



City of Marco Island

CITY OF MARCO ISLAND, FLORIDA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2025

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

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INTRODUCTION SECTION



City of Marco Island

June 22, 2026

To the Members of the City Council and Citizens of the City of Marco Island, Florida:

This report fulfills the requirements set forth by law, in accordance with the Florida Statutes Section 166.241 and Chapter 10.500 Rules of the Auditor General which requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of independent licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Marco Island, Florida (the City), for the fiscal year ended September 30, 2025.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City and Its Services

The City was incorporated on August 28, 1997. Marco Island, Florida, is located in the southwestern part of the state, on the Gulf of Mexico side of the Ten Thousand Islands region of the Florida Everglades. Originally discovered by the Spanish and named Isla de San Marco (Saint Mark's Island), modern development of the island began in the late 1960's by the Deltona Corporation. Prior to incorporation in 1997, the island was a part of unincorporated Collier County and was served by a local Fire Protection District. The City serves a permanent population of approximately 16,500, which grows up to approximately 45,000 in the peak winter season. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City has operated under the Council-Manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council consisting of a chairperson and six other members. City Council is responsible for passing ordinances and approving the budget, appointing boards and committees and hiring both the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected at-large on a non-partisan basis to four-year staggered terms. Council members are eligible to serve a maximum of eight years during their lifetime. The City Council Chair is elected by the members of the City Council annually to a one-year term of office.

The City provides a full range of services authorized by statute and local charter. These include police, fire, parks, recreation, streets, drainage, capital improvements, planning, zoning, community affairs and development and general administrative services, as well as water production and distribution and wastewater collection and treatment. During the fiscal year ended September 30, 2025, as more fully described later in this report, the City acquired the water and wastewater operations on the island and now operates those services through the City's Water and Sewer Utility Department.

The Hideaway Beach Tax District was created as a component unit of the City in 2003. Voters in this private neighborhood approved a tax levy for re-nourishment of the beaches adjacent to the neighborhood.

Budget Process

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget and holds the public budget workshops with the City Council on the proposed budget. Two public hearings are held on the budget, with the final budget adopted no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and by department. Budget control is maintained at the fund level. Budgets are adopted for the following funds: General Fund, Water/Sewer Utility Enterprise Fund, Capital Projects Fund, Debt Service Fund, Building Services Fund, Self-Insurance Internal Service Fund, Hideaway Beach Special Taxing District Fund, and Police and Fire Pension Funds.

Budget Process (Continued)

The City Manager may make transfers of appropriations within a fund or department. Budget amendments that increase fund appropriations require the approval of the City Council. The City Council has authorized the City Manager to amend, modify or otherwise adjust the operating budget to a maximum limit of \$50,000 in total amendments, modifications or adjustments during the year. A budget re-appropriation approved by City Council, consolidating all budget amendments approved during the course of the year and those recommended by the City Manager near the end of the fiscal year, officially amends the annual budget.

Capital planning for the community is accomplished through two separate long-term budget documents. The capital projects fund finances general government improvements to streets and intersections, storm drainage, bridges, park facilities, landscaping, vehicles, equipment, and general government buildings. A 5-year capital improvements plan is updated and adopted annually as part of the budget process.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy: Marco Island was developed as a planned community of exclusive water-access and waterfront residences with hotels, condominiums, and commercial businesses to support the vitality of the island lifestyle. Originally marketed as a winter retreat for people with permanent homes in the north, Marco Island has evolved over the years into a community of diverse age groups and interests and an increasing number of permanent residents. The business community primarily provides goods and services to the seasonal, permanent, and visitor communities.

The City continues to enjoy the results of a planned, platted and deed-restricted community. A full 75% of the single-family building lots are located on man-made canals and bays affording easy boating access to the Gulf of Mexico and the Ten Thousand Islands forming the western boundary of the Everglades. The community offers public beach access at both ends of the island, an additional beach access for the exclusive use of island residents, and river access between the island and the mainland. Beachfront property is high-density, with multi-family and tourist-oriented accommodations.

Marco Island will never be duplicated because the U.S. Army Corps of Engineers now prohibits “dredge and fill” coastal development and mangrove forests are Federally protected.

The long-term economic outlook for the City is positive. The island economy has enjoyed an exceptionally strong residential real estate market with growth in new home starts and home and condominium re-sales.

The 2024 assessed taxable valuations used for property taxes in fiscal year 2025 showed an 8.1% increase from the prior year. The 2025 assessed taxable valuations to be used for property taxes in fiscal year 2026 reflected an increase of 7.7% from the 2024 assessed valuations. It is projected that the 2026 valuations used to determine property taxes for fiscal year 2027 will again increase, although not at the same level as in prior years.

Long-term Financial Planning

The City includes five-year capital improvement plans for both its governmental and enterprise activities. The budget reflects the emphasis on maintaining existing service levels and its present investment in facilities and people while attempting to fully fund the City's pay go system, or "bucket plan". A thorough review has resulted in a financial restructuring of capital projects and the development of a "bucket plan" that will be used to reduce reliance on debt financing and stabilize property tax millage rate increases in the future. The five-year capital improvement plans include infrastructure, parks and recreation, facilities, and water sewer investment.

Infrastructure: The City has embarked on assessing all 15 bridges within the City's limits to determine if they require repair or replacement. Most recently, the West Winterberry Drive and Goldenrod bridges were rehabilitated in fiscal year 2025.

The capital improvement plan considers annual improvements. During fiscal year 2025, the City invested in drainage/flood remediation, street resurfacing, bike lane widening, shared use pathway construction, and pedestrian safety.

Parks and recreation: Maintaining and enhancing the City's recreational facilities are priorities. A master plan for various city parks was approved in 2005. Major improvements at Mackle Park and Veterans Community Park have occurred in phases over the past few years through grant funding, annual expenditure of capital improvements funds, and public improvement bonds.

The Mackle Park community building was constructed in fiscal year 2017 and the replacement of its Airnasium is expected to be completed in fiscal year 2026.

The master plan for Veteran's Park, a major focal point for island activities such as seasonal festivals and a weekly farmers' market, was developed in fiscal year 2019 and the park was substantially completed in fiscal year 2024. Veteran's Park was financed through a public improvement bond issued in 2021.

Investment and maintenance of City parks in fiscal year 2025 included a new walking path at the dog park, installing sound panels at the Racquet Center, a splash pad at Mackle Park, and resurfacing the parking lots at the Winterberry and Leigh Plummer parks.

Facilities: Recent building facilities investments include the construction of Fire Station 50, completed in fiscal year 2024. Fire Station 50 was financed through the placement of a public improvement bond issued in 2021. In fiscal year 2025, a new roof was installed on City Hall and the City Hall Annex renovations continued and are expected to be completed in fiscal year 2026.

Marco Island Utilities: In November 2003, the City achieved a long-term objective with the acquisition of the local water and wastewater operations from a private provider. The acquisition drove the need for an initial 10-year capital program for the utility enterprise fund to upgrade and expand both the water and wastewater systems. The comprehensive 10-year capital program is updated every 5 years and submitted to the State as required by Florida Statutes. The workplan was updated and submitted to the State in 2024. Prior to the acquisition, the City's utility fund was used to account for the wastewater distribution system serving approximately 1,200 accounts with central sewer on the island. Wastewater treatment was handled by Florida Water Services under contract. The City issued \$101 million in utility revenue bonds to purchase utility operations on Marco Island and at an adjacent area of unincorporated Collier County known as Marco Shores.

Long-term Financial Planning (Continued)

Marco Island Utilities (Continued): Currently approximately 11,000 utility accounts are served. The cost of the utility acquisition was approximately \$85 million with additional funds raised to begin the upgrading of a neglected utility infrastructure. In March 2010, the City issued \$58 million in utility revenue bonds to fund and refund capital improvements on the City's utility investment. Additional funds for capital investment are provided through monthly revenue deposits to a capital reserve account and a renewal, replacement, and improvement account as required by bond covenants. The City has refunded existing Water & Sewer Utilities bonds on several occasions to take advantage of the prevailing low-interest rate environment which has reduced the annual Enterprise Fund debt service.

In May 2023, the contract to construct a new building and open storage structure for the South Water Treatment Plant West (SWTP) High Service Pumping Station (HSPS) was approved. The SWTP West HSPS, built over 40 years ago as the original pumping station for the site's storage tanks, required replacement due to frequent leaks, inefficiency, inadequate hurricane resistance, and flooding issues. The Water & Sewer Department designed a new HSPS and secured a Florida Department of Environmental Protection (FDEP) Resilient Florida grant to enhance the facility's resilience to flooding and sea level rise.

In December 2023, the City purchased the North Marco Utility (NMU) for \$1.8 million, a private utility which mainly provided sewer services to a small area on the northern part of the island. It was usual and customary that the City provide NMU assistance during emergencies, therefore it was in the City's best interest to acquire the system to ensure that the infrastructure was being properly maintained to reduce any risks in the future.

In January 2024, the City awarded a contract to construct a new Collections and Distribution (C&D) building and covered open storage at the North Water Treatment Plant to replace the deteriorating temporary trailers at the South Water Treatment Plant (SWTP). The project was completed in fiscal year 2025.

In February 2024, the City executed a construction contract for the Biologically Active Filter (BAF) Improvements project. This advanced treatment process is designed to enhance water quality by effectively removing turbidity, organic compounds, taste and odor compounds, iron, manganese, ammonia, algal toxins, and trace chemical constituents present in the surface water. The project is scheduled to be completed in the last quarter of fiscal year 2026.

In June 2025, the City approved the Advanced Metering Infrastructure (AMI) project to replace the aging mechanical devices whose accuracy deteriorates over time, resulting in an estimated 16 percent revenue loss in 2024 alone. Existing meters are being replaced with ultrasonic models boasting a 20-year accuracy lifespan for residential and light commercial use, and a 10- to 15-year lifespan for heavy-commercial applications. Automated readings every 15 minutes, with three-hour data transmissions, will eliminate most manual reads and dramatically reduce both labor and truck-roll expenses. The project is expected to be completed in fiscal year 2026.

Financial Policies

The City's basic financial statements are prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting standards followed by governmental entities in the United States.

Investments: In 2002, the City Council approved an investment ordinance, and the City has a program of active portfolio management allowing for the purchase of investments as allowed by Florida Statutes to increase yields while maintaining safety and liquidity. Investments are limited to a maximum maturity of five years except for the investment of debt service reserves, which is limited to the remaining life of the corresponding debt, and the investment of pension trust funds.

Financial Reserve Policy: The City established a financial reserve policy to handle the distinctive emergencies and contingencies of our barrier island. Per that policy the City will maintain emergency reserves of 25% of general fund's operating budget for the proposed fiscal year.

Charter Spending Cap: The City is unique in Florida with a spending cap included as part of the original charter of the City after the first four years of incorporation. Currently, increases in annual spending are limited to 3% annually plus the annual change in the Social Security cost-of-living adjustments, or COLAs. The charter was amended by the voters in 2002 to remove the expenditures of self-supporting enterprise funds from the calculation of the spending cap. The City Council may approve emergency expenditures outside of the cap. Further information on the spending cap and the calculation of compliance is included in the Management Discussion and Analysis (MD&A) section of this report.

Risk Management: Through fiscal year 2004, the City purchased property, liability and workers' compensation insurance from the Florida League of Cities Municipal Insurance Trust. Beginning in fiscal year 2005, the City elected to self-insure a greater degree of risk, retaining the first \$100,000 per occurrence of general liability loss, the first \$25,000 per occurrence of property loss, and the first \$350,000 per occurrence of workers' compensation loss. This program, administered through the Public Risk Insurance Trust, reduces the fixed costs of premiums paid while limiting the financial exposure to the City with the purchase of an annual aggregate stop-loss beginning at \$2,000,000 in cumulative annual losses. The City is a Drug-Free Workplace and has safety programs in place to minimize risk exposures. To prevent and control improper conduct in government the City instituted an employee fraud hotline where any wrongdoing can be reported in an anonymous manner.

Major Initiatives: In June 2024, City staff presented their pay go capital plan to City Council and the Community as part of an initiative to reduce the reliance on debt to fund the City's capital program. The plan involves the funding of items over their expected life term to have the funds available by the time they are fully depreciated. The plan provides the Department Directors with the funding necessary to maintain an adequate level of service while allowing flexibility so that they may prioritize expenditures.

Awards and Acknowledgements

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Marco Island, Florida, for our Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The City has received this prestigious award since 1998.

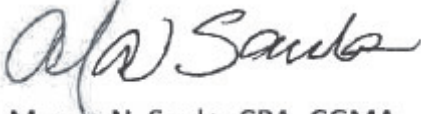
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Awards and Acknowledgements (Continued)

Acknowledgements: The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. We also thank the City Manager, City Council, and Chair, for their interest and support in planning and conducting the financial operations of the City. Moreover, we wish to express our appreciation to the members of the Audit Advisory Committee for volunteering their time and input. In addition, we wish to express our appreciation to our audit firm, CliftonLarsonAllen, LLP, for their comprehensive and efficient examination of our accounts and suggestions for improvement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marcia N. Saulo". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Marcia N. Saulo, CPA, CGMA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

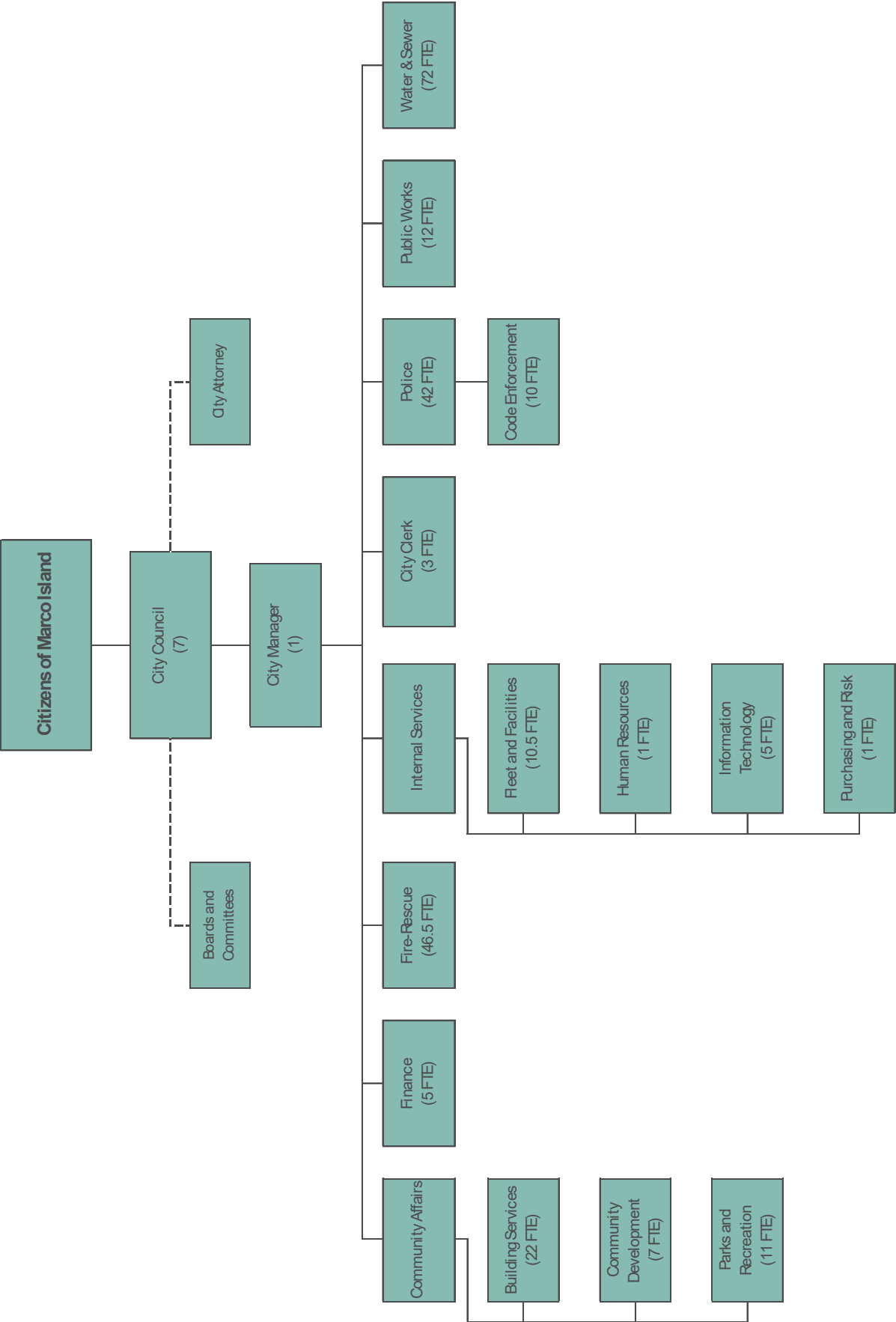
**City of Marco Island
Florida**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morill

Executive Director/CEO



CITY OF MARCO ISLAND, FLORIDA



AS OF JUNE 9, 2026

PRINCIPAL OFFICIALS and TERMS OF OFFICE:

DARRIN PALUMBO, CITY COUNCIL CHAIR (2022-2026)
RENE CHAMPAGNE, VICE-CHAIR (2025-2026)
KEVIN DOHM, COUNCILOR (2026)
TAMARA GOEHLER, COUNCILOR (2024-2028)
STEPHEN GRAY, COUNCILOR (2024-2028)
DEB HENRY, COUNCILOR (2024-2028)
BONITA SCHWAN, COUNCILOR (2024-2028)

APPOINTED OFFICIALS:

CASEY LUCIUS, CITY MANAGER
ALAN L. GABRIEL, WEISS SEROTA, CITY ATTORNEY

EXECUTIVE STAFF:

MARCIA SAULO, FINANCE DIRECTOR
CHRIS BYRNE, FIRE CHIEF
JOSEPH BELARDO, POLICE CHIEF
JOSE DURAN, IT DIRECTOR
JUSTIN MARTIN, PUBLIC WORKS DIRECTOR
JEFF POTEET, UTILITIES GENERAL MANAGER
DAN SMITH, DIRECTOR OF COMMUNITY AFFAIRS
JOAN TAYLOR, CITY CLERK

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CITY OF MARCO ISLAND, FLORIDA

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council
City of Marco Island, Florida
Marco Island, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marco Island, Florida (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 City'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.

Auditors' 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 auditors' report that includes our opinions. 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 GAAS 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 GAAS 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 City'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 City'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, schedules of changes in the net pension liability and related ratios, schedules of investment returns, the schedules of contributions for the firefighters' and the police officers' pension plans, the schedule of changes in the total OPEB liability and related ratios, and the budgetary comparison information 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 GAAS, 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 City's basic financial statements. The combining 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* and Chapter 10.550 Rules of the Auditor General for Local Government Entity Audits (Chapter 10.550) 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 GAAS by us and other auditors. In our opinion, the combining financial statements and schedules and the 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* and Chapter 10.550 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Naples, Florida
June 22, 2026

CITY OF MARCO ISLAND, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of financial reporting, in general, is to provide the readers of the financial statements with information that will help them make decisions or draw conclusions about an entity. As management of the City of Marco Island, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found starting on page IV of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$269.2 million (*net position*). Of this amount, \$73.4 million, or 27.3% (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. Governmental activities account for 52.3% of total net position while business-type activities made up the remaining 47.7%.
- The City's total net position overall increased by \$8.9 million or 3.4% during the current fiscal year.
- The City's business-type activities reported total net position of \$128.3 million, which is an increase of \$8.8 million, or 7.4%, in comparison to the prior year.
- The City's governmental activities reported total net position remained unchanged from prior year at \$140.9 million.
- As of the close of the current fiscal year as reported in the fund financial statements, the City's governmental funds reported combined ending fund balances of \$40.2 million, a decrease of \$2.3 million in comparison with the prior year. Approximately 15.2% of this total amount, \$6.1 million, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance for the General Fund was \$16.8 million or 50.7% of the general fund expenditures and other financing uses. The \$11.4 million in unassigned fund balance includes \$7 million to meet the City's financial reserve policy.
- At the end of the current fiscal year, unrestricted net position of the water and sewer utility fund totals \$33.5 million compared to \$32.2 million in the prior year.

CITY OF MARCO ISLAND, FLORIDA

- The City concluded Fiscal Year 2025 with a stable overall financial position, reflecting the continued strength of its long term fiscal foundation. While governmental fund balances declined modestly during the year, this change was primarily the result of planned capital investments that support the community's long term infrastructure needs. These expenditures are consistent with the City's adopted capital improvement priorities and represent a strategic reinvestment in public facilities and services.

Overview of the Financial Statements

This management discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statement consists of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide Financial Statements: The focus of the *government-wide financial statements* is on the overall financial position and activities of the City. Reporting is similar to that of a private-sector business. The City's government-wide financial statements include the statement of net position and statement of activities. As described below, these statements do not include the City's fiduciary funds because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary funds are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The *Statement of Activities* presents the revenues and expenses of the City as well as information showing how the City's net position changed during the most recent fiscal year. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, law enforcement, fire/rescue services (emergency medical service and transport is provided by Collier County), planning and zoning, code compliance, building services, transportation, and parks. The business-type activities of the City include its water and wastewater treatment plants, water distribution, sewer collection services, sewer assessment districts, and its recreation services.

CITY OF MARCO ISLAND, FLORIDA

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate special tax district for which the City is financially accountable. This *component unit* functions for all practicable purposes as an independent advisory board and special revenue fund of the City. The financial activity of this component unit is shown in a separate column from the primary government on the *Statement of Net Position* and *Statement of Activities*.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's fund financial statements are divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

Government Funds: *Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City presents in separate columns, funds that are the most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). As of September 30, 2025, the City has four major governmental funds: the General Fund, Grants Fund, Debt Service, and Capital Projects Fund.

Proprietary Funds: The City has two proprietary funds: enterprise funds and internal service funds. For both types of funds, costs incurred are recovered through user fees and charges. *Enterprise funds* are used when the primary customers are citizens and businesses. *Internal service funds* are used when the fund provides benefits to the government's departments or other funds.

Enterprise funds are used to report the same functions as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The City's major proprietary fund accounts for the water and wastewater utility. A non-major fund reports the activities of the recreation programs and racquet center. The internal service fund accounts for the accumulation of reserves and payment of insurance premiums and claims.

CITY OF MARCO ISLAND, FLORIDA

Fiduciary Funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City has two fiduciary funds; a Firefighters' defined benefit pension trust fund and a Police Officers' defined benefit pension trust fund. Fiduciary funds are accounted for in a manner similar to proprietary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

This report contains other information including support schedules, a statistical section (unaudited) and other reports section.

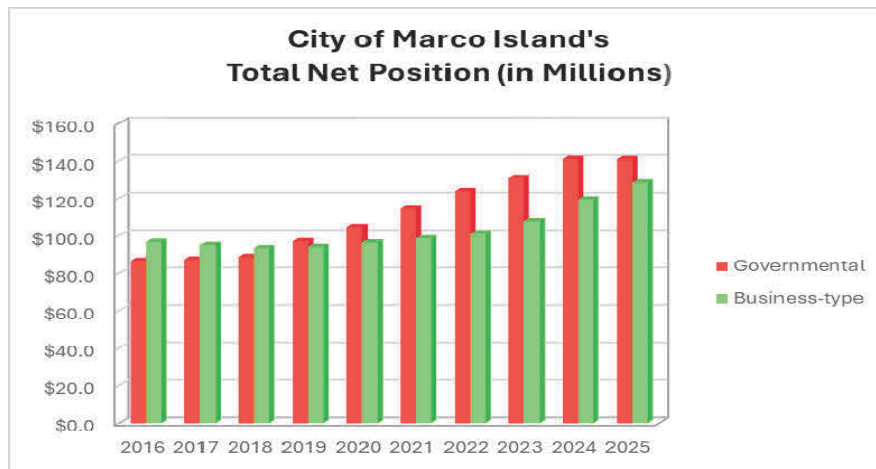
Government-wide Financial Analysis

Net position serves as a useful indicator of the City's financial position. The City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$269.2 million at the close of the fiscal year. This was an increase of approximately 3.4% compared to last year's net position of \$260.4 million, as restated. The chart below shows the steady increase over the last ten fiscal years of both governmental and business-type activities.

Government wide net position for governmental activities remained stable at \$140.9 million, decreasing by only \$51,817 from fiscal year 2024. The total net position of the City's governmental activities was essentially unchanged due to pension gains and debt reduction offset by a drop in fund balance. The City continues to maintain healthy reserves, invest in critical infrastructure, and manage long term obligations in a manner that supports both current operations and future sustainability. This steadiness is primarily due to the Council's desire to balance governmental debt and smooth expenditures while at the same time maintain infrastructure and provide the public additional amenities as planned over the years.

In business-type activities, the \$8.8 million, or 7.4%, increase in total net position demonstrates strengthened financial capacity driven by capital asset growth and reductions in long-term liabilities.

CITY OF MARCO ISLAND, FLORIDA



A substantial portion of the City's net position, \$132.0 million or 49%, reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment; all categories are net of depreciation), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided primarily from tax and water rates sources since the capital assets themselves cannot be used to liquidate these liabilities.



Some assets are subject to external restrictions on how they may be used. This portion of net position is earmarked for the completion of capital projects, debt service payments or growth-related expenses to parks, roads, police and fire rescue services. This amount totals \$63.8 million or 23.7% of net position as of the end of the fiscal year.

The remaining balance of unrestricted net position (\$73.4 million or 27.3%) may be used to meet the City's ongoing obligations to citizens and creditors. The total unrestricted position decreased by \$3.9 million due in part to increased expenses of \$2.3 million and \$.8 million for governmental and business-type activities, respectively.

CITY OF MARCO ISLAND, FLORIDA

The following schedule is a summary of the fiscal 2025 Statement of Net Position with comparative information for fiscal 2024.

Summary Statement of Net Position (in \$ millions)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 55.9	\$ 55.0	\$ 90.3	\$ 97.3	\$ 146.2	\$ 152.3
Capital assets	\$ 108.5	\$ 109.0	\$ 144.7	\$ 131.2	\$ 253.2	\$ 240.2
Total Assets	\$ 164.4	\$ 164.0	\$ 235.0	\$ 228.5	\$ 399.4	\$ 392.5
Deferred outflows of resources	\$ 9.0	\$ 8.6	\$ 8.1	\$ 8.9	\$ 17.1	\$ 17.5
Other liabilities	\$ 3.9	\$ 5.2	\$ 4.5	\$ 4.5	\$ 8.4	\$ 9.7
Long-term liabilities	\$ 20.9	\$ 23.0	\$ 110.1	\$ 113.4	\$ 131.0	\$ 136.4
Total Liabilities	\$ 24.8	\$ 28.2	\$ 114.6	\$ 117.9	\$ 139.4	\$ 146.1
Deferred inflows of resources	\$ 7.7	\$ 3.5	\$ 0.2	\$ 0.1	\$ 7.9	\$ 3.6
Net Position:						
Investment in capital assets, net of related debt	\$ 90.7	\$ 89.5	\$ 41.3	\$ 25.0	\$ 132.0	\$ 114.5
Restricted	\$ 10.7	\$ 6.8	\$ 53.1	\$ 61.7	\$ 63.8	\$ 68.5
Unrestricted	\$ 39.5	\$ 44.6	\$ 33.9	\$ 32.7	\$ 73.4	\$ 77.3
Total Net Position	\$ 140.9	\$ 140.9	\$ 128.3	\$ 119.4	\$ 269.2	\$ 260.3

The table below summarizes the City's Statement of Activities as of September 30, 2025 and 2024:

Summary Statement of Activities (in \$ millions)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 6.8	\$ 7.0	\$ 37.8	\$ 37.6	\$ 44.6	\$ 44.6
Operating grants and contributions	\$ 1.2	\$ 0.2	\$ -	\$ -	\$ 1.2	\$ 0.2
Capital grants and contributions	\$ 1.3	\$ 4.8	\$ 0.2	\$ 0.7	\$ 1.5	\$ 5.5
General revenues:						
Taxes	\$ 23.5	\$ 22.9	\$ -	\$ -	\$ 23.5	\$ 22.9
Other general revenues	\$ 6.7	\$ 8.6	\$ 3.0	\$ 3.7	\$ 9.7	\$ 12.3
Total Revenues	\$ 39.5	\$ 43.5	\$ 41.0	\$ 42.0	\$ 80.5	\$ 85.5
Expenses:						
Governmental activities:						
General government	\$ 7.5	\$ 7.6	\$ -	\$ -	\$ 7.5	\$ 7.6
Public safety	\$ 21.3	\$ 20.9	\$ -	\$ -	\$ 21.3	\$ 20.9
Transportation	\$ 8.6	\$ 7.3	\$ -	\$ -	\$ 8.6	\$ 7.3
Physical environment	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1
Disaster recovery	\$ 1.0	\$ 0.3	\$ -	\$ -	\$ 1.0	\$ 0.3
Culture and recreation	\$ 2.0	\$ 1.9	\$ -	\$ -	\$ 2.0	\$ 1.9
Interest on long-term debt	\$ 0.4	\$ 0.4	\$ -	\$ -	\$ 0.4	\$ 0.4
Business-type activities:						
Water and sewer	\$ -	\$ -	\$ 30.9	\$ 30.1	\$ 30.9	\$ 30.1
Total Expenses	\$ 40.8	\$ 38.5	\$ 30.9	\$ 30.1	\$ 71.7	\$ 68.6
Revenues over(under) expenses before transfers	\$ (1.3)	\$ 5.0	\$ 10.1	\$ 11.9	\$ 8.8	\$ 16.9
Transfers	\$ 1.3	\$ 0.2	\$ (1.3)	\$ (0.2)	\$ -	\$ -
Change in net position	\$ 0.0	\$ 5.2	\$ 8.8	\$ 11.7	\$ 8.8	\$ 16.9
Net position, beginning	\$ 140.9	\$ 135.7	\$ 119.5	\$ 107.7	\$ 260.4	\$ 243.4
Net Position, end of year	\$ 140.9	\$ 140.9	\$ 128.3	\$ 119.4	\$ 269.2	\$ 260.3

CITY OF MARCO ISLAND, FLORIDA

Government Activities:

Government wide net position at \$140.9 million remained essentially unchanged from the prior year underscoring the City's commitment to prudent financial management and responsible stewardship of public resources. The underlying components of the year over year change reveal several important operational and financial dynamics that shaped the City's fiscal position in fiscal year 2025.

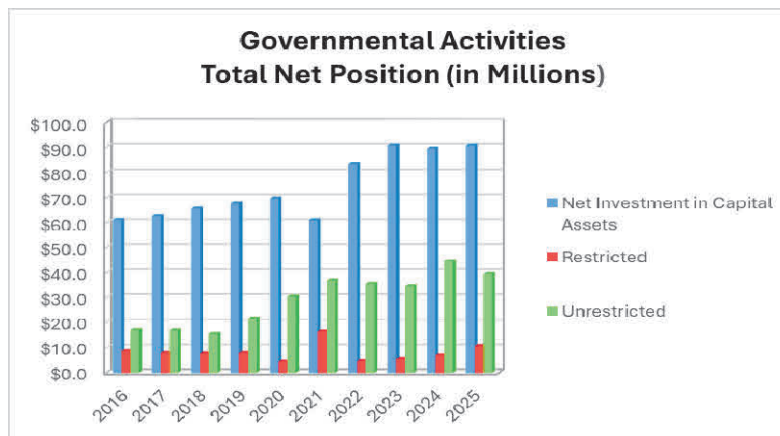
The decline in the net position reflects:

- Governmental fund balances decreased by \$2.3 million, primarily reflecting continued investment in capital infrastructure.
- Pension related deferred inflows and outflows decreased by \$3.6 million, consistent with actuarial valuation changes.

The following changes materially offset the decline in fund balance and impact of actuarial valuation changes and contributed to the stability of government-wide net position.

- The net pension asset increased by \$3.4 million, while the net pension liability decreased by \$1.7 million, reflecting strong investment performance and favorable actuarial experience across the pension plans.
- Long term liabilities unrelated to pensions decreased by \$1.3 million, due to scheduled debt service payments and amortization of premiums. These reductions demonstrate a continued commitment to responsibly managing long term obligations.
- The internal service funds contributed \$1.1 million to governmental activities, a slight increase from the prior year. This reflects stable operations within self-insurance and fleet.
- Deferred inflows and outflows related to grants increased by \$1.0 million, largely due to the timing of FEMA and state reimbursements.

The change in total net position over the past ten years is presented in the bar chart shown below:

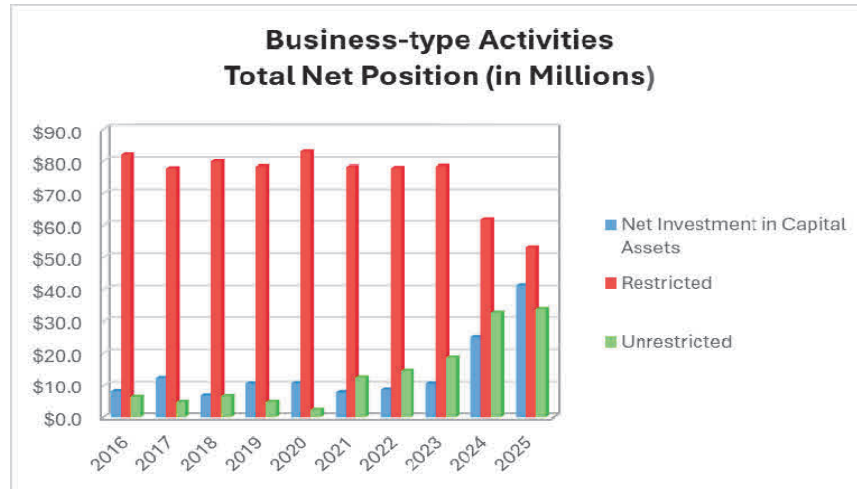


Business-type Activities:

The City's total net position of the business-type activities increased by \$8.8 million, or 7.4%, from \$119.5 million last fiscal year to \$128.3 million in the current fiscal year. The net position reflects a strong and improving financial posture driven by investments in long-term assets, reduced long-term liabilities, strategic draw down of restricted resources to fund major upgrades/initiatives, and continued expansion of capital assets to position the system for future capacity demands and reliability needs. Overall, the Utility remains financially robust, with prudent asset management and well controlled liabilities supporting ongoing system resilience and service delivery.

CITY OF MARCO ISLAND, FLORIDA

The change in total net position over the past ten years is presented in the bar chart shown below:



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of the governmental financial statements will find the fund financial statement presentation more familiar. The focus of the fund financial statements is on major *funds*, rather than fund *types*.

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The governmental funds presentation is designed to show the sources and uses of liquid resources. This is the manner in which the budget is typically developed. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's current financial resources available to spend for City operations.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (non-spendable, restricted, assigned, and unassigned) of \$40.2 million, a decrease of \$2.3 million in comparison with the prior year, or 5.4%. This was due to a decrease in interest and permit revenues; increased pension and capital outlays offset by an increase in liabilities.

The assigned and unassigned fund balance is the portion of fund balance available for spending at the City's discretion. This year 72.4% of the total governmental fund balance constitutes assigned and unassigned fund balance. Of this amount, the Council has assigned or indicated its intention that \$23.0 million be used for the use of on-going capital improvement projects.

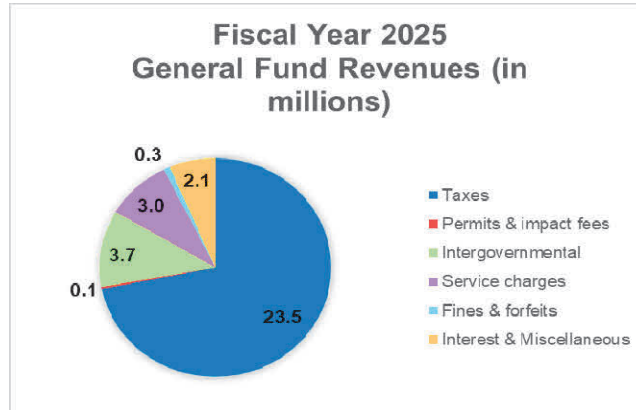
The remainder of fund balance is *committed* (internal) or *restricted* (external) to indicate it is not available for new spending because it has already been appropriated by enabling legislation for specific purposes, including debt service, parks construction, road construction, and public safety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

CITY OF MARCO ISLAND, FLORIDA

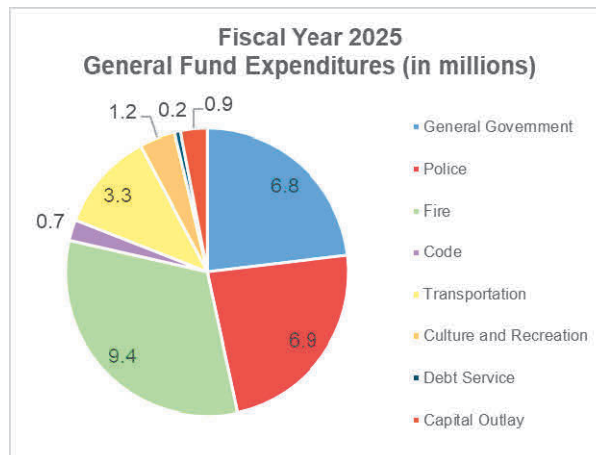
The *general fund* is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs not paid through other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

At the end of the current fiscal year, the general fund's total fund balance is \$16.8 million. The City has a long history of planning for contingencies and has a financial reserve policy which sets aside a 25% reserve of the prior year's budget, currently \$7 million, or approximately four months of normal general fund operating expenditures to cover emergencies and other contingencies that may occur.

City Council has made a conscious decision to use ad valorem taxes (property taxes) as its primary revenue source for the general fund, instead of diversifying its revenue base, along with with other taxes, user fees, and charges for services. Total general fund revenues decreased slightly by \$.6 million compared to last year primarily due to lower permit fees and interest revenue. The pie chart below shows the breakdown of general fund revenues by type.



Total general fund operating expenditures increased by \$2.2 million. The increase was primarily due to wage increases required by collective bargaining agreements and cost of living adjustments for general employees, the related retirement benefits and payroll taxes, and increased lease and subscription debt service. The pie chart below shows the breakdown of general fund expenditures by department category.



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The capital projects fund is one of the City's major funds. Since its incorporation in 1997, the City has embarked upon major infrastructure projects throughout the city limits. Current projects focus on the repairs of bridges, road surfaces, drainage lines and maintenance of existing infrastructure and improvements to parks and open spaces for community events. The City continues to appropriate funds as part of its Capital Improvement Program (CIP) for capital needs in future years. During fiscal year ended September 30, 2025, \$7.5 million in capital projects were completed.

The debt service fund is another of the City's major funds. The debt service fund primarily services debt related to funds issued for capital project purposes. The City did not issue any new debt during the fiscal year. Debt service for the year amounted to \$1.2 million for the year ended September 30, 2025, relatively the same amount as in the prior year, and primarily related to the Fire Station/Veterans Community Park Bond, the Smokehouse Bay/Herb Savage Bridge Bond, and several smaller financed purchases.

The grants fund is another of the City's major funds. The grants fund primarily accounts for expenditure driven grants related to the preparation, response, and recovery caused by declared emergencies. Due to the modified accrual accounting rules the grants fund has a due from other government and deferred revenue in the amount of \$4.6 million. The grants fund also has advance from the General Fund in the amount of \$5.3 million to cover its temporary cash flow needs.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees and charges to customers. Proprietary funds are presented on a total economic resource basis. Proprietary fund statements provide both short-term and long-term financial information. The City's proprietary fund is composed of one enterprise fund, water and sewer utility, and one internal service fund. Unrestricted net position for the enterprise fund at the end of the year was \$33.5 million.

The water and sewer utility fund's financial position improved again this year. Its net position, as shown on the fund financial statements, increased \$8.8 million, rising from \$119 million in the prior year to \$128 million at the end of this fiscal year. The strengthened financial capacity is largely driven by a net \$12 million increase in capital asset investment in several large infrastructure and utility system improvements along with a \$4 million decrease in long-term notes and OPEB liabilities. The year-over-year growth is offset by a \$7 million decrease in current assets (restricted cash and investments).

Operating income before non-operating revenues, capital contributions, and transfers remained unchanged from prior year at \$10.3 million. Operating revenues for the proprietary fund increased \$.2 million, or .6%, and operating expenses, not including depreciation and amortization costs, increased by \$.3 million, or .9%, compared with the prior year. The increase in operating costs is attributed to personnel costs, \$.4 million.

Staff closely monitor impacts on revenue due to conservation, record weather conditions, and elasticity in volumetric usage due to the system's compulsory rate increases.

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The water and sewer utility has carried out several major multi-year capital construction projects since purchase of the system and has determined it is in the best interest of the City to use the City's available resources during construction, thereby delaying the need for the issuance of debt and incurring interest expenses. In addition, the City obtained State Revolving Fund Loans from the Florida Department of Environment Protection for the financing of sewer assessment districts constructed each fiscal year, as well as permanent financing with other financial institutions which will be paid from the various sewer assessment districts.

General Fund Budgetary Highlights and Charter Spending Cap

There was an increase of \$1.2 million in appropriations in the general fund during the year end September 30, 2025, primarily due to the insurance premium contributions for the Firefighters and Police Pension Plans. Historically, the City develops a conservative budget based upon 96.5% of ad valorem taxes, and between 90% and 95% of the State's various state-shared revenue projections due to the uncertainty in the economy. Actual revenue received was \$1.0 million more than budgeted. This was primarily due to an increase in interest earnings, an overage in firefighter premium tax revenue, increased fire protection service fees as well as increased code enforcement fines offset by a decrease in intergovernmental revenues primarily attributed to the half-cent sales tax.

General Fund Budgetary Highlights and Charter Spending Cap (Continued)

Public Safety was over budget primarily due to the amount of property insurance premium tax remitted to the City. Overall, departmental expenditures were in line with budgeted expenditures, any differences are due to vacancies, retirements, and attrition.

Charter Spending Cap: The City is governed by a spending cap in the City Charter, limiting the growth in expenditures to 3% plus the year-to-year change in the federal cost of living adjustment (COLA) from the preceding year. In September 2002, voters approved amending the spending cap by removing all expenditures of self-supporting or business-type enterprise funds and expenditures funded by grants, gifts, and impact fees from the calculation of expenditures covered by the spending cap. Ordinance 14-08, approved by the City Council in August 2014, replaced Resolution 03-03 as adopted by City Council on January 13, 2003. The Ordinance establishes the legislative intent and procedures for the calculation of the expenditure limitations. Exhibit A of the Ordinance sets forth the following policies and procedures used to calculate the spending cap limits:

1. The term "operating expenditures" shall be interpreted as "expenditures from the operating budget of the City's Government Fund."
2. Expenditures from the operating budget shall include transfers into capital asset funds for future use.
 - a. GASB states that "expenditures represent the use or expected use of current financial resources" and that "expenditures of governmental fund resources" may give rise to general capital assets, which are defined as "capital assets of the government that are not specifically related to activities reported in proprietary or fiduciary funds."
 - b. GASB Codification Chapter 1600.116 defines "expenditures" as decreases in net financial resources."

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3. The term “prior year’s expenditures” shall be interpreted as the City’s determination of actual expenditures for the current year at the time the spending cap calculation is to be undertaken.
4. The term “then current Federal COLA (Department of Labor, Bureau of Statistics, Consumer price Index)” shall be interpreted as the prior year’s COLA released by the Social Security Administration (SSA) in October. That is starting with Fiscal Year 2015 the COLA used will be SSA COLA released in October 2013 (effective January 1, 2014).

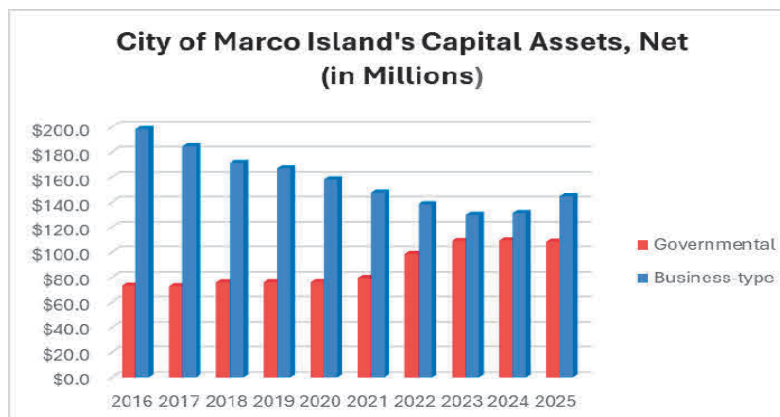
As of September 30, 2025, any accumulated capital funds will remain in the capital projects assigned fund balance, as defined by the implementation of GASB 54, to exclude them in the future year’s spending cap calculation.

Effective October 1, 2025, the fiscal year 2026 General Fund Budget approved by City Council was \$31,882,300. Annual contributions committed to the asset replacement reserve fund are covered by the spending cap while future expenditures from the fund will be exempt from the spending cap.

Expenditures fiscal year 2025	
General Fund	\$ 29,346,766
General Fund Transfer to Capital Projects Fund	2,257,500
Debt Service	1,588,375
TOTAL OF ALL FUNDS SUBJECT TO SPENDING CAP	<u>33,192,641</u>
Less expenditures funded by grants and gifts	(1,484,470)
Less expenditures funded by enterprise funds	(1,405,553)
Fiscal Year 2025 expenditures subject to Spending Cap	30,302,618
Plus percentages permitted by City Charter	
3% general expenditures increase	909,079
3.2% expected COLA released in October 2024	969,684
Total percentage increase permitted	<u>1,878,762</u>
Fiscal Year 2026 Spending Cap	<u><u>\$ 32,181,380</u></u>

Capital Assets and Debt Administration

As expected, the City’s investment in capital assets and its use of debt financing has changed dramatically since the acquisition of the water and sewer system.



CITY OF MARCO ISLAND, FLORIDA

Capital Assets: The City's capital assets balance (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2025, was \$253.2 million. The amount of net capital assets includes land, buildings, improvements other than buildings, and machinery and equipment.

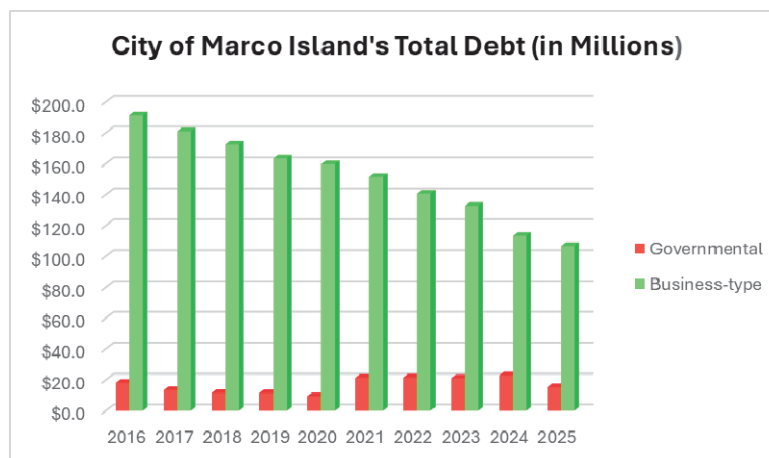
Governmental-type net capital assets decreased \$.5 million to \$108.5 million. Depreciation slightly outpaced the growth in total assets. Total assets increased \$7.4 million, when adjusted for the impact of the transfer from construction in process, and depreciation increased \$7.9 million. Business-type net capital assets increased \$13.5 million to \$144.7 million due to several large capital projects in process; AMI meter replacement program, \$5.3 million, Biological Filter program, \$5.2 million, and the construction for the Collections and Distributions (C&D) building, \$4.2 million.

Additional information on capital assets can be found in Note 6 to the financial statements.

Long-term Debt: The City continued to have strong underlying bond ratings. Fitch has issued ratings of "AA" for the City's public improvement bond issue, while S&P has raised its rating to "AA". Fitch, Moody's, and S&P have issued "AA-", "Aa3", and "AA-" for the Water and Sewer Utility system revenue bond issues, respectively.

At the end of the current year, the City had total long-term debt (excluding accrued compensated absences, OPEB liability, and net pension liability) outstanding \$122.2 million. Of this amount \$15.3 million is considered governmental obligations and the remaining \$106.9 million is business-type debt which is secured solely by specified water and sewer utility fund revenue sources.

Financed purchases of \$2.4 million are secured by non-ad valorem revenue. A financed purchase in the amount of \$0.3 million was entered into for the Fire self-contained breathing apparatus (SCBA) equipment during fiscal year 2025. In 2014 the City issued a non-ad valorem capital improvement revenue bond in the amount of \$6 million to finance the Smokehouse Bay Bridge/Herb Savage Bridge project. The capital improvement revenue bond has a balance of \$2.2 million which comes due in 2030. In 2022 the City issued a 20-year Public Improvement Bond (PIB) at a par value of \$11.9 million with a premium of \$1.2 million for a total of \$13.1 million in cash to build a new Fire Station 50 and improve the Veterans Community Park. The current balance of the PIB is \$10.7 million.



CITY OF MARCO ISLAND, FLORIDA

As is common for a utility system, the City has significant debt related to its water and wastewater utility system. Utility Series 2003 Revenue Bonds were issued to finance the acquisition of the water and wastewater utility system from Florida Water Services, Inc. in November 2003. Utility Series 2006 and 2008 Revenue Bonds and State revolving loan funds from 2007 and 2010 were used to finance additional capital improvements to the City's water and wastewater systems. During fiscal year 2010, tax-exempt bonds were issued to refund and reimburse the water and sewer utility for projects previously committed and spent as well as for supplementary projects. In addition, taxable bonds were issued to refund the prior year's bonds and to fund a deposit to the required debt service reserve. The Series 2011 revenue bonds took advantage of favorable market conditions to refund a portion of the original 2003 acquisition revenue bonds. The Series 2013 revenue bonds took advantage of favorable market conditions to refund the remainder of the original 2003 acquisition revenue bonds and the 2008 series. The Series 2016 revenue bonds took advantage of favorable market conditions to partially refund the 2010 revenue bond series. The Series 2020 revenue bonds took advantage of favorable market conditions to partially refund the 2013 revenue bond series. The Series 2023 revenue bonds exercised the Cinderella Deal option included in the 2020 bond issuance to reduce the interest rate and defease an additional debt tranche.

The debt service of the assessment bonds and state revolving loans are secured solely by the special assessments charged to each district. Construction of all seventeen districts is complete and permanent financing with a balance totaling \$19.2 million is in place. The remaining \$87.7 million of the total \$106.9 million in business-type debt is secured by the general rate base customer fees. Additional information on long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budget and Rates

Collier County is located on the southwest coast of the Florida peninsula, across the state and directly west of the Miami-Fort Lauderdale area. The County's principal industries include tourism, agriculture, fishing and cattle ranching. Located on a barrier island along the Gulf of America, the City's local economy is based primarily on upscale resort and retirement activities. It was originally marketed as a winter retreat for people with permanent homes in the north.

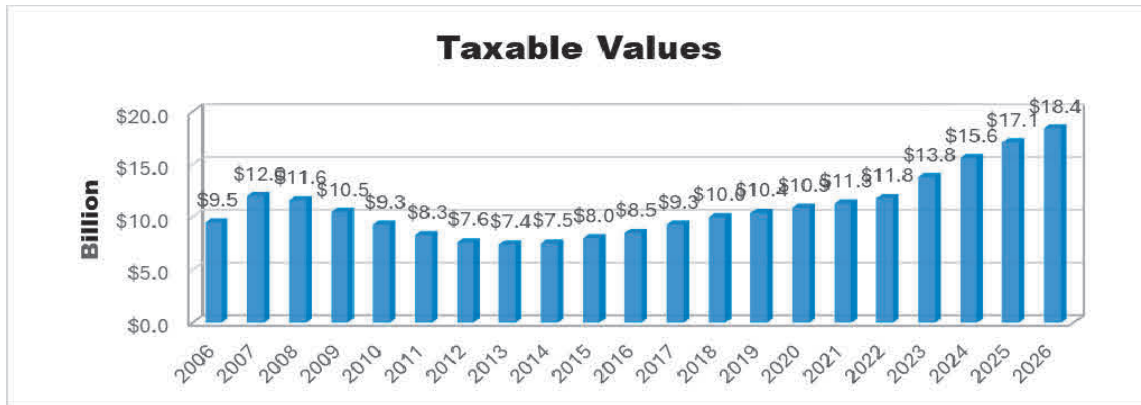
The region enjoys a climate that is classified as sub-tropical and the City has a permanent population of approximately 16,500 which grows to 45,000 in peak winter season with the influx of part-time residents and tourists. The City is the second largest municipality (after the City of Naples) located in Collier County.

More than 59% of the city's residents are age 65 or older, compared with 34.3% countywide, and 21.8% statewide. Per the U.S. Department of Labor, the unemployment rate for Collier County is currently 4.1% as compared to 3.5% a year ago.

The Collier County Tourist Development Council (Naples, Marco Island, Everglades City Convention and Visitors Bureau) reported that the number of visitors to the three Collier County cities increased by 3.0% compared to 2024 with the majority visitors being out-of-state at 67%, Floridians at 22.5%, and the remaining 10.5% from other countries.

CITY OF MARCO ISLAND, FLORIDA

Property Values and Taxes: Real property values in Southwest Florida increased dramatically after incorporation in 1997 and prior to 2007. Taxable values on Marco Island increased from \$3.9 billion in 2001 to \$12 billion in 2007. As is true across the country, the growth proved to be unsustainable and eventually the housing bubble burst with values falling significantly. As a result of the recession the City's assessed valuation decreased to approximately the 2005 values. The City's values have more than doubled since 2014, and the fiscal 2025 taxable value is approximately \$17.1 billion which reflects an increase of 8.1% from the fiscal 2024 value. For fiscal year 2026 the value is now at \$18.5 billion, an increase of 7.7% from the prior year.



In 1995, the State of Florida limited all local governments' ability to raise property assessments of homestead property in any given year to 3% or cost of living, whichever is lower. Statutory changes to the state's tax laws were passed by the Florida Legislature in 2007 to assist homeowners when the taxable valuations were increasing substantially each year. Implementation of a key provision of the law started for budgets beginning in fiscal year 2008 and provided maximum millage rates for all local governments. In effect, the State required all governments to decrease property taxes by rolling back the operating millage rate to fiscal year 2002 values. Further tax reform regulations allow municipalities to increase the tax rate to the point where tax revenues equal the rolled-back tax rate plus growth in Florida personal income with a simple majority vote of the City Council.

City residents enjoy a standard operating millage rate of 1.2670 mils in fiscal year 2025. That is .6035 less than the pre-incorporation millage rate of 1.8705 in 1997, which only covered fire and rescue services. Since then, services have been expanded to include a local police presence, code enforcement with a magistrate, improved streets and drainage, and additional recreation capabilities. The City's charter mandated spending cap further limited increases to the City's millage rate during the years when the property values were increasing rapidly.

Additionally, City Council and residents prefer the use of ad valorem taxes rather than diversifying the City's revenue base with the use of franchise fees and other optional taxes. The City's share of the total ad valorem tax bill received by the residents from Collier County is 13.9%. The remainder of the property tax bill is spent by other taxing agencies including Collier County and the School Board.

CITY OF MARCO ISLAND, FLORIDA

Water and Wastewater Utility: In November 2003, the City achieved a long-term objective with the acquisition of the local water and wastewater operations from a private provider. Prior to this date, the City's utilities fund was used to account for the wastewater distribution system serving approximately 1,200 accounts with central sewer on this island. Wastewater treatment was handled by Florida Water Services Inc. under contract. The City issued \$101 million in utility revenue bonds to purchase utility operations on Marco Island and at an adjacent area on the mainland of unincorporated Collier County also known as Marco Shores. The cost of the utility acquisition was approximately \$85 million and the additional funds were used to begin the upgrading of a neglected utility infrastructure. Annual funding for capital improvements are required by bond covenants and are deposited monthly to a renewal and replacement fund and a capital reserve fund. Likewise, subsequent project revenue was provided by bonds issued in 2006, 2007, 2008, 2010, 2011, 2016 and 2023.

The City's demand for water and wastewater services continues to increase; the demand for wastewater services grew as more properties connected to the central sewer system as part of the seven-year Septic Tank Replacement Program (STRP) that was completed in 2013. Infrastructure for the 17 sewer assessment districts has been connected to the central wastewater system, thereby providing more sewage for treatment. Rather than disposing the treated effluent into deep injection wells, the City expanded its investment in the re-use water distribution system. Re-use or effluent water sales lower the usage of potable water and thus defer some capacity improvements to a future date. This deferment of expensive improvements to the water plant lowers the costs to all the current and future system users even if each individual user does not have access to re-use distribution system.

During fiscal 2013 as part of refinancing the 2003 and 2008 bond issues, the City Council adopted Resolution No. 13-16 ratifying and confirming its acceptance and approval to increase rates through and including fiscal year 2018. The base and volumetric rate increases of 7%, 2.1%, 2.1%, 2.2%, and 2.3% took effect at the beginning of each fiscal year from 2014 through 2018 respectively. The 2013 refunding bonds resulted in the release of reserves in the amount of \$6.6 million and a debt service reduction in the amount of \$5.3 million over the remaining term of the bonds.

On December 7, 2016 the City closed on the 2016 bond series which refunded the 2010A bond series. On December 7, 2016 the City also fully paid off, legally defeased, the 2010B bond series with a balance of \$6.2 million by using available water and sewer impact fee funds that arose from several large commercial projects on the island. The 2016 refunding bonds resulted in the release of reserves in the amount of \$1.9 million and a debt service reduction in the amount of \$6.9 million over the remaining term of the bonds. The legal defeasance of the 2010B bonds resulted in the release of reserves in the amount of \$.6 million and interest savings in the amount of \$4.4 million. An additional \$1.3 million in reserves was released in 2020, on the bonds' callable date.

On March 27, 2020 the City closed on the 2020 bond series which advance refunded the 2013 bond series. The 2020 refunding bonds resulted in a debt service reduction in the amount of \$5.9 million over the remaining term of the bonds. On October 2, 2023 the City exercised the Cinderella Deal option as included in the 2020 bonds which had a remaining balance of \$55.8 million. The bonds were issued at par in the amount of \$50.8 million with an all in true interest cost of 1.62% and the defeasance of \$5 million with the use of \$2 million from water impact fees and \$3 million from sewer impact fees.

CITY OF MARCO ISLAND, FLORIDA

On December 15, 2024, the City purchased the North Marco Utility (NMU) for \$1.8 million, a private utility which mainly provided sewer services to a small area on the northern part of the island. It was usual and customary that the City provide NMU assistance during emergencies, therefore it was in the City's best interest to acquire the system to ensure that the infrastructure was being properly maintained to reduce any risks in the future.

On August 1, 2025, the City entered a 15 year, 4.019%, \$7.6 million finance purchase agreement with Banc of America Public Capital Corp to finance water efficiency improvements through the Advanced Metering Infrastructure (AMI) project.

Hideaway Beach District: The City is responsible for a legally separate special tax district for which the City maintains accounting records and is financially accountable. This component unit is funded through ad valorem taxes and has an independent advisory board that makes recommendations which are subsequently reviewed and ratified by City Council.

In 2003, voters in the Hideaway Beach neighborhood voted to tax themselves by establishing a special taxing district as the financing mechanism for the area's beach re-nourishment plan. The taxing district requested and received approval for a short-term loan from the City to implement the final phase of the plan in conjunction with funds received from the Collier County Tourist Development Council (TDC). Property values in Hideaway Beach increased by 9.75% compared to last fiscal year, and the tax levy for the Hideaway Beach District remained the same as the prior fiscal year, at 1.600 mils.

Requests for Information

This financial report is designed to provide interested users with a general overview of the City finances. An electronic version of this report and prior year's reports can be found on the City's website at www.cityofmarcoisland.com. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 50 Bald Eagle Drive, Marco Island, Florida 34145.

CITY OF MARCO ISLAND, FLORIDA

BASIC FINANCIAL STATEMENTS

CITY OF MARCO ISLAND, FLORIDA

**Statement of Net Position
September 30, 2025**

Assets and Deferred Outflows of Resources	Primary Government		Total	Component Unit Hideaway Beach
	Governmental Activities	Business-type Activities		
Current assets:				
Cash and investments	\$ 14,371,903	\$ 32,779,616	\$ 47,151,519	\$ 1,533,523
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	173,550	2,638,310	2,811,860	-
Assessments, current portion	-	637,724	637,724	-
Assessments, interest	-	1,472,937	1,472,937	-
Accrued interest	-	90,814	90,814	-
Internal balances	(434,661)	434,661	-	-
Due from other governments	5,896,390	893,333	6,789,723	-
Inventories	24,414	-	24,414	-
Prepaid items	724,971	-	724,971	-
Total current assets	20,756,567	38,947,395	59,703,962	1,533,523
Noncurrent Assets:				
Restricted cash and investments	29,303,772	48,367,182	77,670,954	-
Assessments receivable	-	2,931,286	2,931,286	-
Net pension assets	5,880,715	-	5,880,715	-
Capital assets:				
Land and land improvements	15,363,360	17,415,059	32,778,419	-
Construction in progress	2,121,240	24,137,817	26,259,057	-
Buildings and utility plants	36,736,393	7,449,244	44,185,637	-
Transmissions and distributions	-	131,742,499	131,742,499	-
Infrastructure	149,277,763	115,832,250	265,110,013	5,270,693
Vehicles and equipment	21,966,536	88,522,719	110,489,255	121,684
Right to use asset - building	14,767	-	14,767	-
Right to use asset - equipment	212,241	1,248	213,489	-
Subscription based information technology arrangements	663,982	259,727	923,709	-
Accumulated depreciation and amortization	(117,883,070)	(240,666,367)	(358,549,437)	(2,700,311)
Net capital assets	108,473,212	144,694,196	253,167,408	2,692,066
Total noncurrent assets	143,657,699	195,992,664	339,650,363	2,692,066
Total assets	164,414,266	234,940,059	399,354,325	4,225,589
Deferred Outflows of Resources				
Deferred amount on OPEB	179,247	12,636	191,883	-
Deferred amount on pension plans	8,813,343	-	8,813,343	-
Deferred amount on refunding debt	-	8,108,036	8,108,036	-
Total deferred outflows of resources	8,992,590	8,120,672	17,113,262	-

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Net Position
September 30, 2025**

Liabilities and Deferred Inflows of Resources	Primary Government		Total	Component Unit Hideaway Beach
	Governmental Activities	Business-type Activities		
Current liabilities:				
Accounts payable and other current liabilities	3,623,242	3,219,535	6,842,777	111,647
Customer deposits	8,466	23,001	31,467	-
Accrued interest payable	237,441	1,290,380	1,527,821	-
Bonds, notes, and financed purchases, net of unamortized discounts and premiums	1,313,718	11,810,199	13,123,917	-
Leases Payable	43,774	51	43,825	-
Subscriptions Payable	152,697	55,541	208,238	-
Compensated absences	566,136	170,978	737,114	-
Total current liabilities	5,945,474	16,569,685	22,515,159	111,647
Noncurrent liabilities:				
Bonds, notes, and financed purchases, net of unamortized discounts and premiums	14,832,223	97,213,321	112,045,544	-
Leases Payable	87,815	-	87,815	-
Subscriptions Payable	205,571	115,634	321,205	-
Compensated absences	1,896,571	487,062	2,383,633	-
Net pension liability	892,129	-	892,129	-
Total other post employment benefits liability	952,763	238,633	1,191,396	-
Total noncurrent liabilities	18,867,072	98,054,650	116,921,722	-
Total liabilities	24,812,546	114,624,335	139,436,881	111,647
Deferred Inflows of Resources				
Deferred amount on OPEB	437,326	175,618	612,944	-
Deferred amount on pension plans	7,303,673	-	7,303,673	-
Total deferred inflows of resources	7,740,999	175,618	7,916,617	-
Net Position				
Net investment in capital assets	90,697,100	41,265,365	131,962,465	2,692,066
Restricted for				
Capital outlay	-	11,273,552	11,273,552	-
Debt service	173,405	31,424,454	31,597,859	-
Renewal and replacements	-	8,021,157	8,021,157	-
Impact and public safety programs	1,067,392	2,385,324	3,452,716	-
Building services	3,540,004	-	3,540,004	-
Pension	5,880,715	-	5,880,715	-
Unrestricted	39,494,695	33,890,926	73,385,621	1,421,876
Total net position	\$ 140,853,311	\$ 128,260,778	\$ 269,114,089	4,113,942

See accompanying notes to financial statements

CITY OF MARCO ISLAND, FLORIDA

Statement of Activities
Year Ended September 30, 2025

Functions/programs	Program Revenues			Net (expense) revenue and change in net position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Totals	
Primary government							
Governmental activities							
General government	\$	7,538,615	\$	1,737,494	\$	(5,801,121)	\$
Police services		7,781,498		104,006		(7,591,608)	
Fire and rescue		9,305,035		804,795		(8,286,900)	
Code compliance		837,807		319,060		(518,747)	
Building services		3,359,360		3,388,074		28,714	
Transportation		8,632,381		-		(8,431,915)	
Physical environment		-		-		474,193	
Disaster and recovery		1,037,111		-		424,627	
Culture and recreation		1,967,295		457,142		(1,442,948)	
Interest on long-term debt		394,273		-		(394,273)	
Total governmental activities		40,853,375		6,810,571		(31,539,978)	
Business-type activities							
Water and sewer		30,867,116		37,784,998		-	
Total business-type activities		30,867,116		37,784,998		-	
Total primary government		\$ 71,720,491		\$ 44,595,569		(31,539,978)	
Component unit							(1,986,835)
Hideaway Beach District		\$ 2,361,035		\$ 24,337		-	
Total component units		\$ 2,361,035		\$ 24,337		-	
General revenues							
Taxes							
Property taxes					20,458,516	-	
Communication service tax					352,128	-	
Other taxes					2,674,645	-	
State share revenue - unrestricted					3,458,457	-	
Interest and investment gains					3,138,557	2,543,821	
Miscellaneous					150,321	403,863	
Transfers					1,255,537	(1,255,537)	
Total general revenues and transfers					31,488,161	1,692,147	
Change in net position					(51,817)	8,791,924	
Net position, beginning					140,905,128	119,468,854	
Net position, ending					\$ 140,853,311	\$ 128,260,778	\$
							\$ 4,113,942

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Balance Sheet
Governmental Funds
September 30, 2025

	General	Grants Fund	Debt Service	Capital Projects	Nonmajor Fund	Total Governmental Funds
Assets						
Pooled cash and cash equivalents	\$ 12,112,075	\$ -	\$ -	\$ 225	\$ -	\$ 12,112,300
Receivables						
Accounts, net	173,550	-	-	-	-	173,550
Advance to other funds	5,325,254	-	-	-	-	5,325,254
Due from other governments	708,732	4,595,595	-	592,063	-	5,896,390
Prepaid items	-	-	-	724,971	-	724,971
Restricted cash and cash equivalents	-	-	410,846	25,280,080	3,612,846	29,303,772
Inventories	24,414	-	-	-	-	24,414
Total assets	<u>\$ 18,344,025</u>	<u>\$ 4,595,595</u>	<u>\$ 410,846</u>	<u>\$ 26,597,339</u>	<u>\$ 3,612,846</u>	<u>\$ 53,560,651</u>
Liabilities						
Accounts payable	\$ 1,001,130	\$ 2,703	\$ -	\$ 1,290,117	\$ 16,606	\$ 2,310,556
Accrued liabilities	506,088	-	-	-	56,236	562,324
Customer deposits	8,466	-	-	-	-	8,466
Advance from other funds	-	5,325,254	-	-	-	5,325,254
Total liabilities	<u>1,515,684</u>	<u>5,327,957</u>	<u>-</u>	<u>1,290,117</u>	<u>72,842</u>	<u>8,206,600</u>
Deferred inflows of resources						
Unavailable revenue	-	4,561,493	-	591,596	-	5,153,089
Total deferred inflows of resources	<u>-</u>	<u>4,561,493</u>	<u>-</u>	<u>591,596</u>	<u>-</u>	<u>5,153,089</u>
Fund balances (deficit)						
Nonspendable	5,349,668	-	-	724,971	-	6,074,639
Restricted						
Public safety programs	63,221	-	-	1,004,171	-	1,067,392
Debt service	-	-	410,846	-	-	410,846
Building services	-	-	-	-	3,540,004	3,540,004
Assigned						
Capital projects	-	-	-	22,986,484	-	22,986,484
Unassigned	11,415,452	(5,293,855)	-	-	-	6,121,597
Total fund balances (deficit)	<u>16,828,341</u>	<u>(5,293,855)</u>	<u>410,846</u>	<u>24,715,626</u>	<u>3,540,004</u>	<u>40,200,962</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 18,344,025</u>	<u>\$ 4,595,595</u>	<u>\$ 410,846</u>	<u>\$ 26,597,339</u>	<u>\$ 3,612,846</u>	<u>\$ 53,560,651</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Reconciliation of the Balance Sheet—Governmental Funds to the Statement of Net Position September 30, 2025

Total fund balances governmental funds		\$ 40,200,962
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		108,473,212
Other long-term assets are not available to be reported as revenue, and, therefore, are not reported in the funds.		5,153,089
Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds.		(237,441)
Deferred outflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		8,813,343
Deferred outflows of resources related to other post employment benefits are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		179,247
Deferred inflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(7,303,673)
Deferred inflows of resources related to other post employment benefits are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(437,326)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(892,129)
Net pension assets are not financial resources in the current period and, therefore, are not reported in the funds.		5,880,715
Total other post employment liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(952,763)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Bonds and notes payable	(16,145,941)
	Leases Payable	(131,589)
	Subscriptions Payable	(358,268)
	Compensated absences	<u>(2,462,707)</u>
		(19,098,505)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This is the portion of net position included in governmental activities in the Statement of Net Position.		<u>1,074,580</u>
Net position of governmental activities		<u><u>\$140,853,311</u></u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General	Grants Fund	Debt Service	Capital Projects	Nonmajor Fund	Total Governmental Funds
Revenues						
Taxes	\$ 23,485,218	\$ -	\$ 71	\$ -	\$ -	\$ 23,485,289
Permits and fees	83,322	-	-	335,349	3,388,074	3,806,745
Intergovernmental	3,690,492	427,239	-	449,459	-	4,567,190
Charges for services	2,993,777	-	-	-	-	2,993,777
Fines and forfeitures	345,172	-	-	225	-	345,397
Interest and investment earnings	1,998,256	-	5,816	1,019,389	115,095	3,138,556
Miscellaneous	79,684	440	-	70,197	-	150,321
Total revenues	32,675,921	427,679	5,887	1,874,619	3,503,169	38,487,275
Expenditures						
Current						
General government	6,771,180	-	-	136,052	-	6,907,232
Police services	6,926,920	-	-	4,096	-	6,931,016
Fire and rescue	9,358,247	-	-	150,164	-	9,508,411
Code compliance	710,560	-	-	-	-	710,560
Building services	-	-	-	-	3,296,789	3,296,789
Transportation	3,254,203	-	-	84,154	-	3,338,357
Culture and recreation	1,190,859	-	-	34,455	-	1,225,314
Emergency and disaster recovery	-	1,037,111	-	-	-	1,037,111
Debt service						
Principal	207,959	-	1,151,704	-	-	1,359,663
Interest and fiscal charges	25,976	-	496,946	-	-	522,922
Capital outlay	900,862	-	-	7,461,983	-	8,362,845
Total expenditures	29,346,766	1,037,111	1,648,650	7,870,904	3,296,789	43,200,220
Excess (deficiency) of revenues over (under) expenditures	3,329,155	(609,432)	(1,642,763)	(5,996,285)	206,380	(4,712,945)
Other financing sources (uses)						
Transfers in	1,117,500	-	1,650,912	2,426,562	-	5,194,974
Transfers out	(3,845,875)	-	-	-	(93,562)	(3,939,437)
Sale of capital assets	126,000	-	-	-	-	126,000
Issuance of debt - financed purchase	-	-	-	344,970	-	344,970
Leases	180,815	-	-	-	-	180,815
Subscription based information technology arrangements	517,002	-	-	-	-	517,002
Total other financing sources (uses)	(1,904,558)	-	1,650,912	2,771,532	(93,562)	2,424,324
Change in fund balances	1,424,597	(609,432)	8,149	(3,224,753)	112,818	(2,288,621)
Fund balances, beginning	15,403,744	(4,684,423)	402,697	27,940,379	3,427,186	42,489,583
Fund balances, end of year	\$ 16,828,341	\$ (5,293,855)	\$ 410,846	\$ 24,715,626	\$ 3,540,004	\$ 40,200,962

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2025

Net change in fund balance - governmental funds \$ (2,288,621)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital Outlay	8,354,494	
Deprecation / Amortization	<u>(7,859,377)</u>	495,117

Net effect of various miscellaneous transactions involving capital assets (I.e. disposals, transfers, donations) which decrease net position. (971,965)

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 has any effect on net position.

Principal payments on debt	860,000	
Bond premium amortization	111,442	
Principal payments on financed purchases	291,704	
Debt proceeds from financed purchases	(344,970)	
Leases	(180,815)	
Principal Payments on Leases	49,226	
Subscriptions	(517,002)	
Principal Payments on Subscriptions Payable	<u>158,734</u>	428,319

Revenue recognized in the statement of activities from a previous period that provides a current financial resource is reported in the funds in the current year. This change represents the change caused by the "available" revenue recognition criteria. 1,029,744

The (increase) decrease in certain accrued liabilities reported in the Statement of Activities does not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Changes in compensated absences	(268,485)	
Accrued interest payable	<u>17,207</u>	(251,278)

Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore decreased net position. 1,523,678

Other post employment benefits expenses are not reported in government funds but are recognized in the statement of activities. (29,067)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to the funds. This is the net revenue (expense) of internal service funds reported in governmental activities. 12,256

Change in net position of governmental activities \$ (51,817)

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Net Position
Proprietary Funds
September 30, 2025**

	Business-type Activities – Enterprise Funds Water & Sewer Utilities	Governmental Activities – Internal Service Fund
Assets and Deferred Outflows of Resources		
Current assets		
Pooled cash and cash equivalents	\$ 32,779,616	\$ 2,259,603
Accounts receivable, net	2,638,310	-
Due from other governments	893,333	-
Assessments receivable - current portion	637,724	-
Assessments interest receivable	1,472,937	-
Interest receivable	90,814	-
Restricted cash and cash equivalents	34,365,139	-
Restricted investments	2,831,701	-
Total current assets	<u>75,709,574</u>	<u>2,259,603</u>
Noncurrent assets		
Investments	11,170,342	-
Assessments receivable	2,931,286	-
Capital assets		
Land	17,415,059	-
Construction in progress	24,137,817	-
Transmissions and distributions	131,742,499	-
Infrastructure	115,832,250	-
Buildings and improvements	7,449,244	-
Vehicles and equipment	88,522,719	-
Right to use asset - equipment	1,248	-
Subscription Based Information Technology Arrangements	259,727	-
Accumulated depreciation and amortization	(240,666,367)	-
Net capital assets	<u>144,694,196</u>	<u>-</u>
Total noncurrent assets	<u>158,795,824</u>	<u>-</u>
Total assets	<u>234,505,398</u>	<u>2,259,603</u>
Deferred outflows of resources		
Deferred amounts on OPEB	12,636	-
Deferred amounts on refunding debt	8,108,036	-
Total deferred outflows of resources	<u>8,120,672</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Net Position
Proprietary Funds
September 30, 2025**

	Business-type Activities – Enterprise Funds Water & Sewer Utilities	Governmental Activities – Internal Service Fund
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	\$ 3,025,729	\$ 897
Accrued liabilities	193,806	749,465
Accrued interest	1,290,380	-
Customer deposits	23,001	-
Compensated absences, current portion	170,978	-
Bonds payable, current portion	7,824,825	-
Notes payable, current portion	3,985,374	-
Leases Payable	51	-
Subscriptions Payable	55,541	-
Total current liabilities	<u>16,569,685</u>	<u>750,362</u>
Noncurrent liabilities		
Compensated absences	487,062	-
Bonds payable	80,090,099	-
Notes payable	17,123,222	-
Leases Payable	-	-
Subscriptions Payable	115,634	-
Other post-employment benefits liability	238,633	-
Total noncurrent liabilities	<u>98,054,650</u>	<u>-</u>
Total liabilities	<u>114,624,335</u>	<u>750,362</u>
Deferred inflows of resources		
Deferred amounts on OPEB	175,618	-
Total deferred inflows of resources	<u>175,618</u>	<u>-</u>
Net Position		
Net investment in capital assets	41,265,365	-
Restricted		
Capital reserve	11,273,552	-
Debt service	31,424,454	-
Renewal and replacement	8,021,157	-
Impact and public safety programs	2,385,324	-
Unrestricted	33,456,265	1,509,241
Net position	<u>\$ 127,826,117</u>	<u>\$ 1,509,241</u>
Adjustment to reflect internal service fund activities reflected in enterprise funds	434,661	
Net position, business-type activities	<u>\$ 128,260,778</u>	

See accompanying notes to financial statements

CITY OF MARCO ISLAND, FLORIDA

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2025**

	Business-type Activities – Enterprise Funds Water & Sewer Utilities	Governmental Activities – Internal Service Fund
Operating revenues		
Charges for services		
Total operating revenues	\$ 37,784,998	\$ 1,506,432
Operating expenses		
Personal services	7,950,324	-
Insurance	953,860	1,673,998
Utilities	3,487,310	-
Contractual fees	1,008,691	-
Repairs and maintenance	1,365,204	-
Supplies	2,601,964	-
Rental and lease costs	42,038	-
Other expenses	1,206,358	-
Amortization	499,039	-
Depreciation	8,392,968	-
Total operating expenses	27,507,756	1,673,998
Operating income (loss)	10,277,242	(167,566)
Nonoperating revenues (expenses)		
Interest income	2,407,463	93,329
Interest expense	(2,936,295)	-
Miscellaneous expense	(364,893)	(224)
Other nonoperating income	403,863	37,322
Net change in fair value of investments	136,358	-
Gain (loss) on sale of capital assets	(8,777)	-
Total nonoperating revenues (expenses)	(362,281)	130,427
Income before contributions and transfers	9,914,961	(37,139)
Capital contributions - grants	181,895	-
Transfers out	(1,255,537)	-
Change in net position	8,841,319	(37,139)
Net position, beginning of year	118,984,798	1,546,380
Net position, end of year	\$ 127,826,117	\$ 1,509,241
Adjustment to reflect the internal service fund activities related to the enterprise funds	(49,395)	
Change in net position, business-type activities	\$ 8,791,924	

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2025**

	Business-type Activities – Enterprise Funds Water & Sewer Utilities	Governmental Activities – Internal Service Fund
Cash flows from operating activities		
Cash received from customers and users	\$ 38,593,575	\$ 1,506,432
Cash payments to suppliers	(10,511,128)	(1,935,786)
Cash payments to employees for services	(7,828,960)	-
Net cash provided (used) by operating activities	<u>20,253,487</u>	<u>(429,354)</u>
Cash flows from noncapital financing activities		
Transfers	<u>(1,255,536)</u>	-
Net cash used by noncapital financing activities	<u>(1,255,536)</u>	-
Cash flows from capital and related financing activities		
Collection from special assessments	788,036	-
Proceeds from issuance of debt	-	-
Proceeds from sale of capital assets	5,088	-
Proceeds for self-insured items	403,867	37,097
Proceeds from long-term debt	7,623,000	-
Principal paid on long-term debt	(10,865,289)	-
Interest paid on long-term debt	(2,964,526)	-
Proceeds from Leases	1,870	-
Principal Payments on Leases	216,043	-
Proceeds from Subscriptions	(1,819)	-
Principal Payments on Subscriptions	(44,868)	-
Other receipts (payments)	-	-
Issuance cost on financed purchase	(1,001)	-
Acquisition and construction of capital assets	<u>(22,309,526)</u>	-
Net cash provided (used) by capital and related financing activities	<u>(27,149,125)</u>	<u>37,097</u>
Cash flows from investing activities		
Purchases of investments	1,916,089	-
Interest and investment (loss)	<u>2,274,633</u>	<u>93,329</u>
Net cash provided (used) by investing activities	<u>4,190,722</u>	<u>93,329</u>
Net change in cash and cash equivalents	(3,960,452)	(298,928)
Cash and cash equivalents, beginning of year	<u>71,105,207</u>	<u>2,558,531</u>
Cash and cash equivalents, end of year	<u><u>\$ 67,144,755</u></u>	<u><u>\$ 2,259,603</u></u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2025

Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 10,277,242	\$ (167,566)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	8,892,007	-
Changes in assets and liabilities:		
Accounts receivable	805,577	-
Accounts payable	154,297	(671)
Accrued liabilities	38,381	(261,117)
Customer deposits	3,000	-
Compensated absences	81,013	-
Other post-employment benefits	1,970	-
Net cash provided (used) by operating activities	<u>\$ 20,253,487</u>	<u>\$ (429,354)</u>
Reconciliation of cash and cash equivalents		
Pooled cash and cash equivalents	\$ 32,779,616	\$ 2,259,603
Restricted cash and cash equivalents	<u>34,365,139</u>	<u>-</u>
	<u>\$ 67,144,755</u>	<u>\$ 2,259,603</u>
Noncash investing, capital, and financing activities		
Change in Fair Value of Investments	\$ 136,358	\$ -
Capital Related Accounts Payable and Retainage	2,342,123	-
Lease Assets	4,037	-
Lease Liabilities	1,870	-
SBITA Asset	259,727	-
SBITA Liabilities	216,043	-

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2025**

	Pension Trust Funds	Custodial Fund
Assets		
Cash and cash equivalents	\$ 5,475,018	\$ 999,802
Investment proceeds and promises receivable	97,550	100,000
Due from other governments	366,067	-
Investments, at fair value		
Government bonds	4,532,498	-
Corporate bonds	2,125,103	-
Common stock	18,343,681	-
ETF's & CEF's	39,833,382	-
Real estate trust	3,222,964	-
Accrued interest	132,104	-
Total investments	<u>68,189,732</u>	<u>-</u>
 Total assets	 <u>74,128,367</u>	 <u>1,099,802</u>
Liabilities		
Accounts payable	-	29,000
Total liabilities	<u>-</u>	<u>29,000</u>
Fiduciary net position		
Restricted for		
Pensions	74,128,367	-
Organizations	-	1,070,802
	<u>\$ 74,128,367</u>	<u>\$ 1,070,802</u>

See accompanying notes to financial statements.

CITY OF MARCO ISLAND, FLORIDA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2025**

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
Additions		
Contributions		
Employer	\$ 2,469,109	\$ -
Employee	235,207	-
State of Florida	1,484,470	-
Private contributions	-	5,000
Total contributions	<u>4,188,786</u>	<u>5,000</u>
Investment earnings		
Interest and dividend income	1,820,432	41,061
Net change in fair value of investments	4,983,660	-
Less investment expense	(241,688)	-
Net investment earnings	<u>6,562,404</u>	<u>41,061</u>
Total additions	<u>10,751,190</u>	<u>46,061</u>
Deductions		
Benefits paid	1,469,076	-
General administration	131,658	32,257
Recipient payments	-	29,148
Total deductions	<u>1,600,734</u>	<u>61,405</u>
Change in fiduciary net position	<u>9,150,456</u>	<u>(15,344)</u>
Fiduciary net position, beginning of year	<u>64,977,911</u>	<u>1,086,146</u>
Fiduciary net position, end of year	<u>\$ 74,128,367</u>	<u>\$ 1,070,802</u>

See accompanying notes to financial statement

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

1. Summary of Significant Accounting Policies

(A) Reporting Entity

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

As required by Governmental Accounting Standards Board (GASB), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

The accompanying financial statements present the City and its component unit, Hideaway Beach District (Hideaway), an entity for which the City is considered to be financially accountable. The Hideaway Beach District was established on April 19, 2004, by the voters within the Hideaway Beach neighborhood to assess a special ad valorem tax within Hideaway.

Hideaway is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City is financially accountable for Hideaway as it appoints the Board and its substantive approval is necessary for the budget, tax levies, or the issuance of bonded debt. Separate statements are not issued.

On January 6, 2020, the City of Marco Island formally approved the Articles of Incorporation for the Marco Island Community Parks Foundation, Inc ("Parks Foundation"), a Fiduciary Component Unit, and a 501(c)(3) non-profit corporation organized to provide a broad source of community support for parks ("City Parks") located or to be located within the City of Marco Island, Florida (the "City").

In addition, this report also includes the accounts and transactions of the City of Marco Island Firefighters' and Police Officers' Pension Plans (the Firefighters' Pension Plan and the Police Officers' Pension Plan). These plans are administered as a single-employer defined benefit pension plan administered by the Board of Trustees. The Plans are Fiduciary Component Units of the City in accordance with GASB Statement Number 84, Fiduciary Activities.

(B) Government-wide and Fund Financial Statements

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

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

The Statement of Net Position reports all financial and capital resources of the City's governmental and business-type activities. Governmental activities are those supported by taxes and intergovernmental revenues. Business type activities rely to a significant extent on fees and charges for support. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for goods or services that are recovered directly from customers for services rendered and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided which briefly explains the adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Pension trust funds recognize employer and state contributions in the period in which the contributions are due, and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The financial statements of the Plans are prepared using the *accrual basis* of accounting. Plan member contributions are recognized in the period in which the contributions are due.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and accrued compensated absences expenditures are recorded only when payment is due.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Property taxes, public services taxes, franchise taxes, licenses and permits, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and are recorded as earned since they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the City.

(D) Major Funds and Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined), for the determination of major funds. The non-major funds are presented in one column in the fund financial statements.

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as police services, fire and rescue services, planning and zoning, code compliance, transportation, culture and recreation, and general administration are provided by the general fund.
- The *grants fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes. The activities within this fund for this fiscal year are mostly related to Hurricane Irma expenditures undertaken as part of the City's recovery efforts to repair and replace its infrastructure.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.
- The *capital projects fund* accounts for the activities associated with construction and the preservation of the City's governmental capital assets.

The City reports the following major proprietary fund:

- The *water and sewer fund* accounts for the water and sewer collection services provided to its customers. All activities necessary to provide such services are accounted for in this fund, including personal services, contractual services and utilities, depreciation and other expenses.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Additionally, the City reports the following fund types:

- The *internal service fund* accounts for the collection of premiums, accumulation of reserves and payment of insurance claims for the City.
- The *pension trust funds* account for the activities of the Firefighters' and Police Officers' Pension Plans, which accumulate resources for defined benefit payments to qualified employees.
- The *custodial funds* account for monies held for the Parks Foundation Fund, not-for-profit to which the City of Marco Island provides accounting services and other general services. It is expected that the Foundation will provide fundraising activities for the benefit of the City's Parks. The sites on which the City Parks are located or to be located are owned by the City. The Foundation shall be responsible for raising funds for various purposes of the City Parks, including City Parks maintenance, capital improvements and technological and safety enhancements, and those other duties as may be established from time to time by the City Council.
- The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes such as building services.

The accounting policies and the presentation of the financial report of the City have been designed to conform to accounting principles generally accepted in the United States of America as applicable to governmental units, in accordance with statements promulgated by the Governmental Accounting Standards Board.

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

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

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

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

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(E) Assets, Liabilities and Net Position or Equity

(1) Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

The pension trust funds may also invest in qualified public depositories, or other investments as determined by an investment advisor, retained by the Pension Boards, subject to guidelines prescribed by the Pension Boards. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's statement of net position date.

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. An allowance for doubtful accounts is established based on the specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made.

Water and related wastewater charges to customers are based on actual water consumption. Consumption is determined on a monthly cycle basis. The City recognizes as revenue the estimated consumption as of September 30.

(3) Prepaid Items and Inventory

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Inventory includes diesel and gas fuel maintained to ensure adequate supplies for the City's fleet during hurricane season. The fuel is used throughout the year to not allow the fuel to degrade. The cost of these items is recorded as an expenditure when consumed rather than when purchased.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(4) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Based on the bond covenants, most of these are maintained in separate custodial accounts.

(5) Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Proprietary fund capital assets are also recorded in their respective fund financial statements.

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Interest costs are recognized as an expense when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest costs are recognized as an expenditure when incurred by governmental funds on debt where proceeds were used to finance the construction of assets.

In the case of the initial capitalization of general infrastructure, the City was able to estimate the historical cost through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to the capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 Years
Transmission and distribution	20-40 Years
Infrastructure	10-40 Years
Vehicles and equipment	5-10 Years
Right to use asset – Building	20-40 Years
Right to use asset – equipment	5-10 Years
Subscription Based Information Technology Arrangements	5-10 Years

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as expenditures until the future period to which it applies. The Statement of Net Position also includes a separate section, listed below total Liabilities, for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until the future period to which it applies.

The City includes deferred charges on refund debt as deferred outflows of resources in the Government-wide Statement of Net Position. A deferred charge on refunded debt is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the remaining life of the refunded (old) or the life of the refunding (new) debt.

Under GASB Statement No. 75, the following amounts not recognized in OPEB expense should be recognized and classified as either deferred outflows of resources or deferred inflows of resources related to OPEB accordingly: differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability, changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs), and deferred outflows (inflows) of resources from assumption changes and experience differences are amortized using a systematic and rational method over a closed period equal to the average remaining service lives of all plan participants.

The City also has deferred outflows and inflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Plan's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period.

(7) Compensated Absences

The City follows the provisions of GASB Statement No. 101, *Compensated Absences*. This statement provides for the measurement of unused leave that is attributable to services already rendered, accumulated and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has not been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. Payments for compensated absences are made by the respective fund.

CITY OF MARCO ISLAND, FLORIDA
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Accrued compensated absences are recorded as liabilities in the government-wide financial statements and the proprietary fund financials. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements, and are considered due and payable as of year-end.

Full-time City employees earn from 160 to 224 hours annually, based upon years of service, and can accrue up to 720 hours. Sworn Police Officers under a collective bargaining agreement earn from 188 to 260 hours annually, based upon years of service, and can accrue up to 720 hours. City Firefighters under union contract earn from 216 to 360 hours annually, based upon years of service, and can accrue up to 936 hours. Upon termination, these employees are entitled to all accumulated earned leave hours paid out at the hourly rate.

(8) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

(9) Nature and Purpose of Classifications of Net Position/Fund Balances

Net position is the result of assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net position of the government-wide and proprietary funds are categorized as net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds, restricted or unrestricted. The first category represents net position related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

The City classifies fund balance in accordance with GASB Statement No. 54 *“Fund Balance Reporting and Governmental Fund Type Definitions.”* This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are equally binding, are classified as committed fund balances. The modification of these commitments must be carried out in the same manner as when originally committed.

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

Unassigned fund balances represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only Fund allowed to have a positive unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed but reserves the right to selectively defer the use of these funds.

(10) Financial Reserve Policy

The City maintains an adequate General Fund balance to provide liquidity in the event of an economic downturn or natural disaster and management administers the Council's direction for an Emergency Reserve of 25% of the proposed fiscal year General Fund Operating Budget. This amount is included in the General Fund unassigned fund balance and represents \$7,019,365 of the \$11,415,452 unassigned fund balance at September 30, 2025.

(11) Net Position

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

(12) Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The District adopted GASB 101 during 2025.

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(13) Fund Deficit

The Grants fund had a fund balance deficit of (\$5,293,855) at September 30, 2025. The fund balance deficit is the result of disaster recovery expenditures being incurred before FEMA reimbursement revenues are able to be recognized. Advances from the General fund, were made during a prior fiscal year to provide sufficient cash flow. The Grants fund anticipates repaying the remaining advance in the next few years as additional FEMA reimbursements are received.

(F) Other Policies

(1) Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of Collier County, Florida. The tax levy is based on taxable assessed real and personal property values totaling \$17.1 billion for fiscal year 2025. Details of the tax calendar are presented below:

Lien Date	January 1, 2024
Levy Date	November 1, 2024
Installment Payments	
First Installment	No Later Than June 30, 2024
Second Installment	No Later Than September 30, 2024
Third Installment	No Later Than December 31, 2024
Fourth Installment	No Later Than March 31, 2025
Regular Payments	
Discount Periods	November 2024 through February 2025
No Discount Period	After March 1, 2025
Delinquent Date	April 1, 2025

(2) Property Tax Limitation

The City is permitted by state statutes to levy taxes up to 10 mills of assessed value. The millage rate levied by the City for the fiscal year ended September 30, 2025, was 1.2400. Current tax collections for the City were approximately 96.4% of the total tax levy.

(3) Use of Estimates

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

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(4) Encumbrances

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances.

2. Stewardship, Compliance and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and are prepared for all governmental funds. Prior to May 1, all agencies of the government submit requests for appropriations to the City Manager so that a budget may be prepared. During August, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. The City Council has authorized the City Manager to amend, modify or otherwise adjust the operating budget to a maximum limit of \$50,000 per fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in all City funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year end lapse and do not constitute expenditures or liabilities however, any approved commitments will be re-appropriated and honored during the subsequent year.

Certain budgeted expenditures are subject to a "spending cap." These expenditures are limited to an increase from the prior year's budgeted expenditures of 3% plus the then-current Social Security cost-of-living adjustment. This limitation was amended and clarified in 2002 by voter referendum and in 2014 by Council Ordinance replacing the 2003 Council Resolution. The spending cap for the 2025 fiscal year, as adopted by the City Council, was \$30,223,663. The final actual amount for the 2025 fiscal year was \$30,302,618.

3. Deposits and Investments

Deposits include cash on hand, amounts in demand and time deposits. All of the City's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, Security for Public Deposits Act. Under the Act, every qualified public depository shall deposit with the Finance Director eligible collateral of the depository to be held subject to his or her order. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. For the purposes of the statement of cash flows cash and cash equivalents also includes the respective fund's equity in pooled cash and investments.

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Investments include a wide range of securities that the City is authorized to invest in, such as certificates of deposit, money market funds, U.S. Treasury obligations, State and U.S. Government Agencies and Enterprises, State and Local Government Series, the State Board of Administration Investment Pool (SBA), the Florida Municipal Investment Trust (FMIvT), mutual funds and repurchase agreements. The City's investment practices are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, Article VI, Section 2, the adopted investment policy, and various legal covenants related to outstanding bond issues. For all investments authorized by statute and policy, the City applies the "Prudent Person Rule" when developing investment strategies. The City uses only financial institutions qualified as public depositories by the State of Florida or "approved" security dealers to place its investments unless bond covenants specifically require other financial institutions to be used.

The FMIvT was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust.

Throughout the fiscal year the City also utilizes Public Trust Advisors for individual investments it transacts throughout the year, with US Bank as its custodial agent. Public Trust Advisors and US Bank are recognized as the leading provider of investment advice and custodial services to municipalities throughout the United States.

As of September 30, 2025, the City and its component unit had the following deposits and investments:

Deposit and Investment Type	No Specific Maturity	Matures In Less Than One Year	Matures in 1-5 Years	Matures in 5-10 Years	Total (at Fair Value)
Cash on Hand	\$ 450	\$ -	\$ -	\$ -	\$ 450
Deposits with Bank	31,260,931	-	-	-	31,260,931
Money Market Funds	2,549,188	-	-	-	2,549,188
U.S. Government Securities	-	2,064,980	765,341	-	2,830,321
State/Local Government Bonds	-	523,630	10,648,092	-	11,171,722
FMIvT	-	34,899,383	44,643,803	-	79,543,186
Total Deposits and Investments	\$ 33,810,569	\$ 37,487,993	\$ 56,057,236	\$ -	\$ 127,355,798

Investments and cash held on deposit with banks for the discretely presented component unit as of September 30, 2025, is \$1,533,523 and are included above.

Fair Value Measurement: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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The City's investments at September 30, 2025, are reported as follows:

		Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	Amount			
United States Treasury Securities	\$ 2,830,321	\$ -	\$ 2,830,321	\$ -
State/Local Government Bonds	11,171,722	-	11,171,722	-
FMLvT	79,543,186	-	79,543,186	-
Total investments by fair value level	93,545,229	-	93,545,229	-

FMLvT 0-2 Year High Quality Bond Fund This fund invests mainly in US government and agency securities and asset-backed securities. FMLvT 1-3 Year High Quality Bond Fund This fund invests mainly in US government and agency securities and asset-backed securities. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. There are no maximum transaction amounts or redemption fees, or any requirements that serve to limit a participant's access to 100% of their account value.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio, excluding investments held for debt service requirements, to maturities of five years or less. The FMLvT uses a weighted average days to maturity (WAM) method. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The FMLvT 0-2 Year High Quality Bond Fund has a WAM of 0.90 in years and the FMLvT 1-3 Year High Quality Bond Fund has a WAM of 1.90 in years. The investment maturities of the pension trust funds are not limited.

Credit Risk: While authorized by policy, the City has no investments in commercial paper, bankers' acceptances, or corporate bonds. Federal agencies carry only an implicit guarantee from the government and are not full faith and credit investments, such as U.S. Treasury Bills and Bonds.

The City holds investments with the Florida Municipal Investment Trust (FMLvT), an external investment pool under GASB 40. These investments are held in 0 to 2 year and 1 to 3 year high quality bond funds with a AAAf/S1 and AAAf/S2 Fitch rating, respectively. External financial statements are available at www.floridaleagueofcities.com/finance. The City also uses Public Trust Advisors for its released debt service reserves which were required to be set aside by the individual debt issues, with US Bank serving in a third-party custodial capacity. The investments include both U.S. Government Securities, State and Local Bonds, and Money Market Funds.

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

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

<u>Investment Type</u>	<u>Maximum Portfolio Allocation</u>	<u>Maximum Investment with any Institution</u>
Direct obligations of the U.S. Treasury	100%	none
Securities backed by the full faith and credit of the U.S. Government	35%	none
Securities backed by federal agencies	75%	50% of portfolio
Agency-issued mortgage backed securities	35%	none
Repurchase agreements	50%	none
Certificates of Deposit	35%	none
Bankers acceptances	25%	\$1,000,000
Prime commercial paper	25%	\$1,000,000
State/Local Government taxable and tax-exempt debt	25%	none
Dollar denominated money market mutual funds	25%	none
Fixed-income mutual funds	25%	none
Local Government Surplus Funds Trust	100%	none

Custodial Credit Risk: All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 25% to 200% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Investment securities are purchased on a delivery-vs-payment basis through third party safekeeping accounts.

Foreign Currency Risk: The City's investment policy does not allow investment of funds in securities denominated in a foreign currency.

The Firefighters' and Police Officers' Pension Plans, governed by the Fire and Police Pension Boards, have a long-term growth strategy. The Pension Trust Fund investments are determined by the Board of Trustees of each pension trust plan. The portfolio of the Fire Fighters' Pension Trust Fund has a target allocation of 60% common stocks, 30% bond funds, and 10% private real estate funds, with a maximum of 10% of the portfolios being invested in foreign investments. The portfolio of the Police Officers' Pension Trust Fund has a target allocation of 65% common stocks, 25% bond funds, and 10% private real estate funds, with a maximum of 10% of the portfolios being invested in foreign investments. The investment policy requires that all fixed income securities must hold a rating in one of the three highest classifications by a major rating service.

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As of September 30, 2025, the Pension Plans had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>No Specific Maturity</u>	<u>Matures In Less Than One Year</u>	<u>Matures in 1-5 Years</u>	<u>Matures in 5-10 Years</u>	<u>Matures in 10+ Years</u>	<u>Total (at Fair (at Fair Value)</u>
Deposits with Bank	\$ 59,855	\$ -	\$ -	\$ -	\$ -	\$ 59,855
Money Market Funds	5,415,163	-	-	-	-	5,415,163
Corporate Bonds	-	348,691	1,135,872	426,637	213,904	2,125,103
Government Bonds	-	585,768	2,539,580	244,145	1,163,004	4,532,498
Equity Mutual Funds	58,177,063	-	-	-	-	58,177,063
Real Estate Funds	-	-	3,222,964	-	-	3,222,964
Total Deposits and Investments	<u>\$ 63,652,081</u>	<u>\$ 934,459</u>	<u>\$ 6,898,415</u>	<u>\$ 670,782</u>	<u>\$ 1,376,908</u>	<u>\$ 73,532,646</u>

The Pension Trust Fund's investments at September 30, 2025, are reported as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds				
Equities	\$ 58,177,063	\$ 58,177,063	\$ -	\$ -
Corporate Funds	2,125,103	-	2,125,103	-
Government Bonds	4,532,498	-	4,532,498	-
Total investments by fair value level	<u>\$ 64,834,664</u>	<u>\$ 58,177,063</u>	<u>\$ 6,657,601</u>	<u>\$ -</u>

Investments measured at the net asset value (NAV)

Real estate funds	<u>\$ 3,222,964</u>
Total investments measured at NAV	<u>3,222,964</u>
Total investments measured at fair value	<u>\$ 68,057,628</u>

CITY OF MARCO ISLAND, FLORIDA
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The real estate funds invest primarily in U.S. commercial real estate. The fair values of the investments in these types has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest. Distributions from each fund will be received as the underlying investments of the funds are liquidated. The Plans holds shares or interests in investment companies, as presented below, where the fair value of the investments are measured on a recurring basis using NAV per share (or its equivalent) of the investment companies as a practical expedient.

<u>Pension Plan</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fire Fighters' Pension Plan				
American Core Realty - Private Real Estate	\$ 1,479,080	None	Quarterly	10 Days
Police Officers' Pension Plan				
Intercontinental - Private Real Estate	1,743,884	None	Quarterly	90 Days
	<u>\$ 3,222,964</u>			

4. Receivables

Receivables as of year-end for the City's individual major funds, non-major funds, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>General</u>	<u>Grants</u>	<u>Capital Projects</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables					
Accounts	\$ 1,615,570	\$ -	\$ -	\$ 2,670,387	\$ 4,285,957
Assessments	-	-	-	3,569,010	3,569,010
Due from city	-	-	-	-	-
Due from other governments	708,732	4,595,595	592,063	893,333	6,789,723
Assessments interest receivable	-	-	-	1,472,937	1,472,937
Interest and dividends receivable	-	-	-	90,814	90,814
Gross receivables	2,324,302	4,595,595	592,063	8,696,481	16,208,441
Less allowance for uncollectibles	(1,442,020)	-	-	(32,077)	(1,474,097)
Net total receivables	<u>\$ 882,282</u>	<u>\$ 4,595,595</u>	<u>\$ 592,063</u>	<u>\$ 8,664,404</u>	<u>\$ 14,734,344</u>

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5. Inter-fund Receivables, Payables and Transfers

For the year ended September 30, 2025, the inter-fund transfers were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Water and Sewer Utility</u>	
General	\$ -	\$ 1,588,375	\$ 2,257,500	\$ -	\$ 3,845,875
Nonmajor Funds	-	-	93,562	-	93,562
Water & Sewer Utility	<u>1,117,500</u>	<u>62,537</u>	<u>75,500</u>	<u>-</u>	<u>1,255,537</u>
Total	<u>\$ 1,117,500</u>	<u>\$ 1,650,912</u>	<u>\$ 2,426,562</u>	<u>\$ -</u>	<u>\$ 5,194,974</u>

Transfers are used to: (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; (2) move unrestricted general fund revenues to finance its pay as you go capital projects program; and (3) move other funds that the government must account for in other funds in accordance with budgetary authorizations.

Advances to and from other funds in the amount of \$5,325,254 represent temporary cash flow needs of the Grants Fund as it is primarily comprised of expenditure driven grants from Federal and State sources, and in particular public assistance and hazard mitigation grants.

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6. Capital Assets

Capital asset balances and activity for the year ended September 30, 2025, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 15,363,360	\$ -	\$ -	\$ 15,363,360
Construction in progress	5,476,755	899,044	(4,254,559)	2,121,240
Total capital assets not being depreciated	<u>20,840,115</u>	<u>899,044</u>	<u>(4,254,559)</u>	<u>17,484,600</u>
Capital assets being depreciated:				
Buildings and improvements	36,384,671	351,722	-	36,736,393
Vehicles and equipment	19,923,655	2,936,355	(893,474)	21,966,536
Road network	62,079,799	3,226,090	-	65,305,889
Storm water	23,750,831	1,826,028	-	25,576,859
Pathway	11,010,104	759,176	-	11,769,280
Parks	19,177,406	181,432	-	19,358,838
Bridge network	25,738,038	579,508	-	26,317,546
Beach and waterway	949,351	-	-	949,351
Total capital assets being depreciated	<u>199,013,855</u>	<u>9,860,311</u>	<u>(893,474)</u>	<u>207,980,692</u>
Accumulated depreciation for:				
Buildings and improvements	(10,469,722)	(1,270,908)	-	(11,740,630)
Vehicles and equipment	(16,931,092)	(2,101,891)	870,345	(18,162,638)
Road network	(43,743,039)	(1,034,877)	-	(44,777,916)
Storm water	(14,498,810)	(726,351)	-	(15,225,161)
Pathway	(5,262,428)	(624,185)	-	(5,886,613)
Parks	(4,845,709)	(677,980)	-	(5,523,689)
Bridge network	(14,441,862)	(1,013,289)	-	(15,455,151)
Beach and waterway	(711,248)	(16,474)	-	(727,722)
Total accumulated depreciation	<u>(110,903,910)</u>	<u>(7,465,955)</u>	<u>870,345</u>	<u>(117,499,520)</u>
Total capital activities being depreciated, net	<u>88,109,945</u>	<u>2,394,356</u>	<u>(23,129)</u>	<u>90,481,172</u>
Right-to-Use Lease Assets:				
Buildings	-	14,767	-	14,767
Equipment	-	222,113	(9,872)	212,241
Total Right-to-Use Lease Assets	<u>-</u>	<u>236,880</u>	<u>(9,872)</u>	<u>227,008</u>
Less Accumulated Amortization:				
Buildings	-	(1,948)	-	(1,948)
Equipment	-	(66,753)	9,872	(56,881)
Total Accumulated Amortization	<u>-</u>	<u>(68,701)</u>	<u>9,872</u>	<u>(58,829)</u>
Total Right-to-Use Lease Assets, Net	<u>-</u>	<u>168,179</u>	<u>-</u>	<u>168,179</u>
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	-	663,982	-	663,982
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	<u>-</u>	<u>(324,721)</u>	<u>-</u>	<u>(324,721)</u>
Total Subscription Based Information Technology Arrangement Assets, Net	<u>-</u>	<u>339,261</u>	<u>-</u>	<u>339,261</u>
Total governmental activities capital assets, net	<u>\$ 108,950,060</u>	<u>\$ 3,800,840</u>	<u>\$ (4,277,688)</u>	<u>\$ 108,473,212</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 17,415,059	\$ -	\$ -	\$ 17,415,059
Construction in progress	7,045,430	18,338,573	(1,246,186)	24,137,817
Total capital assets not being depreciated	<u>24,460,489</u>	<u>18,338,573</u>	<u>(1,246,186)</u>	<u>41,552,876</u>
Capital assets being depreciated:				
Transmission and distribution	131,025,581	716,918	-	131,742,499
Infrastructure	113,750,462	2,081,788	-	115,832,250
Buildings and improvements	7,449,244	-	-	7,449,244
Vehicles and equipment	87,024,918	1,778,437	(280,636)	88,522,719
Total capital assets being depreciated	<u>339,250,205</u>	<u>4,577,143</u>	<u>(280,636)</u>	<u>343,546,712</u>
Accumulated depreciation for:				
Transmission and distribution	(55,867,194)	(2,187,905)	-	(58,055,099)
Infrastructure	(97,271,586)	(3,263,300)	-	(100,534,886)
Buildings and improvements	(4,852,662)	(259,542)	-	(5,112,204)
Vehicles and equipment	(74,551,517)	(2,560,623)	266,771	(76,845,369)
Total accumulated depreciation	<u>(232,542,959)</u>	<u>(8,271,370)</u>	<u>266,771</u>	<u>(240,547,558)</u>
Total capital assets being depreciated, net	<u>106,707,246</u>	<u>(3,694,227)</u>	<u>(13,865)</u>	<u>102,999,154</u>
Right-to-Use Lease Assets:				
Equipment	-	4,037	(2,789)	1,248
Total Right-to-Use Lease Assets	<u>-</u>	<u>4,037</u>	<u>(2,789)</u>	<u>1,248</u>
Less Accumulated Amortization:				
Equipment	-	(3,986)	2,789	(1,197)
Total Accumulated Amortization	<u>-</u>	<u>(3,986)</u>	<u>2,789</u>	<u>(1,197)</u>
Total Right-to-Use Lease Assets, Net	<u>-</u>	<u>51</u>	<u>-</u>	<u>51</u>
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	-	259,727	-	259,727
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	-	(117,612)	-	(117,612)
Total Subscription Based Information Technology Arrangement Assets, Net	<u>-</u>	<u>142,115</u>	<u>-</u>	<u>142,115</u>
Total business-type activities capital assets, net	<u>\$ 131,167,735</u>	<u>\$ 14,786,512</u>	<u>\$ (1,260,051)</u>	<u>\$ 144,694,196</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:

General government	\$ 687,069
Police Services	603,443
Fire and rescue	1,391,976
Code compliance	35,961
Building Services	62,395
Transportation	4,328,867
Culture and recreation	<u>749,666</u>

Total depreciation expense, governmental activities	7,859,377
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Business-type Activities

Water and sewer	<u>8,392,968</u>
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Total depreciation expense	<u><u>\$ 16,252,345</u></u>
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CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

7. Long-term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital improvement revenue note, 2014	\$ 2,651,974	\$ -	\$ (420,000)	\$ 2,231,974	\$ 430,000
Public improvement revenue bond, 2021					
Principal	11,105,000	-	(440,000)	10,665,000	455,000
Premium	921,232	-	(111,442)	809,790	103,959
Financed purchases	2,385,911	344,970	(291,704)	2,439,177	324,759
Leases Payable	-	180,815	(49,226)	131,589	43,774
Subscriptions Payable	-	517,002	(158,734)	358,268	152,697
Compensated absences *	2,194,222	268,485	-	2,462,707	566,136
Total governmental activity					
long-term liabilities	<u>\$ 19,258,339</u>	<u>\$ 1,311,272</u>	<u>\$ (1,471,106)</u>	<u>\$ 19,098,505</u>	<u>\$ 2,076,325</u>
Business Activities					
State revolving loan, 2011	\$ 2,208,141	\$ -	\$ (290,922)	\$ 1,917,219	\$ 298,738
Revenue bonds, 2016:					
Principal	34,325,000	-	(1,385,000)	32,940,000	1,450,000
Premium	2,406,238	-	(264,314)	2,141,924	250,825
Revenue bonds, 2023:					
Principal	50,840,000	-	(5,630,000)	45,210,000	5,745,000
Financed purchases	-	7,623,000	-	7,623,000	379,000
Leases Payable	-	1,870	(1,819)	51	51
Subscriptions Payable	-	216,043	(44,868)	171,175	55,541
Compensated absences *	577,027	81,013	-	658,040	170,978
Total Water and Sewer	<u>90,356,406</u>	<u>7,921,926</u>	<u>(7,616,923)</u>	<u>90,661,409</u>	<u>8,350,133</u>
Assessment Districts					
Assessment revenue bonds, 2008	619,457	-	(145,682)	473,775	151,674
Assessment revenue bonds, 2008	195,391	-	(45,952)	149,439	47,842
State revolving loan, 2009-2013	16,959,524	-	(2,506,413)	14,453,111	2,582,547
Assessment revenue bonds, 2009	293,907	-	(52,505)	241,402	55,499
Assessment revenue bonds, 2009	621,050	-	(110,948)	510,102	117,275
Assessment revenue bonds, 2009	857,224	-	(153,139)	704,085	161,873
Assessment revenue bonds, 2009	102,042	-	(17,353)	84,689	18,776
Assessment revenue bonds, 2010	502,273	-	(90,592)	411,681	95,319
Assessment revenue bonds, 2010	663,718	-	(119,711)	544,007	125,958
Assessment revenue bonds, 2012	602,310	-	(90,418)	511,892	94,189
Assessment revenue bonds, 2012	643,848	-	(96,654)	547,194	100,684
Assessment revenue bonds, 2013	155,000	-	(30,000)	125,000	30,000
Assessment revenue bonds, 2013	535,000	-	(100,000)	435,000	105,000
Total Assessment Districts	<u>22,750,744</u>	<u>-</u>	<u>(3,559,367)</u>	<u>19,191,377</u>	<u>3,686,636</u>
Total business activity					
long-term liabilities	<u>\$ 113,107,150</u>	<u>\$ 7,921,926</u>	<u>\$ (11,176,290)</u>	<u>\$ 109,852,786</u>	<u>\$ 12,036,769</u>

* The change in compensated absences above is a net change for the year

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Changes in long-term obligations for the year ended September 30, 2025, are as follows:

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Public improvement revenue bonds	\$ 11,105,000	\$ -	\$ (440,000)	\$ 10,665,000	\$ 455,000
Notes from direct borrowings and direct placement	5,037,885	344,970	(711,704)	4,671,151	754,759
Total Governmental Activities	<u>\$ 16,142,885</u>	<u>\$ 344,970</u>	<u>\$ (1,151,704)</u>	<u>\$ 15,336,151</u>	<u>\$ 1,209,759</u>
Business Activities					
Utility revenue bonds	\$ 34,325,000	\$ -	\$ (1,385,000)	\$ 32,940,000	\$ 1,450,000
Notes from direct borrowings and direct placement	75,798,886	7,623,000	(9,480,290)	73,941,596	10,109,374
Total Business Activities	<u>\$ 110,123,886</u>	<u>\$ 7,623,000</u>	<u>\$ (10,865,290)</u>	<u>\$ 106,881,596</u>	<u>\$ 11,559,374</u>

Direct placements consist of revenue bonds in the amount of \$47,441,974. Direct borrowings consist of finance purchases of \$10,062,177 and state revolving loans of \$21,108,596. The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$4,671,151 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The outstanding notes from direct placements related to business-type activities of \$45,210,000 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of \$21,108,596 contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

Governmental Activities – Bond and Note Payable

On June 17, 2014, the City issued a capital improvement note for the costs associated with the replacement of the Smokehouse Bay Bridge. The original amount of the capital improvement note was \$6,045,000 and secured by pledged revenues, which consist of non-ad valorem revenues budgeted, appropriated, and deposited. The interest rate on the note is fixed at 2.46 percent over 15 years. As of September 30, 2025, \$2,231,974 was outstanding. Annual debt service requirements to maturity for the bond are as follows:

Fiscal Year	Principal	Interest
2026	\$ 430,000	\$ 50,431
2027	440,000	39,730
2028	455,000	28,720
2029	465,000	17,404
2030	<u>441,974</u>	<u>5,842</u>
Total	<u>\$ 2,231,974</u>	<u>\$ 142,127</u>

CITY OF MARCO ISLAND, FLORIDA
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SEPTEMBER 30, 2025

On August 31, 2021, the City issued a public improvement bond for the costs associated with the construction of the new Fire Station 50 building and the Veterans Community Park project. The original amount of the public improvement bond was \$11,910,000 and secured by pledged revenues, which consist of half-cent sales tax, communications services tax, and state revenue sharing amounts budgeted, appropriated, and deposited. The average coupon rate on the note is 2.66 percent over 20 years. As of September 30, 2025, \$10,665,000 was outstanding. Annual debt service requirements to maturity for the bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 455,000	\$ 310,869
2027	480,000	287,494
2028	505,000	262,869
2029	530,000	236,994
2030	560,000	212,544
2031 - 2035	3,110,000	736,669
2036 - 2040	3,515,000	341,486
2041 - 2042	<u>1,510,000</u>	<u>32,587</u>
Total	<u>\$ 10,665,000</u>	<u>\$ 2,421,512</u>

Governmental Activities – Financed Purchases

The City has entered into various financed purchase agreements to finance the purchase of certain equipment. Annual interest rates range from 2.99 to 4.70%. Annual installments on these agreements range from \$38,266 to \$101,585. The City's governmental activities financed purchase debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 324,759	\$ 108,268	\$ 433,027
2027	462,767	88,387	551,154
2028	472,587	78,333	550,920
2029	144,718	57,459	202,177
2030	151,819	50,358	202,177
2031 - 2035	811,071	132,413	943,484
2036 - 2037	<u>71,456</u>	<u>5,076</u>	<u>76,532</u>
Total	<u>\$ 2,439,177</u>	<u>\$ 520,294</u>	<u>\$ 2,959,471</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Business Activities – Water and Sewer – Bond and Note Payable

On November 1, 2016, the City issued series 2016 in the amount of \$38,520,000 million to partially refund the City's utility system revenue bonds, series 2010A. Interest rates on the bonds vary from 3.00% to 5.00% over 20 years. The new bonds were issued on parity with City's Utility Revenue Bond, Series 2006, the Tax-Exempt Utility System Improvement and Refunding Revenue Bonds, Series 2010A, not refunded with proceeds of the Series 2016 Bonds. The original amount of the revenue bonds was \$38,520,000 with a premium of \$4,621,931. The bonds are secured and payable solely from the net revenues of the water and sewer system. As of September 30, 2025, \$32,940,000 of the principal was outstanding for the 2016 Series. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,450,000	\$ 1,317,919
2027	1,520,000	1,243,669
2028	1,595,000	1,165,794
2029	1,675,000	1,084,044
2030	1,760,000	998,169
2031 - 2035	10,090,000	3,741,769
2036 - 2040	12,135,000	1,658,909
2041	<u>2,715,000</u>	<u>44,119</u>
Total	<u><u>\$ 32,940,000</u></u>	<u><u>\$ 11,254,391</u></u>

CITY OF MARCO ISLAND, FLORIDA
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On May 15, 2011, the City received funding under the State of Florida Department of Environmental Protection Revolving Loan Program in the amount of \$5,000,000 to fund the construction of a high service pump station, a 4 MG water tank, and an operations building all associated with drinking water. In 2012, an additional \$309,320 was received. Funds are secured by utility system revenues and impact fees. Pledged revenue is a junior lien pledge of system revenue. The interest rate is fixed at 2.66% on the original loan and 2.81% on the additional loan amount. As of September 30, 2025, the City had \$1,917,219 outstanding. Annual debt service requirements for the state revolving funding to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 298,738	\$ 49,188
2027	306,764	41,162
2028	315,006	32,920
2029	323,468	24,458
2030	332,159	15,767
2031	341,084	6,842
	<u> </u>	<u> </u>
Total	<u>\$ 1,917,219</u>	<u>\$ 170,337</u>

On November 6, 2003, the City issued revenue bonds for business-type activities for: (1) the acquisition of certain water production, transmission, wastewater treatment and disposal facilities, and (2) the improvement of certain assets within these facilities. The original amount of the revenue bonds was \$101,115,000, in addition to a premium paid on the bonds in the amount of \$1,221,130. The bonds are secured by pledged revenues which consist of a senior lien pledge on net revenues of the water and sewer fund and any water and sewer capital facility fees. The City has refunded the remaining balance of this issue through the utility system refunding revenue bonds 2011 Series and 2013 Series.

On August 23, 2011, the City issued series 2011 in the amount of \$26,253,513 million to partially refund the City's utility system revenue bonds, series 2003. The fixed interest rate of Series 2011 is 2.769% over 10 years. The original amount of the revenue bonds was \$26,253,513 with a discount of \$2,996,740. The bonds are secured and payable solely from the net revenues of the water and sewer system. The bond was fully paid during fiscal year 2022.

On October 1, 2013, the City issued Series 2013 in the amount of \$61,995,000 million to refund the remainder of the city's utility system revenue bond, Series 2003 and Series 2008. The average interest rate of Series 2013 is 5.0% over 20 years. The new bonds were issued on parity with the utility system revenue bonds series 2006, utility system improvement and refunding revenue bonds series 2010A, utility system refunding revenue bonds series 2010B, and utility system refunding revenue bonds series 2011. The original amount of the revenue bonds was \$61,995,000 with a premium of \$2,956,496. The bonds are secured and payable solely from the net revenues of the water and sewer system.

CITY OF MARCO ISLAND, FLORIDA
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SEPTEMBER 30, 2025

On March 27, 2020, the City issued Series 2020 in the amount of \$59,180,000 million to refund the remainder of the city's utility system revenue bond, Series 2013. On October 2, 2023, the City exercised the "Cinderella Deal" option included in the 2020 bond issuance to reduce its interest rate as well defeasing \$5 million of the principal balance by using water and sewer impact fees in the amounts of \$2 million and \$3 million, respectively. The average interest rate of Series 2020 is 1.88% over 13 years, whereas the Series 2023 has a rate of 1.62%. As of September 30, 2025, \$45,210,000 of the principal was outstanding on the 2020 Series, and the 2013 Series was paid off. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 5,745,000	\$ 677,400
2027	5,205,000	589,800
2028	5,300,000	505,760
2029	5,395,000	420,200
2030	5,500,000	333,040
2031 - 2034	18,065,000	466,600
Total	<u>\$ 45,210,000</u>	<u>\$ 2,992,800</u>

Business Activities – Water and Sewer – Financed Purchases

The City has entered into a financed purchase agreements to finance the purchase of certain equipment. Annual interest rate of 4.19% over 15 years. Semiannual installments on these agreements range from \$337,651 to \$344,303. The City's business activities financed purchase debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 379,000	\$ 302,570	\$ 681,570
2027	395,000	287,158	682,158
2028	410,000	271,142	681,142
2029	427,000	254,503	681,503
2030	444,000	237,161	681,161
2031 - 2035	2,508,000	900,055	3,408,055
2036 - 2040	3,060,000	348,066	3,408,066
Total	<u>\$ 7,623,000</u>	<u>\$ 2,600,655</u>	<u>\$ 10,223,655</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Sewer Assessments

In order to fund construction of the City's Septic Tank Replacement Program (STRP) wastewater utility expansion in certain areas of the City, the City has issued two types of Special Assessment Improvement Debt. The City is acting as agent in the collection of the special assessments levied and in the payment of the Special Assessment Bonds outstanding. Such bonds are collateralized by the special assessments levied against the benefited property owners. As part of its agreement with the State of Florida Department of Environmental Protection, the City agreed to a covenant to budget and appropriate legally available funds in the event collection assessments are insufficient and thus the City has a legal obligation to cover deficiencies in the event of default for loans obtained through the State Revolving Loan Fund (SRF) Program. Special assessment debt obtained through other non-SRF bank loans are backed solely by assessment revenue. The City's obligation for the non-SRF bank loan special assessment debt is limited to payments on behalf of those property owners who have entered into deferred payment agreements with the City and the City has not made any indication that it has a legal or moral obligation for any other portion of these non-SRF bank loan debts.

On March 7, 2008, the City issued special assessment revenue bonds to pay the costs of the subordinate wastewater improvement project for the Tigertail District in the amount of \$2,321,886 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$101,833 to \$164,258. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2025, \$473,775 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 151,674	\$ 16,204
2027	157,841	9,914
2028	<u>164,260</u>	<u>3,367</u>
Total	<u><u>\$ 473,775</u></u>	<u><u>\$ 29,485</u></u>

On March 7, 2008, the City issued special assessment revenue bonds to pay the costs of the wastewater improvement project for the South Barfield District. The original amount of the revenue bonds was \$732,378 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$32,121 to \$51,811. The interest rate on the bonds is fixed at 4.01%. As of September 30, 2025, \$149,439 was outstanding. Annual debt service requirements for the revenue bonds to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 47,842	\$ 5,111
2027	49,787	3,127
2028	<u>51,810</u>	<u>1,062</u>
Total	<u><u>\$ 149,439</u></u>	<u><u>\$ 9,300</u></u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

The City received additional funding under the State of Florida Department of Environmental Protection Revolving Loan Program in 2007 through 2013. Funds are utilized for neighborhood construction of the Septic Tank Replacement Program and are secured by assessments against individual properties, with a back-up covenant to budget and appropriate additional funds as necessary. Interest rates range from 2.6% to 3.8%. As of September 30, 2025, \$14,453,111 was outstanding. Annual debt service requirements for the state revolving funding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,582,547	\$ 411,215
2027	2,661,006	332,754
2028	2,741,872	251,890
2029	2,131,641	173,678
2030	1,694,711	111,366
2031 - 2033	<u>2,641,334</u>	<u>100,829</u>
Total	<u>\$ 14,453,111</u>	<u>\$ 1,381,732</u>

On July 21, 2009, the City issued special assessment revenue bonds to pay the costs of the subordinate wastewater improvement project for the North Marco District. The original amount of the revenue bonds is \$840,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$32,142 to \$65,376. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2025, \$241,402 was outstanding. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 55,499	\$ 12,013
2027	58,617	8,809
2028	61,909	5,435
2029	<u>65,377</u>	<u>1,851</u>
Total	<u>\$ 241,402</u>	<u>\$ 28,108</u>

CITY OF MARCO ISLAND, FLORIDA
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On July 21, 2009, the City issued special assessment revenue bonds to pay the costs of the wastewater improvement project for the North Barfield District. The original amount of the revenue bonds is \$1,775,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$67,920 to \$138,147. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2025, \$510,102 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 117,275	\$ 25,386
2027	123,862	18,615
2028	130,820	11,485
2029	<u>138,145</u>	<u>3,912</u>
Total	<u>\$ 510,102</u>	<u>\$ 59,398</u>

On July 21, 2009, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the West Winterberry District. The original amount of the revenue bonds was not to exceed \$2,450,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$93,748 to \$190,681. The interest rate on the bonds is fixed at 5.54%. As of September 30, 2025, \$704,085 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 161,873	\$ 35,040
2027	170,965	25,694
2028	180,568	15,853
2029	<u>190,679</u>	<u>5,399</u>
Total	<u>\$ 704,085</u>	<u>\$ 81,986</u>

CITY OF MARCO ISLAND, FLORIDA
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On July, 21, 2009, the City issued taxable special assessment revenue bonds to pay the costs of the wastewater improvement project for the Old Marco District. The original amount of the revenue bonds is \$260,000 and is secured by capacity and construction assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$8,646 to \$23,693. The interest rate on the bonds is fixed at 7.96%. As of September 30, 2025, \$84,689 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2026	\$ 18,776	\$ 6,084
2027	20,291	4,508
2028	21,929	2,809
2029	23,693	964
Total	<u>\$ 84,689</u>	<u>\$ 14,365</u>

On March 2, 2010, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the Lamplighter District. The original amount of the revenue bonds was not to exceed \$1,400,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$57,755 to \$110,772. The interest rate on the bonds is fixed at 5.07%. As of September 30, 2025, \$411,681 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2026	\$ 95,319	\$ 18,732
2027	100,219	13,708
2028	105,371	8,440
2029	110,772	2,870
Total	<u>\$ 411,681</u>	<u>\$ 43,750</u>

CITY OF MARCO ISLAND, FLORIDA
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On March 2, 2010, the City issued special assessment revenue bonds for business-type activities to pay the costs of the subordinate wastewater improvement project for the Sheffield District. The original amount of the revenue bonds was not to exceed \$1,850,000 and is secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$76,319 to \$146,377. The interest rate on the bonds is fixed at 5.07%. As of September 30, 2025, \$544,007 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2026	\$ 125,958	24,753
2027	132,432	18,114
2028	139,240	11,153
2029	146,377	3,793
Total	<u>\$ 544,007</u>	<u>\$ 57,813</u>

On March 1, 2012, the City issued special assessment revenue bonds for business-type activities for the Mackle Park District. The revenue bonds are for \$1,550,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$66,917 to \$232,372. The interest rate on the bonds is fixed at 4.17%. As of September 30, 2025, \$547,194 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

Fiscal Year	Principal	Interest
2026	\$ 100,684	\$ 20,719
2027	104,883	16,433
2028	109,257	11,968
2029	113,813	7,317
2030	118,557	2,472
Total	<u>\$ 547,194</u>	<u>\$ 58,909</u>

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On March 1, 2012, the City issued special assessment revenue bonds for business-type activities for the Kendall District. The revenue bonds are for \$1,450,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$62,600 to \$217,379. The interest rate on the bonds is fixed at 4.17%. As of September 30, 2025, \$511,892 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 94,189	\$ 19,382
2027	98,116	15,372
2028	102,208	11,195
2029	106,470	6,844
2030	<u>110,909</u>	<u>2,312</u>
Total	<u>\$ 511,892</u>	<u>\$ 55,105</u>

On August 1, 2013, the City issued special assessment revenue bonds for business-type activities for the Gulfport District. The revenue bonds are for \$1,430,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$75,000 to \$115,000. The interest rate on the bonds is fixed at 3.6%. As of September 30, 2025, \$435,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 105,000	\$ 13,770
2027	105,000	9,990
2028	110,000	6,120
2029	<u>115,000</u>	<u>2,070</u>
Total	<u>\$ 435,000</u>	<u>\$ 31,950</u>

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On August 1, 2013, the City issued special assessment revenue bonds for business-type activities for the East Winterberry North District. The revenue bonds are for \$395,000 and are secured by capacity assessments on individual properties within the District. The bonds have varying amounts of principal maturing each year ranging from \$20,000 to \$35,000. The interest rate on the bonds is fixed at 3.6%. As of September 30, 2025, \$125,000 was outstanding. Annual debt service requirements for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 30,000	\$ 3,960
2027	30,000	2,880
2028	30,000	1,800
2029	35,000	630
Total	<u>\$ 125,000</u>	<u>\$ 9,270</u>

Leases Payable

A summary of the Entity's lease terms, and interest rates is as follows:

Governmental Activities:

Equipment leases for various equipment such as copiers. Annual installments totaling between \$43,443 and \$44,372 plus interest at the rate of 2.59%, due dates ranging from 2026 to 2028.

Business-Type Activities:

Equipment lease. Annual installments totaling \$51 plus interest at rate of 2.76%, due date 2026.

The City uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

The right-to-use lease assets and the related accumulated amortization are detailed in Note 6.

Principal and interest requirements to maturity under lease agreements are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2026	\$ 43,774	\$ 2,450	\$ 51	\$ -	\$ 46,275
2027	43,443	1,325	-	-	44,768
2028	44,372	192	-	-	44,564
Total	<u>\$ 131,589</u>	<u>\$ 3,967</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 135,607</u>

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Subscription-Based Information Technology Arrangements

The City has entered into subscription based-information technology arrangements (SBITAs) for various software platforms. The SBITA arrangements expire at various dates through 2028.

As of September 30, 2025, SBITA assets and the related accumulated amortization totaled \$923,709 and \$442,334, respectively.

The future subscription payments under SBITA agreements are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 152,697	\$ 5,959	\$ 55,541	\$ 3,049	\$ 217,246
2027	101,413	2,746	57,045	1,545	162,749
2028	104,158	-	58,589	-	162,747
Total	<u>\$ 358,268</u>	<u>\$ 8,705</u>	<u>\$ 171,175</u>	<u>\$ 4,594</u>	<u>\$ 542,742</u>

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Effective October 1, 2004, the City became self-insured for the following types of risks:

1. Workers' Compensation
2. Public Officials' Liability
3. General and Property Liability
4. Automobile Liability
5. Crime and Theft Liability

Prior to October 1, 2004, the City was insured against these losses with a commercial insurance agreement with the Florida League of Cities, Inc. under a retrospectively rated policy. Premiums were accrued based upon the ultimate cost-to-date of the City's experience for each type of risk. The City entered into an agreement with an insurance administrator to reduce the potential for significant risk. The agreement has a deductible per claim of \$350,000 for workers' compensation, \$10,000 for crime and \$100,000 for third party liability. Additionally, the agreement has a stop-loss policy which caps the aggregate annual loss for the City at \$2,000,000. The stop loss covers excess worker's compensation, general, law enforcement, automobile, public officials and employment practices liability. Settlements have not exceeded coverage for each of the past three years.

Liabilities are reported when it is probable that a loss occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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Changes in the balances of claims liabilities during the prior two fiscal years are as follows:

Estimated unpaid claims, October 1, 2023	\$ 2,282,026
Incurred claims (including IBNRs)	(775,116)
Claim payments	<u>(496,327)</u>
 Estimated unpaid claims, September 30, 2024	 1,010,583
Incurred claims (including IBNRs)	229,017
Claim payments	<u>(490,135)</u>
 Estimated unpaid claims, September 30, 2025	 <u><u>\$ 749,465</u></u>

9. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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10. Commitments

The City has numerous active construction projects. As of September 30, 2025, the City's commitments with contractors are as follows:

Project	Contractor	Contract Amount	Completed to Date	Balance
Public Infrastructure Construction Services	Titan Concrete Utilities, Inc.	\$ 6,000,000	\$ 1,092,673	\$ 4,907,327
N. Collier and N. Barfield Intersection Improvement	Coastal Concrete Products, LLC	4,728,255	-	4,728,255
Beach maintenance	Earth Tech Enterprises, Inc.	1,800,000	947,975	852,025
Coastal Engineering and Surveying Services	Coastal Engineering Consultants	1,500,000	164,932	1,335,068
Engineering and Surveying Services	Johnson Engineering	1,500,000	-	1,500,000
Engineering and Environmental Services	LJA Engineering	1,500,000	106,438	1,393,562
2025 Annual Street Resurfacing	Preferred Materials	1,470,902	1,360,038	110,864
Shared Use Pathways and Bike Lanes	American Engineering Consultants	1,350,000	-	1,350,000
General and Specialty Contracting	Advanced Roofing	750,000	338,680	411,320
Mackle Park Aimsium Project	Rycon Construction	570,873	-	570,873
Water Quality Treatment Exfiltration of S. Collier Blvd Swales	JRL Underground Utilities, Inc.	551,200	-	551,200
Engineering for Racquet Center Parking	LJA Engineering	400,000	11,409	388,591
Pilot Channel Aeration System	Environmental Management Acquisition	45,195	20,848	24,347
Total Governmental Projects		22,166,425	4,042,993	18,123,432
Advanced Water Meter Project	Johnson Controls	11,546,180	5,295,265	6,250,915
SWF Biologically Active Filter Improvements	Cardinal Contractors, Inc.	9,822,500	5,461,051	4,361,449
Collections and Distribution Building	Seagate Development Group	5,718,033	5,402,137	315,896
South Water Treatment Plant West High Service Station	PWC Joint Venture, LLC	4,698,000	3,776,147	921,853
Repair, Replace, and Supply Utility Plant Equipment	Mader Electric	3,700,000	452,381	3,247,619
City Hall Annex Second Floor Configuration	American Design Engineering Construction	1,050,433	972,124	78,309
Electrical Contractors	Technical Management	900,000	4,950	895,050
South Water Treatment Plant Odor Control Rehabilitation	Wes Industries, Inc.	884,433	290,855	593,578
Sanitary Sewer Manhole Linings	B&J Linings, Inc	800,000	378,375	421,625
Infrastructure Construction Services	Quality Enterprises	700,000	391,539	308,461
Underground Contractor Service	Mitchell and Stark Construction	600,000	5,622	594,378
North Marco Water Main Improvement	Douglas N. Higgins, Inc.	458,340	-	458,340
Plant Infrastructure Construction Services	B&J Linings, Inc	450,000	34,735	415,265
Total Business-type Projects		41,327,919	22,465,181	18,862,738
Total Primary Government		\$ 85,660,769	\$ 30,551,167	\$ 31,474,561

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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11. Employee Retirement Systems and Pensions Plans

(a) The City of Marco Island Firefighters' Pension Plan

Plan Description

Plan Administration: The City administers a single-employer, defined benefit pension plan (the "Plan") that covers all fulltime firefighters hired after January 1, 1996. The Plan was created by Ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from non-members of the Plan. The Plan does not prepare separate financial statements and is included as part of the pension trust funds in the City's financial reporting entity since it is not legally separate from the City.

Plan Membership: As of October 1, 2023, (date of the latest annual actuarial valuation), employee membership data related to the Plan were:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	40
	51

Benefits Provided: The Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or after accumulating twenty-five years of service with the City, regardless of age. For members hired on or after July 1, 2022, upon attainment of age 55 and 10 years of Credited Service.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime, up to a maximum of 300 hours, but excludes lump-sum payments of unused leave. Maximum annual pension payments to retirees are the lesser of \$90,000 or 100% of the average aggregate compensation for the three consecutive calendar years during which the firefighter was an active member and had his/her highest aggregate compensation. An additional supplemental benefit is also payable in the monthly amount of \$3 multiplied by credited service.

Early retirement is available at age 50, with six years of credited service. For members hired on or after July 1, 2022, upon attainment of age 50 and 10 years of Credited Service. The benefit is reduced by 3% per year for each year early. Delayed retirement is permitted, with the benefit calculated the same as the normal retirement benefit but based on credited service and average final compensation as of the actual retirement date.

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Participants are not vested until they reach six years of service, at which time they become 100% vested. For members hired on or after July 1, 2022, the vesting requirement is changed from 6 years to 10 years of Credited Service. Terminated non-vested employees receive refunds of their accumulated member contribution only. Terminated vested employees receive their vested accrued benefit payable at early (after reduction) or normal retirement.

Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Plan is financed by contributions made to the Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment(COLA) to each member's retirement allowance subsequent to the member's retirement date. COLA changed from a 3.0% increase each year for all retirees and beneficiaries to a 3% increase each year for the benefit based on service earned before October 1, 2022 and the future average final compensation at termination. The COLA for service earned on and after October 1, 2022 will be equal to the COLA provided under Title II of the Social Security Act with a minimum of 1.0% and a maximum of 1.5%.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2025, active member contribution rate was 3%, which the City contributes based on the collective bargaining agreement, and the City's contribution rate was 28.18%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Plan. An actuarial valuation of the Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2025, were based on actuarial computations performed in 2024, for the actuarial report as of October 1, 2023.

Pension Plan Reporting: Net Pension (Asset) Liability

GASB 67 requires pension plans to include certain disclosures about the plan as well as the net pension liability in the notes to the financial statements. As the retirement systems do not issue separate financial statements, the required disclosures for pension plan reporting are found in this section of the notes to the financial statements and in the required supplementary information section. The net pension (asset) liability is calculated as the total pension liability less the pension plans net fiduciary position. The total pension (asset) liability is the present value of pension benefits attributable to past service of the pension plans and the net fiduciary position is the resources currently available in the pension plans trusts to pay benefits.

CITY OF MARCO ISLAND, FLORIDA
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The components of the net pension liability (asset) of the City at September 30, 2025, were as follows:

Total pension liability	\$ 38,291,995
Plan fiduciary net position	<u>44,885,373</u>
City's net pension liability (asset)	<u>\$ (6,593,378)</u>
Plan fiduciary net position as a percentage of the total pension liability	117.22%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2024 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	7.5% to 13.0% based on service, including inflation
Investment rate of return	7.0 %

Mortality rates were based on the Pub-2010 Headcount Weighted Safety Table for Males or Females, using scale MP-2018.

In the October 1, 2024 valuation, a formal actuarial experience study has not been performed. The active group is too small to provide statistically significant experience on which to base certain demographic assumptions. Mortality assumptions are based on a commonly used fully generational mortality table and projection scale mandated by Florida Statutes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025 are: Domestic Equity Securities – 6.8%, International Equity Securities, – 7.2%, Fixed Income Securities – 5.2%, and Real Estate – 6.3%.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00 percent was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

CITY OF MARCO ISLAND, FLORIDA
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Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability (asset) of the City as of the measurement date September 30, 2024, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset)	\$ (2,478,377)	\$ (6,593,378)	\$ (9,929,390)

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

Net Pension Liability (Asset) of the City

The net pension liability (asset) recorded in the City's financial statements at September 30, 2025 is based on a measurement date of September 30, 2024 and the total pension liability as of September 30, 2024 was determined based on a roll-forward of the entry-age normal liabilities from the October 1, 2023 actuarial valuation (using below detail actuarial assumptions) applied to all periods included in the measurement.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2023 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2024. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	7.5% to 13.0% based on service, including inflation
Investment rate of return	7.0 %
Mortality	The mortality tables are the PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement), and the PUB-2010 Safety Healthy Retiree Female Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018. These are the same rates used for Special Risk class members in the July 1, 2022 Actuarial Valuation of the Florida Retirement System (FRS).

In the October 1, 2023 valuation, a formal actuarial experience study has not been performed. The active group is too small to provide statistically significant experience on which to base certain demographic assumptions. Mortality assumptions are based on a commonly used fully generational mortality table and projection scale mandated by Florida Statutes.

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Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00 percent was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

Changes in the Net Pension Liability of the City: The changes in the components of the net pension liability (asset) of the City as of the measurement date September 30, 2024 and for the year ended September 30, 2025, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension liability (asset) (a) - (b)
Balances at 9/30/2024	\$ 27,977,454	\$ 30,424,851	\$ (2,447,397)
Changes for the year:			
Service cost	1,423,835	-	1,423,835
Interest	2,047,390	-	2,047,390
Changes of benefit terms	-	-	-
Differences between expected and actual experience	918,661	-	918,661
Assumption Changes	-	-	-
Contributions - employer (from city)	-	1,290,632	(1,290,632)
Contributions - employer (from state)	-	989,671	(989,671)
Contributions - employee	-	119,429	(119,429)
Net investment income	-	6,072,925	(6,072,925)
Benefit payments, including refunds of employee contributions	(305,712)	(305,712)	-
Administrative expense	-	(75,680)	75,680
Other changes	573,773	-	573,773
Net changes	4,657,947	8,091,265	(3,433,318)
Balances at 9/30/2025	\$ 32,635,401	\$ 38,516,116	\$ (5,880,715)

The Plan's fiduciary net position as a percentage of the total pension liability 118.02%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset)	\$ (2,199,534)	\$ (5,880,715)	\$ (8,869,836)

CITY OF MARCO ISLAND, FLORIDA
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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2023, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$1,230,678. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,410,986	\$ 1,781,140
Changes in assumptions	-	288,221
Net difference between projected and actual earnings on pension plan investments	2,330,790	3,968,507
City contributions subsequent to the measurement date	<u>2,330,429</u>	<u>-</u>
Total	<u><u>\$ 6,072,205</u></u>	<u><u>\$ 6,037,868</u></u>

City contributions subsequent to the measurement date of \$2,330,429 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending 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:

Year Ended September 30:	
2026	\$ (518,108)
2027	(16,374)
2028	(1,022,098)
2029	(783,022)
2030	(65,604)
Thereafter	<u>109,114</u>
Total	<u><u>\$ (2,296,092)</u></u>

CITY OF MARCO ISLAND, FLORIDA
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(b) The City of Marco Island Police Officers' Pension Plan

Plan Description

Plan Administration: In 2005, the City established and currently administers a single-employer, defined benefit pension plan (the Plan) that covers all full-time sworn police officers. The Plan was created by Ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from non-members of the Plan. The Plan does not prepare separate financial statements and is included as part of the pension trust fund in the City's financial reporting entity since it is not legally separate.

Plan Membership: As October 1, 2023, pension plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31
Active Plan Members	36
	94

Benefits Provided: The Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or accumulating twenty-five years of service with the City, regardless of age. If hired on or after October 1, 2021, earlier of 1) age 57 and 6 years of Credited Service, or 2) age 52 and 25 years of Credited Service.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime of up to 300 hours annually and lump-sum payments of unused leave, but excludes pay for special duty or extra-details. An additional supplemental benefit is also payable in the monthly amount of \$3, multiplied by credited service.

Early retirement is available at age 50, with six years of credited service, with the benefit reduced by 3% per year for each year early.

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

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Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred, provided the employee has at least 8 years of credited service). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Plan is financed by contributions made to the Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment (COLA) to each member's retirement allowance subsequent to the member's retirement date. For credited service earned on and after October 1, 2021, rate equal to the COLA under title II of the Social Security Act, with a minimum of 1.00% and maximum of 1.50%, automatic lifetime COLA, beginning the first July 1st following the later of termination or otherwise Normal Retirement Date.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2025, the active member contribution rate was 3%, which the City contributes based on the collective bargaining agreement, and the City's contribution rate was 35.69%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Plan. An actuarial valuation of the Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2025, were based on actuarial computations performed in 2023, for the actuarial report as of October 1, 2023.

Pension Plan Reporting: Net Pension (Asset) Liability

GASB 67 requires pension plans to include certain disclosures about the plan as well as the net pension liability in the notes to the financial statements. As the retirement systems do not issue separate financial statements, the required disclosures for pension plan reporting are found in this section of the notes to the financial statements and in the required supplementary information section. The net pension (asset) liability is calculated as the total pension liability less the pension plans net fiduciary position. The total pension (asset) liability is the present value of pension benefits attributable to past service of the pension plans and the net fiduciary position is the resources currently available in the pension plans trusts to pay benefits.

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The components of the net pension liability (asset) of the City at September 30, 2025, were as follows:

Total pension liability	\$ 29,750,916
Plan fiduciary net position	<u>29,242,994</u>
City's net pension liability (asset)	<u>\$ 507,922</u>
Plan fiduciary net position as a percentage of the total pension liability	98.29%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2024 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Service based table
Investment rate of return	7.0%
Mortality	All rates were based on the PubS-2010 and PubG.H-2010 for Males or Females, as outlined in Milliman's July 1, 2024 FRS valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025, are: Domestic Equity Securities – 5.81%, International Equity Securities, – 4.67%, Fixed Income Securities – 1.19%, Real Estate – 3.20%, and Private Equity/Credit – 6.30%.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

CITY OF MARCO ISLAND, FLORIDA
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Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability (asset) of the City as of the measurement date September 30, 2024, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset)	\$ 4,446,714	\$ 507,922	\$ (2,905,468)

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

Net Pension Liability of the City

The net pension liability (asset) recorded in the City's financial statements at September 30, 2025 is based on a measurement date of September 30, 2024 and the total pension liability as of September 30, 2024 was determined based on a roll-forward of the entry-age normal liabilities from the October 1, 2023 actuarial valuation (using below detail actuarial assumptions) applied to all periods included in the measurement.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2023 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2024. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Service based table
Investment rate of return	7.0%

Mortality rates were based on the PubS.H-2010 and PubG.H-2010 for Males or Females, as outlined in Milliman's July 1, 2021 FRS valuation report.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

CITY OF MARCO ISLAND, FLORIDA
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Changes in the Net Pension Liability (Asset) of the City: The changes in the components of the net pension liability (asset) of the City as of the measurement date of September 30, 2024 and for year ended September 30, 2025, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension liability (asset) (a) - (b)
Balances at 9/30/2024	<u>\$ 24,563,111</u>	<u>\$ 21,929,746</u>	<u>\$ 2,633,365</u>
Changes for the year:			
Service cost	755,448	-	755,448
Changes in excess state money	-	-	-
Interest	1,736,535	-	1,736,535
Changes of benefit terms	-	-	-
Differences between expected and actual experience	535,125	-	535,125
Assumption Changes	663,778	-	663,778
Contributions - employer (from city)	-	919,872	(919,872)
Contributions - employer (from state)	-	324,660	(324,660)
Contributions - employee	-	87,715	(87,715)
Net investment income	-	4,296,340	(4,296,340)
Benefit payments, including refunds of employee contributions	(1,021,823)	(1,028,589)	6,766
Administrative expense	-	(67,949)	67,949
Other changes	121,750	-	121,750
Net changes	<u>2,790,813</u>	<u>4,532,049</u>	<u>(1,741,236)</u>
Balances at 9/30/2025	<u><u>\$ 27,353,924</u></u>	<u><u>\$ 26,461,795</u></u>	<u><u>\$ 892,129</u></u>

The Plan's fiduciary net position as a percentage of the total pension liability 96.74%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset)	<u>\$ 4,520,577</u>	<u>\$ 892,129</u>	<u>\$ (2,275,472)</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of October 1, 2023 and the current sharing pattern of costs between employer and employee.

CITY OF MARCO ISLAND, FLORIDA
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SEPTEMBER 30, 2025

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$2,256,933. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 675,470	\$ -
Changes in assumptions	442,518	-
Net difference between projected and actual earnings on pension plan investments	-	1,265,805
City contributions subsequent to the measurement date	1,623,150	-
Total	<u>\$ 2,741,138</u>	<u>\$ 1,265,805</u>

City contributions subsequent to the measurement date of \$1,623,150 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending 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:

Year Ended September 30:

2026	\$ 490,357
2027	561,169
2028	(656,152)
2029	<u>(543,191)</u>
Total	<u>\$ (147,817)</u>

(c) Statement of Fiduciary Net Position for the Pension Trust Funds

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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The combining statement of fiduciary net position for the pension trust funds as of September 30, 2025, is as follows:

	Fire Pension	Police Pension	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 3,030,128	\$ 2,444,890	\$ 5,475,018
Investment proceeds receivable	97,550	-	97,550
Due from other governments	366,067	-	366,067
Investments, at fair value:			
Government bonds	-	4,532,498	4,532,498
Corporate bonds	-	2,125,103	2,125,103
Common stock	2,158	18,341,523	18,343,681
ETF's & CEF's	39,833,382	-	39,833,382
Real estate trust	1,479,080	1,743,884	3,222,964
Accrued interest	77,008	55,096	132,104
Total Assets	<u>44,885,373</u>	<u>29,242,994</u>	<u>74,128,367</u>
Net Position			
Net position restricted for pensions	<u>\$ 44,885,373</u>	<u>\$ 29,242,994</u>	<u>\$ 74,128,367</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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(d) Statement of Changes in Fiduciary Net Position for the Pension Trust Funds

The combining statement of changes in fiduciary net position for the pension trust funds as of September 30, 2025, is as follows:

	Fire Pension	Police Pension	Total Pension Trust Funds
Additions			
Contributions			
Employer	\$ 1,234,739	\$ 1,234,370	\$ 2,469,109
Employee	131,449	103,758	235,207
State of Florida	1,095,690	388,780	1,484,470
Total contributions	<u>2,461,878</u>	<u>1,726,908</u>	<u>4,188,786</u>
Investment earnings			
Investment interest and dividends	957,357	863,075	1,820,432
Net change in fair value of investments	3,444,583	1,539,077	4,983,660
Less: Investment expenses	<u>(82,726)</u>	<u>(158,962)</u>	<u>(241,688)</u>
Net investment earnings	<u>4,319,214</u>	<u>2,243,190</u>	<u>6,562,404</u>
Total Additions	<u>6,781,092</u>	<u>3,970,098</u>	<u>10,751,190</u>
Deductions			
Legal	12,500	9,000	21,500
Actuary	27,491	31,196	58,687
Administrative	33,074	18,397	51,471
Benefits paid	<u>338,770</u>	<u>1,130,306</u>	<u>1,469,076</u>
Total Deductions	<u>411,835</u>	<u>1,188,899</u>	<u>1,600,734</u>
Change in Net Position	6,369,257	2,781,199	9,150,456
Net Position, October 1, 2024	<u>38,516,116</u>	<u>26,461,795</u>	<u>64,977,911</u>
Net Position, September 30, 2025	<u><u>\$ 44,885,373</u></u>	<u><u>\$ 29,242,994</u></u>	<u><u>\$ 74,128,367</u></u>

Applicable totals for all the City's defined benefit pension plans are reflected below:

	Firefighters' Pension Plan	Police Officers' Pension Plan	Total
City's net pension (asset)	\$ (5,880,715)	\$ -	\$ (5,880,715)
City's net pension liability	-	892,129	892,129
Deferred outflows of resources	6,072,205	2,741,138	8,813,343
Deferred inflows of resources	(6,037,868)	(1,265,805)	(7,303,673)
Pension expenditure (income)	1,230,678	2,256,933	3,487,611

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(e) City Employee Pension Plan

The City is a single employer that contributes to a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). The City of Marco Island's 401A Plan is available to all employees not covered under the Firefighters' or Police Officers' Pension Plans or the Firefighters' Florida Retirement System. The City has contracted with MassMutual for the plan administration.

For employees hired by the City as part of its acquisition of the water system from Florida Utility, Inc., the City contributes 6.5% of annual covered payroll plus a match up to 4% of any employee's voluntary contribution. For all other employees, the City contributes 6.5% of annual covered payroll, and employees do not contribute. Employer contributions for fiscal year ended September 30, 2025, was \$820,631. Employee contributions for fiscal year ended September 30, 2025, was \$95,330. Plan provision and contribution requirements are established and may be amended by the City Manager.

12. Other Post-employment Benefits

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the City's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the City and the OPEB Plan members are established and may be amended through recommendations of the Employee Benefits Committee and action from the Council. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At September 30, 2024, the following employees were covered by the benefit terms:

Number of Covered Participants:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	233
Covered Spouses	<u>1</u>
Total	<u><u>238</u></u>

**CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Total OPEB Liability. The City's total OPEB liability of \$1,191,396 was measured as of September 30, 2024, and was determined by an actuarial valuation as September 30, 2024, using standard actuarial practices.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	6.00 percent
Discount Rate	4.06 percent
Healthcare Cost Trend Rates	6.75 percent, decreasing to an ultimate rate of 4.0 percent over 50 years later

Mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using scale MP-2018. Demographic Assumptions Mortality rates are consistent with mortality rates used for the pension valuations. The mortality rates are mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in the July 1, 2024 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements. Retirement rates, termination and disability rates are deemed reasonable and will continue to be monitored to ensure they capture plan experience. The participation rate and spousal coverage election percentage are the same as the previous valuation. They are deemed reasonable and will continue to be monitored.

Health care inflation rates reflect recent healthcare trend rate surveys, blended with the long-term rates surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. The discount rate as of the measurement date used has been updated to utilize the mandated discount rate based on the S&P Municipal Bond 20 Year High Grade Rate as published by S&P Dow Jones indices as of the measurement date, as required under GASB 75. The valuation results were calculated using the Entry Age cost method as required under the GASB 74/75 standards.

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Changes in the Total OPEB Liability.

	<u>Utilities</u>	<u>All Other Employees</u>	<u>Total</u>
Balance at September 30, 2024	\$ 323,036	\$ 1,095,931	\$ 1,418,967
Changes for the year:			
Service cost	31,572	77,970	109,542
Interest	16,726	56,132	72,858
Differences between expected and actual experience	(18,301)	(69,764)	(88,065)
Changes in assumptions	(91,798)	(164,394)	(256,192)
Changes of benefit terms	-	-	-
Benefit payments	(22,602)	(43,112)	(65,714)
Net Changes	(84,403)	(143,168)	(227,571)
Balance at September 30, 2025	<u>\$ 238,633</u>	<u>\$ 952,763</u>	<u>\$ 1,191,396</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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Changes of assumptions and other inputs reflect a change in the discount rate from 4.87 percent in 2024 to 4.06 percent in 2025. Also reflected as assumption changes are updated health care costs and premiums, updated retirement, termination and mortality rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06 percent) or 1 percentage point higher (5.06 percent) than the current rate:

	1% Decrease 3.06%	Current Discount 4.06%	1% Increase 5.06%
Utility	\$ 254,459	\$ 238,633	\$ 224,156
Other	1,043,480	952,763	872,958
Total OPEB Liability	<u>\$ 1,297,939</u>	<u>\$ 1,191,396</u>	<u>\$ 1,097,114</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75 percent decreasing to 3.00 percent) or 1 percentage point higher (7.75 percent decreasing to 5.00 percent) than the current healthcare cost trend rates:

	1% Decrease 3.00% to 5.75%	Healthcare Cost Trend Rates 4.00% to 6.75%	1% Increase 5.00% to 7.75%
Utility	\$ 218,742	\$ 238,633	\$ 261,943
Other	863,703	952,763	1,055,229
Total OPEB Liability	<u>\$ 1,082,445</u>	<u>\$ 1,191,396</u>	<u>\$ 1,317,172</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended September 30, 2025, the City recognized OPEB expense of \$77,739, of which \$14,109 pertained to Utility employees and the remaining \$63,630 to all other employees. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,181	\$ 79,928
Change of assumptions	-	533,016
Employer contributions subsequent to the the measurement date	<u>46,702</u>	<u>-</u>
Total	<u>\$ 191,883</u>	<u>\$ 612,944</u>

CITY OF MARCO ISLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Of the total amount reported as deferred outflows of resources related to OPEB, \$46,702 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the 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:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2026	\$ (120,561)
2027	(104,322)
2028	(92,593)
2029	(69,601)
2030	(53,165)
Thereafter	<u>(27,521)</u>
Total	<u><u>\$ (467,763)</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARCO ISLAND, FLORIDA

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

MEASUREMENT PERIOD ENDING SEPTEMBER 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 1,524,462	\$ 1,423,835	\$ 1,142,237	\$ 1,167,466	\$ 1,267,646	\$ 1,130,015	\$ 1,036,484	\$ 1,062,389	\$ 934,683	\$ 897,579
Interest on total pension liability	2,379,866	2,047,390	1,944,232	1,798,884	1,660,320	1,513,782	1,430,504	1,243,265	1,084,635	1,039,601
Changes of benefit terms	221,155	-	-	(847,808)	-	(8,489)	-	-	-	-
Differences between expected and actual experience	1,209,475	918,661	(1,583,904)	651,884	273,949	(224,579)	(1,244,706)	480,000	-	(1,277,749)
Changes of assumptions	-	-	-	-	(493,718)	-	-	-	-	(300,186)
Benefit payments, including refunds of employee contributions	(323,845)	(305,712)	(1,241,300)	(607,284)	(1,244,117)	(247,453)	(531,049)	(158,478)	(29,186)	(89,398)
Other (increase in share plan balance)	645,490	573,773	463,026	255,495	297,167	290,831	263,122	259,857	212,957	306,279
Net change in total pension liability	5,666,593	4,657,947	724,291	2,418,637	1,761,247	2,454,107	954,355	2,887,033	2,203,089	576,126
Total pension liability - beginning	32,635,401	27,977,454	27,253,163	24,834,526	23,073,279	20,619,172	19,664,817	16,777,784	14,574,695	13,998,569
Total pension liability - ending (a)	<u>\$ 38,291,994</u>	<u>\$ 32,635,401</u>	<u>\$ 27,977,454</u>	<u>\$ 27,253,163</u>	<u>\$ 24,834,526</u>	<u>\$ 23,073,279</u>	<u>\$ 20,619,172</u>	<u>\$ 19,664,817</u>	<u>\$ 16,777,784</u>	<u>\$ 14,574,695</u>
Plan fiduciary net position										
Contributions - employer	\$ 1,234,739	\$ 1,290,632	\$ 1,238,558	\$ 1,262,046	\$ 1,196,762	\$ 1,122,595	\$ 1,031,726	\$ 945,190	\$ 1,070,254	\$ 1,140,053
Contributions - state	1,095,690	989,671	765,000	379,377	371,103	364,767	337,058	333,793	303,572	389,408
Contributions - employee	131,449	119,429	111,013	101,290	29,778	27,736	25,905	23,976	24,424	22,407
Net investment income	4,319,214	6,072,925	2,645,343	(3,717,639)	4,089,078	1,771,166	783,689	1,425,477	1,688,910	702,748
Benefit payments, including refunds of employee contributions	(338,770)	(305,712)	(1,241,300)	(607,284)	(1,244,117)	(247,453)	(531,049)	(158,478)	(29,186)	(89,398)
Administrative expenses	(73,065)	(75,680)	(48,719)	(55,662)	(48,603)	(51,825)	(49,176)	(58,119)	(68,578)	(42,795)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	6,369,257	8,091,265	3,469,895	(2,637,872)	4,394,001	2,986,986	1,598,153	2,511,839	2,989,396	2,122,423
Plan fiduciary net position - beginning	38,516,116	30,424,851	26,954,956	29,592,828	25,198,827	22,211,841	20,613,688	18,101,849	15,112,453	12,990,030
Plan fiduciary net position - ending (b)	<u>\$ 44,885,373</u>	<u>\$ 38,516,116</u>	<u>\$ 30,424,851</u>	<u>\$ 26,954,956</u>	<u>\$ 29,592,828</u>	<u>\$ 25,198,827</u>	<u>\$ 22,211,841</u>	<u>\$ 20,613,688</u>	<u>\$ 18,101,849</u>	<u>\$ 15,112,453</u>
Net pension (asset) liability - ending (a) - (b)	<u>\$ (6,593,379)</u>	<u>\$ (5,880,715)</u>	<u>\$ (2,447,397)</u>	<u>\$ 298,207</u>	<u>\$ (4,758,302)</u>	<u>\$ (2,125,548)</u>	<u>\$ (1,592,669)</u>	<u>\$ (948,871)</u>	<u>\$ (1,324,065)</u>	<u>\$ (537,758)</u>
Plan fiduciary net position as a percentage of the total pension liability	117.22%	118.02%	108.75%	98.91%	119.16%	109.21%	107.72%	104.83%	107.89%	103.69%
Covered payroll	\$ 4,381,233	\$ 3,980,967	\$ 3,700,433	\$ 2,942,039	\$ 2,977,800	\$ 2,773,600	\$ 2,590,500	\$ 2,397,579	\$ 2,442,445	\$ 2,240,686
City's net pension liability as a percentage of covered payroll	-150.49%	-147.72%	-66.14%	10.14%	-159.79%	-76.63%	-61.48%	-39.58%	-54.21%	-24.00%

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CITY FIREFIGHTERS' PENSION PLAN CONTRIBUTIONS

FISCAL YEAR ENDING SEPTEMBER 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,556,214	\$ 1,441,508	\$ 1,356,579	\$ 1,218,593	\$ 1,272,116	\$ 1,196,531	\$ 1,104,330	\$ 1,013,457	\$ 1,158,452	\$ 1,062,757
Contributions in relation to the actuarially determined contribution	2,330,429	2,280,303	2,003,558	1,641,423	1,567,864	1,196,531	1,105,662	1,278,983	1,160,869	1,223,182
Contribution deficiency (excess)	\$ (774,215)	\$ (838,795)	\$ (646,979)	\$ (422,830)	\$ (295,748)	\$ -	\$ (1,332)	\$ (265,526)	\$ (2,417)	\$ (160,425)
Covered payroll	4,381,233	3,980,967	3,700,433	2,942,039	2,977,800	2,773,600	2,590,500	2,397,579	2,442,445	2,240,686
Contributions as a percentage of Covered payroll	53.19%	57.28%	54.14%	55.79%	52.65%	43.14%	42.68%	53.34%	47.53%	54.59%

Notes to the Schedule

Valuation Date	October 1, 2024
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Fair Value
Assumed Rate of Return	
On Investments	7.00%
Projected Salary Increases	7.5% to 13.0% based on service, including inflation
Inflation	2.50%
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	30 years

SCHEDULE OF FIREFIGHTERS' PENSION PLAN INVESTMENT RETURNS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	1.40%	19.30%	5.49%	-12.62%	3.70%	7.20%	3.41%	7.89%	9.33%	5.25%

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CHANGES IN THE CITY'S POLICE PLAN NET PENSION LIABILITY AND RELATED RATIOS MEASUREMENT PERIOD ENDING SEPTEMBER 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 871,899	\$ 755,448	\$ 724,757	\$ 607,692	\$ 567,691	\$ 610,653	\$ 573,317	\$ 600,807	\$ 663,919	\$ 608,707
Interest on total pension liability	1,936,497	1,736,535	1,568,520	1,406,131	1,280,478	1,180,761	1,106,843	1,008,497	946,784	846,524
Change in Excess State Money	-	-	-	-	-	-	-	-	(7,624)	-
Changes of benefit terms	-	-	-	-	(228,770)	-	-	-	-	-
Differences between expected and actual experience	(329,741)	535,125	956,159	982,819	537,121	920,711	(256,296)	202,493	85,166	(538,486)
Changes of assumptions	878,087	663,778	-	-	-	(608,125)	-	-	423,516	572,589
Benefit payments, including refunds of employee contributions	(1,123,178)	(1,021,823)	(913,326)	(810,453)	(533,524)	(413,556)	(481,351)	(277,393)	(268,523)	(224,916)
Other (increase in share plan balance)	163,428	121,750	87,671	68,018	41,745	65,795	42,230	-	-	37,385
Net change in total pension liability	2,396,992	2,790,813	2,423,781	2,254,207	1,664,741	1,756,239	984,743	1,534,404	1,843,238	1,301,803
Total pension liability - beginning	27,353,924	24,563,111	22,139,330	19,885,123	18,220,382	16,464,143	15,479,400	13,944,996	12,101,758	10,799,955
Total pension liability - ending (a)	\$ 29,750,916	\$ 27,353,924	\$ 24,563,111	\$ 22,139,330	\$ 19,885,123	\$ 18,220,382	\$ 16,464,143	\$ 15,479,400	\$ 13,944,996	\$ 12,101,758
Plan fiduciary net position										
Contributions - employer	\$ 1,234,370	\$ 919,872	\$ 798,363	\$ 663,492	\$ 614,288	\$ 520,316	\$ 632,547	\$ 715,410	\$ 2,017,283	\$ 2,155,279
Contributions - state	388,780	324,660	272,230	241,995	220,842	268,941	221,812	201,135	180,792	194,972
Contributions - employee	103,758	87,715	15,896	14,941	13,450	13,116	11,479	11,495	11,828	11,090
Net investment income	2,243,190	4,296,340	1,936,506	(2,493,058)	3,280,977	1,349,851	508,605	1,062,121	1,359,968	595,780
Benefit payments, including refunds of employee contributions	(1,130,306)	(1,028,589)	(923,134)	(855,602)	(553,608)	(416,943)	(488,778)	(280,997)	(275,092)	(224,916)
Administrative expenses	(58,593)	(67,949)	(45,967)	(50,685)	(50,437)	(45,424)	(52,814)	(49,894)	(49,897)	(41,635)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,781,199	4,532,049	2,053,894	(2,478,917)	3,525,512	1,689,857	832,851	1,659,270	3,244,682	2,690,570
Plan fiduciary net position - beginning	26,461,795	21,929,746	19,875,852	22,354,769	18,829,257	17,139,400	16,306,549	14,647,279	11,402,597	8,712,027
Plan fiduciary net position - ending (b)	\$ 29,242,994	\$ 26,461,795	\$ 21,929,746	\$ 19,875,852	\$ 22,354,769	\$ 18,829,257	\$ 17,139,400	\$ 16,306,549	\$ 14,647,279	\$ 11,402,597
Net pension liability - ending (a) - (b)	\$ 507,922	\$ 892,129	\$ 2,633,365	\$ 2,263,478	\$ (2,469,646)	\$ (608,875)	\$ (675,257)	\$ (827,149)	\$ (702,283)	\$ 699,161
Plan fiduciary net position as a percentage of the total pension liability	98.29%	96.74%	89.28%	89.78%	112.42%	103.34%	104.10%	105.34%	105.04%	94.22%
Covered payroll	\$ 3,458,587	\$ 2,923,823	\$ 3,179,272	\$ 2,988,094	\$ 2,689,966	\$ 2,621,164	\$ 2,297,280	\$ 2,298,844	\$ 2,325,482	\$ 2,128,618
City's net pension liability as a percentage of covered payroll	14.69%	30.51%	82.83%	75.75%	-91.81%	-23.23%	-29.39%	-35.98%	-30.20%	32.85%

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CITY POLICE PENSION PLAN CONTRIBUTIONS
FISCAL YEAR ENDING SEPTEMBER 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,448,802	\$ 1,055,208	\$ 998,609	\$ 805,291	\$ 829,047	\$ 684,386	\$ 718,224	\$ 808,963	\$ 841,127	\$ 836,760
Contributions in relation to the actuarially determined contribution	1,623,150	1,244,532	905,487	1,067,110	835,070	722,928	812,664	916,545	2,198,075	2,324,669
Contribution deficiency (excess)	<u>\$ (174,348)</u>	<u>\$ (189,324)</u>	<u>\$ 93,122</u>	<u>\$ (261,819)</u>	<u>\$ (6,023)</u>	<u>\$ (38,542)</u>	<u>\$ (94,440)</u>	<u>\$ (107,582)</u>	<u>\$ (1,356,948)</u>	<u>\$ (1,487,909)</u>
Covered payroll	3,458,587	2,923,823	3,179,272	2,988,094	2,689,966	2,621,164	2,297,580	2,298,844	2,325,482	2,128,618
Contributions as a percentage of Covered payroll	46.93%	42.57%	28.48%	35.71%	31.04%	27.58%	35.37%	39.87%	94.52%	109.21%

Notes to the Schedule

Valuation Date	October 1, 2023
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Fair Value
Assumed Rate of Return	7.00%
On Investments	Service based
Projected Salary Increases	2.50%
Inflation	
Amortization Method	
Remaining Amortization Period	30 years

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	8.39%	19.46%	9.93%	-11.27%	17.31%	7.81%	3.06%	7.23%	11.31%	6.56%

CITY OF MARCO ISLAND, FLORIDA

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Report Period Ending	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 109,542	\$ 104,646	\$ 140,067	\$ 137,956	\$ 133,283	\$ 115,513	\$ 141,181	\$ 144,633
Interest	72,858	66,574	37,544	31,439	52,901	53,268	59,000	48,035
Differences between expected and actual experience	(88,065)	-	278,522	-	3,934	-	(133,619)	-
Changes of assumptions	(256,192)	(12,337)	(511,335)	(41,087)	(147,614)	73,212	(331,135)	(82,162)
Changes of benefit terms	-	-	-	-	-	-	-	-
Benefit payments	(65,714)	(61,272)	(56,361)	(52,674)	(58,633)	(54,290)	(58,346)	(53,652)
Net change in total OPEB liability	(227,571)	97,611	(111,563)	75,634	(16,129)	187,703	(322,919)	56,854
Total OPEB liability - beginning	1,418,967	1,321,356	1,432,919	1,357,285	1,373,414	1,185,711	1,508,630	1,451,776
Total OPEB liability - ending (a)	<u>\$ 1,191,396</u>	<u>\$ 1,418,967</u>	<u>\$ 1,321,356</u>	<u>\$ 1,432,919</u>	<u>\$ 1,357,285</u>	<u>\$ 1,373,414</u>	<u>\$ 1,185,711</u>	<u>\$ 1,508,630</u>

Covered payroll

	\$ 19,602,707	\$ 17,886,919	\$ 16,874,452	\$ 15,842,182	\$ 14,945,454	\$ 12,035,847	\$ 11,354,573	\$ 12,201,105
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City's Total OPEB Liability as a Percentage of Covered Employee Payroll

	6.08%	7.93%	7.83%	9.04%	9.08%	11.41%	10.44%	12.36%
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Notes to the Schedule

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

Covered Employee Payroll was projected one year forward from the valuation date for the reporting period ending September 30, 2024.

Difference Between Expected and Actual Experience. Difference Between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2024.

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:

Fiscal Year Ending September 30, 2025:	4.06%
Fiscal Year Ending September 30, 2024:	4.87%
Fiscal Year Ending September 30, 2023:	4.77%

Payments Benefits. The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2025.

CITY OF MARCO ISLAND, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual
General Fund
Year Ended September 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 22,193,719	\$ 23,037,637	\$ 23,485,218	\$ 447,581
Permits, fees, and assessments	55,000	55,000	83,322	28,322
Intergovernmental	4,043,000	4,043,000	3,690,492	(352,508)
Charges for services	2,698,081	2,698,081	2,993,777	295,696
Fines and forfeitures	196,000	196,000	345,172	149,172
Interest	1,500,000	1,500,000	1,998,256	498,256
Miscellaneous	120,000	125,295	79,684	(45,611)
Total revenues	<u>30,805,800</u>	<u>31,655,013</u>	<u>32,675,921</u>	<u>1,020,908</u>
Expenditures				
Current				
General government				
Legislative	105,283	104,883	93,200	11,683
Executive	1,254,421	1,249,741	1,239,159	10,582
Finance	897,151	1,001,149	968,497	32,652
Legal	420,000	420,000	410,459	9,541
Information technology	1,089,442	1,159,042	746,801	412,241
Growth management	855,051	981,876	816,929	164,947
Other general government	2,557,412	2,573,422	2,496,135	77,287
Total general government	<u>7,178,760</u>	<u>7,490,113</u>	<u>6,771,180</u>	<u>718,933</u>
Public safety				
Police	6,893,134	7,129,040	6,926,920	202,120
Fire and rescue	8,362,768	8,971,782	9,358,247	(386,465)
Code compliance	762,478	762,478	710,560	51,918
Emergency management	-	-	-	-
Total public safety	<u>16,018,380</u>	<u>16,863,300</u>	<u>16,995,727</u>	<u>(132,427)</u>
Transportation	3,439,235	3,465,755	3,254,203	211,552
Culture and recreation	1,265,619	1,265,619	1,190,859	74,760
Debt service				
Principal	-	-	207,959	(207,959)
Interest and fiscal charges	-	-	25,976	(25,976)
Capital outlay	-	-	900,862	(900,862)
Total expenditures	<u>27,901,994</u>	<u>29,084,787</u>	<u>29,346,766</u>	<u>(28,044)</u>
Excess of revenues over expenditures	<u>2,903,806</u>	<u>2,570,226</u>	<u>3,329,155</u>	<u>758,929</u>
Other financing sources (uses)				
Transfers in	1,117,500	1,117,500	1,117,500	-
Transfers out	(3,845,874)	(3,845,874)	(3,845,875)	(1)
Sale of capital assets	-	-	126,000	126,000
Leases	-	-	180,815	180,815
Subscription Based Information Technology Arr:	-	-	517,002	517,002
Use of reserves	-	200,000	-	(200,000)
Contingency	(175,432)	(41,852)	-	41,852
Total other financing sources (uses)	<u>(2,903,806)</u>	<u>(2,570,226)</u>	<u>(1,904,558)</u>	<u>665,668</u>
Change in fund balance	-	-	1,424,597	1,424,597
Fund balance, beginning of year	<u>15,403,744</u>	<u>15,403,744</u>	<u>15,403,744</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,403,744</u>	<u>\$ 15,403,744</u>	<u>\$ 16,828,341</u>	<u>\$ 1,424,597</u>

CITY OF MARCO ISLAND, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Grants Fund
Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	\$ 25,200	\$ 427,239	\$ 402,039
Miscellaneous	-	-	440	440
Total revenues	<u>-</u>	<u>25,200</u>	<u>427,679</u>	<u>402,479</u>
Expenditures				
Current				
Emergency and disaster relief	-	67,490	1,037,111	(969,621)
Total expenditures	<u>-</u>	<u>67,490</u>	<u>1,037,111</u>	<u>(969,621)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(42,290)</u>	<u>(609,432)</u>	<u>(567,142)</u>
Other financing sources (uses)				
Use of Reserves	-	42,290	-	(42,290)
Total other financing sources (uses)	<u>-</u>	<u>42,290</u>	<u>-</u>	<u>(42,290)</u>
Changes in fund balance	-	-	(609,432)	(609,432)
Fund balance (deficit), beginning of year	<u>(4,684,423)</u>	<u>(4,684,423)</u>	<u>(4,684,423)</u>	<u>-</u>
Fund balance(deficit), end of year	<u>\$ (4,684,423)</u>	<u>\$ (4,684,423)</u>	<u>\$ (5,293,855)</u>	<u>\$ (609,432)</u>

CITY OF MARCO ISLAND, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to September 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end; however, the Finance Director, through the City Manager, is authorized to reserve at the beginning of the year the unpaid purchase orders, outstanding contracts, and other commitments from the prior year.
6. The adopted budget may be amended as follows:
 - a. The City Council has authorized the City Manager to amend, modify, or otherwise adjust the operating budget to a maximum limit of \$50,000. The legal level of budgetary control is at the department level for the general fund. The City Council approves all other budget amendments.
 - b. The City Council approves supplemental appropriations via re-appropriation ordinance which consolidates all budget amendments approved during the course of the fiscal year and those recommended by the City Manager near the end of the fiscal year. There was an increase of \$1.2 million in appropriations in the general fund during the year end September 30, 2025.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding lapse at year-end.

NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATION

There was an increase of \$1.2 million in appropriations in the general fund during the year end September 30, 2025, primarily due to the insurance premium contributions for the Firefighters and Police Pension Plans. Historically, the City develops a conservative budget based upon 96.5% of ad valorem taxes, and between 90% and 95% of the State's various state-shared revenue projections due to the uncertainty in the economy. Actual revenue received was \$1.0 million more than budgeted. This was primarily due to an increase in interest earnings, an overage in firefighter premium tax revenue, increased fire protection service fees as well as increased code enforcement fines offset by a decrease in intergovernmental revenues primarily attributed to the half-cent sales tax. Public Safety was over budget primarily due to the amount of property insurance premium tax remitted to the City. Overall, departmental expenditures were in line with budgeted expenditures, any differences are due to vacancies, retirements, and attrition.

CITY OF MARCO ISLAND, FLORIDA

INDIVIDUAL FUND FINANCIAL STATEMENTS

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CITY OF MARCO ISLAND, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Capital Projects Fund
Year Ended September 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Permits, fees and assessments	\$ -	\$ -	\$ 335,349	\$ 335,349
Intergovernmental	2,686,000	2,686,000	449,459	(2,236,541)
Fines and forfeitures	-	-	225	225
Interest and investment earnings (loss)	-	-	1,019,389	1,019,389
Miscellaneous	-	69,196	70,197	1,001
Total revenues	<u>2,686,000</u>	<u>2,755,196</u>	<u>1,874,619</u>	<u>(880,577)</u>
Expenditures				
Current				
General government	-	-	136,052	(136,052)
Police services	-	-	4,096	(4,096)
Fire and rescue	-	-	150,164	(150,164)
Transportation	-	-	84,154	(84,154)
Culture and recreation	-	-	34,455	(34,455)
Capital outlay	17,907,360	35,366,019	7,461,983	27,904,036
Total expenditures	<u>17,907,360</u>	<u>35,366,019</u>	<u>7,870,904</u>	<u>27,495,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,221,360)</u>	<u>(32,610,823)</u>	<u>(5,996,285)</u>	<u>26,614,538</u>
Other financing sources (uses)				
Transfers in	6,940,860	6,057,349	6,057,349	-
Transfers out	(4,545,330)	(3,630,787)	(3,630,787)	-
Issuance of debt - financed purchase	-	344,970	344,970	-
Use of reserves	12,825,830	29,839,291	-	(29,839,291)
Total other financing sources (uses)	<u>15,221,360</u>	<u>32,610,823</u>	<u>2,771,532</u>	<u>(29,839,291)</u>
Change in fund balance	-	-	(3,224,753)	(3,224,753)
Fund balance, beginning of year	<u>27,940,379</u>	<u>27,940,379</u>	<u>27,940,379</u>	<u>-</u>
Fund balance, end of year	<u>\$ 27,940,379</u>	<u>\$ 27,940,379</u>	<u>\$ 24,715,626</u>	<u>\$ (3,224,753)</u>

CITY OF MARCO ISLAND, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Building Services Fund
Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Permits, fees and assessments	\$ 3,750,000	\$ 3,750,000	\$ 3,388,074	\$ (361,926)
Interest	10,000	10,000	115,095	105,095
Total revenues	<u>3,760,000</u>	<u>3,760,000</u>	<u>3,503,169</u>	<u>(256,831)</u>
Expenditures				
Current				
Building services	<u>3,649,482</u>	<u>3,661,482</u>	<u>3,296,789</u>	<u>364,693</u>
Total expenditures	<u>3,649,482</u>	<u>3,661,482</u>	<u>3,296,789</u>	<u>364,693</u>
				-
Excess (deficiency) of revenues over expenditures	<u>110,518</u>	<u>98,518</u>	<u>206,380</u>	<u>107,862</u>
Other financing sources (uses)				
Transfers out	(80,530)	(93,562)	(93,562)	-
Contingency	<u>(29,988)</u>	<u>(4,956)</u>	<u>-</u>	<u>4,956</u>
Total other financing sources (uses)	<u>(110,518)</u>	<u>(98,518)</u>	<u>(93,562)</u>	<u>4,956</u>
Change in fund balances	-	-	112,818	112,818
Fund balance, beginning of year	<u>3,427,186</u>	<u>3,427,186</u>	<u>3,427,186</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,427,186</u>	<u>\$ 3,427,186</u>	<u>\$ 3,540,004</u>	<u>\$ 112,818</u>

CITY OF MARCO ISLAND, FLORIDA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual
Debt Service Fund
Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ -	\$ -	\$ 71	\$ 71
Interest and investment earnings (loss)	-	-	5,816	5,816
Total revenues	<u>-</u>	<u>-</u>	<u>5,887</u>	<u>5,887</u>
Expenditures				
Debt service				
Principal	1,151,704	1,151,704	1,151,704	-
Interest and fiscal charges	<u>499,186</u>	<u>499,186</u>	<u>496,946</u>	<u>2,240</u>
Total expenditures	<u>1,650,890</u>	<u>1,650,890</u>	<u>1,648,650</u>	<u>2,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,650,890)</u>	<u>(1,650,890)</u>	<u>(1,642,763)</u>	<u>8,127</u>
Other financing sources				
Transfers in	1,650,890	1,650,890	1,650,912	22
Total other financing sources	<u>1,650,890</u>	<u>1,650,890</u>	<u>1,650,912</u>	<u>22</u>
Change in fund balance	-	-	8,149	8,149
Fund balance, beginning of year	<u>402,697</u>	<u>402,697</u>	<u>402,697</u>	<u>-</u>
Fund balance, end of year	<u>\$ 402,697</u>	<u>\$ 402,697</u>	<u>\$ 410,846</u>	<u>\$ 8,149</u>

CITY OF MARCO ISLAND, FLORIDA

FIDUCIARY FUNDS

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

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

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

CITY OF MARCO ISLAND, FLORIDA

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**Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2025**

	Pension Trust		
	Firefighters'	Police Officers'	
	Pension	Pension	Total
Assets			
Cash and cash equivalents	\$ 3,030,128	\$ 2,444,890	\$ 5,475,018
Contributions receivable	97,550	-	97,550
Due from other governments	366,067	-	366,067
Investments, at fair value			
Government bonds	-	4,532,498	4,532,498
Corporate bonds	-	2,125,103	2,125,103
Common stock	2,158	18,341,523	18,343,681
ETF's & CEF's	39,833,382	-	39,833,382
Real estate trust	1,479,080	1,743,884	3,222,964
Accrued interest	77,008	55,096	132,104
Total investments	<u>41,391,628</u>	<u>26,798,104</u>	<u>68,189,732</u>
Total assets	<u>44,885,373</u>	<u>29,242,994</u>	<u>74,128,367</u>
Net position			
Net position restricted for pensions	<u>\$ 44,885,373</u>	<u>\$ 29,242,994</u>	<u>\$ 74,128,367</u>

CITY OF MARCO ISLAND, FLORIDA

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2025**

	Firefighters'	Pension Trust	
	Pension	Police Officers'	
		Pension	Total
Additions			
Contributions			
Employer	\$ 1,234,739	\$ 1,234,370	\$ 2,469,109
Employee	131,449	103,758	235,207
State of Florida	1,095,690	388,780	1,484,470
Total contributions	<u>2,461,878</u>	<u>1,726,908</u>	<u>4,188,786</u>
Investment earnings			
Interest and dividend income	957,357	863,075	1,820,432
Net change in fair value of investments	3,444,583	1,539,077	4,983,660
Less investment expense	<u>(82,726)</u>	<u>(158,962)</u>	<u>(241,688)</u>
Net investment earnings	<u>4,319,214</u>	<u>2,243,190</u>	<u>6,562,404</u>
Total additions	<u>6,781,092</u>	<u>3,970,098</u>	<u>10,751,190</u>
Deductions			
Benefits paid	338,770	1,130,306	1,469,076
General administration	<u>73,065</u>	<u>58,593</u>	<u>131,658</u>
Total deductions	<u>411,835</u>	<u>1,188,899</u>	<u>1,600,734</u>
Changes in net position	6,369,257	2,781,199	9,150,456
Net position, beginning as previously stated	38,516,116	26,461,795	64,977,911
Restatement of net position; See note 1.(f)			-
Net position, beginning of year	<u>38,516,116</u>	<u>26,461,795</u>	<u>64,977,911</u>
Net position, end of year	<u>\$ 44,885,373</u>	<u>\$ 29,242,994</u>	<u>\$ 74,128,367</u>

CITY OF MARCO ISLAND, FLORIDA

STATISTICAL SECTION

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

<u>Contents</u>	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	115-119
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	120-123
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.	124-127
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	128-130
Operating Information	
These schedules contain information about the City's operations and resource to help the reader understand how the City's financial information relates to the services the City and the activities it performs.	131

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

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CITY OF MARCO ISLAND, FLORIDA

Net Position by Component
(Unaudited)

Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 1

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities										
Net investment in capital assets	\$ 90,697,100	\$ 89,515,066	\$ 90,719,539	\$ 83,481,674	\$ 61,008,041	\$ 69,754,865	\$ 67,494,803	\$ 65,618,064	\$ 62,618,879	\$ 61,131,771
Restricted	10,661,516	6,833,135	5,397,902	4,611,206	16,478,505	4,382,336	7,789,000	7,623,177	7,721,599	8,491,539
Unrestricted	39,494,695	44,556,927	35,611,246	35,596,449	36,927,754	30,432,062	21,674,080	15,814,301	16,927,300	17,615,601
Total governmental activities net position	140,853,311	140,905,128	131,728,687	123,689,329	114,414,300	104,569,263	96,957,883	89,055,542	87,267,778	87,238,911
Business-type activities										
Net investment in capital assets	41,265,365	25,044,959	10,712,722	8,662,555	7,856,864	10,834,132	10,729,132	6,637,846	12,165,860	8,193,295
Restricted	53,104,487	61,742,185	78,300,584	77,911,655	78,141,187	83,040,035	78,321,317	79,807,220	77,786,619	82,049,230
Unrestricted	33,890,926	32,681,710	18,643,683	14,636,835	12,445,529	2,418,787	4,992,161	6,615,108	5,044,816	6,442,535
Total business-type activities net position	128,260,778	119,468,854	107,656,989	101,211,045	98,443,580	96,292,954	94,042,610	93,060,174	94,997,295	96,685,060
Primary government										
Net investment in capital assets	131,962,465	114,560,025	101,432,261	92,144,229	68,864,905	80,588,997	78,223,935	72,255,910	74,784,739	69,325,066
Restricted	63,766,003	68,575,320	83,698,486	82,522,861	94,619,692	87,422,371	86,110,317	87,430,397	85,508,218	90,540,769
Unrestricted	73,385,621	77,238,637	54,254,929	50,233,284	49,373,283	32,850,849	26,666,241	22,429,409	21,972,116	24,058,136
Total primary government net position	\$ 269,114,089	\$ 260,373,982	\$ 239,385,676	\$ 224,900,374	\$ 212,857,880	\$ 200,862,217	\$ 191,000,493	\$ 182,115,716	\$ 182,265,073	\$ 183,923,971

CITY OF MARCO ISLAND, FLORIDA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years (Accrual Basis of Accounting)

Schedule 2

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Expenses										
Governmental activities										
General government	\$ 7,538,615	\$ 7,572,432	\$ 6,831,818	\$ 7,111,361	\$ 4,702,360	\$ 4,376,903	\$ 6,395,699	\$ 4,113,520	\$ 4,947,403	\$ 4,424,936
Police services	7,781,498	7,637,060	7,145,175	5,330,600	5,571,032	5,347,538	4,709,895	4,994,108	4,727,400	4,956,746
Fire and rescue	9,305,035	9,462,527	7,547,056	6,918,896	7,048,461	7,330,015	7,515,505	6,592,931	6,606,013	6,666,126
Code compliance	837,807	753,717	749,156	547,429	444,073	332,801	392,704	372,479	413,577	253,698
Building services	3,359,360	3,086,350	2,916,593	2,678,027	2,521,229	2,801,645	2,306,676	1,776,427	1,724,854	1,474,441
Transportation	8,632,381	7,289,127	6,877,849	6,528,529	6,848,995	6,986,082	6,885,771	8,386,000	8,722,454	8,327,817
Physical environment	-	90,000	-	-	-	-	-	-	-	-
Disaster and recovery	1,037,111	321,456	832,031	372,928	216,626	697,600	309,148	3,660,888	1,955,216	-
Culture and recreation	1,967,295	1,870,080	1,834,084	1,416,229	1,549,436	1,651,078	1,690,540	1,561,180	1,343,864	925,684
Interest on long-term debt	394,273	391,939	380,187	281,282	402,998	188,871	216,026	209,465	205,166	328,382
Total governmental activities expenses	40,853,375	38,484,688	35,113,949	31,185,281	29,305,210	29,712,533	30,421,964	31,626,978	30,645,947	27,357,830
Business-type activities										
Water and sewer	30,867,116	30,119,092	32,595,016	34,561,508	34,011,516	34,666,569	36,747,252	37,281,849	37,217,643	37,869,302
Recreation	-	-	-	-	-	-	-	-	-	391,964
Total business-type activities expenses	30,867,116	30,119,092	32,595,016	34,561,508	34,011,516	34,666,569	36,747,252	37,281,849	37,217,643	38,261,266
Total primary government expenses	71,720,491	68,603,780	67,708,965	65,746,789	63,316,726	64,379,102	67,169,216	68,908,827	67,863,590	65,619,096
Program revenues										
Governmental activities										
Charges for services	1,737,494	1,855,465	1,691,048	1,715,334	1,782,099	1,626,299	1,563,543	1,532,946	984,375	1,243,196
General government	104,006	184,662	168,003	171,794	149,354	171,202	133,453	71,182	116,729	132,227
Police services	804,795	688,140	448,555	331,124	338,721	471,882	808,313	470,923	446,183	782,134
Fire and rescue	319,060	180,132	97,164	103,891	175,454	55,324	172,807	87,114	96,341	69,629
Code compliance	3,388,074	3,631,484	3,445,888	2,715,999	2,790,771	1,983,779	2,236,380	2,245,482	1,973,453	2,318,906
Building services	-	-	-	-	-	200,000	200,000	200,000	200,000	200,000
Transportation	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-
Disaster and recovery	-	-	-	-	-	-	-	-	-	-
Culture and recreation	457,142	451,170	434,759	355,891	289,999	351,614	456,668	396,461	423,041	101,143
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,217,771	171,374	162,349	1,084,754	2,006,949	139,143	35,015	29,105	131,479	1,178,868
Capital grants and contributions	1,285,055	4,815,732	7,956,106	8,572,857	6,620,627	5,349,545	6,214,162	1,948,892	1,623,324	1,176,632
Total governmental activities program services	9,313,397	11,958,159	14,403,872	15,051,644	14,153,974	10,348,788	11,820,341	6,982,105	5,974,925	7,202,735
Business-type activities										
Charges for services, water and sewer	37,784,998	37,572,777	37,899,599	36,458,743	35,956,798	34,105,288	34,477,635	33,923,876	33,834,808	32,038,032
Charges for services, other activities	-	-	-	-	-	-	-	-	-	410,895
Operating grants and contributions	181,895	711,438	-	-	35,255	1,084,419	812,918	200,000	200,000	-
Capital grants and contributions	37,966,893	38,284,215	37,899,599	36,458,743	35,992,053	35,189,707	35,290,553	34,123,876	34,034,808	32,448,927
Total business-type activities program revenues	-	-	-	-	-	-	-	-	-	-
Net (expenses) revenues										
Governmental activities	(31,539,978)	(26,526,529)	(20,710,077)	(16,133,637)	(15,151,236)	(19,363,745)	(18,601,623)	(24,644,873)	(24,671,022)	(20,155,095)
Business-type activities	7,099,777	8,165,123	5,304,583	1,897,235	1,980,537	523,138	(1,456,699)	(3,157,973)	(3,182,835)	(5,812,339)
Total primary government net expense	\$ (24,440,201)	\$ (18,361,406)	\$ (15,405,494)	\$ (14,236,402)	\$ (13,170,699)	\$ (18,840,607)	\$ (20,058,322)	\$ (27,802,846)	\$ (27,853,857)	\$ (25,967,434)

CITY OF MARCO ISLAND, FLORIDA

Changes in Net Position-Continued
(Unaudited)

Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 2 (Continued)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General revenues and other changes in net position										
Governmental activities										
Taxes:										
Property taxes	\$ 20,458,516	\$ 20,001,389	\$ 19,740,699	\$ 19,503,996	\$ 19,259,176	\$ 19,846,848	\$ 19,281,257	\$ 19,113,526	\$ 18,808,680	\$ 17,799,045
Communication service tax	352,128	350,093	365,377	368,865	346,488	464,165	781,728	969,671	951,887	861,174
Other taxes	2,674,645	2,509,070	2,213,541	1,743,733	1,654,826	1,608,425	1,611,473	1,586,868	1,481,292	1,453,822
Franchise fees	-	-	-	-	-	-	-	-	-	-
State shared revenues	3,458,457	3,614,000	3,856,413	3,909,438	3,323,662	2,762,660	2,922,672	2,850,503	2,732,383	2,650,823
Interest and investment earnings	3,138,557	4,599,393	3,240,791	(420,182)	94,432	1,205,992	1,576,265	534,831	304,575	255,206
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	150,321	459,180	316,900	123,590	166,553	1,027,321	267,713	1,093,315	242,066	343,302
Transfers	1,255,537	240,245	(982,621)	179,225	151,136	59,714	62,856	506,095	179,006	24,594
Total governmental activities	31,488,161	31,773,370	28,751,100	25,408,665	24,996,273	26,975,125	26,503,964	26,654,809	24,699,889	23,387,966
Business-type activities										
Interest and investment earnings	2,543,821	3,465,701	1,370,412	(755,007)	667,981	1,715,467	2,391,168	1,494,114	1,537,973	1,822,123
Miscellaneous revenues (expenses)	403,863	419,545	(462,909)	1,804,462	(346,754)	71,440	110,836	177,312	136,103	36,606
Gain on sale of capital assets	-	1,741	-	-	-	-	-	-	-	-
Transfers	(1,255,537)	(240,245)	234,621	(179,225)	(151,136)	(59,714)	(62,856)	(506,095)	(179,006)	(24,594)
Total business-type activities	1,692,147	3,646,742	1,142,124	870,230	170,091	1,727,193	2,439,148	1,165,331	1,495,070	1,834,135
Total primary government	33,180,308	35,420,112	29,893,224	26,278,895	25,166,364	28,702,318	28,943,112	27,820,140	26,194,959	25,222,101
Changes in net position										
Governmental activities	(51,817)	5,246,841	8,041,023	9,275,028	9,845,037	7,611,380	7,902,341	2,009,936	28,867	3,232,871
Business-type activities	8,791,924	11,811,865	6,446,707	2,767,465	2,150,628	2,250,331	982,449	(1,992,642)	(1,687,765)	(3,978,204)
Total primary government	\$ 8,740,107	\$ 17,058,706	\$ 14,487,730	\$ 12,042,493	\$ 11,995,665	\$ 9,861,711	\$ 8,884,790	\$ 17,294	\$ (1,658,898)	\$ (745,333)

CITY OF MARCO ISLAND, FLORIDA

Fund Balances of Governmental Funds
(Unaudited)

Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 3

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General fund										
Nonspendable	\$ 5,349,668	\$ 4,512,067	\$ 5,610,111	\$ 3,327,812	\$ 52,413	\$ -	\$ 22,472	\$ 43,238	\$ 38,113	\$ 22,732
Restricted	63,221	38,221	97,161	84,474	71,663	821,550	2,306,342	2,197,776	2,308,808	1,905,845
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	11,415,452	10,853,456	8,393,961	10,053,921	12,003,971	12,369,992	11,074,368	8,532,385	6,812,590	7,397,900
Total general fund	\$ 16,828,341	\$ 15,403,744	\$ 14,101,233	\$ 13,466,207	\$ 12,128,047	\$ 13,191,542	\$ 13,403,182	\$ 10,773,399	\$ 9,159,511	\$ 9,326,477
All other governmental funds										
Nonspendable										
Capital projects	\$ 724,971	\$ 724,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:										
Capital projects	1,004,171	772,279	1,894,333	9,239,438	13,976,831	-	-	-	-	-
Debt service fund	410,846	402,697	425,741	419,738	422,351	820,153	1,594,489	1,540,882	1,534,669	1,514,072
Building Services	3,540,004	3,427,186	2,980,667	2,390,957	2,430,011	3,560,786	3,888,169	3,884,518	3,459,262	3,579,353
Committed:										
Asset replacement	-	-	-	-	-	-	-	-	973,817	1,492,269
Assigned:										
Transportation	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Capital projects	22,986,484	26,443,129	24,226,624	19,182,325	26,610,038	20,162,978	14,950,589	13,002,772	9,723,865	9,678,651
Impact and public safety programs	-	-	-	-	-	-	-	-	-	-
Asset replacement	-	-	-	-	-	-	-	-	-	-
Unassigned	(5,293,855)	(4,684,423)	(5,543,895)	(3,491,244)	(3,456,734)	(3,302,489)	(4,396,833)	(6,562,734)	(554,958)	-
Total all other governmental funds	\$ 23,372,621	\$ 27,085,839	\$ 23,983,470	\$ 27,741,214	\$ 39,982,497	\$ 21,241,428	\$ 16,036,414	\$ 11,865,438	\$ 15,136,655	\$ 16,264,345
Total governmental funds										
Nonspendable	\$ 6,074,639	\$ 5,237,038	\$ 5,610,111	\$ 3,327,812	\$ 52,413	\$ -	\$ 22,472	\$ 43,238	\$ 38,113	\$ 22,732
Restricted	5,018,242	4,640,383	5,397,902	12,134,607	16,900,856	5,202,489	7,789,000	7,623,176	7,302,739	6,999,270
Committed	-	-	-	-	-	-	-	-	973,817	1,492,269
Assigned	22,986,484	26,443,129	24,226,624	19,182,325	26,610,038	20,162,978	14,950,589	13,002,772	9,723,865	9,678,651
Unassigned	6,121,597	6,169,033	2,850,066	6,562,677	8,547,237	9,067,503	6,677,535	1,969,651	6,257,632	7,397,900
Total governmental funds	\$ 40,200,962	\$ 42,489,583	\$ 38,084,703	\$ 41,207,421	\$ 52,110,544	\$ 34,432,970	\$ 29,439,596	\$ 22,638,837	\$ 24,296,166	\$ 25,590,822

CITY OF MARCO ISLAND, FLORIDA

Changes in Fund Balances of Governmental Funds (Unaudited)

Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

Schedule 4

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Taxes	\$ 23,485,289	\$ 22,860,552	\$ 22,319,617	\$ 21,616,594	\$ 21,260,490	\$ 21,919,438	\$ 21,674,458	\$ 21,670,064	\$ 21,241,859	\$ 20,114,041
Permits and fees	3,806,745	4,126,028	4,050,567	3,303,438	3,415,316	2,413,184	2,697,421	2,627,082	2,344,806	2,784,210
Intergovernmental	4,567,190	7,057,086	11,382,739	12,969,754	11,297,389	8,234,546	9,240,796	4,888,723	4,060,084	4,950,467
Charges for services	2,993,777	3,012,754	2,611,698	2,440,750	2,430,657	2,343,512	2,701,872	2,286,840	1,901,426	1,956,175
Fines and forfeitures	345,397	227,218	153,047	163,140	318,314	114,624	182,871	95,277	105,369	156,650
Interest income	3,138,556	4,599,393	3,240,792	(420,182)	94,431	1,205,992	1,508,783	517,873	293,100	255,206
Miscellaneous	150,321	459,175	379,136	207,591	181,058	169,910	113,644	594,034	523,285	349,358
Total revenues	38,487,275	42,342,206	44,137,596	40,281,085	38,997,655	36,401,206	38,119,845	32,679,893	30,468,909	30,566,107
Expenditures										
Current:										
General government	6,907,232	7,140,050	6,161,510	5,806,258	4,650,027	4,418,545	4,361,876	4,288,073	5,052,667	3,755,196
Police services	6,931,016	6,065,348	5,983,975	5,570,140	5,087,182	4,880,985	4,791,864	4,734,622	5,740,361	6,130,770
Fire and rescue	9,508,411	8,970,413	8,278,965	7,451,446	7,164,047	7,007,409	6,666,116	6,351,765	6,243,293	6,370,063
Code compliance	710,560	723,270	720,377	528,454	428,445	316,327	376,835	352,815	393,913	243,945
Building services	3,296,789	3,065,327	2,884,771	2,649,194	2,493,172	2,434,110	2,277,156	1,754,198	1,706,895	1,458,124
Transportation	3,338,357	3,059,569	2,788,825	2,476,461	2,940,045	3,132,882	2,692,835	2,618,797	2,571,329	2,366,584
Culture and recreation	1,225,314	1,158,682	1,313,705	1,131,912	1,278,972	1,396,368	1,466,497	1,376,783	1,235,917	837,184
Physical environment	-	90,000	-	-	-	-	-	-	-	-
Emergency and disaster recovery	1,037,111	321,456	832,031	372,928	216,626	697,600	309,148	3,660,868	1,955,216	-
Debt service:										
Principal	1,359,663	543,055	505,507	636,060	589,222	2,167,260	1,839,753	1,844,754	1,854,583	4,442,593
Interest	522,922	1,068,541	1,006,422	348,430	402,998	188,871	230,044	189,898	216,777	328,382
Bond issue cost	-	-	-	-	-	-	-	-	-	-
Capital outlay	8,362,845	7,439,661	16,662,145	24,755,382	9,364,226	5,690,182	6,369,822	9,936,334	6,562,366	5,975,257
Total expenditures	43,200,220	39,645,372	47,148,233	51,726,665	34,614,962	32,330,539	31,381,946	37,108,907	33,533,317	31,908,098
Excess (deficiency) of revenues over	(4,712,945)	2,696,834	(3,010,637)	(11,445,580)	4,382,693	4,070,667	6,737,899	(4,429,014)	(3,063,408)	(1,341,991)
Other financing sources (uses)										
Transfers in	5,194,974	6,144,861	5,457,835	5,476,290	10,706,832	7,366,398	5,509,901	7,388,864	7,184,106	5,510,704
Transfers out	(3,939,437)	(5,904,616)	(6,440,456)	(5,297,065)	(10,555,696)	(7,306,684)	(5,447,045)	(6,507,766)	(5,415,354)	(5,486,111)
Proceeds from sale of capital asset	126,000	-	-	-	-	862,982	-	-	-	-
Proceeds from insurance	-	-	-	-	1,457	-	-	-	-	-
Finance purchases	344,970	512,471	870,539	363,232	-	-	-	1,890,590	-	261,456
Leases	180,815	-	-	-	-	-	-	-	-	-
Subscription Based Information	517,002	-	-	-	-	-	-	-	-	-
Bonds issued	-	-	-	-	13,142,289	-	-	-	-	1,980,000
Total other financing sources (uses)	2,424,324	752,716	(112,082)	542,457	13,294,882	922,706	62,856	2,771,688	1,768,752	2,266,049
Net change in fund balance	\$ (2,288,621)	\$ 3,449,550	\$ (3,122,719)	\$ (10,903,123)	\$ 17,677,575	\$ 4,993,373	\$ 6,800,755	\$ (1,657,326)	\$ (1,294,656)	\$ 924,058
Debt service as a percentage of non-capital expenditures	5.40%	5.02%	4.96%	3.65%	3.93%	8.84%	8.28%	7.49%	7.68%	18.40%
Capital outlay (per Reconciliation of SRE to the SOA)	\$ 8,354,494	\$ 7,440,106	\$ 16,361,764	\$ 24,731,341	\$ 9,329,652	\$ 5,355,361	\$ 5,545,294	\$ 9,904,834	\$ 6,562,366	\$ 5,975,257
Capital outlay included in current expenditures	8,351	(445)	300,381	24,041	34,574	334,821	824,528	31,500	-	-
Total capital outlay	\$ 8,362,845	\$ 7,439,661	\$ 16,662,145	\$ 24,755,382	\$ 9,364,226	\$ 5,690,182	\$ 6,369,822	\$ 9,936,334	\$ 6,562,366	\$ 5,975,257

CITY OF MARCO ISLAND, FLORIDA

Assessed Value of Taxable Property
(Unaudited)

Last Ten Fiscal Years

Schedule 5

Fiscal Year	Tax Year	Real Property	Personal Property	Total Taxable Value ⁽²⁾	Percentage Increase (Decrease) Over Prior Year	Total Direct Tax Rate	Percentage Increase (Decrease) Over Prior Year
2017	2016	9,298,441,136	67,431,937	9,365,873,073	8.7%	2.0844	-2.7%
2018	2017	9,900,723,843	115,347,306	10,016,071,149	6.9%	1.9797	-5.0%
2019	2018	10,276,265,025	115,939,756	10,392,204,781	3.8%	1.9288	-2.6%
2020	2019	10,667,801,697	131,419,687	10,799,221,384	3.9%	1.8821	-2.4%
2021	2020	11,196,470,023	117,110,761	11,313,580,784	4.8%	1.7610	-6.4%
2022	2021	11,734,336,671	114,282,690	11,848,619,361	4.7%	1.7088	-3.0%
2023	2022	13,717,256,825	124,574,893	13,841,831,718	16.8%	1.4837	-13.2%
2024	2023	15,676,418,395	141,894,925	15,818,313,320	14.3%	1.3137	-11.5%
2025	2024	16,968,402,468	134,364,026	17,102,766,494	8.1%	1.2400	-5.6%
2026 ⁽¹⁾	2025	18,262,192,845	156,178,150	18,418,370,995	7.7%	1.2670	2.2%

⁽¹⁾ Information only; 2025 assessed values are used for fiscal year 2026 tax revenues.

⁽²⁾ Actual taxable value, as reported in this schedule, are net of certain tax-exemptions.

Assessed value is not provided because it cannot be reasonably estimated based on actual values.

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

Property Tax Rates for Direct and Overlapping Governments
(Per \$1,000 Assessed Values)
(Unaudited)

Last Ten Fiscal Years

Schedule 6

Fiscal Year Ended	Direct		Overlapping							
	City Operating	City Debt Service	Collier County Operating	Collier School Board	Mosquito Control	South FL Water Management	Water Pollution Control	Big Cypress Basin	Collier County Other	Total Levy
2016	2.0466	0.0953	3.5645	5.4800	0.0940	0.1459	0.0293	0.1429	0.0000	11.5985
2017	1.9966	0.0878	3.5645	5.2450	0.0878	0.1359	0.0293	0.1336	0.0000	11.2805
2018	1.8976	0.0821	3.5645	5.1220	0.1832	0.1275	0.0293	0.1270	0.0000	11.1332
2019	1.8492	0.0796	3.5645	5.0490	0.1775	0.1209	0.0293	0.1231	0.0000	10.9931
2020	1.8057	0.0764	3.5645	5.0830	0.1720	0.1152	0.0293	0.1192	0.0000	10.9653
2021	1.7610	0.0000	3.5645	5.0160	0.1662	0.1103	0.0293	0.1152	0.0000	10.7625
2022	1.7088	0.0000	3.5645	4.8890	0.1609	0.1061	0.0293	0.1116	0.2500	10.8202
2023	1.4837	0.0000	3.5645	4.4590	0.1609	0.0948	0.0293	0.0978	0.2500	10.1400
2024	1.3137	0.0000	3.2043	4.2920	0.1443	0.0948	0.0263	0.0978	0.2242	9.3974
2025	1.2400	0.0000	3.0107	4.3132	0.1349	0.0948	0.0246	0.0978	0.2096	9.1256
2026 ⁽¹⁾	1.2670	0.0000	3.0107	4.2490	0.1349	0.0948	0.0246	0.0978	0.2096	9.0884

⁽¹⁾ Information only. 2025 assessed values are used for fiscal year 2026 tax revenues.

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

Principal Property Taxpayers
(Unaudited)

For the Current Calendar Year and Nine Years Ago

Schedule 7

Taxpayer	Property by Type	January 1, 2024 Taxable Valuation	Rank	% of Total Assessed Valuation	Taxpayer	Property by Type	January 1, 2015 Taxable Valuation	Rank	% of Total Assessed Valuation
Marco Hotel LLC	Hospitality	\$ 255,984,063	1	1.50%	Marco Hotel Inc.	Hospitality	\$ 91,196,734	1	1.06%
Marco Beach Hotel Inc.	Hospitality	48,774,374	2	0.29%	Marco Beach Hotel Inc.	Hospitality	39,244,222	2	0.46%
Land Trust No 1082-0300	Residential	44,343,725	3	0.26%	BRE Southeast Retail Holdings LLC	Shopping Center	13,748,146	3	0.16%
Marriott Ownership Resorts	Hospitality	29,001,320	4	0.17%	Publix Super Markets LLC	Shopping Center	12,322,954	4	0.14%
Mardap Ltd	Hospitality	22,644,000	5	0.13%	Talbot Trust	Single Family Residence	9,263,044	5	0.11%
BRE SE Retail Holdings	Shopping Center	22,535,236	6	0.13%	GM Esplanade LLC	Shopping Center	9,065,460	6	0.11%
Bates, Wesley	Residential	21,525,891	7	0.13%	Van Cleef, Gary R & Louise	Single Family Residence	8,546,884	7	0.10%
Charter Club of M/B Assoc	Hospitality	18,424,412	8	0.11%	Venetian Investments, LLC	Shopping Center	7,872,766	8	0.09%
Van Cleef, Gary R & Louise	Residential	18,398,145	9	0.11%	Curtis, David B, Vicki A	Single Family Residence	7,484,687	9	0.09%
Publix Super Markets LLC	Shopping Center	18,373,199	10	0.11%	Island Plaza Investments LLC	Single Family Residence	7,443,822	10	0.09%
Total		\$ 500,004,365		2.92%			\$ 206,188,719		2.39%

Source: Collier County Property Appraiser

CITY OF MARCO ISLAND, FLORIDA

Property Tax Levies and Collections (1)
(Unaudited)

Last Ten Fiscal Years

Schedule 8

Fiscal Year	Tax Year	Total Tax Levy (2)	Percent of		Delinquent Tax Collections	Total Collections To Date	Percent of Total Collections To Date
			Current Tax Collections (2)	Current Taxes Collected			
2016	2015	18,463,103	17,796,052	96.4%	2,994	17,799,046	96.4%
2017	2016	19,518,479	18,806,052	96.3%	2,994	18,809,046	96.4%
2018	2017	19,828,816	19,108,784	96.4%	4,742	19,113,526	96.4%
2019	2018	20,044,485	19,266,581	96.1%	14,675	19,281,256	96.2%
2020	2019	20,325,214	19,266,581	94.8%	3,470	19,270,051	94.8%
2021	2020	20,246,921	19,253,362	95.1%	5,630	19,258,992	95.1%
2022	2021	20,246,921	19,504,744	96.3%	-	19,504,744	96.3%
2023	2022	20,537,126	19,737,410	96.1%	3,261	19,740,671	96.1%
2024	2023	20,780,518	20,001,959	96.3%	-	20,001,959	96.3%
2025	2024	21,214,004	20,454,092	96.4%	4,424	20,458,516	96.4%

Source: Collier County Tax Collector

(1) Under Florida State Statutes, property owners are entitled to up to a 4% reduction in ad valorem tax payments for early payment. Outstanding delinquent taxes for the City are not significant.

(2) Total tax levy and tax collection columns are City operating and special voted debt service, and does not include Hideaway Beach Tax District.

CITY OF MARCO ISLAND, FLORIDA

Ratios of Outstanding Debt by type (Unaudited)

Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

Schedule 9

Fiscal Year	Governmental Activities						Business-Type Activities								
	General Obligation Bonds	Sales Tax Revenue	Capital Improvement Revenue	Public Improvement Revenue	Subscriptions Payable		Financed Purchases	Leases Payable	Revolving Loan	Water/Sewer (1)		STRP (2) Assessment Bonds & Notes	Total Primary Government	Percentage (3) of Personal Income	Per (3) Capita
		Bonds	Note	Bond	Revenue	Payable				Purchases	Payable				
2016	\$ 3,080,000	\$ 1,980,000	\$5,705,000		\$870,173		\$ 139,257,720	\$ 4,277,591		\$ 47,180,293	\$ 202,350,777	22.47%	\$ 11,952		
2017	2,325,000	1,995,000	5,360,000		500,590		131,649,366	4,042,267		44,483,945	189,956,188	19.27%	11,150		
2018	1,560,000	1,200,000	5,005,000		2,061,427		126,002,741	3,800,621		41,690,809	181,320,598	18.12%	10,607		
2019	785,000	805,000	4,640,000		1,756,674		120,315,259	3,552,483		38,798,675	170,653,091	15.16%	9,837		
2020	-	-	4,265,000		1,554,414		119,754,951	3,297,678		35,804,000	164,676,073	12.67%	10,449		
2021	-	-	3,885,000		1,345,193		114,745,590	3,036,028		32,709,143	168,863,233	12.99%	10,715		
2022	-	-	3,495,000		1,462,364		107,559,132	2,767,349		29,502,979	157,861,966	13.61%	9,888		
2023	-	-	3,095,000		2,116,482		100,186,279	2,491,451		26,183,369	146,632,403	10.17%	9,067		
2024	-	-	2,651,974		2,385,911		87,571,238	2,208,141		22,750,744	129,594,240	7.88%	7,995		
2025	-	-	2,231,974		2,439,177		80,291,924	1,917,219	51	171,175	125,830,544	6.97%	7,601		

(1) Water and wastewater operations on Marco Island and at Marco Shores acquired from Florida Water Services in November, 2003.

(2) Septic Tank Replacement Program. Includes permanent financing and state revolving loans. All of this debt is secured by special assessment districts. Includes \$14,453,111 of State Loan financing for the Septic Tank Replacement Program.

(3) See Table 13 Schedule of Demographic and Economic Statistics for personal income and population data.

Source: City of Marco Island Finance Department.

CITY OF MARCO ISLAND, FLORIDA

Ratios of General Bonded Debt Outstanding
(Unaudited)

Last Ten Fiscal Years

Schedule 10

Fiscal Year	General Obligation Bonds	Percentage of Net Assessed Property Value (1)	Per Capita ⁽²⁾
2016	3,080,000	0.04%	182
2017	2,325,000	0.02%	136
2018	1,560,000	0.02%	91
2019	785,000	0.01%	45
2020	-	0.00%	-
2021	-	0.00%	-
2022	-	0.00%	-
2023	-	0.00%	-
2024	-	0.00%	-
2025	-	0.00%	-

(1) See Schedule 5, Assessed Value of Taxable Property, for net assessed property value data.

(2) See Schedule 13, Demographic and Economic Statistics, for population data.

Source: City of Marco Island Finance Department.

CITY OF MARCO ISLAND, FLORIDA

Direct and Overlapping Governmental Activities Debt
(Unaudited)

As of September 30, 2025

Schedule 11

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Marco Island Direct Debt			
Non Ad Valorem Capital Improvement Revenue Note	\$ 2,231,974	100.00%	\$ 2,231,974
Non Ad Valorem Public Improvement Revenue Bond	11,474,790	100.00%	11,474,790
Financed purchases	2,439,177	100.00%	2,439,177
Leases Payable	131,589	100.00%	131,589
Subscriptions Payable	358,268	100.00%	358,268
Total direct debt			<u>16,635,798</u>
Overlapping debt			
Collier County	323,626,200	11.31%	36,602,123
Collier County School Board	49,613,570	11.31%	5,611,295
Total overlapping debt			<u>42,213,418</u>
Total direct and overlapping debt			<u>\$ 58,849,216</u>

Sources: Debt outstanding data was provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Marco Island. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

CITY OF MARCO ISLAND, FLORIDA

Pledged Revenue Bond Coverage Water/Sewer Revenue Bonds and Sales Tax Revenue Bonds (Unaudited)

Last Ten Fiscal Years

Schedule 12

Fiscal Year	(1)	Water/Sewer Enterprise Fund				General Fund			
		Water/Sewer Revenue	Water/Sewer Impact Fees	Less Operating Expenses	Net Revenues With Impact Fees	Net Revenues Without Impact Fees	Debt Service	Coverage With Impact Fees (2)	Coverage Without Impact Fees (3)
								(4)	(5)
2016		29,948,235	2,089,797	12,602,669	19,435,363	17,345,566	10,473,653	1.86	1.66
2017		32,362,964	1,471,844	12,752,921	21,081,887	19,610,043	9,347,412	2.26	2.10
2018		33,094,437	829,439	12,765,341	21,158,535	20,329,096	10,404,170	2.03	1.95
2019		33,356,462	1,121,173	13,701,045	20,776,590	19,655,417	10,456,957	1.99	1.88
2020		33,021,500	1,083,768	14,046,097	20,059,191	18,975,403	10,398,910	1.93	1.82
2021		34,459,926	2,496,872	14,698,106	22,258,692	19,761,820	8,044,651	2.77	2.46
2022		34,410,156	2,048,587	15,133,560	21,325,183	19,276,596	10,020,880	2.13	1.92
2023		36,473,302	1,512,281	16,977,207	21,008,376	19,496,095	10,153,588	2.07	1.92
2024		36,375,379	1,197,398	18,762,630	18,810,147	17,612,749	9,949,222	1.89	1.77
2025		36,587,599	1,197,399	18,615,749	19,169,249	17,971,850	9,520,120	2.01	1.89

(1) The City purchased the water and sewer utility operations in November 2003, or fiscal year 2004, from Florida Water Services, Inc. Utility revenue bonds in the amount of \$101 million were issued to finance the acquisition.
The sales tax revenue bonds were issued in August 2005 to finance the purchase of Veterans Community Park.

(2) Sewer assessment long-term debt is excluded.

(3) Debt service coverage requirement, with impact fees included in net revenues, is 1.20.

(4) Debt service coverage requirement, with impact fees excluded from net revenues, is 1.10.

(5) Through fiscal year 2020 the only pledged revenue was the half-cent sales tax. With the issuance of the Series 2021 Bonds, pledged revenues include the half-cent sales tax, communications services tax, and up to 50% of the state revenue sharing amount.

Source: City of Marco Island Finance Department

CITY OF MARCO ISLAND, FLORIDA

Demographic and Economic Statistics (Unaudited)

Last Ten Fiscal Years

Schedule 13

Fiscal Year	Population			Income			Florida Unemployment Rate ⁽³⁾
	City of Marco Island ⁽¹⁾	Collier County ⁽¹⁾	State of Florida ⁽¹⁾	Florida Personal Income (in millions of dollars) ⁽²⁾	Naples-Marco Island Per Capita Personal Income ⁽²⁾	Florida Per Capita Personal Income ⁽²⁾	
2016	16,930	350,202	20,148,654	900,636	78,473	44,429	4.7
2017	17,036	357,470	20,484,142	985,795	84,101	46,876	3.8
2018	17,094	367,347	20,840,568	1,000,624	87,829	47,684	3.3
2019	17,348	376,706	21,208,589	1,124,128	92,686	51,894	3.1
2020	17,834	384,902	21,477,737	1,125,984	99,382	52,426	7.4
2021	15,760	375,752	21,538,187	1,299,645	103,865	60,341	3.4
2022	15,969	385,980	22,244,823	1,160,014	117,984	52,148	2.6
2023	16,172	397,994	22,610,726	1,441,599	126,031	54,746	2.8
2024	16,210	416,233	23,372,215	1,645,166	134,527	70,390	3.5
2025	16,554	417,131	23,462,518	1,804,673	150,140 ⁽⁴⁾	76,865	3.9

(1) Source: U.S. Census Bureau

(2) Source: U.S. Department of Commerce Bureau of Economic Analysis

(3) Source: U.S. Department of Labor Bureau of Labor Statistics

(4) Source: Collier County per capita personal income

CITY OF MARCO ISLAND, FLORIDA

Top Ten Employers, Naples-Marco Island (Unaudited)

Fiscal Year 2025 and Nine Years Ago

Schedule 14

Fiscal Year 2025 ⁽¹⁾				Fiscal Year 2016 ⁽²⁾			
Employer	Business Type	Employees	Rank	Employer	Business Type	Employees	Rank
Collier County Public Schools	Public Education	6,091	1	Collier County Public Schools	Public Education	5,286	1
Collier County Government (non-Sheriff)	Government	5,262	2	NCH Healthcare System	Health Care	3,900	2
NCH Healthcare System	Health Care	3,940	3	Collier County Government (non-Sheriff)	Government	1,670	3
Arthex Manufacturing	Health Care	3,883	4	Collier County Sheriff	Government	1,379	4
Publix Supermarkets	Supermarket	3,306	5	Ritz Carlton, Naples	Hospitality	1,110	5
Physicians Regional Healthcare System	Health Care	2,630	6	Gargiulo, Inc.	Food Safety	1,110	6
Gargiulo, Inc.	Food Safety	2,082	7	Arthex, Inc.	Health Care	1,056	7
Walmart, Inc.	Retail	1,860	8	Hometown Inspection Svc.	Home Safety	900	8
Marriott International, Inc.	Hospitality	763	9	Publix Supermarkets	Supermarket	800	9
JR Wood Properties	Real Estate	761	10	Naples Grant Beach Resort	Hospitality	760	10
Total		30,578		Total		17,971	

(1) Source: Florida Department of Economic Opportunity

(2) Source: Fiscal Year 2016 CAFR

CITY OF MARCO ISLAND, FLORIDA

Full-time Equivalent Employees
by Department as of September 30, 2025
(Unaudited)

Last Ten Fiscal Years

Schedule 15

Department	2025	2024	2023	2022	2021 ⁽²⁾	2020	2019	2018	2017 ⁽¹⁾	2016
General Fund:										
Executive Administrative	7.0	7.5	8.0	7.5	8.5	8.5	6.0	5.0	7.0	6.0
Information Technology	5.0	4.0	4.0	4.0	3.5	3.5	4.5	4.0	4.0	1.0
Fleet and Facilities	10.5	10.5	11.5	8.5	7.0	-	-	-	-	-
Finance	5.0	6.0	6.0	6.0	6.0	6.0	6.5	6.5	5.5	7.0
Community Development	7.0	6.0	7.0	6.0	6.5	6.5	6.0	6.0	5.0	4.0
Fire / Rescue	46.5	45.0	46.5	42.0	42.0	44.0	42.5	43.0	43.0	42.0
Code Compliance	10.0	8.5	9.5	5.5	6.0	7.0	8.0	9.0	7.5	9.3
Police	42.0	39.0	39.0	41.5	40.0	39.0	36.0	37.5	37.5	35.0
Public Works	12.0	13.0	12.0	12.0	13.0	12.0	11.0	11.0	11.0	9.0
Parks and Recreation	11.0	10.0	10.5	9.0	8.5	13.0	13.0	13.0	12.5	10.0
Total General Fund	156.0	149.5	154.0	142.0	141.0	139.5	133.5	135.0	133.0	123.3
Water / Sewer Enterprise Fund	72.0	74.0	71.0	59.0	73.0	72.5	71.0	70.0	65.0	64.0
Building Services Fund	22.0	23.5	22.0	19.5	19.5	19.0	21.0	18.5	16.0	11.3
Recreation Enterprise Fund	-	-	-	-	-	-	-	-	-	3.0
Total	250.0	247.0	247.0	220.5	233.5	231.0	225.5	223.5	214.0	201.5

(1) Recreation Enterprise functions were transferred to Park and Recreation in the General Fund.

(2) Fleet and Facilities personnel were transferred from Parks and Public Works to better match employee duties to their true function.

Source: City of Marco Island, Human Resources Department.

CITY OF MARCO ISLAND, FLORIDA

Operating Indicators by Department
(Unaudited)

Last Ten Fiscal Years

Schedule 16

Department	2025	2024**	2023	2022	2021*	2020*	2019	2018	2017	2016
Police Department Calls for Service	136,876	113,869	132,661	167,414	161,879	90,998	50,140	45,195	45,426	41,116
Fire Department Calls for Service	3,956	4,104	4,065	4,142	3,606	3,743	3,329	3,417	3,872	3,571
Building Department New Single-Family Homes	101	103	134	206	272	100	107	96	99	101
New Multi-Family Units	-	-	-	-	-	-	-	-	-	-
Total Permits Issued	7,412	7,322	7,729	7,457	8,226	6,836	8,125	10,193	7,203	5,841
Water Production Number of Customers	11,094	10,712	10,625	10,605	10,526	10,255	10,033	9,969	9,881	9,800
Raw Flow into Water Plants: (Surface and Ground)										
Average Daily Treatment (Millions of gallons)	10	9.86	9.84	9.56	8.44	8.21	8.37	8.25	7.94	7.30
Maximum Daily Treatment (Millions of gallons)	13	12.73	12.19	11.84	11.63	11.52	12.37	11.61	11.05	10.89
Wastewater Treatment Number of Customers	10,537	10,610	10,302	10,288	10,456	9,803	9,653	9,572	9,424	9,372
Flow into Wastewater Plants:										
Average Daily Treatment (Millions of gallons)	2	2.40	2.22	2.31	2.32	2.31	2.20	2.08	2.04	2.09
Maximum Daily Treatment (Millions of gallons)	5	6.51	3.74	4.69	3.58	5.09	4.21	3.55	5.11	4.80

Source: City of Marco Island

* The main driver for the increase in calls was the inclusion of self initiated calls that are part of the community policing program which was exacerbated by the response to the COVID19 Pandemic, as well as the inclusion of Code Enforcement related calls.

** The increase in maximum daily treatment of wastewater was due to inflow and infiltration caused by Hurricane Milton.

CITY OF MARCO ISLAND, FLORIDA

Capital Asset Statistics by Function/Program
(Unaudited)

Last Ten Fiscal Years

Schedule 17

Function/Program	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police Department										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	12	10	10	12	12	12	12	12	12	12
Fire Department										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Number of Parks	9	9	9	10	10	10	10	10	10	10
Park Acreage	55.4	55.4	55.4	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Tennis Courts	6	6	6	7	7	7	7	7	8	8
Pickleball Courts	9	9	9	5	5	5	5	5	0	0
Boce Ball Courts	5	5	5	4	4	4	4	4	3	3
Shuffleboard Courts	4	4	4	3	3	3	3	3	7	7
Racquetball Courts	2	2	2	2	2	2	2	2	2	2
Basketball Courts	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	2	3	3	3	3	3	3	3	3	3
Teen Center	1	1	1	1	1	1	1	1	1	1
Sand Volleyball	1	1	1	1	1	1	1	1	1	1
Public Beach Access	2	2	2	2	2	2	2	2	2	2
Public River Access	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (Centerline Miles)	127	127	127	127	127	127	127	127	127	127
Signalized Intersections	11	11	11	11	11	11	11	10	10	10
Bridges	15	15	15	15	15	15	15	15	15	15
Utilities										
Number of Water Plants	3	3	3	3	3	3	3	3	3	3
Number of Waste Water Plants	1	1	1	1	1	1	2	2	2	2
Water Lines (Miles)	155	155	155	155	155	155	155	155	155	155
Sewer Lines (Miles)	202	202	202	202	202	202	202	202	202	202

Source: City of Marco Island

CITY OF MARCO ISLAND, FLORIDA

SINGLE AUDIT AND OTHER REPORTS AND LETTERS



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

City Council
City of Marco Island, Florida
Marco Island, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marco Island, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

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 items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

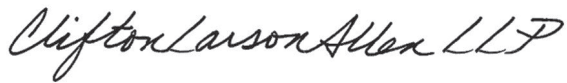
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Marco Island, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Naples, Florida
June 22, 2026



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

City Council
City of Marco Island, Florida
Marco Island, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the City of Marco Island, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the State of Florida Department of Financial Services' *State Projects Compliance Supplements* that could have a direct and material effect on each of the City's state projects for the year ended September 30, 2025. The City's state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits (Chapter 10.550). Our responsibilities under those standards and Chapter 10.550 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 state project. Our audit does not provide a legal determination of the City'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 City's state projects.

Auditors' 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 City'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 GAAS, *Government Auditing Standards*, and Chapter 10.550 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 City's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, 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 City'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 City'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 Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Report on Internal Control Over Compliance

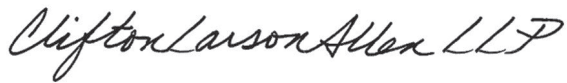
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Naples, Florida
June 22, 2026

CITY OF MARCO ISLAND, FLORIDA

Schedule of Expenditures of State Financial Assistance For the Fiscal Year Ended September 30, 2025

State Agency/Pass-Through Entity/ State Project Title	CSFA Number	Pass-Through Entity / Identifying Number	Provided to Subrecipients	Total State Expenditures
Florida Department of Environmental Protection				
Florida Statewide Water Quality Restoration Projects	37.039	LPA002	\$ 4,500	\$ -
Florida Statewide Water Quality Restoration Projects	37.039	LP1107B	579,999	-
Florida Statewide Water Quality Restoration Projects	37.039	LPA0571	998	-
Florida Statewide Water Quality Restoration Projects	37.039	L0069	16,292	-
Total Florida Statewide Water Quality Restoration Projects			601,789	-
 Resilient Florida Program	 37.098	 22SRP70	 181,895	 -
Total Florida Department of Environmental Protection			783,684	-
Fish and Wildlife Conservation Commission				
Derelict Vessel Removal Program	77.005	FWC-24169	25,200	-
Total Fish and Wildlife Conservation Commission			25,200	-
 Total Expenditures of State Financial Assistance			 \$ 808,884	 \$ -

CITY OF MARCO ISLAND, FLORIDA

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Basis of Presentation

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state financial assistance activity of the City of Marco Island, Florida (the City) under programs of the State of Florida for the year ended September 30, 2025.

The information in this Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes, and *Rules of the Auditor General*, Chapter 10.550.

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting in the governmental funds and full accrual basis in the proprietary funds. Such expenditures are recognized following Section 215.97 and Chapter 10.550 for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**CITY OF MARCO ISLAND, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

State Financial Assistance Section

1. Internal control over major state projects:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
2. Type of auditors' report issued on compliance for state projects: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General? yes X no

Identification of Major State Projects

CSFA Number(s)

37.039

Name of State Project

Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between Type A and Type B state projects:

\$ 300,000

**CITY OF MARCO ISLAND, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

2025 – 001 Grant Accounting and Reporting

Type of Finding: Material Weakness in Internal Control Over Financial Reporting.

Condition: The City did not account for grants expenditures and the related revenues in the correct period and therefore the financial statements and supporting schedules were not prepared accurately. As a result, management recorded adjustments to the financial statements and related schedules related to grant expenditures and revenues.

Criteria of Specific Requirement: *2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 69I-5, Rules of the Florida Department of Financial Services, require auditees to prepare a Schedule. GASB Statement No. 33 requires that revenue from nonexchange transactions (such as grants) be recognized when all eligibility requirements are met.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the City's ability to ensure financial transactions are authorized and accurate. The City's management is responsible for establishing and maintaining internal controls for year-end financial reporting and the proper recording of all transactions throughout the year. Proper recording of grant transactions is a requirement for accurate financial reporting.

Effect: The financial statements and supporting schedules were inaccurate and required adjustments from management to correct.

Cause: The City's internal controls did not prevent or detect the errors.

Repeat Finding: Yes, finding 2024-001

Recommendation: We recommend that the City revise its accounting policies and procedures to ensure compliance with GASB 33, Uniform Guidance (2 CFR Part 200), and Chapter 69I-5 of the Florida Administrative Code, review the headcount of the finance department to determine if there is adequate amount of staff to properly account for day to day financial transactions and year end close, and ensure that finance department personnel are adequately trained and experienced in accounting for grants and related financial reporting.

View Responsible Official and Planned Corrective Actions:

There is no disagreement with the audit finding. See Corrective Action Plan.

**CITY OF MARCO ISLAND, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings (Continued)

2025 – 002 Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting.

Condition: As part of the audit, we proposed audit adjustments to correct the City's financial statements at year-end.

Criteria of Specific Requirement: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the City's ability to ensure financial transactions are authorized and accurate. The City's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's transactions in the financial statements.

Effect: The City's financial records were misstated, and we proposed adjusting entries to management to correct the City's financial records. The proposed adjustments were recorded by management to correct the financial statements.

Cause: The City's internal controls did not prevent or detect the errors.

Repeat Finding: Yes, finding 2024-002

Recommendation: We recommend that management enhance its review over financial records to ensure information is accurately recorded, review the headcount of the finance department to determine if there is adequate amount of staff to properly account for day to day financial transactions and year end close, and ensure that finance department personnel are adequately trained and experienced to properly account for the transactions of the City throughout the year and at year end.

View Responsible Official and Planned Corrective Actions: There is no disagreement with the audit finding. See Corrective Action Plan.

**CITY OF MARCO ISLAND, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

Section III – Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with Rule 10.554(1)(I)4, Rules of the Florida Auditor General.



MANAGEMENT LETTER

City Council
City of Marco Island, Florida
Marco Island, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Marco Island, Florida (the City) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 22, 2026.

Auditors' 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; 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 Auditors' 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 Auditors' 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 Accountants' 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 22, 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. See the below schedule for the status of prior audit findings.

Prior Year Findings		Finding Number			Current Year Status		
		Current Year	2023-2024	2022-2023	Cleared	Partially Cleared	Not Cleared
Grant Accounting and Reporting	Material Weakness	2025-001	2024-001	N/A			X
Audit Adjustments	Material Weakness	2025-002	2024-002	N/A			X
Reporting - 97.036	Significant Deficiency	2024-003	2024-003	N/A			X
Reporting - 37.039	Significant Deficiency	N/A	2024-004	N/A	X		

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City discloses this information in the notes to the financial statements.

Financial Condition and Management

Sections 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 City 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 City 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 City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, we are required to communicate a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. A PACE program did not operate within the City'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. The City does not have any special district component units.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Hideaway Beach Special Taxing District (District) reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as: 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as: 3.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as: \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as: \$1,300,769 for FY25. An increase from prior year attributed to Tigertail Sand Dollar Restoration Project.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: \$1,194,112.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as: \$645,365.

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 has an effect on the financial statements that is less than material but 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 Council Members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Naples, Florida
June 22, 2026



INDEPENDENT ACCOUNTANTS' REPORT

City Council
City of Marco Island, Florida
Marco Island, Florida

We have examined the City of Marco Island, Florida's (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City'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 City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City 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 engagement.

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
June 22, 2026



City of Marco Island

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

The State of Florida Auditor General's Office

The City of Marco Island respectfully submits the following summary schedule of prior audit findings for the year ended 2024.

Audit period: October 1, 2024 – September 30, 2025

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2024 – 001 Grant Accounting and Reporting

Condition: The City did not account for grant expenditures and the related revenues in the correct period and therefore the financial statements and supporting schedules were not prepared accurately. As a result, management recorded adjustments to the financial statements and related schedules to grant expenditures and revenues.

Status: Not corrected. See current year finding number 2025-001.

Reason for finding's recurrence: The issues were not fully addressed by prior corrective actions because of the turnover of key roles at the City.

Partial corrective action taken: While the City revised its accounting policies and procedures to ensure compliance with GASB33, Uniform Guidance (2 CFR Part 200), and Chapter 691-5 of the Florida Administrative Code, identified controls to ensure grant revenue and expenditures are recognized when eligibility requirements are met, and strengthened the preparation and review process for the SEFA (Schedule of Expenditures of Federal Awards) and State Financial Assistance reports to ensure completeness and accuracy, the findings are still present.

Corrective Action: The City is hiring to fill the key roles needed to ensure compliance with GASB33.

CITY OF MARCO ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

2024 – 002 Audit Adjustments

Condition: As part of the audit, the auditors proposed audit adjustments to correct the City's financial statements at year-end, including audit adjustments to restate beginning balance of net position and fund balance.

Status: Not corrected. See current year finding number 2025-002

Reason for finding's recurrence: The finding recurred due to turnover of key roles in the City.

Partial corrective action taken: The City updated its year-end procedures to enhance review of financial records to ensure information is accurately recorded.

Corrective Action: Key roles are being filled, and the team will continue its development of a comprehensive year end timeline that encompasses all deliverables to ensure the financials are complete.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2024 – 003 Reporting

Condition: It was observed that quarterly progress reports lacked documentation of review and approval by management prior to submission to the granting agency.

Status: Not corrected.

Reason for finding's recurrence: The finding recurred due to turnover of key roles in the City.

Partial corrective action taken: The City implemented a review and approval process for all quarterly progress report submissions. We trained our staff on the importance of the review and approval process and ensured that staffing levels were adequate to handle the review process. We regularly monitor and audit the review process to ensure compliance.

Corrective Action: Key roles are being filled, and a team member will be identified as the one point of contact to track the review, approval, and submission of the quarterly reporting.

FINDINGS – MAJOR STATE PROJECTS

2024 - 004 Reporting

Condition: During testing, it was noted that quarterly reports were not submitted within 20 days of period-end.

Status: Corrected. The City updated its policies, procedures and controls to ensure reports are filed timely. We initiated a tracking system for each grant which includes significant reporting requirements and deadlines.

Reason for finding's recurrence:

Corrective Action:

If the State of Florida Auditor General's Office has questions regarding this schedule, please call Marcia Saulo, Finance Director, at 239-389-5193.



CITY OF MARCO ISLAND CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2025

The State of Florida Auditor General's Office

City of Marco Island, Florida respectfully submits the following corrective action plan for the year ended September 30, 2025.

Audit period: October 1, 2024 – September 30, 2025

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2025-001 Grant Accounting and Reporting

Recommendation: We recommend that the City revise its accounting policies and procedures to ensure compliance with GASB 33, Uniform Guidance (2 CFR Part 200), and Chapter 69I-5 of the Florida Administrative Code, review the headcount of the finance department to determine if there is adequate amount of staff to properly account for day to day financial transactions and year end close, and ensure that finance department personnel are adequately trained and experienced in accounting for grants and related financial reporting.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

The City has revised its accounting policies and procedures to ensure compliance with GASB 33, Uniform Guidance (2 CFR Part 200), and Chapter 69I-5 of the Florida Administrative Code.

Management agrees that insufficient staffing levels within the finance and accounting function during the reporting period created challenges in maintaining appropriate and timely review of grants expenditures with adequate management oversight to ensure all related revenues were reported in the correct period. Required controls were not executed with the necessary independence and frequency to prevent and detect errors.

To address this weakness, the City has hired a new Finance Director and Finance Manager. This team will:

- Restructure internal responsibilities to strengthen oversight and ensure all key controls are performed and documented timely.
- Enhance monitoring procedures, including the implementation of standardized review checklists and documented second-level approvals to ensure consistency and completeness.
- Ensure staff are adequately trained in accounting for grants and related financial reporting.

We are committed to implementing a revised control structure and will continue to monitor the effectiveness of our internal controls to ensure compliance and reliability in grant accounting and reporting.

Name(s) of the contact person(s) responsible for corrective action: Marcia Saulo

Planned completion date for corrective action plan: September 30, 2026



CITY OF MARCO ISLAND CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2025

MATERIAL WEAKNESS

2025-002 Audit Adjustments

Recommendation: We recommend that management enhance its review over financial records to ensure information is accurately recorded, review the headcount of the finance department to determine if there is adequate amount of staff to properly account for day to day financial transactions and year end close, and ensure that finance department personnel are adequately trained and experienced to properly account for the transactions of the City throughout the year and at year end.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

To address this weakness, the City has hired a new Finance Director and Finance Manager. This team will:

- Restructure internal responsibilities to strengthen oversight and ensure all key controls are performed and documented timely.
- Enhance monitoring procedures, including the implementation of standardized review checklists and documented second-level approvals to ensure consistency and completeness.
- Ensure staff are adequately trained in accounting for grants and related financial reporting.

We are committed to implementing a revised control structure and will continue to monitor the effectiveness of our internal controls to ensure compliance and reliability in grant accounting and reporting.

Name(s) of the contact person(s) responsible for corrective action: Marcia Saulo

Planned completion date for corrective action plan: September 30, 2026

If the State of Florida Auditor General's Office has questions regarding this plan, please call Marcia Saulo, Finance Director at 239-389-5193.