error (Note 2)			–	1,821,000	1,821,000
		Net position, beginning of year, as restated			67,516,893	110,985,880	178,502,773
		Net position, end of year			$ 75,745,193	$ 107,557,135	$ 183,302,328

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 9,597,930	$ –	$ 6,551,024	$ 1,631,775	$ 17,780,729
Investments	4,707,029	–	3,212,762	800,254	8,720,045
Receivables	174,520	–	–	–	174,520
Due from other governments	274,917	–	523,803	171,791	970,511
Prepaids	262,052	–	–	45,392	307,444
Deposits	110	–	–	–	110
Total assets	$ 15,016,558	$ –	$ 10,287,589	$ 2,649,212	$ 27,953,359
Liabilities					
Accounts payable	$ 349,663	$ –	$ 778,858	$ 49,365	$ 1,177,886
Accrued expenditures	378,538	–	–	29,333	407,871
Unearned revenue	–	–	–	364,824	364,824
Deposits	86,028	–	–	–	86,028
Total liabilities	814,229	–	778,858	443,522	2,036,609
Deferred inflows of resources					
Unavailable revenue	141,456	–	–	–	141,456
Fund balances					
Non-spendable	262,162	–	–	45,392	307,554
Spendable					
Restricted	76,127	–	4,455,104	479,709	5,010,940
Committed	610,478	–	1,173,127	1,680,589	3,464,194
Assigned	7,746,409	–	3,880,500	–	11,626,909
Unassigned	5,365,697	–	–	–	5,365,697
Total fund balances	14,060,873	–	9,508,731	2,205,690	25,775,294
Total liabilities, deferred inflows of resources and fund balances	$ 15,016,558	$ –	$ 10,287,589	$ 2,649,212	$ 27,953,359

The accompanying notes are an integral part of these financial statements

Fund balances - Total governmental funds		$ 25,775,294
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	$ 89,498,751	
Accumulated depreciation	(26,345,832)	63,152,919
Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,198,417
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds		141,456
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Pension	3,007,512	
OPEB	125,817	3,133,329
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued interest	(35,622)	
Bonds payable	(2,205,258)	
Compensated absences	(868,485)	
Net pension liability	(10,893,171)	
Other post-employment benefits payable	(232,732)	
Lease liability	(1,249,592)	(15,484,860)
Deferred inflows of resources are not available to pay for current expenditures and, therefore, are not reported in the governmental funds		
Pension	(2,087,134)	
OPEB	(84,228)	(2,171,362)
Net position of governmental activities		$ 75,745,193

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Total
Revenues					
Taxes	$ 17,052,327	$ –	$ 3,479,272	$ 461,770	$ 20,993,369
Permits, fees and assessments	1,623,145	–	234,042	3,532,216	5,389,403
Intergovernmental	2,055,539	–	2,333,687	881,670	5,270,896
Charges for services	1,213,575	–	–	–	1,213,575
Fines and forfeitures	47,444	–	–	–	47,444
Interest	645,128	–	417,694	119,605	1,182,427
Capital contributions	–	–	2,854,246	–	2,854,246
Miscellaneous revenues	119,862	–	–	4,185	124,047
Total revenues	22,757,020	–	9,318,941	4,999,446	37,075,407
Expenditures					
Current					
General government	6,423,412	–	–	–	6,423,412
Public safety	11,108,618	–	335,917	1,695,627	13,140,162
Physical environment	–	–	–	2,444,642	2,444,642
Transportation	755,709	–	–	1,715,684	2,471,393
Economic environment	–	–	–	50,000	50,000
Culture/recreation	2,871,838	–	–	–	2,871,838
Capital outlay	–	–	8,693,204	74,211	8,767,415
Debt service					
Principal	–	739,214	–	–	739,214
Interest	–	91,500	–	–	91,500
Total expenditures	21,159,577	830,714	9,029,121	5,980,164	36,999,576
Excess (deficiency) of revenues over (under) expenditures	1,597,443	(830,714)	289,820	(980,718)	75,831
Other financing sources (uses)					
Sale of capital assets	–	–	179,478	–	179,478
Transfers in	84,000	830,714	1,441,196	1,373,832	3,729,742
Transfers out	(2,041,375)	–	(1,169,260)	(610,653)	(3,821,288)
Total other financing sources (uses)	(1,957,375)	830,714	451,414	763,179	87,932
Change in fund balances	(359,932)	–	741,234	(217,539)	163,763
Fund balances, beginning of year	14,420,805	–	8,767,497	2,423,229	25,611,531
Fund balances, end of year	$ 14,060,873	$ –	$ 9,508,731	$ 2,205,690	$ 25,775,294

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - Total governmental funds		$ 163,763
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are depreciated over their estimated useful lives		
Capital outlay	$ 8,767,415	
Less current year depreciation	(2,049,342)	6,718,073
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position		(27,679)
In the statement of activities, the right-to-use asset from a lease is amortized over the life of the lease. However, the right-to-use asset is not reported in the governmental fund		
Right-to-use asset amortization		(149,802)
Resources in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds		141,456
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		
Principal repayments		739,214
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		
Change in accrued interest payable	(13,240)	
Change in compensated absences	(82,190)	
Change in lease liability	126,998	31,568
In the governmental funds, current year expenditures related to pensions and OPEB are comprised solely of amounts contributed to the plans for the current year. However, in the statement of activities, expenses related to pensions and OPEB include amounts that do not require the use of current financial resources. These amounts represent the difference in the required accounting treatment of pensions, OPEB and related items		
Change in deferred outflows of resources - pension	(238,205)	
Change in deferred outflows of resources - OPEB	54,733	
Change in net pension liability	1,840,967	
Change in other post-employment benefits	(51,641)	
Change in deferred inflows of resources - pension	(989,192)	
Change in deferred inflows of resources - OPEB	(4,955)	611,707
Net position of governmental activities		$ 8,228,300

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			
	Major Funds		Nonmajor	
	Plantation Yacht Harbor Marina	Wastewater Utility	Stormwater Utility	Total
Assets				
Current assets				
Cash and cash equivalents	$ 1,176,215	$ 3,963,749	$ 460,646	$ 5,600,610
Investments	576,841	1,943,907	225,911	2,746,659
Receivables, net	13,322	942,262	-	955,584
Special assessment receivables, net	-	1,390,929	-	1,390,929
Due from other governments	-	68,357	4,201	72,558
Prepaids	10,613	45,040	-	55,653
Deposits	200	-	-	200
Total current assets	1,777,191	8,354,244	690,758	10,822,193
Noncurrent assets				
Special assessment receivables, net	-	19,145,530	-	19,145,530
Capital assets not being depreciated				
Land	-	1,061,948	-	1,061,948
Construction in progress	24,500	1,859,866	-	1,884,366
Capital assets being depreciated				
Land improvements	32,567	80,108	60,913	173,588
Buildings and improvements	1,145,806	-	-	1,145,806
Improvements other than buildings	3,186,929	916,849	-	4,103,778
Infrastructure	2,707,773	172,640,816	2,244,764	177,593,353
Equipment and furniture	1,704,290	753,576	-	2,457,866
Vehicles	-	449,277	-	449,277
Accumulated depreciation	(3,514,642)	(59,295,834)	(742,416)	(63,552,892)
Total assets	7,064,414	145,966,380	2,254,019	155,284,813
Deferred outflows of resources				
Deferred outflows - pension	67,070	111,411	-	178,481
Deferred outflows - OPEB	8,712	15,116	83	23,911
Total deferred outflows of resources	75,782	126,527	83	202,392
Liabilities				
Current liabilities				
Accounts payable	26,776	493,611	35,566	555,953
Accrued expenses	10,053	22,255	456	32,764
Accrued interest payable	175	242,293	-	242,468
Amounts due within one year				
Bonds payable	13,215	293,376	-	306,591
Loans payable	-	3,912,851	-	3,912,851
Compensated absences	34,190	15,251	1,295	50,736
Total current liabilities	84,409	4,979,637	37,317	5,101,363
Noncurrent liabilities				
Bonds payable	10,474	246,464	-	256,938
Loans payable	-	41,655,904	-	41,655,904
Compensated absences	63,286	21,005	2,425	86,716
Net pension liability	242,925	403,530	-	646,455
Total OPEB liability	15,740	27,309	150	43,199
Total liabilities	416,834	47,333,849	39,892	47,790,575
Deferred inflows of resources				
Deferred inflows - pension	46,545	77,316	-	123,861
Deferred inflows - OPEB	5,697	9,883	54	15,634
Total deferred inflows of resources	52,242	87,199	54	139,495
Net position				
Net investment in capital assets	5,263,534	72,358,011	1,563,261	79,184,806
Unrestricted net position (deficit)	1,407,586	26,313,848	650,895	28,372,329
Total net position	$ 6,671,120	$ 98,671,859	$ 2,214,156	$ 107,557,135

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			
	Major Funds		Nonmajor	
	Plantation Yacht Harbor Marina	Wastewater Utility	Stormwater Utility	Total
Operating revenues				
Charges for services				
Utilities	$ -	$ 6,484,188	$ 202,346	$ 6,686,534
Dock rentals	1,114,602	-	-	1,114,602
Fuel sales	513,587	-	-	513,587
Ramp	68,707	-	-	68,707
Miscellaneous revenues	10,742	104,137	-	114,879
Total operating revenues	1,707,638	6,588,325	202,346	8,498,309
Operating expenses				
Personal services	573,871	924,467	8,545	1,506,883
Operating	922,133	3,401,010	174,483	4,497,626
Depreciation	326,451	6,178,488	110,311	6,615,250
Total operating expenses	1,822,455	10,503,965	293,339	12,619,759
Operating income (loss)	(114,817)	(3,915,640)	(90,993)	(4,121,450)
Nonoperating revenues (expenses)				
Interest revenue	51,845	1,734,069	29,390	1,815,304
Loss on disposal of capital assets	(5,350)	(9,741)	-	(15,091)
Interest and fiscal charges/amortization expense	(571)	(1,212,483)	-	(1,213,054)
Total nonoperating revenues (expenses)	45,924	511,845	29,390	587,159
Income (loss) before capital contributions and transfers	(68,893)	(3,403,795)	(61,603)	(3,534,291)
Capital contributions	14,000	-	-	14,000
Transfers in (out)	-	91,546	-	91,546
Changes in net position	(54,893)	(3,312,249)	(61,603)	(3,428,745)
Net position, beginning of year, as originally stated	4,895,009	101,980,089	2,275,359	109,150,457
Change in accounting principle (Note 2)	10,004	4,019	400	14,423
Correction of an error (Note 2)	1,821,000	-	-	1,821,000
Net position, beginning of year, as restated	6,726,013	101,984,108	2,275,759	110,985,880
Net position, end of year	$ 6,671,120	$ 98,671,859	$ 2,214,156	$ 107,557,135

The accompanying notes are an integral part of these financial statements

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			
	Major Funds		Nonmajor	
	Plantation Yacht Harbor Marina	Wastewater Utility	Stormwater Utility	Total
Cash flows from operating activities				
Cash received from customers	$ 3,538,339	$ 6,602,330	$ 202,332	$ 10,343,001
Cash paid to customers	(1,750,167)	(3,215,386)	(139,090)	(5,104,643)
Cash paid to employees	(533,208)	(1,005,333)	(19,646)	(1,558,187)
Net cash provided by operating activities	1,254,964	2,381,611	43,596	3,680,171
Cash flows from noncapital financing activities				
Transfers in	-	91,546	-	91,546
Net cash provided by noncapital financing activities	-	91,546	-	91,546
Cash flows from capital and related financing activities				
Principal payments on loans and bonds	(12,930)	(4,102,973)	-	(4,115,903)
Interest payments on loans and bonds	(666)	(1,234,635)	-	(1,235,301)
Proceeds from capital grants and contributions	14,000	2,784,025	-	2,798,025
Acquisition and construction of capital assets	(88,392)	(2,807,186)	-	(2,895,578)
Net cash used in capital and related financing activities	(87,988)	(5,360,769)	-	(5,448,757)
Cash flows from investing activities				
Reallocation of pooled investments	(215,910)	(209,643)	(100,224)	(525,777)
Interest received	51,845	1,734,069	29,390	1,815,304
Net cash (used) provided by investing activities	(164,065)	1,524,426	(70,834)	1,289,527
Net change in cash and cash equivalents	1,002,911	(1,363,186)	(27,238)	(387,513)
Cash and cash equivalents, beginning of year	173,304	5,326,935	487,884	5,988,123
Cash and cash equivalents, end of year	$ 1,176,215	$ 3,963,749	$ 460,646	$ 5,600,610
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ (114,817)	$ (3,915,640)	$ (90,993)	$ (4,121,450)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	326,451	6,178,488	110,311	6,615,250
Decrease (increase) in assets and deferred outflows				
Receivables	1,830,701	14,005	-	1,844,706
Prepaids	3,293	(836)	-	2,457
Due from other governments	-	-	(14)	(14)
Deferred outflows - pension	(4,983)	28,952	3,595	27,564
Deferred outflows - OPEB	(6,662)	(6,923)	(38)	(13,623)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	(831,327)	186,460	35,393	(609,474)
Accrued expenses	3,770	2,884	74	6,728
Compensated absences	9,730	4,371	549	14,650
Net pension liability	(663)	(147,167)	(14,106)	(161,936)
Total OPEB liability	10,517	6,436	37	16,990
Deferred inflows - pension	25,543	29,835	(1,216)	54,162
Deferred inflows - OPEB	3,411	746	4	4,161
Net cash provided by operating activities	$ 1,254,964	$ 2,381,611	$ 43,596	$ 3,680,171

The accompanying notes are an integral part of these financial statements

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 GASB, 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.

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 Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
>
> The Capital Projects Fund accounts for revenues from discretionary sales surtax, grants and impact fees for capital improvement projects.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 normal 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 60 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 30 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.

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.

Prepaids:
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 non-spendable 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under full accrual accounting, the estimated value of the current wastewater assessment roll levied for the 2025-2026 fiscal year (less an allowance for uncollectible amounts and interest and fees which are applicable to fiscal year 2026) is considered a current receivable for fiscal year 2024-2025. 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 $2,500 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 an estimated 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.

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 are expensed as incurred.

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

	Years
Equipment and furniture	5-12
Vehicles	6-7
Building and building renovations	50
Infrastructure and improvements	10-40
Land improvements	10
Park improvements	15-50
Other improvements	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 two items that qualify for reporting in this category. The deferred outflows of resources reported in these statements are related to the Village's defined benefit pension plan and total other post-employment benefit liability.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance sheet may also report 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 a deferred inflow of resources (revenue) until the amount becomes available. The Village did recognize a deferred inflow of resources for unavailable revenue as of September 30, 2025.

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 expense over time instead of all being recognized in the year of occurrence.

Experience gains or losses from periodic actuary studies and 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 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 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Compensated absences is accrued as a liability as benefits are earned by the employees and more-likely-than-not expected to be used in a future period.

In the fund financial statements, governmental funds report only the compensated absence liability payable when matured as a result of employee 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

- Non-spendable 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 non-spendable include inventories, deposits, 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.

- 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 the 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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."

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, 2025, was 2.65000 mills ($2.65 for each $1,000 of assessed valuation).

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

I. Adoption of a New Accounting Standard and Correction of an Error:

Effective October 1, 2024, the Village adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB No. 101). GASB No. 101 updates the recognition and measurement guidance for compensated absences, including vacation, sick leave, and other paid leave benefits. Under GASB No.101, liabilities for compensated absences are recognized when the benefits are both attributable to services already rendered and are expected to be paid. The standard eliminates the requirement to segregate obligations into "vesting" and "non-vesting" components, instead emphasizing whether leave accumulates and whether it is more likely than not to be paid. This change required the restatement of the beginning balances of net position for governmental activities, business-type activities, and enterprise funds.

During the year ended September 30, 2025, the Village identified an error in the September 30, 2024 financial statements related to reimbursable grant activity. The error resulted in an understatement of amounts due from other governments and capital contributions of the Plantation Yacht Harbor Marina fund, which is an enterprise fund, and a business-type activity in the amount of $1,821,000.

The restatements effective October 1, 2024 for the statement of net position and statement of activities are as follows:

	Governmental Activities	Business-Type Activities	Total
Statement of Net Position:			
Compensated absences at October 1, 2024, as originally stated	$ 914,858	$ 137,225	$ 1,052,083
Change in accounting principle:			
GASB No. 101, *Compensated Absences*	(128,563)	(14,423)	(142,986)
Compensated absences at October 1, 2024, as restated	$ 786,295	$ 122,802	$ 909,097
Statement of Activities:			
Net Position at October 1, 2024, as originally stated	$ 67,388,330	$ 109,150,457	$ 176,538,787
Change in accounting principle:			
GASB No. 101, *Compensated Absences*	128,563	14,423	142,986
Correction of an error	-	1,821,000	1,821,000
Net position at October 1, 2024, as restated	$ 67,516,893	$ 110,985,880	$ 178,502,773

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Plantation Yacht Harbor Marina	Wastewater Utility	Stormwater Utility	Total
Statement of Net Position:				
Compensated absences at October 1, 2024, as originally stated	$ 97,750	$ 35,904	$ 3,571	$ 137,225
Change in accounting principle:				
GASB No. 101, *Compensated Absences*	(10,004)	(4,019)	(400)	(14,423)
Compensated absences at October 1, 2024, as restated	$ 87,746	$ 31,885	$ 3,171	$ 122,802
Statement of Activities:				
Net Position at October 1, 2024, as originally stated	$ 4,895,009	$ 101,980,089	$ 2,275,359	$ 109,150,457
Change in accounting principle:				
GASB No. 101, *Compensated Absences*	10,004	4,019	400	14,423
Correction of an error	1,821,000	–	–	1,821,000
Net position at October 1, 2024, as restated	$ 6,726,013	$ 101,984,108	$ 2,275,759	$ 110,985,880

NOTE 3 – CASH AND INVESTMENTS

The Village maintains a cash and investment 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" and "investments." Interest and investments are allocated to the various funds based on their proportionate share of the cash pool.

Cash and Cash Equivalents:
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*. Therefore, all of the Village's deposits are entirely collateralized and 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. At September 30, 2025, the carrying amount of the Village's deposits was $23,381,339 and the total bank balance was $23,542,151.

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.

The Village has deposits with the Florida Cooperative Liquid Assets Securities System (FLCLASS). FLCLASS is a local government investment pool emphasizing safety, liquidity and yield. FLCLASS measures its investments at fair value. The investment pool is not subject to custodial credit risk.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The Village participates in both the FLCLASS Stable Value NAV pool and the FLCLASS Enhanced Cash pool with FLCLASS. In regards to interest rate risk, the dollar weighted average days to maturity (WAM) of FLCLASS at September 30, 2025 is 41.99 days and the weighted average life (WAL) of FLCLASS is 70.06 days.

The FLCLASS Stable Value NAV pool is rated by S&P Global Ratings as AAAm. The FLCLASS Enhanced Cash pool is rated by FitchRatings as AAAf/S1.

Since FLCLASS is an external investment pool, Investments with FLCLASS are not exposed to custodial credit risk and was not subject to foreign currency risk. Investments held with FLCLASS totaled $11,466,704 at September 30, 2025.

The Village categorizes its fair value measurements (investments) within the fair value hierarchy established by generally accepted accounting principles, which prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described as follows:

(1) Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

(2) Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

(3) Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2025, the Village's general fund investments included the following recurring fair value measurements:

	Total	Level 1	Level 2	Level 3
FLCLASS	$ 11,466,704	$ –	$ 11,466,704	$ –

NOTE 4 – RECEIVABLES

Receivables at September 30, 2025 for the Village's individual major funds and total nonmajor funds are as follows:

	Accounts Receivable	Special Assessments	Due from Other Governments	Total
Governmental Activities				
Major funds				
General Fund	$ 174,520	$ –	$ 274,917	$ 449,437
Capital Projects Fund	–	–	523,803	523,803
Nonmajor funds	–	–	171,791	171,791
Total governmental activities	174,520	–	970,511	1,145,031
Business-Type Activities				
Major funds				
Plantation Yacht Harbor Marina	13,322	–	–	13,322
Wastewater Utility Fund	942,262	20,536,459	68,357	21,547,078
Nonmajor fund	–	–	4,201	4,201
Total business-type activities	955,584	20,536,459	72,558	21,564,601
Total primary government	$ 1,130,104	$ 20,536,459	$ 1,043,069	$ 22,709,632

Special assessment receivables of the wastewater utility fund are reported net of an allowance for uncollectible accounts. The current portion and noncurrent portions of the special assessment receivables have an allowance in the amount of $55,038 and $859,457, respectively. All other receivables are deemed fully collectible by the Village.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	$ 35,777,266	$ 2,840,312	$ –	$ 261,979	$ 38,879,557
Construction in progress	3,107,257	4,854,581	–	(3,090,164)	4,871,674
Total capital assets, not being depreciated	38,884,523	7,694,893	–	(2,828,185)	43,751,231
Capital assets, being depreciated					
Land improvements	873,404	213,480	–	212,090	1,298,974
Buildings and improvements	10,877,260	105,500	–	–	10,982,760
Improvements other than buildings	7,174,859	96,506	(9,484)	419,382	7,681,263
Infrastructure	13,010,086	–	–	1,943,168	14,953,254
Equipment and furniture	4,933,352	355,843	(69,926)	253,545	5,472,814
Vehicles	5,710,034	301,193	(652,772)	–	5,358,455
Total capital assets, being depreciated	42,578,995	1,072,522	(732,182)	2,828,185	45,747,520
Less accumulated depreciation for:					
Land improvements	(680,900)	(60,991)	–	–	(741,891)
Buildings and improvements	(4,917,689)	(294,760)	–	–	(5,212,449)
Improvements other than buildings	(4,799,204)	(322,115)	5,375	–	(5,115,944)
Infrastructure	(8,409,688)	(595,628)	–	–	(9,005,316)
Equipment and furniture	(3,637,942)	(379,781)	61,588	–	(3,956,135)
Vehicles	(2,555,570)	(396,067)	637,540	–	(2,314,097)
Total accumulated depreciation	(25,000,993)	(2,049,342)	704,503	–	(26,345,832)
Total capital assets, being depreciated, net	17,578,002	(976,820)	(27,679)	2,828,185	19,401,688
Governmental activities capital assets, net	$ 56,462,525	$ 6,718,073	$ (27,679)	$ –	$ 63,152,919

Depreciation expense was charged to the governmental activities as follows:

Governmental Activities	
General government	$ 650,526
Public safety	544,607
Transportation	495,222
Culture and recreation	358,987
	$ 2,049,342

The Village also has recognized a right-to-use asset (see Note 7). Right-to-use asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Modifications and Remeasurements	Subtractions	Ending Balance
Lease assets					
Equipment	$ 1,498,021	–	–	–	1,498,021
Total lease assets	1,498,021	–	–	–	1,498,021
Less accumulated amortization					
Vehicle	(149,802)	(149,802)	–	–	(299,604)
Total lease assets being amortized	(149,802)	(149,802)	–	–	(299,604)
Right-to-use asset	$ 1,348,219	$ (149,802)	$ –	$ –	$ 1,198,417

Amortization expense for the year ended September 30, 2025 was $149,802 and is included in public safety expense in the statement of activities.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital assets, not being depreciated					
Land	$ 1,061,948	$ -	$ -	$ -	$ 1,061,948
Construction in progress	2,999,286	1,808,080	-	(2,923,000)	1,884,366
Total capital assets, not being depreciated	4,061,234	1,808,080	-	(2,923,000)	2,946,314
Capital assets, being depreciated					
Land improvements	173,588	-	-	-	173,588
Buildings and improvements	1,145,806	-	-	-	1,145,806
Improvements other than buildings	3,201,493	-	-	902,285	4,103,778
Infrastructure	174,675,532	897,106	-	2,020,715	177,593,353
Equipment and furniture	2,391,615	190,392	(124,141)	-	2,457,866
Vehicles	464,477	-	(15,200)	-	449,277
Total capital assets, being depreciated	182,052,511	1,087,498	(139,341)	2,923,000	185,923,668
Less accumulated depreciation for:					
Land improvements	(173,588)	-	-	-	(173,588)
Buildings and improvements	(434,517)	(30,269)	-	-	(464,786)
Improvements other than buildings	(909,986)	(127,080)	-	-	(1,037,066)
Infrastructure	(53,670,184)	(6,266,060)	-	(1,233)	(59,937,477)
Equipment and furniture	(1,589,471)	(139,301)	109,050	1,233	(1,618,489)
Vehicles	(284,146)	(52,540)	15,200	-	(321,486)
Total accumulated depreciation	(57,061,892)	(6,615,250)	124,250	-	(63,552,892)
Total capital assets, being depreciated, net	124,990,619	(5,527,752)	(15,091)	2,923,000	122,370,776
Business-type activities capital assets, net	$ 129,051,853	$ (3,719,672)	$ (15,091)	$ -	$ 125,317,090

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

Business-Type Activities	
Plantation Yacht Harbor Marina	$ 326,451
Wastewater Utility	6,178,488
Stormwater Utility	110,311
	$ 6,615,250

NOTE 6 – INTERFUND BALANCES

Interfund transfers between funds for the year ended September 30, 2025 were as follows:

	Transfers In	Transfers Out
Governmental Activities		
Major funds		
General Fund	$ 84,000	$ 2,041,375
Debt Service Fund	830,714	–
Capital Projects Fund	1,441,196	1,169,260
Nonmajor funds	1,373,832	610,653
Total governmental activities	3,729,742	3,821,288
Business-Type Activities		
Major funds		
Plantation Yacht Harbor Marina	–	–
Wastewater Utility Fund	91,546	–
Nonmajor funds	–	–
Total business-type activities	91,546	–
Total primary government	$ 3,821,288	$ 3,821,288

A transfer of $84,000 was made from the building fund to the general fund to reflect rent expense by the building fund for the portion of square footage the building department occupies in the Village's Administration Center ($60,000) and to reflect a cost for use of four Village vehicles by the building department ($24,000). A percentage allocation of personnel costs for staff assigned to general fund departments that provide services to the building department are expensed directly.

Because the Village’s governmental debt is secured by discretionary sales surtax levied to fund infrastructure capital projects, a transfer of $526,653 occurred from the transportation fund to the debt service fund. In addition, $304,061 was transferred from the general fund to the debt service fund to fund long-term debt payments.

The general fund also made transfers to the capital projects fund for $363,482, solid waste fund for $343,655 and transportation fund for $1,030,177.

Finally, a transfer of $91,546 was made from the capital projects fund to the wastewater utility fund for costs related to the wastewater project.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2025:

	Beginning Balance, as Originally Stated	Restatement	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities						
Bonds payable						
Series 2012	$ 819,472	$ -	$ -	$ (289,214)	$ 530,258	$ 295,548
Series 2013	2,125,000	-	-	(450,000)	1,675,000	460,000
Compensated absences	914,858	(128,563)	82,190 *	- *	868,485	345,186
Net pension liability	12,734,138	-	6,077,605	(7,918,572)	10,893,171	-
Total OPEB liability	181,091	-	94,414	(42,773)	232,732	-
Lease liability	1,376,590	-	-	(126,998)	1,249,592	132,819
Total governmental activities	$ 18,151,149	$ (128,563)	$ 6,254,209	$ (8,827,557)	$ 15,449,238	$ 1,233,553

* - Change in compensated absences is reported net.

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, 2025 is composed of the following bonds payable:

	Governmental Activities
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 2.21% 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.	$ 530,258
Capital Improvement Revenue Bond, Series 2013	
The Village issued bonds in the amount of $6,000,000 to finance the cost of acquisition of 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.	1,675,000
	$ 2,205,258

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending September 30,	Principal	Interest	Total
2026	$ 755,548	$ 67,619	$ 823,167
2027	709,537	44,154	753,691
2028	490,000	23,481	513,481
2029	250,173	4,734	254,907
	$ 2,205,258	$ 139,988	$ 2,345,246

The Village entered into a lease for EMS equipment effective November 15, 2024 and terminating on November 15, 2032, with the option to purchase the equipment at the end of the lease for $1. Annual payments on the lease including principal and interest are $190,102. The discount rate used to determine the lease liability is 4.58% based on the Village's incremental borrowing rate. Lease expense for the year ended September 30, 2025 was as follows:

Lease expense: Equipment	$ 149,802
Interest on lease liability	63,104
Variable lease expense	-
	$ 212,906

Future minimum lease payments for this lease are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	$ 132,819	$ 57,283	$ 190,102
2027	138,908	51,194	190,102
2028	145,275	44,826	190,101
2029	151,935	38,167	190,102
2030	158,900	31,202	190,102
2031-2033	521,755	48,550	570,305
	$ 1,249,592	$ 271,222	$ 1,520,814

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, 2025:

	Beginning Balance, as Originally Stated	Restatement	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities						
Bonds payable						
Series 2012	$ 863,377	$ -	$ -	$ (299,848)	$ 563,529	$ 306,591
Direct borrowings:						
State revolving fund loans						
2006	954,378	-	-	(309,517)	644,861	318,048
2012	48,430,432	-	-	(3,506,538)	44,923,894	3,594,803
Compensated absences	137,225	(14,423)	14,650 *	-	137,452	50,736
Net pension liability	808,391	-	360,675	(522,611)	646,455	-
Total OPEB liability	26,209	-	23,770	(6,780)	43,199	-
Total business-type activities	$ 51,220,012	$ (14,423)	$ 399,095	$ (4,645,294)	$ 46,959,390	$ 4,270,178

* - Change in compensated absences is reported net.

Long-term debt of the business-type activities at September 30, 2025 is composed of the following bonds payable:

	Business-Type Activities
Capital Improvement Refunding Revenue Bond, Series 2012	
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 2.21% 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.	$ 563,529
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.	644,861

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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 began June 15, 2016, and semi-annually thereafter on December 15 and June 15, maturing July 15, 2036. The loan is secured by assessments and annual revenues derived from the operation of the sewer system.	44,923,894
	$ 46,132,284

The annual requirements to amortize the outstanding debt of the business-type activities as of September 30, 2025 is as follows:

Bonds

Year Ending September 30,	Principal	Interest	Total
2026	$ 306,591	$ 12,288	$ 318,879
2027	256,938	5,542	262,480
	$ 563,529	$ 17,830	$ 581,359

Notes Payable from Direct Borrowings

Year Ending September 30,	Principal	Interest	Total
2026	$ 3,912,851	$ 1,119,442	$ 5,032,293
2027	4,012,137	1,020,156	5,032,293
2028	3,778,159	920,596	4,698,755
2029	3,873,368	825,387	4,698,755
2030	3,971,013	727,742	4,698,755
2031-2035	21,409,524	2,084,435	23,493,959
2036	4,611,703	87,054	4,698,757
	$ 45,568,755	$ 6,784,812	$ 52,353,567

Events of default on the bonds include failure to make payments or principal or interest as due within three days of the due date; failure in the performance or observance of the agreement; false or misleading warranties or representations; and any bankruptcy, insolvency or similar proceeding.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

In the event of default on the Series 2012 and Series 2013 bonds payable, the lender may declare the principal amount and all interest outstanding to be immediately due and payable. Additionally, the purchaser may sue to protect and enforce any and all rights, including the right to specific performance, existing under the laws of the State of Florida.

Events of default on the State Revolving Funds Loan Program notes include failure to make monthly loan deposits as due or semi-annual loan payments as due and the failure continues for five days; failure in the performance or observance of the agreement; false or misleading warranties or representations; a court appoints a receiver to take control of pledged revenues; if the Village agrees to start a legal proceeding to restructure, reduce, delay, or otherwise adjust debts owed to creditors whose claims are backed by the Sewer System's pledged revenues; any bankruptcy, insolvency or similar proceeding; and failure to provide immediate written notice of default and if such failure continues for thirty days.

In the event of default on the State Revolving Funds Loan Program notes, remedies include the following:

- By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the sewer system, and to require the Village to fulfill the agreements.
- By action or suit in equity, require the Village to account for all moneys received from the lender or from the ownership of the sewer system and to account for the receipt, use, application, or disposition of the pledged revenues.
- By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the lender.
- By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the sewer system, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under this agreement.
- By certifying to the Auditor General and the Chief Financial Officer delinquency on loan repayments, the lender may intercept the delinquent amount plus a penalty from any unobligated funds due to the Village under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution. The Lender may impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.
- By notifying financial market credit rating agencies and potential creditors.
- By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.
- By accelerating the repayment schedule or increasing the financing rate on the unpaid principal of the loan to as much as 1.667 times the financing rate.

NOTE 8 – FUND BALANCE

Fund balance as of September 30, 2025 consists of the following:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Non-spendable				
Prepaids	$ 262,052	$ –	$ 45,392	$ 307,444
Deposits	110	–	–	110
Total non-spendable	262,162	–	45,392	307,554
Restricted				
Police training	76,127	–	–	76,127
Capital projects	–	4,455,104	–	4,455,104
Transportation	–	–	171,791	171,791
Building fund	–	–	307,918	307,918
Total restricted	76,127	4,455,104	479,709	5,010,940
Committed				
Landscape mitigation	610,478	–	–	610,478
Affordable housing	–	–	1,644,571	1,644,571
Impact fees - transportation	–	581,920	–	581,920
Impact fees - fire rescue	–	134,573	–	134,573
Impact fees - parks and rec	–	456,634	–	456,634
Solid waste projects and operations	–	–	36,018	36,018
Total committed	610,478	1,173,127	1,680,589	3,464,194
Assigned				
Hurricane response	7,746,409	–	–	7,746,409
HMGP projects	–	3,880,500	–	3,880,500
Total assigned	7,746,409	3,880,500	–	11,626,909
Unassigned	5,365,697	–	–	5,365,697
Total fund balance	$ 14,060,873	$ 9,508,731	$ 2,205,690	$ 25,775,294

NOTE 9 – EMPLOYEE BENEFIT PLANS

<u>Defined Contribution Plans:</u>

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 and the term of vesting for new participants was increased to two years from anniversary date. For the year ended September 30, 2025, the Village contributed $9,776 to this plan. Plan members do not make contributions to the plan.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

The Village offers its employees two optional deferred compensation plans in accordance with Internal Revenue Code Section 457 – one through Nationwide Retirement Solutions, Inc., and another through Plan Member Services. 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.

Defined Benefit Plans – Florida Retirement System:

Plan Description
Employees of the Village are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement.

The State of Florida issues a publicly available annual comprehensive financial report that can be obtained at https://www.myfloridacfo.com/transparency/state-financial-reports/FL-ACFR.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.

- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes.

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.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

If first employed prior to July 1, 2011: Normal retirement age for "regular" employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for "special risk" employees is 55 or 25 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years' earnings.

If first employed on or after July 1, 2011: Normal retirement age for "regular" employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for "special risk" employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years' earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made:

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The Village's contractually required contribution rate for the year ended September 30, 2025, ranged from 13.63% – 14.03% for regular employees; 34.52% – 33.24% for senior management; 32.79% – 35.19% for special risk employees; 54.57% – 58.68% for elected officers; and 22.02% – 21.13% for employees in the DROP Program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

unfunded accrued liability. Contributions to the pension plan from the Village were $2,203,509 for the year ended September 30, 2025, and approximated 22.5% of covered payroll. The HIS Program is funded by required contributions of 2.00% and is included in the contribution rates noted above.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
At September 30, 2025, the Village reported a liability of $11,539,626 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. The Village's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the Village's proportion was 0.028230234% for FRS and 0.021676210% for HIS which was consistent with its proportion measured in the previous year.

For the fiscal year ended September 30, 2025, the Village recognized a pension expense of $1,235,668 for both plans. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 935,798	$ –	$ 16,585	$ 4,407
Assumption changes	1,017,413	–	24,591	672,008
Net difference between projected and actual earnings on pension plan investments	–	1,462,786	–	2,313
Changes in proportion and differences between pension plan contributions and proportionate share of contributions	454,160	29,372	206,327	40,109
Pension plan contributions subsequent to the measurement date	479,557	–	51,562	–
Total	$ 2,886,928	$ 1,492,158	$ 299,065	$ 718,837

Total deferred outflows were $3,185,993 and total deferred inflows were $2,210,995 as of September 30, 2025. $479,557 (FRS) and $51,562 (HIS) were reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

FRS			HIS		
Year ended September 30,		Amount	Year ended September 30,		Amount
2026	$	213,400	2026	$	(81,329)
2027		213,400	2027		(81,329)
2028		213,400	2028		(81,329)
2029		213,400	2029		(81,329)
2030		61,613	2030		(81,329)
Thereafter		–	Thereafter		(64,689)
Total	$	915,213	Total	$	(471,334)

Actuarial Assumptions:
The total pension liability in the July 1, 2025 actuarial valuation for FRS and July 1, 2024 for HIS (June 30, 2025 measurement date for both) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	6.70 percent, including inflation at 2.40%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The actuarial assumptions used in the July 1, 2025 valuation for FRS were based on the results of an actuarial experience study performed for the period July 1, 2018 – June 30, 2023. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.20%; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2025 by the FRS Actuarial Assumptions Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Asset Class	Target Allocation (1)	Annual Arithmetic Return
Cash	1.0%	3.2%
Fixed income	29.0%	5.5%
Global equity	45.0%	8.5%
Real equity	12.0%	8.4%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.5%
Total	100.0%	

Discount Rates:
The discount rate used to measure the total FRS pension liability was 6.70%. The HIS rate increased from 3.93% to 5.20% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions:
The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the Village's proportionate share of the FRS net pension liability calculated using the discount rate of 6.70%, 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 1-percentage-point lower (5.70 percent) or 1-percentage-point higher (7.70 percent) than the current rate:

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Village's proportionate share of the net pension liability	$ 17,193,897	$ 8,761,290	$ 1,691,515

The following presents the Village's proportionate share of the HIS net pension liability calculated using the discount rate of 5.20%, 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 1-percent-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
Village's proportionate share of the net pension liability	$ 3,133,021	$ 2,778,336	$ 2,480,868

Pension Plan Fiduciary Net Position

The Village's proportion of net position has been determined on the same basis of each Plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of Florida annual comprehensive financial report.

Payables to the Pension Plan:

At September 30, 2025, the Village reported a payable in the amount of $64,106 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2025.

FRS Investment Plan:

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Village has employees that participate in the Investment Plan. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the plan. The Investment Plan is reported in the SBA's annual financial statements.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Retirement benefits are based upon the value of the member's account upon retirement. The Investment Plan is funded with the same employer and employee contribution rates that are based on the salary and membership class as the FRS defined benefit plan. The Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for the FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided. The member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension, or remain in the Investment Plan and rely on that account balance for retirement income.

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, but a valuation report is prepared by an actuary in accordance with Governmental Accounting Standards Board Statement No. 75.

The results of this valuation were based on a measurement date of September 30, 2024 and are rolled forward to the fiscal year ending September 30, 2025.

Employees Covered by the Benefit Terms:

At September 30, 2024, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Retirees and beneficiaries	2
Inactive, nonretired members	-
Active plan members	119
Total	121

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

Actuarial Assumptions:

The Village's total OPEB liability was determined by an actuarial valuation as of September 30, 2024, with a measurement date of September 30, 2025. The measurement period for the OPEB expense was October 1, 2023 to September 30, 2024, and the reporting period is October 1, 2024 through September 30, 2025. The Village's total OPEB liability was measured based on the following assumptions:

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	4.06%
Initial trend rate	6.75%
Ultimate trend rate	4.00%
Years to ultimate	50

All mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2021. Rates are based on those outlined in Milliman's July 1, 2024, Florida Retirement System (FRS) valuation report.

Mortality – Active Healthy Lives: For female (non-special risk) lives, the Headcount-weighted PubG-2010 female, Scale MP-2021was used. For male (non-special risk) lives, the Headcount-weighted PubG-2010 male with one year setback, Scale MP-2021, was used. For female special risk lives, the PubS.H-2010 female employee, Scale MP-2021 was used. For male special risk lives, the PubS.H-2010 male employee set forward one year, Scale MP-2021 was used.

Mortality – Inactive Healthy Lives: For female (non-special risk) lives, the Headcount-weighted PubG-2010 female healthy retiree, Scale MP-2021 was used. For male (non-special risk) lives, the Headcount-weighted PubG-2010 male healthy retiree with one-year setback, Scale MP-2021 was used. For female special risk lives, the PubS.H-2010 for Healthy Retirees, Scale MP-2021 was used. For male special risk lives, the PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year, Scale MP-2021 was used.

Mortality – Disabled Lives: For female (non-special risk) lives, Headcount-weighted PubG-2010 female disabled retiree, set forward 4 years, Scale MP-2021 was used. For male (non-special risk) lives, Headcount-weighted PubG-2010 male disabled retiree, set forward 4 years, Scale MP-2021 was used. For female special risk lives, PubS.H-2010 disabled retirees, set forward one year, Scale MP-2021 was used. For male special risk lives, the PubG.H-2010 disabled retirees, Scale MP-2021 was used.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 4.06%. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes in Actuarial Assumptions:

Changes in assumptions reflect a change in the discount rate from 4.87% for the reporting period ended September 30, 2024, to 4.06% for the reporting period ended September 30, 2025.

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, 2025 were as follows:

	Total OPEB Liability
Balances at September 30, 2024	$ 207,300
Changes for the year:	
Service cost	18,008
Interest	10,632
Differences between expected and actual	(29,130)
Changes on assumptions	83,298
Benefit payments	(14,177)
Net change	68,631
Balances at September 30, 2025	$ 275,931

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:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	$ 291,527	$ 275,931	$ 260,059

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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:

	1% Decrease 3.00% – 5.75%	Current Healthcare Cost Trend Rate 4.00% – 6.75%	1% Increase 5.00% – 7.75%
Total OPEB liability	$ 241,667	$ 275,931	$ 317,158

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources:

For the year ended September 30, 2025, the Village recognized OPEB expense of $33,866.

On September 30, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,442	$ 31,119
Changes in assumptions and other inputs	91,811	68,743
Village contributions subsequent to the measurement date	24,475	-
Total	$ 149,728	$ 99,862

The deferred outflows of resources related to the total OPEB liability, totaling $24,475 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, 2026. 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,	Amount
2026	$ 3,718
2027	3,090
2028	2,410
2029	(1,108)
2030	(629)
Thereafter	17,910
Total	$ 25,391

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy:
Currently, the Village's OPEB benefits are unfunded. There is no separate Trust Fund or equivalent arrangement into which the Village would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the Village, which are invested according to its investment policy. For the fiscal year ended September 30, 2025, the Village did not provide contributions to the OPEB plan.

NOTE 11 – 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 to $200,000 for all claims relating to the same incident. There were no settlements that exceeded insurance coverage in the last three years.

NOTE 12 – 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, and based on the advice of the Village Attorney, the resolution of these matters are not expected to have a material adverse effect on the financial condition of the Village.

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 August 8, 2019, the Village Council adopted Resolution No. 19-08-60 to approve a five-year contract with the Monroe County Sheriff's Office and the Monroe County Board of County Commissioners for police services from October 1, 2019 through September 30, 2025. Costs for local police services under this contract for the year ended September 30, 2025, were $2,935,509.

Agreement for Solid Waste Collection Services:
Effective January 1, 2025 the Village entered into a contract with Island Disposal Company for solid waste collection services from January 1, 2025 through December 31, 2033. Combined costs for solid waste, yard waste and recycling collection and disposal services under this contract

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

for the year ended September 30, 2025, were $2,418,143.

Construction Commitments:
As of September 30, 2025, open construction commitments are as follows:

Project	Contract Amount	Completed to Date	Balance to Complete
Canal #132 – Restoration Project	$ 439,000	$ 271,293	$ 167,707
Storage Building for Generators – Fire Rescue	1,007,705	889,503	118,202
Lower Matecumbe Culvert Project	8,999,020	374,089	8,624,931
Storage Building for Generators – Wastewater	1,007,706	889,503	118,203
	$ 11,453,431	$ 2,424,388	$ 9,029,043

NOTE 13 – SUBSEQUENT EVENTS

The Village has evaluated subsequent events through June 19, 2026.

On December 18, 2025, the Village entered into a $20,000,000 revolving line of credit note with a bank. Interest on the line of credit note is fixed at 5.599% and amounts borrowed will require 24 monthly interest payments commencing January 18, 2026 and 59 consecutive monthly principal and interest payments thereafter. A final balloon payment will be due on any outstanding amount on December 18, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Taxes				
Ad valorem	$ 16,738,600	$ 16,738,600	$ 16,665,580	$ (73,020)
Communication services tax	411,503	411,503	386,747	(24,756)
Permits, fees and assessments				
Franchise fees	876,518	876,518	980,723	104,205
Building permits	594,000	609,253	642,422	33,169
Intergovernmental				
Local government one-half cent sales tax	1,844,270	1,844,270	1,686,865	(157,405)
State revenue sharing	40,000	40,000	46,499	6,499
Other	3,476,700	3,476,700	322,175	(3,154,525)
Charges for services	1,147,800	1,171,267	1,213,575	42,308
Fines and forfeitures	198,500	198,500	47,444	(151,056)
Interest	150,000	342,059	645,128	303,069
Miscellaneous revenues	65,300	70,189	119,862	49,673
Total revenues	25,543,191	25,778,859	22,757,020	(3,021,839)
Expenditures				
General government				
Legislative				
Personnel services	64,600	65,300	65,248	52
Operating	491,081	504,271	422,371	81,900
Total legislative	555,681	569,571	487,619	81,952
Village manager/Village clerk				
Personnel services	1,070,576	1,253,969	1,221,913	32,056
Operating	435,602	294,059	277,210	16,849
Total Village manager/Village clerk	1,506,178	1,548,028	1,499,123	48,905
Finance and administrative/IT				
Personnel services	1,275,187	1,289,737	1,267,610	22,127
Operating	1,251,400	1,236,850	1,100,608	136,242
Total finance and administrative/IT	2,526,587	2,526,587	2,368,218	158,369
Legal				
Operating	755,500	675,500	667,009	8,491
Total legal	755,500	675,500	667,009	8,491
Planning and zoning				
Personnel services	1,430,805	1,320,815	1,093,125	227,690
Operating	463,500	455,489	308,318	147,171
Total planning and zoning	1,894,305	1,776,304	1,401,443	374,861
Total general government	7,238,251	7,095,990	6,423,412	672,578

(Continued)

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Expenditures (Continued)				
Public safety				
Law enforcement				
Personnel services	83,358	95,208	94,575	633
Operating	3,189,778	3,177,928	3,047,060	130,868
Total law enforcement	3,273,136	3,273,136	3,141,635	131,501
Fire control and EMS				
Personnel services	7,157,737	7,157,737	6,859,191	298,546
Operating	1,275,500	1,291,350	1,107,792	183,558
Total fire control and EMS	8,433,237	8,449,087	7,966,983	482,104
Total public safety	11,706,373	11,722,223	11,108,618	613,605
Transportation				
Road and street facilities				
Personnel services	(47,633)	(50,283)	169,323	(219,606)
Operating	752,700	752,613	427,890	324,723
Total road and street facilities	705,067	702,330	597,213	105,117
Fills				
Personnel services	175,713	164,950	158,496	6,454
Total fills	175,713	164,950	158,496	6,454
Total transportation	880,780	867,280	755,709	111,571
Culture and recreation				
Personnel services	1,745,536	1,714,969	1,599,657	115,312
Operating	1,580,400	1,576,432	1,272,181	304,251
Total culture and recreation	3,325,936	3,291,401	2,871,838	419,563
Total expenditures	23,151,340	22,976,894	21,159,577	1,817,317
Excess of revenues over expenditures	2,391,851	2,801,965	1,597,443	(1,204,522)
Other financing sources (uses)				
Transfers in	84,000	84,000	84,000	-
Transfers out	(4,042,137)	(1,870,524)	(2,041,375)	(170,851)
Total other financing sources (uses)	(3,958,137)	(1,786,524)	(1,957,375)	(170,851)
Change in fund balance	(1,566,286)	1,015,441	(359,932)	(1,375,373)
Fund balance, beginning of year	14,420,805	14,420,805	14,420,805	-
Fund balance, end of year	$ 12,854,519	$ 15,436,246	$ 14,060,873	$ (1,375,373)

NOTE 1 - BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN YEARS

Reporting period ending Measurement date	9/30/2016 6/30/2016	9/30/2017 6/30/2017	9/30/2018 6/30/2018	9/30/2019 6/30/2019	9/30/2020 6/30/2020	9/30/2021 6/30/2021	9/30/2022 6/30/2022	9/30/2023 6/30/2023	9/30/2024 6/30/2024	9/30/2025 6/30/2025
Village's proportion of the FRS net pension liability	0.017544370%	0.023214160%	0.025116810%	0.024276530%	0.025374610%	0.026123440%	0.026524690%	0.027084693%	0.026936552%	0.028230234%
Village's proportionate share of the FRS pension liability	$ 4,429,967	$ 6,866,593	$ 7,565,313	$ 8,360,269	$ 10,997,730	$ 1,973,329	$ 9,869,315	$ 10,792,393	$ 10,420,325	$ 8,761,290
Village's covered employee payroll	$ 3,775,204	$ 5,594,675	$ 5,592,650	$ 6,432,631	$ 6,078,670	$ 7,174,156	$ 7,578,316	$ 8,178,621	$ 9,091,797	$ 9,779,468
Village's proportionate share of the FRS pension liability as a percentage of its covered employee payroll	117.34%	122.73%	135.27%	129.97%	180.92%	27.51%	130.23%	131.96%	114.61%	89.59%
FRS plan fiduciary net position as a percentage of the FRS total pension liability	84.88%	84.88%	84.88%	84.88%	78.85%	96.40%	82.89%	82.38%	83.70%	87.26%

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN YEARS

	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025
Contractually required FRS contribution	$ 510,264	$ 643,425	$ 675,445	$ 776,634	$ 882,204	$ 1,057,418	$ 1,174,445	$ 1,302,948	$ 1,525,318	$ 1,685,540
FRS contributions in relation to the contractually required FRS contribution	510,264	643,425	675,445	776,634	882,204	1,057,418	1,174,445	1,302,948	1,525,318	1,685,540
FRS contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Covered payroll	$ 3,775,204	$ 5,594,675	$ 5,535,131	$ 6,282,749	$ 6,344,680	$ 7,464,537	$ 7,821,456	$ 8,178,621	$ 9,091,797	$ 9,779,468
FRS contributions as a percentage of covered employee payroll	13.52%	11.50%	12.20%	12.36%	13.90%	14.17%	15.02%	15.93%	16.78%	17.24%

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION PLAN
LAST TEN YEARS

Reporting period ending Measurement date	9/30/2016 6/30/2016	9/30/2017 6/30/2017	9/30/2018 6/30/2018	9/30/2019 6/30/2019	9/30/2020 6/30/2020	9/30/2021 6/30/2021	9/30/2022 6/30/2022	9/30/2023 6/30/2023	9/30/2024 6/30/2024	9/30/2025 6/30/2025
Village's proportion of the HIS net pension liability	0.010020070%	0.017164978%	0.018139398%	0.018316840%	0.018929748%	0.020281198%	0.020737931%	0.021166568%	0.020813340%	0.021676210%
Village's proportionate share of the HIS pension liability	$ 1,167,798	$ 1,835,359	$ 1,919,894	$ 2,049,471	$ 2,311,291	$ 2,487,794	$ 2,196,478	$ 3,361,533	$ 3,122,204	$ 2,778,336
Village's covered employee payroll	$ 3,775,204	$ 5,594,675	$ 5,592,650	$ 6,432,631	$ 6,078,670	$ 7,174,156	$ 7,578,316	$ 8,178,621	$ 9,091,797	$ 9,779,468
Village's proportionate share of the HIS pension liability as a percentage of its covered employee payroll	30.93%	32.81%	34.33%	31.86%	38.02%	34.68%	28.98%	41.10%	34.34%	28.41%
HIS plan fiduciary net position as a percentage of the HIS total pension liability	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.12%	4.80%	6.36%

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
LAST TEN YEARS

	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025
Contractually required HIS contribution	$ 51,359	$ 90,842	$ 93,348	$ 104,315	$ 111,575	$ 124,028	$ 128,359	$ 139,237	$ 176,212	$ 193,734
HIS contributions in relation to the contractually required HIS contribution	92,834	256,034	93,348	104,315	111,575	124,028	128,359	139,237	176,212	193,734
HIS contribution deficiency (excess)	$ (41,475)	$ (165,192)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,775,204	$ 5,594,675	$ 5,592,650	$ 6,432,631	$ 6,078,670	$ 7,174,156	$ 7,578,316	$ 8,178,621	$ 9,091,797	$ 9,779,468
HIS contributions as a percentage of covered employee payroll	2.46%	4.58%	1.67%	1.62%	1.84%	1.73%	1.69%	1.70%	1.94%	1.98%

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed for the period July 1, 2018, through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS pension plan.

The total pension liability for the FRS and HIS plan was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.

- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.

- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST EIGHT YEARS (1)

Reporting period ending Measurement date	9/30/2018 9/30/2017	9/30/2019 9/30/2018	9/30/2020 9/30/2019	9/30/2021 9/30/2020	9/30/2022 9/30/2021	9/30/2023 9/30/2022	9/30/2024 9/30/2023	9/30/2025 9/30/2024
Total OPEB liability								
Service cost	$ 15,749	$ 14,228	$ 17,113	$ 19,512	$ 30,620	$ 31,125	$ 17,413	$ 18,008
Interest	2,514	3,235	4,986	5,313	4,520	5,866	9,798	10,632
Changes of benefit terms	–	5,660	–	–	–	–	–	–
Differences between expected and actual experience	–	(272)	–	(13,852)	–	53,509	–	(29,130)
Changes of assumptions	(9,575)	5,300	5,501	41,961	(3,864)	(105,441)	(1,214)	83,298
Benefit payments	(438)	(476)	(841)	(908)	(1,533)	(1,640)	(13,219)	(14,177)
Net change in total OPEB liability	8,250	27,675	26,759	52,026	29,743	(16,581)	12,778	68,631
Total OPEB liability - Beginning	66,650	74,900	102,575	129,334	181,360	211,103	194,522	207,300
Total OPEB liability - Ending	$ 74,900	$ 102,575	$ 129,334	$ 181,360	$ 211,103	$ 194,522	$ 207,300	$ 275,931
Covered-employee payroll	$ 5,335,161	$ 5,962,289	$ 6,259,497	$ 6,986,038	$ 7,376,910	$ 8,039,037	$ 8,440,989	$ 8,565,475
Total OPEB liability as a percentage of covered-employee payroll	1.40%	1.72%	2.07%	2.60%	2.86%	2.42%	2.46%	3.22%

(1) This schedule is intended to have ten years of data. Additional data will be complied as information becomes available.

Notes to Schedule:

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:

2025	4.06%
2024	4.87%
2023	4.77%
2022	2.43%
2021	2.14%
2020	3.58%

Benefit Payments: The Village did not provide actual net benefits paid by the Village for the fiscal year ending on September 30, 2025.
Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

The OPEB benefits are unfunded and there is no separate trust fund or equivalent arrangement into which the Village would make contributions to advance-fund the obligation.

OTHER SUPPLEMENTARY INFORMATION

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Special Revenue Funds				
	Solid Waste Fund	Transportation Fund	Affordable Housing Fund	Building Fund	Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 24,469	$ –	$ 1,348,208	$ 259,098	$ 1,631,775
Investments	12,000	–	661,187	127,067	800,254
Receivables	–	–	–	–	–
Due from other governments	–	171,791	–	–	171,791
Prepaids	–	–	–	45,392	45,392
Total assets	$ 36,469	$ 171,791	$ 2,009,395	$ 431,557	$ 2,649,212
Liabilities					
Accounts payable	$ –	$ –	$ –	$ 49,365	$ 49,365
Accrued expenditures	451	–	–	28,882	29,333
Due to other funds	–	–	–	–	–
Unearned revenue	–	–	364,824	–	364,824
Total liabilities	451	–	364,824	78,247	443,522
Fund balances					
Non-spendable	–	–	–	45,392	45,392
Restricted	–	171,791	–	307,918	479,709
Committed	36,018	–	1,644,571	–	1,680,589
Total fund balances	36,018	171,791	1,644,571	353,310	2,205,690
Total liabilities and fund balances	$ 36,469	$ 171,791	$ 2,009,395	$ 431,557	$ 2,649,212

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds				
	Solid Waste Fund	Transportation Fund	Affordable Housing Fund	Building Fund	Nonmajor Governmental Funds
Revenues					
Taxes	$ –	$ 461,770	$ –	$ –	$ 461,770
Permits, fees and assessments	2,115,002	–	118,472	1,298,742	3,532,216
Intergovernmental	–	881,670	–	–	881,670
Interest	2,059	–	86,388	31,158	119,605
Miscellaneous revenues	–	–	3,935	250	4,185
Total revenues	2,117,061	1,343,440	208,795	1,330,150	4,999,446
Expenditures					
Current					
Public safety	–	–	–	1,695,627	1,695,627
Physical environment	2,444,642	–	–	–	2,444,642
Transportation	–	1,715,684	–	–	1,715,684
Economic environment	–	–	50,000	–	50,000
Capital outlay	–	–	–	74,211	74,211
Total expenditures	2,444,642	1,715,684	50,000	1,769,838	5,980,164
Excess (deficiency) of revenues over (under) expenditures	(327,581)	(372,244)	158,795	(439,688)	(980,718)
Other financing sources (uses)					
Transfers in	343,655	1,030,177	–	–	1,373,832
Transfers out	–	(526,653)	–	(84,000)	(610,653)
Total other financing sources (uses)	343,655	503,524	–	(84,000)	763,179
Change in fund balances	16,074	131,280	158,795	(523,688)	(217,539)
Fund balances, beginning of year	19,944	40,511	1,485,776	876,998	2,423,229
Fund balances, end of year	$ 36,018	$ 171,791	$ 1,644,571	$ 353,310	$ 2,205,690

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Permits, fees and assessments	$ 2,099,900	$ 2,099,900	$ 2,115,002	$ 15,102
Interest income	5,000	7,349	2,059	(5,290)
Total revenues	2,104,900	2,107,249	2,117,061	9,812
Expenditures				
Physical environment	2,400,427	2,445,427	2,444,642	785
Total expenditures	2,400,427	2,445,427	2,444,642	785
Excess of revenues over expenditures	(295,527)	(338,178)	(327,581)	10,597
Other financing sources (uses)				
Transfers in (out)	255,927	343,655	343,655	(0)
Total other financing sources (uses)	255,927	343,655	343,655	(0)
Change in fund balance	(39,600)	5,477	16,074	10,597
Fund balance, beginning of year	19,944	19,944	19,944	–
Fund balance, end of year	$ (19,656)	$ 25,421	$ 36,018	$ 10,597

NOTE 1 – BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 484,197	$ 484,197	$ 461,770	$ (22,427)
Intergovernmental	865,334	865,334	881,670	16,336
Total revenues	1,349,531	1,349,531	1,343,440	(6,091)
Expenditures				
Transportation	2,520,739	2,520,739	1,715,684	805,055
Total expenditures	2,520,739	2,520,739	1,715,684	805,055
Excess of revenues over expenditures	(1,171,208)	(1,171,208)	(372,244)	798,964
Other financing sources (uses)				
Transfers in (out)	1,171,208	1,158,208	503,524	(654,684)
Total other financing sources (uses)	1,171,208	1,158,208	503,524	(654,684)
Change in fund balance	–	(13,000)	131,280	144,280
Fund balance, beginning of year	40,511	40,511	40,511	–
Fund balance, end of year	$ 40,511	$ 27,511	$ 171,791	$ 144,280

NOTE 1 – BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
AFFORDABLE HOUSING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Permits, fees and special assessments	$ 180,000	$ 180,000	$ 118,472	$ (61,528)
Interest income	40,000	40,000	86,388	46,388
Miscellaneous revenues	–	–	3,935	3,935
Total revenues	220,000	220,000	208,795	(11,205)
Expenditures				
Economic environment	40,000	50,000	50,000	–
Total expenditures	40,000	50,000	50,000	–
Excess of revenues over expenditures	180,000	170,000	158,795	(11,205)
Other financing sources (uses)				
Transfers in (out)	–	–	–	–
Total other financing sources (uses)	–	–	–	–
Change in fund balance	180,000	170,000	158,795	(11,205)
Fund balance, beginning of year	1,485,776	1,485,776	1,485,776	–
Fund balance, end of year	$ 1,665,776	$ 1,655,776	$ 1,644,571	$ (11,205)

NOTE 1 – BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Permits, fees and special assessments	$ 1,825,000	$ 1,825,000	$ 1,298,742	$ (526,258)
Interest income	10,000	10,552	31,158	20,606
Miscellaneous revenues	–	250	250	–
Total revenues	1,835,000	1,835,802	1,330,150	(505,652)
Expenditures				
Building services	1,954,799	1,954,799	1,695,627	259,172
Capital outlay	87,593	87,593	74,211	13,382
Total expenditures	2,042,392	2,042,392	1,769,838	272,554
Excess of revenues over expenditures	(207,392)	(206,590)	(439,688)	(233,098)
Other financing sources (uses)				
Transfers in (out)	(84,000)	(84,000)	(84,000)	–
Total other financing sources (uses)	(84,000)	(84,000)	(84,000)	–
Change in fund balance	(291,392)	(290,590)	(523,688)	(233,098)
Fund balance, beginning of year	876,998	876,998	876,998	–
Fund balance, end of year	$ 585,606	$ 586,408	$ 353,310	$ (233,098)

NOTE 1 – BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Expenditures				
Debt service				
Principal	$ 740,000	$ 740,000	$ 739,214	$ 786
Interest	79,000	91,730	91,500	230
Total expenditures	819,000	831,730	830,714	1,016
Deficiency of revenues under expenditures	(819,000)	(831,730)	(830,714)	1,016
Other financing sources (uses)				
Transfers in (out)	819,000	831,730	830,714	(1,016)
Total other financing sources (uses)	819,000	831,730	830,714	(1,016)
Change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

NOTE 1 - BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 3,442,800	$ 3,442,800	$ 3,479,272	$ 36,472
Permits, fees and assessments	230,000	230,000	234,042	4,042
Intergovernmental	5,895,167	5,895,167	2,333,687	(3,561,480)
Interest income	70,000	83,966	417,694	333,728
Capital contributions	–	–	2,854,246	2,854,246
Miscellaneous revenues	–	–	–	–
Total revenues	9,637,967	9,651,933	9,318,941	(332,992)
Expenditures				
Public safety	145,000	336,746	335,917	829
Capital outlay	11,385,497	12,050,760	8,693,204	3,357,556
Total expenditures	11,530,497	12,387,506	9,029,121	3,358,385
Excess of revenues over expenditures	(1,892,530)	(2,735,573)	289,820	3,025,393
Other financing sources (uses)				
Sale of capital assets	–	–	179,478	179,478
Transfers in	2,575,701	2,700,514	1,441,196	(1,259,318)
Transfers out	(1,779,699)	(2,077,715)	(1,169,260)	908,455
Total other financing sources (uses)	796,002	622,799	451,414	(171,385)
Change in fund balance	(1,096,528)	(2,112,774)	741,234	2,854,008
Fund balance, beginning of year	8,767,497	8,767,497	8,767,497	–
Fund balance, end of year	$ 7,670,969	$ 6,654,723	$ 9,508,731	$ 2,854,008

NOTE 1 – BUDGET BASIS

The budget is presented on a basis consistent with generally accepted accounting principles as applicable to governmental units in accordance with the Governmental Accounting Standards Board.

SINGLE AUDIT COMPLIANCE AND OTHER REPORTS

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

Village Council and Village Management
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 (Village), as of and for the year ended September 30, 2025, 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 19, 2026.

Report on 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) as a basis for designing 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 Village'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-01 that we consider to be a material weakness.

BRADENTON 1001 3rd Avenue West, Suite 700 Bradenton, FL 34205 ph 941.748.1040
SARASOTA 1515 Ringling Boulevard, Suite 900 Sarasota, FL 34236 ph 941.954.4040
TAMPA 101 East Kennedy Boulevard, Suite 1460 Tampa, FL 33602 ph 813.490.4490
www.CSLcpa.com

Report on 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-01.

The Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CS&L CPAs

CS&L CPAs, P.A.

June 19, 2026
Bradenton, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project
We have audited Islamorada, Village of Islands, Florida's (Village) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs and state projects for the year ended September 30, 2025. The Village's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs and state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project
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; 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); Section 215.97, Florida Statutes (Florida Single Audit Act); and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Uniform Guidance, Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village's federal programs and state projects.

BRADENTON 1001 3rd Avenue West, Suite 700 Bradenton, FL 34205 ph 941.748.1040
SARASOTA 1515 Ringling Boulevard, Suite 900 Sarasota, FL 34236 ph 941.954.4040
TAMPA 101 East Kennedy Boulevard, Suite 1460 Tampa, FL 33602 ph 813.490.4490
www.CSLcpa.com

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major federal program or state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, and which is described in the accompanying schedule of findings and questioned costs as item 2025-01. Our opinion on each major federal program and state project is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 or state project 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 or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-01 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

CS&L CPAs

CS&L CPAs, P.A.

June 19, 2026
Bradenton, Florida

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Grantor/Pass-Through Entity Federal Awards/State Projects	Assistance Listing/CSFA Number	Grant Identifying Number	Expenditures
Federal Awards			
U.S. Department of Treasury			
Indirect - Passed through the Florida Department of Environmental Protection			
Coronavirus State and Local Fiscal Recovery Funds (COVID-19)	21.027	22FRP65	$ 1,821,000
Total U.S. Department of Treasury			1,821,000
Total Expenditures of Federal Awards			$ 1,821,000
State Projects			
Florida Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LPA0711	1,832,410
Statewide Surface Water Restoration and Wastewater Projects	37.039	LPA0722	301,277
			2,133,687
Florida Recreation Development Assistance Program	37.017	A23038	200,000
Resilient Florida Programs	37.098	22PLN68	178,100
Total Florida Department of Environmental Protection			2,511,787
Florida Department of Transportation			
Public Transit Service Development Program	55.012	G2M67	276,660
Total Florida Department of Transportation			276,660
Total Expenditures of State Financial Assistance			$ 2,788,447

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards and state financial assistance includes federal and state grant activity of Islamorada, Village of Islands, Florida (Village), 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* (Uniform Guidance) and the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - De-Minimus Indirect Cost Rate

The Village chose not to use the fifteen percent de minimis cost rate for the fiscal year ended September 30, 2025.

Note 3 - Subrecipients

The Village did not pass federal expenditures to subrecipients during the fiscal year ended September 30, 2025.

Note 4 - State Revolving Fund Loans

The Village had the following State Revolving Fund loan balances outstanding at September 30, 2025:

Program Title	CFDA	Grant Number	Total Outstanding at September 30, 2025
State Revolving Fund	66.458	WW 882020	$ 44,923,894
State Revolving Fund	66.458	WW 882030	$ 644,861

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified?	___ yes x none reported
Noncompliance material to financial statements noted?	x yes ___ no

Federal Awards and State Financial Assistance

Internal control over federal major programs or state projects:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified?	___ yes x none reported
Type of auditor's report issued on compliance for major federal programs and state projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.550, Rules of the Auditor General?	x yes ___ no

Identification of Major Federal Programs:	AL Number
Coronavirus State and Local Fiscal Recover Funds (COVID-19)	21.027
Dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	___ yes x no

Identification of Major State Projects:	CSFA Number
Statewide Surface Water Restoration and Wastewater Projects	37.039
Dollar threshold used to distinguish between Type A and Type B projects:	$750,000

Section II – Financial Statement Findings

2025-01 Material Weakness in Internal Control over Financial Reporting and the Preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance

Criteria: Management is responsible for maintaining accurate accounting records and preparing financial statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA) in conformity with generally accepted accounting principles and Uniform Guidance requirements.

Condition: During the audit, adjustments were posted to correct beginning net position in the Plantation Yacht Harbor Marina Fund in the amount of $1,821,000. For the year ended September 30, 2024, revenue and a related receivable were not reported to match expenditures reimbursable under a federal grant agreement. Additionally, the expenditures were not included in the SEFA for the year ended September 30, 2024.

Content/Cause: Internal controls over financial reporting and the preparation of the SEFA were not sufficient to ensure all transactions were properly identified, recorded, and reported in the financial statements and related SEFA and subjected to the Single Audit.

Effect: The Village reported a prior period adjustment in the Plantation Yacht Harbor Marina Fund in the amount of $1,821,000 to beginning net position. Additionally, this amount was included on the SEFA for the year ended September 30, 2025.

Recommendation: We recommend management strengthen procedures for identifying and reconciling federal grant activity to the general ledger and reviewing year-end financial reporting schedules, including the SEFA. The reconciliation should ensure that reimbursable grant expenditures are properly matched to revenue and included on the SEFA, in the current period.

PRIOR YEAR FINDINGS

Finding 2024-01 as reported in the prior year has been resolved.

Section III – Federal Program Findings and Questioned Costs

See Finding 2025-01.

Section IV – State Project Findings and Questioned Costs

No matters were reported.

PRIOR YEAR FINDINGS

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Islamorada, Village of Islands, Florida (Village) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 19, 2026.

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; 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); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; 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 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 19, 2026, 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 financial audit report. Corrective actions have been taken to address the finding and recommendations made in the preceding 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. This information is disclosed in the notes to the financial statements.

BRADENTON 1001 3rd Avenue West, Suite 700 Bradenton, FL 34205 ph 941.748.1040
SARASOTA 1515 Ringling Boulevard, Suite 900 Sarasota, FL 34236 ph 941.954.4040
TAMPA 101 East Kennedy Boulevard, Suite 1460 Tampa, FL 33602 ph 813.490.4490
WWW.CSLCPA.COM

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 met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Village. 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. Finding 2025-01 is included in the Schedule of Findings and Questioned Costs.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the Village's geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 fraud, waste, or abuse, that has occurred, or is 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, the Village Council and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

CS&L CPAs

CS&L CPAs, P.A.

June 19, 2026
Bradenton, Florida

Islamorada,
Village of Islands

CS&L CPA's
1001 3rd Avenue West, Suite 700
Bradenton, FL 34205

Subject: Response to Financial Statement Finding 2025-01

We appreciate the opportunity to respond to the financial statement finding titled **"2025-01 Material Weakness in Internal Control Over Financial Reporting and the Preparation of the Schedule of Expenditures of Federal Awards"** identified in the audit report dated September 30, 2025.

Finding Summary:
A material weakness was identified in internal control over financial reporting and the preparation of the Schedule of Expenditures of Federal Awards (SEFA). During the audit, a prior period adjustment of $1,821,000 was required to correct beginning net position in the Plantation Yacht Harbor Marina Fund. Additionally, for the fiscal year ended September 30, 2024, certain reimbursable federal grant expenditures were not properly matched with related revenue and receivables and were not included in the SEFA. These issues indicate that controls were not sufficient to ensure all transactions were accurately identified, recorded, and reported in accordance with generally accepted accounting principles and Uniform Guidance requirements.

Management Response:
Management acknowledges the material weakness in internal control over financial reporting and SEFA preparation. The identified condition resulted from incomplete identification and reconciliation of grant-related activity during fiscal year 2024, which led to the omission of reimbursable expenditures and related revenues from both the financial statements and the SEFA.

Upon discovery, management recorded a prior period adjustment of $1,821,000 to correct beginning net position in the Plantation Yacht Harbor Marina Fund. The related grant expenditures have been properly included in the SEFA for the fiscal year ended September 30, 2025.

Management agrees with the auditor's recommendation and recognizes the need to strengthen internal controls surrounding the identification, reconciliation, and reporting of federal grant activity.

86800 Overseas Highway, Islamorada, FL 33036
Office 305-664-6400 • FAX 305-664-6464 • www.islamorada.fl.us

Corrective Action Plan:
To address this finding and strengthen internal controls, the Village has implemented and will continue to implement the following actions:

Centralized Grant Tracking
The Village has established a comprehensive grant tracking log to monitor all federal and state awards, including expenditures, reimbursement status, and SEFA reporting requirements.

Enhanced SEFA Preparation Controls
Year-end financial reporting procedures have been strengthened to include a formalized SEFA preparation and review process. This process includes reconciliation of the grant tracking log to the general ledger and a secondary review to ensure completeness and accuracy.

Improved Coordination and Training
Communication between the Finance Department and grant program managers has been enhanced to ensure timely identification of grant activity. Additional training on Uniform Guidance requirements and SEFA reporting has been provided to relevant staff. These control enhancements are designed to ensure that all reimbursable grant expenditures are properly identified, recorded, and reported in both the financial statements and the SEFA.

Conclusion:
Management has taken corrective action to address the identified material weakness and has implemented additional controls to improve the accuracy and completeness of financial reporting and SEFA preparation. Management believes these measures will effectively mitigate the risk of similar issues occurring in the future and will continue to monitor and refine these processes to ensure ongoing compliance with applicable accounting and federal reporting requirements.

Sincerely,

Ron Saunders
Village Manager

86800 Overseas Highway, Islamorada, FL 33036
Office 305-664-6400 • FAX 305-664-6464 • www.islamorada.fl.us

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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

We have examined the Islamorada, Village of Islands, Florida's (Village's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025. Management of the Village is responsible for the Village's compliance with the specified requirements. Our responsibility is to express an opinion on the Village's compliance with the specified requirements 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 Section 218.415, Florida Statutes, regarding the investment of public funds for the year ended September 30, 2025.

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

CS&L CPAs

CS&L CPAs, P.A.

June 19, 2026
Bradenton, Florida

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