



Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2008



CITY OF MARATHON, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PREPARED BY THE FINANCE DEPARTMENT

CITY OF MARATHON, FLORIDA

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CITY OF MARATHON, FLORIDA

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INTRODUCTORY SECTION



CITY OF MARATHON, FLORIDA

9805 Overseas Highway, Marathon, Florida 33050
Phone: (305) 743-0033 Fax: (305) 743-3667

March 24, 2009

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Marathon:

State law requires that all general-purpose local governments publish within one year 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 auditing standards generally accepted in the United States and Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Marathon for the fiscal year ended September 30, 2008.

This report consists of management's representations concerning the finances of the City of Marathon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Marathon has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Marathon's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Marathon'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 of Marathon's financial statements have been audited by Rachlin LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Marathon for the fiscal year ended September 30, 2008, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marathon's financial statements for the fiscal year ended September 30, 2008, 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.

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, GAAP 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 MD&A and should be read in conjunction with it. The City of Marathon's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Marathon, incorporated November 30, 1999, is located approximately one hour from Key West, Florida and Key Largo, Florida. Marathon is known as the “Heart of the Florida Keys”. Its boundaries run from the east end of the Seven Mile Bridge, mile marker 47, to the west end of Tom’s Harbor Bridge, approximately mile marker 60. The islands of Marathon include Boot Key, Knights Key, Hog Key, Vaca Key, Stirrup Key, Crawl and Little Crawl Key, East and West Sister’s Island, Deer Key, Little Deer Key, Fat Deer Key, Long Point Key, and Grassy Key. The City of Marathon is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Council.

The City of Marathon operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The City Council is responsible, among other things, for passing ordinances, resolutions, and regulations governing the city, adopting the budget, and appointing the city manager, city attorney, and members of various boards. The City Manager is responsible for carrying out the policies and ordinances adopted by the City Council, for overseeing the day-to-day operations of the City, appointing the heads of the various departments, and submission of the budget to City Council for approval. The mayor and four council members are elected at large every two years with a term limit of three consecutive terms.

The City of Marathon provides a wide variety of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; planning and zoning; building and code enforcement; and recreational activities and community events. The City also manages three enterprise funds including a City marina facility, a wastewater utility and a stormwater utility.

The financial reporting entity (the City of Marathon) includes all of the funds of the City. The City does not have any component units. A component unit is a legally separate entity for which the City is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The annual budget serves as the foundation for the City of Marathon’s financial planning and control. All departments of the City of Marathon 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. The City Manager then presents this proposed budget to City Council for review prior to September 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Marathon’s fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers within a department with the approval of the City Manager. Transfers of appropriations between departments, however, require the approval of the City Council. A budget-to-actual comparison for the general fund is included as Required Supplementary Information on page 44 following the notes to the basic financial statements. A budget-to-actual comparison for the capital infrastructure fund and street maintenance fund is also included as Required Supplementary Information following the notes to the basic financial statements on pages 45-46. For governmental funds, other than the general fund, capital infrastructure fund, and street maintenance fund, this comparison is presented in the nonmajor governmental fund subsection of this report, on pages 52-53.

Factors Affecting Financial Condition

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

Local Economy

The City of Marathon currently enjoys a favorable economic environment and local indicators point to continued stability. Marathon's ideal location between Key Largo and Key West makes it a desirable place in which to live and work. Tourism is an important economic factor, which offers excellent sport fishing and recreational diving opportunities. The tropical climate, in addition to the recreational water activities, makes the City a major tourist destination as well as a desirable retirement and second home location.

The economic condition of the area during the past year was positive. Due to the current economic condition, the outlook is flat. Property tax values decreased and revenues decreased. In September 2008, the area's unemployment rate was 5.5%, better than the statewide rate of 7.5%.

Long-term Financial Planning

The City continues to pursue its long-term goals as outlined in the Five Year Capital Improvement Plan adopted annually by the City Council and the City's Planning Commission. During the fiscal year ended September 30, 2008 the construction of a new Fire Station was completed; construction also continued for the implementation of City-wide wastewater treatment and stormwater management utilities. Other major projects currently included in the Five Year Capital Improvement Plan are:

- Improvements to the City boat ramps
- The construction of a Marina service building, parking area and boardwalk
- The implementation of the Fire Safety Program
- Continuing improvements to City parks and beaches

Cash Management Policies and Practices

The City maintains a pooled cash account for all funds. The cash management program is designed to maintain earnings free from risk, maintain adequate liquidity to meet the City's obligations, and maximize investment return. The City formally adopted its written investment policy pursuant to Florida Statutes, Section 218.415 in 2004.

The City has primarily invested in certificates of deposits with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act", and with the State Board of Administration Investment Pool. The combined interest earnings from all sources totaled \$539,492. The City of Marathon Firefighters' Pension and Trust Fund manage their own funds and are not included in the City's pooled cash system.

Risk Management

The City of Marathon is exposed to various risks of loss. The City purchases commercial insurance coverage for general liability, property damage, auto liability, and workers' compensation. This insurance coverage assumes all risk of loss up to the policy maximum after a premium deductible. The coverage is evaluated annually by management and adjusted as needed to provide the most cost effective protection for the City.

Pension Benefits

The employees of the City, except for firefighters, are covered under a defined contribution plan administered by ICMA Retirement Corporation. The City contributes 10% for all full-time employees, except the City Manager for which the City contributes 15%. This plan is not reported as a fund of the City but is disclosed in the notes to the financial statements as a defined contribution pension plan.

The City also sponsors a deferred compensation plan which qualifies under Internal Revenue Code Section 457. The plan is funded by employee contributions and administered by ICMA Retirement

Corporation. This plan is not reported as a fund of the City nor is it disclosed in the notes to the financial statements.

Effective October 1, 2005 the City adopted a defined benefit local law plan under Chapter 175, Florida Statutes for the full-time firefighters. A separate Board is responsible for the administration of this plan. State premium tax revenue, which is collected from insurance companies on a calendar year basis, is used as the primary source of revenue for providing these benefits. Both the City and its firefighter employees make contributions to the plan; however, the City contributions can be adjusted based on periodic actuarial review of the plan's assets and earnings.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marathon for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007. This was the fifth year that the City of Marathon had applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the City must prepare an easily readable and efficiently organized CAFR, which satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2008 Comprehensive Annual 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.

The preparation of this report would not have been accomplished without the dedicated and efficient service of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to express a special note of thanks to our independent certified public accountants, Rachlin LLP, for their cooperation and assistance. Their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions is greatly appreciated.

Credit must also be given to the Mayor and City Council for their leadership and support for maintaining the highest standards of professionalism in the management of the City of Marathon's finances.

Respectfully submitted,



Clyde Burnett
City Manager



Peter Rosasco
Finance Director

CITY OF MARATHON, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2008

CITY COUNCIL

Pete Worthington, Mayor
Chris Bull, Vice-Mayor

Mike Cinque, Councilman
Marilyn Tempest, Councilman
Donald Vasil, Jr., Councilman

CITY MANAGER

Clyde Burnett

CITY CLERK

Diane Clavier

CITY ATTORNEY

Jimmy L. Morales
Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, P.A.

FINANCE DIRECTOR

Peter L. Rosasco, CPA

CITY AUDITORS

Rachlin LLP
Accountants ▪ Advisors

CITY OF MARATHON, FLORIDA

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Marathon
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



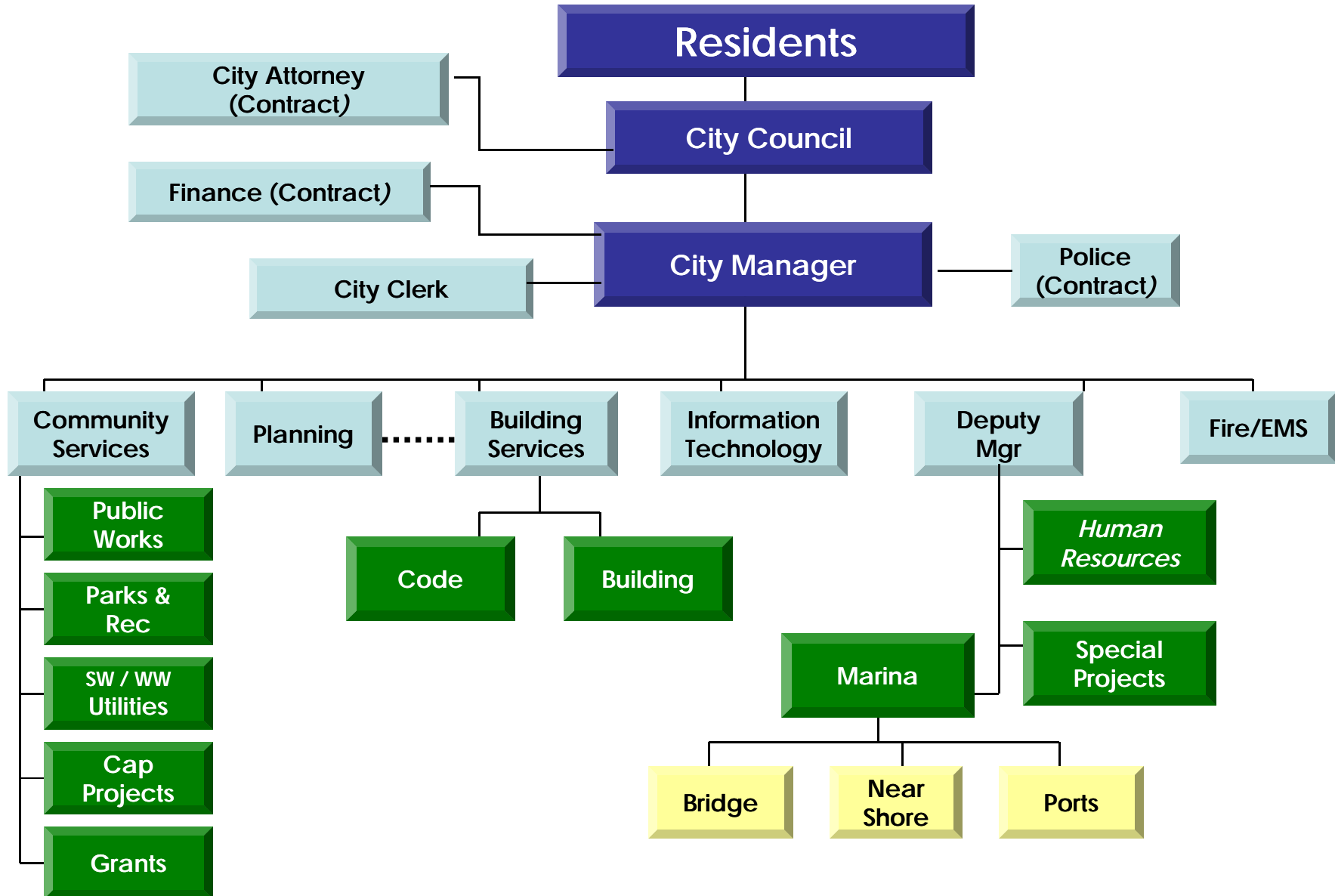
A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

City of Marathon FY08 Department Organizational Chart



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and City Council
City of Marathon, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marathon, Florida (the City) as of September 30, 2008 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marathon, Florida as of September 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, on pages 3 through 14 and pages 44 through 49, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marathon's basic financial statements. The introductory section, combining fund financial statements and schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. The combining fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information shown in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rachlin LLP

Miami, Florida
March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

CITY OF MARATHON, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Marathon, 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, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

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

Financial Highlights

- The assets of the City of Marathon exceeded its liabilities at the close of the most recent fiscal year by \$48,917,816 (net assets), as compared with \$38,686,169 for the previous year. Of this amount, \$2,732,676 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$5,084,741 for the previous year.
- The City's total net assets increased by \$10,231,647 or 26% during the current fiscal year. Included in the total net assets are governmental net assets that increased by \$4,713,566 and business-type activities net assets that increased by \$5,518,081.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,167,377, an increase of \$4,048,568 in comparison with the prior year. Approximately 99% (\$15,088,628), of this total amount is available for spending at the City's discretion (unreserved fund balance). However, only 37% (\$5,630,951) of this amount is available in the City's General Fund.
- The City's total debt increased by \$12,366,219 (56%) during the current fiscal year. The primary factor for this increase was the issuance of a \$10,000,000 Bond with Branch Banking and Trust Company for the continuing construction of the City's wastewater and stormwater utility infrastructure.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marathon's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marathon 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, community services (public works, bridge, parks & recreation), public safety (fire, police), and community development (planning, building, code). The business-type activities of the City include a full-service marina, a wastewater utility and a stormwater utility.

The government-wide financial statements can be found on pages 15-16 of this report.

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 of Marathon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marathon can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City'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 the comparison between *governmental funds* and *governmental activities*.

The City of Marathon maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital infrastructure fund, and street maintenance fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 50-53 of this report.

The City of Marathon adopts an annual appropriated budget for its general fund, four of its special revenue funds and the debt service fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget (page 44). A budgetary comparison schedule has also been provided for the major special revenue funds, which are the capital infrastructure fund (page 45) and the street maintenance fund (page 46).

The governmental fund financial statements can be found on pages 17-18 of this report.

Proprietary funds. The City of Marathon maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater utility, its stormwater utility and its marina.

Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The proprietary fund financial statements provide information for the wastewater and stormwater utilities and the marina (nonmajor).

The proprietary fund financial statements can be found on pages 20-22 of this report. Data from the only nonmajor proprietary fund, the Marina Enterprise Fund, is also included in this presentation

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 accounting used for fiduciary funds is much like that used for proprietary funds. The Firefighters' Pension Plan and Trust Fund is the only fiduciary fund for the City.

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Basic 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. The notes to the financial statements can be found on pages 25-43 of this report.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information*, concerning the City of Marathon's budgetary comparison schedules for the major funds and the progress in funding its obligation to provide pension benefits to its firefighters.

Required supplementary information can be found on pages 44-49 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 50-53 of this report.

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marathon, assets exceeded liabilities by \$48,917,816 at the close of the most recent fiscal year, compared to net assets of \$38,686,169 in the prior year.

City of Marathon's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 16,339,979	\$ 13,173,959	\$ 15,582,165	\$ 11,283,134	\$ 31,922,144	\$ 24,457,093
Capital assets	<u>28,061,073</u>	<u>28,043,675</u>	<u>32,027,094</u>	<u>12,471,218</u>	<u>60,088,167</u>	<u>40,514,893</u>
Total assets	<u>44,401,052</u>	<u>41,217,634</u>	<u>47,609,259</u>	<u>23,754,352</u>	<u>92,010,311</u>	<u>64,971,986</u>
Long-term liabilities	8,091,370	8,838,673	26,186,239	13,069,417	34,277,609	21,908,090
Other liabilities	<u>1,172,602</u>	<u>1,955,447</u>	<u>7,642,284</u>	<u>2,422,280</u>	<u>8,814,886</u>	<u>4,377,727</u>
Total liabilities	<u>9,263,972</u>	<u>10,794,120</u>	<u>33,828,523</u>	<u>15,491,697</u>	<u>43,092,495</u>	<u>26,285,817</u>
Net assets:						
Invested in capital assets, net of related debt	20,098,109	19,339,970	18,060,264	9,528,390	38,158,373	28,868,360
Restricted	8,026,767	4,733,068	-	-	8,026,767	4,733,068
Unrestricted	<u>7,012,204</u>	<u>6,350,476</u>	<u>(4,279,528)</u>	<u>(1,265,735)</u>	<u>2,732,676</u>	<u>5,084,741</u>
Total net assets	<u>\$ 35,137,080</u>	<u>\$ 30,423,514</u>	<u>\$ 13,780,736</u>	<u>\$ 8,262,655</u>	<u>\$ 48,917,816</u>	<u>\$ 38,686,169</u>

The largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g. land, building, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment in capital assets reflects a 32% increase from the prior year. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$8,026,767 (16%), represents resources that are subject to external restrictions on how they may be used. This represents an increase of 70% from the previous year's balance of \$4,733,068. The remaining balance of unrestricted net assets \$2,732,676 (6%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Marathon is able to report positive balances in all three categories of net assets, for the City as a whole. For governmental activities, all three categories of net assets have positive balances; for the City's business-type activities, investment in capital assets (net of related debt) is positive, while the unrestricted net assets reported a negative balance of \$4,279,528. This is due to timing differences in the recording of expenditures and the receipt of proceeds from certain grants and construction loans related to stormwater and wastewater projects. For the prior fiscal year, the City had positive balances in all three categories of net assets, for both its governmental and business-type activities.

Changes in Net Assets

Governmental activities and business-type activities increased the City's net assets by \$10,231,647 from the previous fiscal year. The relevant revenue and expense categories and their effect on net assets is summarized in the table below. The information presented in this table will be used in the subsequent discussion of governmental and business-type activities:

City of Marathon's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,218,637	\$ 3,395,163	\$ 615,247	\$ 457,657	\$ 2,833,884	\$ 3,852,820
Operating grants and contributions	496,996	624,697	55,646	53,595	552,642	678,292
Capital grants and contributions	6,338,416	2,879,187	5,202,199	2,627,827	11,540,615	5,507,014
General revenues:						
Property taxes	4,258,748	4,776,651	-	-	4,258,748	4,776,651
Other taxes	626,113	633,305	-	-	626,113	633,305
State shared revenues	1,709,756	367,701	-	-	1,709,756	367,701
Investment earnings	539,492	595,386	437,337	106,412	976,829	701,798
Miscellaneous	220,516	492,630	-	-	220,516	492,630
Total revenues	<u>16,408,674</u>	<u>13,764,720</u>	<u>6,310,429</u>	<u>3,245,491</u>	<u>22,719,103</u>	<u>17,010,211</u>
Expenses:						
General government	3,319,061	3,867,901	-	-	3,319,061	3,867,901
Public safety	4,069,335	3,645,846	-	-	4,069,335	3,645,846
Community services	2,041,301	2,050,244	-	-	2,041,301	2,050,244
Community development	1,395,694	1,576,341	-	-	1,395,694	1,576,341
Interest on long-term debt	361,961	390,607	-	-	361,961	390,607
Marina	-	-	695,938	622,185	695,938	622,185
Wastewater	-	-	340,016	52,230	340,016	52,230
Stormwater	-	-	264,150	39,716	264,150	39,716
Total expenses	<u>11,187,352</u>	<u>11,530,939</u>	<u>1,300,104</u>	<u>714,131</u>	<u>12,487,456</u>	<u>12,245,070</u>
Increase in net assets before transfers	5,221,322	2,233,781	5,010,325	2,531,360	10,231,647	4,765,141
Transfers	(507,756)	(424,000)	507,756	424,000	-	-
Increase in net assets	4,713,566	1,809,781	5,518,081	2,955,360	10,231,647	4,765,141
Net assets, October 1	<u>30,423,514</u>	<u>28,613,733</u>	<u>8,262,655</u>	<u>5,307,295</u>	<u>38,686,169</u>	<u>33,921,028</u>
Net assets, September 30	<u>\$ 35,137,080</u>	<u>\$ 30,423,514</u>	<u>\$ 13,780,736</u>	<u>\$ 8,262,655</u>	<u>\$ 48,917,816</u>	<u>\$ 38,686,169</u>

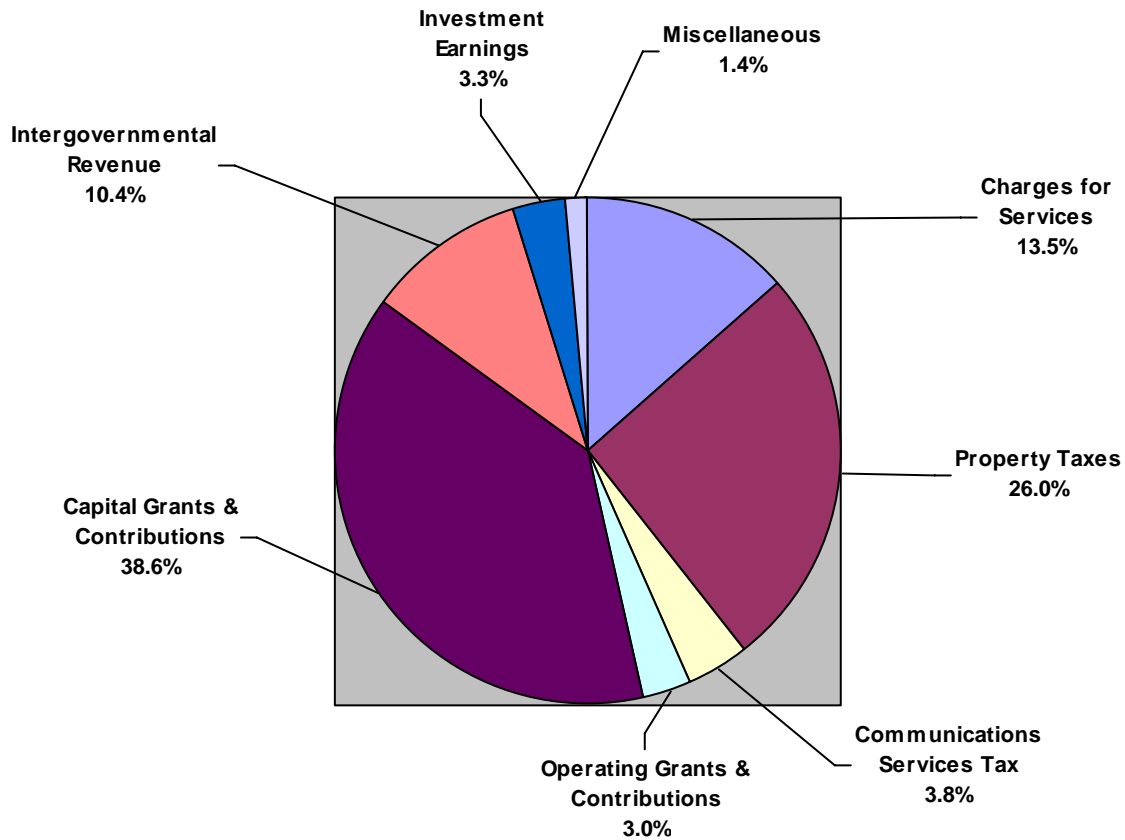
Governmental Activities

Governmental activities increased the City of Marathon's net assets by \$4,713,566 as compared to \$1,809,871 in the prior fiscal year. Key elements of this increase are as follows:

- Capital grants and contribution revenues increased by \$3,459,229 (120%) from the prior year.
- State shared revenues increased by \$1,342,055 (365%) from the prior year.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 55% of the governmental activities total revenues. Property taxes, which represent 26% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.

Revenue Sources - Governmental Activities



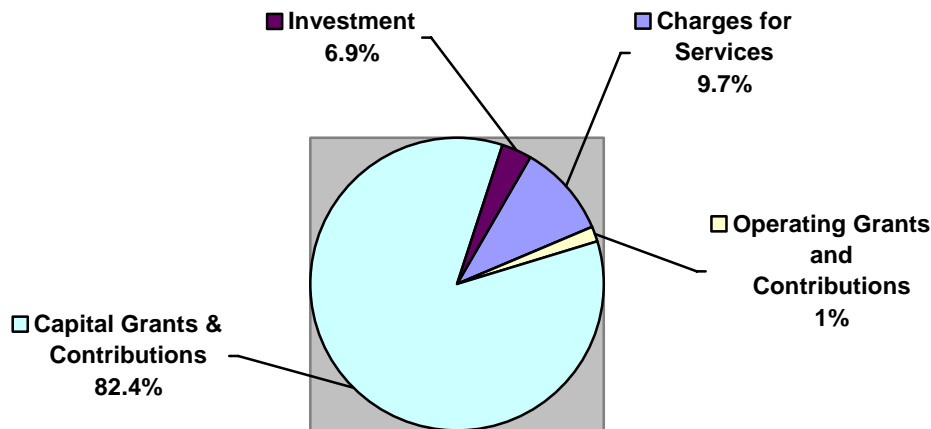
Business-type Activities

Business-type activities increased the City of Marathon's net assets by \$5,518,081. This increase in net assets is due principally to the fact that capital grants and contributions, including special capital assessments, directly increase capital assets in the wastewater and stormwater utilities and are not used for operating expenses.

This is the fifth year of operation for the Marina Enterprise Fund, and the third year of operation for the Wastewater and Stormwater Utility Enterprise Funds.

- In total, the City's Business-type activities reflected an operating loss of \$107,557. This is primarily due to the Marina Fund's operating loss of \$80,691. This Marina Fund operating loss is 51% less than its operating loss from the previous year due to an increase in charges for services to Marina customers.
- Grants and contributions, both operating and capital, represent 83% of the total business-type revenues.

Revenue Sources - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Marathon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the City of Marathon's governmental funds reported combined ending fund balances of \$15,167,377, an increase of \$4,048,568 in comparison with the prior year. This increase is primarily due to Capital Infrastructure projects that were planned but not built during the year, including the 33rd street boat ramps, and the marina service building construction. Approximately 99% of this total amount (\$15,088,628) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance, \$78,749, is *reserved* to indicate that it is not available for new spending because it is already committed for a variety of restricted purposes.

General Fund

The general fund is the main operating fund of the City of Marathon. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$5,630,951 while total fund balance was \$5,709,700. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 62% of total general fund expenditures, while total fund balance represents 63% of that same amount.

The fund balance of the City of Marathon's general fund increased by \$304,911 during the current fiscal year. Total general fund expenditures decreased 7% while total revenues decreased 5%.

The amount of General Fund revenue by type, the percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

	<u>2008 Amount</u>	<u>of Total</u>	<u>2007 Amount</u>	<u>of Total</u>	<u>(Decrease) from 2007</u>	<u>of Increase (Decrease)</u>
Revenues:						
Property taxes	\$4,258,748	47%	\$4,776,651	50%	(\$517,903)	-11%
Intergovernmental	2,113,766	23%	2,235,530	23%	(121,764)	-5%
Licenses and permits	751,454	8%	785,569	8%	(34,115)	-4%
Charges for services	638,764	7%	632,979	7%	5,785	1%
Fines and forfeitures	164,172	2%	142,341	1%	21,831	15%
Communication services taxes	626,113	7%	633,305	7%	(7,192)	-1%
Interest	208,137	2%	196,948	2%	11,189	6%
Miscellaneous	<u>320,105</u>	<u>4%</u>	<u>193,566</u>	<u>2%</u>	<u>126,539</u>	<u>65%</u>
Total revenues	<u>\$9,081,259</u>	<u>100%</u>	<u>\$9,596,889</u>	<u>100%</u>	<u>(\$515,630)</u>	<u>-5%</u>

- Property taxes revenue decreased 11 % due to lower assessed property values.
- Interest revenue increased 6% due to higher cash balances during the year.
- Licenses and permits decreased 4% due to a decrease in building permit activity, primarily due to the economic conditions.
- Fines and forfeitures revenue increased 15% due to an increase in traffic court fines revenue.
- Miscellaneous revenue increased 65%; this primarily due to payment from the Marathon Yacht Club.

Expenditures in the General Fund are shown in the following schedule:

	<u>2008 Amount</u>	<u>Percent of Total</u>	<u>2007 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2007</u>	<u>Percent of Increase (Decrease)</u>
Expenditures						
City Council	\$ 426,686	5%	\$ 450,315	5%	\$ (23,629)	-5%
Administration	1,848,284	20%	1,917,545	20%	(69,261)	-4%
Legal	543,417	6%	470,262	5%	73,155	16%
Non-departmental	15,802	0%	2,024	0%	13,778	681%
Police Services	1,411,025	16%	1,423,371	15%	(12,346)	-1%
Fire/EMS	2,218,383	24%	2,723,712	28%	(505,329)	-19%
Public Works	224,522	2%	208,141	2%	16,381	8%
Parks and Recreation	935,059	10%	904,640	9%	30,419	3%
Bridge	115,283	1%	115,908	1%	(625)	-1%
Community Development	<u>1,364,266</u>	<u>15%</u>	<u>1,552,091</u>	<u>16%</u>	<u>(187,825)</u>	<u>-12%</u>
Total expenditures	<u>\$ 9,102,727</u>	<u>100%</u>	<u>\$ 9,768,009</u>	<u>100%</u>	<u>\$ (665,282)</u>	<u>-7%</u>

- Public safety (Police and Fire/EMS) accounts for approximately 40% of the General Fund expenditures.
- Legal expenditures increased 16% due to an increase in litigation expenditures.
- Non-departmental expenditures increased by 681% from the prior year. This is due to disaster related expenses from storms during the year. There were no major storms in FY 2007.

- Fire/EMS expenditures decreased 19% due to prior year expenditures including the replacement of vehicles which were destroyed during previous hurricanes.
- Community Development expenditures decreased 12% due to lower personnel costs.

Other governmental funds

Significant items pertaining to other governmental funds are as follows:

- The Capital Infrastructure Fund increased its fund balance by \$2,670,646 as there were less expenditures in the current year on the City's new Fire Station.
- The Street Maintenance Fund increased its fund balance by \$636,637 due to deferral of several capital projects to future years.
- The remaining special revenue funds increased their fund balances by a total of \$436,374, in part due to more license and permit and impact fees collected during the year than in the prior year.

Proprietary Funds

In addition to the items already addressed in the discussion of the City's business-type activities, other significant items pertaining to the City's business-type activities are as follows:

Wastewater Fund

- The City is continuing its design and construction of a City-wide wastewater collection and treatment system. During the current fiscal year, this construction activity resulted in an increase in the Wastewater Utility investment in capital assets (net of related debt) of \$7,824,514.

Stormwater Fund

- The City is continuing its design and construction of City-wide stormwater collection and treatment infrastructure, in conjunction with its City-wide wastewater utility project. During the current fiscal year, this construction activity resulted in an increase in the Stormwater Utility investment in capital assets (net of related debt) of \$277,978.

Marina Fund

- Transfers made to the Marina Fund totaled \$508,801 which was made up of capital assets.
- There was no cash transfer from the General Fund to the Marina in the current fiscal year.
- There was a \$20,000 cash transfer to the General Fund for services provided to the Marina by the General Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$236,896 increase to total appropriations. The significant changes to the individual departments (budgetary level of control for the general fund) from the original to the final amended budget can be briefly summarized as follows:

- \$84,652 of net increases allocated to professional services-contractual for the Legal, Police Services, IT, and Building departments. This is due to increased reliance on contracted firms for services provided to the IT and Building departments and higher than expected litigation costs for the Legal department, offset by refund for Police Services.
- \$76,500 in increases allocated to the Fire/EMS department for increased retirement benefit expenditures from an insurance premium tax pass through and expenses associated with the SAFER Grant.

Even with these adjustments, actual expenditures were \$458,096 below final budget amounts. The significant variances can be summarized as follows:

- Expenditures for City administration were \$156,101 under the final budgeted amount due to lower than anticipated expenditures for personnel costs.
- Parks and recreation department expenditures were \$46,629 under the final budgeted amount due to lower than anticipated costs for utilities and maintenance of facilities.
- Community Development expenditures were \$183,660 under the final budgeted amount due to lower than anticipated expenditures for personnel costs.

Resources available for appropriations were \$323,426 under the final budgeted amount. The significant variances can be summarized as follows:

- Licenses and permits were \$108,346 under the final budgeted amount as a result of less building activity in the City due to the economic conditions.
- Charges for services were \$122,530 under the final budgeted amount primarily due to an adjustment to current year revenues to update the allowance for doubtful accounts currently in collection for Emergency Medical Services fees.

Capital Assets and Debt Administration

Capital assets

The City of Marathon's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$60,088,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and park facilities. The investment does not include governmental infrastructure assets acquired prior to 2004, as GASB 34 does not require Phase III governments to report infrastructure retroactively. The total increase in the City's investment in capital assets for the current fiscal year was 48.3% (\$19,573,274) as compared to 49.6% (\$13,437,852) in the prior year.

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

- The investment in construction in progress decreased in the area of governmental activities by \$6,612,800 as the construction of the new Fire Station was completed.
- The investment in construction in progress in business-type activities increases by \$18,275,840 primarily due to the continuing construction on City-wide wastewater and stormwater projects.
- Investment in buildings increased \$6,918,615 as the new Fire Station was placed in service.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Capital assets: (net of depreciation)						
Land	\$ 8,829,954	\$ 8,829,954	\$ 1,919,433	\$ 1,919,433	\$ 10,749,387	\$ 10,749,387
Construction in progress	126,621	6,739,421	27,659,201	9,383,361	27,785,822	16,122,782
Buildings	10,795,715	3,877,100	2,149,736	833,147	12,945,451	4,710,247
Leasehold improvements	40,844	39,056	-	-	40,844	39,056
Improvement other than buildings	5,358,900	5,713,510	26,812	19,247	5,385,712	5,732,757
Fire equipment and vehicles	2,061,853	2,027,885	192,973	221,945	2,254,826	2,249,830
Furniture and equipment	847,186	816,749	78,939	94,085	926,125	910,834
Total	<u>\$ 28,061,073</u>	<u>\$ 28,043,675</u>	<u>\$ 32,027,094</u>	<u>\$ 12,471,218</u>	<u>\$ 60,088,167</u>	<u>\$ 40,514,893</u>

Additional information on the City's capital assets can be found in Note 6 on pages 35-36 of this report.

Long-term debt

At the end of the current fiscal year, the City of Marathon had improvement revenue bond debt outstanding of \$7,962,963. This debt is secured by the City's local discretionary sales surtax revenues. The City also had State Revolving Fund debt outstanding of \$4,668,257 in the Wastewater Enterprise fund, and \$11,500,000 in Florida Rural Utility Financing Commission Revenue Note debt outstanding for wastewater and stormwater improvements, split between the Wastewater Enterprise Fund (\$6,700,000) and the Stormwater Enterprise Fund (\$4,800,000), and a \$10,000,000 Wastewater System Revenue Bond. The State Revolving Fund debt is secured by the pledge of future non-ad valorem capital assessments for utility construction, and the Florida Rural Utility Financing Commission Revenue Note is a 'bridge loan' for cash flow purposes, to be repaid by permanent financing provided by the State Revolving Fund.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Long-term debt						
Improvement Revenue Bonds	\$ 7,962,963	\$ 8,703,703	\$ -	\$ -	\$ 7,962,963	\$ 8,703,703
State Revolving Fund loan	-	-	4,668,257	1,558,380	4,668,257	1,558,380
Wastewater System Revenue Bonds	-	-	10,000,000	-	10,000,000	-
FRUFC Revenue Note, 2007	-	-	11,500,000	11,500,000	11,500,000	11,500,000
Compensated absences	128,407	134,970	14,682	11,037	143,089	146,007
Total	<u>\$ 8,091,370</u>	<u>\$ 8,838,673</u>	<u>\$ 26,182,939</u>	<u>\$ 13,069,417</u>	<u>\$ 34,274,309</u>	<u>\$ 21,908,090</u>

The City of Marathon's total debt increased \$12,366,219 (56%) during the current fiscal year, primarily due to issuance of the Wastewater System Revenue bond in the amount of \$10,000,000 for continuing construction of wastewater and stormwater utility capital improvements. The City also drew down an additional \$3,109,877 State Revolving Fund loans for wastewater capital improvements in the Wastewater Utility Enterprise Fund.

Additional information on the City of Marathon's long-term debt can be found in Note 7 on pages 36-39 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Monroe County is currently 5.5%, which is an increase from a rate of 3.0% a year ago. The rate still compares favorably to the state's average unemployment rate of 7.3%.

During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$5,630,951. Decreased property values caused the City to increase the millage rate to 1.5000 for fiscal year 2008, as compared to 1.4243 in fiscal year 2007 with a minimal planned decrease (approximately \$260,000 or 4.5%) in this fund balance.

The marina fund has reported operating losses for the fifth consecutive year; however this operating loss has been significantly reduced. Increases in rates and other revenue sources are anticipated to further reduce the amount of subsidy that the general fund provides to the marina fund in FY 2009.

During fiscal year 2009, the City will be working on the following programs/projects:

- Continued construction on a city-wide wastewater collection and treatment system
- Construction of various stormwater drainage projects
- Completion of additional mooring buoys, a service building and docks at the City Marina
- Various Beach and Park improvements
- Various Street/Transportation improvements

All of these factors were considered in preparing the City of Marathon's budget for the 2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Marathon's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, City of Marathon, 9805 Overseas Highway, Marathon, Florida 33050.

BASIC FINANCIAL STATEMENTS

CITY OF MARATHON, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,699,478	\$ 10,750,716	\$ 25,450,194
Investments	76,476	-	76,476
Restricted asset - note proceeds	-	3,016,183	3,016,183
Receivables, net	347,952	-	347,952
Due from other governments	1,168,981	1,788,473	2,957,454
Prepays	47,092	-	47,092
Inventory	-	5,993	5,993
Deferred charges	-	20,800	20,800
Capital assets not being depreciated	8,956,575	29,578,634	38,535,209
Capital assets, being depreciated	<u>19,104,498</u>	<u>2,448,460</u>	<u>21,552,958</u>
Total assets	<u>44,401,052</u>	<u>47,609,259</u>	<u>92,010,311</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,153,494	4,492,529	5,646,023
Due to other governments	2,501	-	2,501
Deferred revenue	16,607	-	16,607
Unearned revenue	-	3,153,055	3,153,055
Noncurrent liabilities:			
Due within one year	753,581	1,468	755,049
Due in more than one year	<u>7,337,789</u>	<u>26,181,471</u>	<u>33,519,260</u>
Total liabilities	<u>9,263,972</u>	<u>33,828,523</u>	<u>43,092,495</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	20,098,109	18,060,264	38,158,373
Restricted for:			
Capital infrastructure	4,509,246	-	4,509,246
Street maintenance	3,485,864	-	3,485,864
Police education	31,657	-	31,657
Unrestricted	<u>7,012,204</u>	<u>(4,279,528)</u>	<u>2,732,676</u>
Total net assets	<u>\$ 35,137,080</u>	<u>\$ 13,780,736</u>	<u>\$ 48,917,816</u>

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Governmental activities:							
General government	\$ 3,319,061	\$ 155,111	\$ 154,550	\$ -	\$ (3,009,400)	\$ -	\$ (3,009,400)
Public safety	4,069,335	760,546	216,059	-	(3,092,730)	-	(3,092,730)
Community services	2,041,301	559,447	126,387	2,740,296	1,384,829	-	1,384,829
Community development	1,395,694	743,533	-	3,598,120	2,945,959	-	2,945,959
Interest on long-term debt	<u>361,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(361,961)</u>	<u>-</u>	<u>(361,961)</u>
Total governmental activities	<u>11,187,352</u>	<u>2,218,637</u>	<u>496,996</u>	<u>6,338,416</u>	<u>(2,133,303)</u>	<u>-</u>	<u>(2,133,303)</u>
Business-type activities:							
Wastewater	340,016	-	-	3,597,379	-	3,257,363	3,257,363
Marina	695,938	615,247	55,646	508,801	-	483,756	483,756
Stormwater	<u>264,150</u>	<u>-</u>	<u>-</u>	<u>1,096,019</u>	<u>-</u>	<u>831,869</u>	<u>831,869</u>
Total business-type activities	<u>1,300,104</u>	<u>615,247</u>	<u>55,646</u>	<u>5,202,199</u>	<u>-</u>	<u>4,572,988</u>	<u>4,572,988</u>
Total	<u>\$ 12,487,456</u>	<u>\$ 2,833,884</u>	<u>\$ 552,642</u>	<u>\$ 11,540,615</u>	<u>(2,133,303)</u>	<u>4,572,988</u>	<u>2,439,685</u>
General revenues:							
Property taxes					4,258,748	-	4,258,748
Communications services tax					626,113	-	626,113
Unrestricted intergovernmental revenue					1,709,756	-	1,709,756
Unrestricted investment earnings					539,492	437,337	976,829
Miscellaneous					220,516	-	220,516
Transfers					<u>(507,756)</u>	<u>507,756</u>	<u>-</u>
Total general revenues					<u>6,846,869</u>	<u>945,093</u>	<u>7,791,962</u>
Change in net assets					4,713,566	5,518,081	10,231,647
Net assets, beginning					<u>30,423,514</u>	<u>8,262,655</u>	<u>38,686,169</u>
Net assets, ending					<u>\$ 35,137,080</u>	<u>\$ 13,780,736</u>	<u>\$ 48,917,816</u>

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2008

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Street Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 5,521,167	\$ 4,399,302	\$ 3,373,941	\$ 1,405,068	\$ 14,699,478
Investments	49,410	3,606	23,460	-	76,476
Receivables, net	287,952	-	-	60,000	347,952
Due from other governments	407,814	658,102	103,065	-	1,168,981
Prepaid items	47,092	-	-	-	47,092
Total assets	<u>\$ 6,313,435</u>	<u>\$ 5,061,010</u>	<u>\$ 3,500,466</u>	<u>\$ 1,465,068</u>	<u>\$ 16,339,979</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 587,128	\$ 551,764	\$ 14,602	\$ -	\$ 1,153,494
Due to other governments	-	-	-	2,501	2,501
Deferred revenue	16,607	-	-	-	16,607
Total liabilities	<u>603,735</u>	<u>551,764</u>	<u>14,602</u>	<u>2,501</u>	<u>1,172,602</u>

Fund balances:

Reserved for:

Police education	31,657	-	-	-	31,657
Prepaid items	47,092	-	-	-	47,092

Unreserved, undesignated reported in:

General fund	5,630,951	-	-	-	5,630,951
Capital infrastructure fund	-	4,509,246	-	-	4,509,246
Street maintenance fund	-	-	3,485,864	-	3,485,864
Special revenue funds	-	-	-	1,462,567	1,462,567
Total fund balances	<u>5,709,700</u>	<u>4,509,246</u>	<u>3,485,864</u>	<u>1,462,567</u>	<u>15,167,377</u>
Total liabilities and fund balances	<u>\$ 6,313,435</u>	<u>\$ 5,061,010</u>	<u>\$ 3,500,466</u>	<u>\$ 1,465,068</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,061,073
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds	<u>(8,091,370)</u>
Net assets of governmental activities	<u>\$ 35,137,080</u>

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Street Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 4,258,748	\$ -	\$ -	\$ -	\$ 4,258,748
Intergovernmental	2,113,766	6,051,318	652,801	-	8,817,885
Licenses and permits	751,454	-	-	138,609	890,063
Charges for services	638,764	-	10,320	-	649,084
Fines and forfeitures	164,172	-	-	-	164,172
Communications services tax	626,113	-	-	-	626,113
Impact fees	-	-	-	242,602	242,602
Interest	208,137	154,518	126,673	50,164	539,492
Miscellaneous	320,105	-	-	114	320,219
Total revenues	<u>9,081,259</u>	<u>6,205,836</u>	<u>789,794</u>	<u>431,489</u>	<u>16,508,378</u>
Expenditures:					
Current:					
General government	2,794,065	1,836	-	443	2,796,344
Public safety	3,614,984	-	-	-	3,614,984
Community services	1,271,646	-	138,408	-	1,410,054
Community development	1,364,266	-	-	-	1,364,266
Capital outlay	57,766	1,587,467	4,775	13,696	1,663,704
Debt service:					
Principal	-	-	-	740,741	740,741
Interest and fiscal charges	-	-	-	361,961	361,961
Total expenditures	<u>9,102,727</u>	<u>1,589,303</u>	<u>143,183</u>	<u>1,116,841</u>	<u>11,952,054</u>
Excess (deficiency) of revenues over expenditures	<u>(21,468)</u>	<u>4,616,533</u>	<u>646,611</u>	<u>(685,352)</u>	<u>4,556,324</u>
Other financing sources (uses):					
Transfers in	385,429	300,000	-	1,421,726	2,107,155
Transfers out	<u>(59,050)</u>	<u>(2,245,887)</u>	<u>(9,974)</u>	<u>(300,000)</u>	<u>(2,614,911)</u>
Total other financing sources (uses)	<u>326,379</u>	<u>(1,945,887)</u>	<u>(9,974)</u>	<u>1,121,726</u>	<u>(507,756)</u>
Net change in fund balances	304,911	2,670,646	636,637	436,374	4,048,568
Fund balances, beginning	<u>5,404,789</u>	<u>1,838,600</u>	<u>2,849,227</u>	<u>1,026,193</u>	<u>11,118,809</u>
Fund balances, ending	<u>\$ 5,709,700</u>	<u>\$ 4,509,246</u>	<u>\$ 3,485,864</u>	<u>\$ 1,462,567</u>	<u>\$ 15,167,377</u>

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Amounts reported for governmental activities in the statement of activities (Page 16) are different because:

Net change in fund balances - total governmental funds (Page 18)	\$ 4,048,568
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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.

The details of the difference are as follows:

Capital outlay	\$ 1,663,704	
Depreciation expense	<u>(930,054)</u>	
Net adjustment		733,650

The net effect of transactions involving capital assets donated to increase net assets.	51,376
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(99,703)
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Statement of activities reports losses arising from disposal of existing capital assets, conversely, governmental funds do report any gain or loss on disposal of capital assets.	(258,828)
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Transfers of capital assets to business-type activities from governmental activities decrease net assets of governmental activities in the statement of activities, but are not reported in the governmental funds because they are not financial resources.	(508,801)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The details of the difference are as follows:

Loan principal payments	<u>740,741</u>	
Net adjustment		740,741

Some expenses or adjustments to expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	<u>6,563</u>
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Change in net assets of governmental activities (Page 16)	<u><u>\$ 4,713,566</u></u>
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See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUND

SEPTEMBER 30, 2008

	Business-type Activities			
	<u>Enterprise Funds</u>			
			Marina (a Nonmajor Fund)	Total Enterprise Funds
<u>ASSETS</u>	<u>Wastewater</u>	<u>Stormwater</u>		
Current assets:				
Cash and cash equivalents	\$ 8,484,856	\$ 2,240,848	\$ 25,012	\$ 10,750,716
Restricted asset - note proceeds	1,749,386	1,266,797	-	3,016,183
Inventory	5,993	-	-	5,993
Due from other governments	<u>1,287,792</u>	<u>464,556</u>	<u>36,125</u>	<u>1,788,473</u>
Total current assets	<u>11,528,027</u>	<u>3,972,201</u>	<u>61,137</u>	<u>15,561,365</u>
Noncurrent assets:				
Deferred charges	20,800	-	-	20,800
Capital assets not being depreciated	23,287,155	5,831,277	460,202	29,578,634
Capital assets, net of accumulated depreciation	<u>1,271,289</u>	<u>7,120</u>	<u>1,170,051</u>	<u>2,448,460</u>
Total noncurrent assets	<u>24,579,244</u>	<u>5,838,397</u>	<u>1,630,253</u>	<u>32,047,894</u>
Total assets	<u>36,107,271</u>	<u>9,810,598</u>	<u>1,691,390</u>	<u>47,609,259</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	3,494,694	965,890	31,945	4,492,529
Unearned revenue	3,153,055	-	-	3,153,055
Current portion of compensated absences	<u>-</u>	<u>-</u>	<u>1,468</u>	<u>1,468</u>
Total current liabilities	<u>6,647,749</u>	<u>965,890</u>	<u>33,413</u>	<u>7,647,052</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	-	-	13,214	13,214
Loans payable	<u>20,344,509</u>	<u>5,823,748</u>	<u>-</u>	<u>26,168,257</u>
Total noncurrent liabilities	<u>20,344,509</u>	<u>5,823,748</u>	<u>13,214</u>	<u>26,181,471</u>
Total liabilities	<u>26,992,258</u>	<u>6,789,638</u>	<u>46,627</u>	<u>33,828,523</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	14,289,704	2,140,307	1,630,253	18,060,264
Unrestricted (deficit)	<u>(5,174,691)</u>	<u>880,653</u>	<u>14,510</u>	<u>(4,279,528)</u>
Total net assets	\$ 9,115,013	\$ 3,020,960	\$ 1,644,763	\$ 13,780,736

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Wastewater	Stormwater	Marina (a Nonmajor Fund)	
Operating revenues:				
Charges for services	\$ -	\$ -	\$ 615,247	\$ 615,247
Operating expenses:				
Personnel costs	-	-	375,599	375,599
Operating expenses	-	21,055	240,920	261,975
Depreciation	5,182	629	79,419	85,230
Total operating expenses	5,182	21,684	695,938	722,804
Operating loss	(5,182)	(21,684)	(80,691)	(107,557)
Nonoperating revenues (expenses):				
Interest income	246,012	190,352	973	437,337
Special assessment	399,647	495,485	-	895,132
Grants	3,197,732	600,534	55,646	3,853,912
Interest expense	(334,834)	(242,466)	-	(577,300)
Total nonoperating revenues (expenses)	3,508,557	1,043,905	56,619	4,609,081
Income (loss) before transfers and capital contributions	3,503,375	1,022,221	(24,072)	4,501,524
Transfers in	637,756	-	-	637,756
Transfers out	(60,000)	(50,000)	(20,000)	(130,000)
Contribution of capital assets	-	-	508,801	508,801
	577,756	(50,000)	488,801	1,016,557
Change in net assets	4,081,131	972,221	464,729	5,518,081
Net assets, beginning	5,033,882	2,048,739	1,180,034	8,262,655
Net assets, ending	\$ 9,115,013	\$ 3,020,960	\$ 1,644,763	\$ 13,780,736

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities			
	Enterprise Funds			
			Marina	Total
			(a Nonmajor	Enterprise
	Wastewater	Stormwater	Fund)	Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ -	\$ 601,995	\$ 601,995
Payments to employees	-	-	(372,187)	(372,187)
Payments to suppliers	-	(20,349)	(242,355)	(262,704)
Net cash used by operating activities	-	(20,349)	(12,547)	(32,896)
Cash flows from non-capital financing activities:				
Operating grants proceeds	-	-	55,646	55,646
Transfers from other funds	637,756	-	-	637,756
Transfers to other funds	(60,000)	(50,000)	(20,000)	(130,000)
Net cash provided (used) by non-capital financing activities	577,756	(50,000)	35,646	563,402
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(14,114,657)	(3,500,925)	-	(17,615,582)
Assessment income	3,552,702	495,485	-	4,048,187
Proceeds from capital grants	4,168,858	139,896	-	4,308,754
Proceeds from capital debt	17,048,393	4,580,449	-	21,628,842
Repayment to other funds	(3,200,000)	-	-	(3,200,000)
Net cash provided by capital and related financing activities	7,455,296	1,714,905	-	9,170,201
Cash flows from capital and investing activities:				
Interest received	213,562	190,352	973	404,887
Net cash provided by investing activities	213,562	190,352	973	404,887
Net increase in cash and cash equivalents	8,246,614	1,834,908	24,072	10,105,594
Cash and cash equivalents, beginning	238,242	405,940	940	645,122
Cash and cash equivalents, ending	\$ 8,484,856	\$ 2,240,848	\$ 25,012	\$ 10,750,716
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (5,182)	\$ (21,684)	\$ (80,691)	\$ (107,557)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	5,182	629	79,419	85,230
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	-	-	2,358	2,358
Due from other governments	-	-	(27,485)	(27,485)
Prepaid expenses	-	-	8,230	8,230
Increase (decrease) in:				
Accounts payable and accrued expenses	-	705	1,977	2,682
Compensated absences	-	-	3,645	3,645
Total adjustments	5,182	1,334	68,144	74,660
Net cash used by operating activities	\$ -	\$ (20,350)	\$ (12,547)	\$ (32,897)
Supplemental disclosure of noncash investing and financing activities:				
Contributions of capital assets from capital infrastructure fund	\$ -	\$ -	\$ 508,801	\$ 508,801

See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUND

SEPTEMBER 30, 2008

ASSETS

Cash	\$ 28,772
Investments:	
Bond fund	440,146
Equity funds	<u>558,083</u>
Total investments	998,229
Receivables:	
Plan members	9,864
City (including State)	<u>242,790</u>
Total receivables	252,654
Total assets	<u>1,279,655</u>

LIABILITIES

Liabilities	<u>-</u>
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NET ASSETS

Net assets held in trust for pension benefits	<u>\$ 1,279,655</u>
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See notes to basic financial statements.

CITY OF MARATHON, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

ADDITIONS

Contributions:

Plan members	\$ 55,673
City (including State)	<u>330,220</u>
Total contributions	385,893

Investment losses:

Net depreciation in fair value of investments	<u>(148,521)</u>
Total additions	<u>237,372</u>

DEDUCTIONS

Benefits paid	31,445
Administrative expenses	<u>9,745</u>
Total deductions	<u>41,190</u>

Change in net assets	196,182
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Net assets, beginning	<u>1,083,473</u>
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Net assets, ending	<u>\$ 1,279,655</u>
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See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marathon (the City) is a municipal corporation organized pursuant to Chapter 99-427, Laws of Florida and is located in Monroe County (the County). The City was incorporated on November 30, 1999. The City operates under the Council-Manager form of government. The City's major operations include general government and community development.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

1. Financial Reporting Entity

The financial statements were prepared in accordance with GASB pronouncements for *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the City, organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria for component units described above.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the City.

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.

The *Capital Infrastructure Fund* accounts for revenues derived from local government infrastructure surtax levied in the County. Funds can only be expended to finance, plan and construct infrastructure and to acquire land for public recreation, conservation or protection of natural resources.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Street Maintenance Fund* is used to account for revenues derived from a portion of state shared revenues, and the local option gas tax. Funds can only be used for road construction and maintenance.

The City reports the following major proprietary funds:

The *Wastewater Fund* accounts for the provision of wastewater services to City residents and businesses.

The *Stormwater Fund* accounts for the provision of stormwater management services to City residents and businesses.

Additionally, the City reports the following fiduciary fund type:

The *Firefighters' Pension Fund* is used to account for the City's single-employer defined benefit pension plan covering its firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

When an expense is incurred for purposes for which both unrestricted and restricted net assets are available, it is the City's policy to first apply restricted resources.

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. 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Marina fund are charges to customers for services. Operating expenses for enterprise funds include the costs of services, personnel costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and short-term investments. Deposits include cash on hand and certificates of deposit.

City administration is authorized to invest in those instruments authorized by the Florida Statutes. Investments include the Local Government Surplus Funds Trust Fund. Investment in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration is reported at its fair value of its position in the pool, which is the same as the value of the pool shares.

5. 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 "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".

6. Capital Assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Certain infrastructure acquired prior to the implementation of GASB 34 has not been reported.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-50
Fire equipment and vehicles	5-25
Furniture and equipment	5-10

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The general fund is normally used to liquidate.

8. Unearned Revenue

Unearned revenue in the enterprise fund and the business-type activities represent prepayments on special assessments that were not yet levied.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt issuance costs are deferred and amortized over the life of the debt. In the fund financial statements, governmental fund types recognize the face amount of debt issued as an other financing source. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance of the general fund is the portion of fund equity available for any lawful use. Fund balance of the governmental funds are restricted for the intended use of the fund, and are identified as such.

11. Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt; restricted or unrestricted. Invested in capital assets, net of related debt, is that portion of net assets that relates to the City's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net assets is that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits which consist of cash on hand and certificates of deposit are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Therefore, all amounts presented as deposits are insured or collateralized.

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The State Board of Administration (SBA) administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund. (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the LGIP and Fund B. The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2008, the fair value factor for Fund B was \$.79835 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

Investments – City

As of September 30, 2008, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	\$ 7,825	8.5 days
Fund B	<u>68,651</u>	9.36 years
	<u>\$ 76,476</u>	

Interest Rate Risk

The City has an investment policy of structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.

Credit Risk

The City's investment policy limits investments to the highest ratings issued by a nationally recognized statistical rating organization (NRSRO). The LGIP is rated AAAM by Standard and Poor's; the Fund B is not rated by an NRSO.

Investments – Firefighters' Pension Plan

As of September 30, 2008, the City's Pension Plan (the Plan) had the following debt securities and its corresponding maturities in its portfolio:

<u>Investment</u>	<u>Average Maturities</u>	<u>Fair Value</u>
Bond fund	Less than 1 year	<u>\$ 440,146</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as means of managing its exposure to market value losses arising from increasing interest rates.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments – Firefighters’ Pension Plan (Continued)

Credit Risk

The Plan’s investment policy limits investments in the FMIvT investment portfolio to the top ratings issued by nationally recognized statistical rating organizations of the United States. The FMIvT fixed income funds was rated AAA/VI by Fitch.

Concentration of Credit Risk

The Plan’s investment policy does not stipulate any limit on the percentage that can be invested in any one issuing company. As of September 30, 2008, the value of each position held in the Plan’s portfolio that exceeded 5% was as follows:

FMIvT Bond Fund	42.9%
FMIvT Growth Fund	7.5%
FMIvT Diversified Small Cap Equity	11.5%
FMIvT Russell 1000 Index	21.5%
FMIvT International Blend	7.1%
FMIvT Large Cap Value	6.7%

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets. The Plan, through its investment advisor, monitors the Plan’s investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 3. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Monroe County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1st (levy date). Taxable value of property within the City is certified by the Property Appraiser and the City levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. PROPERTY TAXES (Continued)

Property taxes levied each November 1 by the City and all other taxing authorities within the County, are centrally billed and collected by Monroe County, with remittances to the City of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the periods November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by the County, with remittance to the City for its share of those receipts. At September 30, 2008, there were no significant delinquent taxes.

NOTE 4. RECEIVABLES

Receivables for the City's individual major funds, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Street Maintenance</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Nonmajor Funds</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ 674,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,437
Intergovernmental	407,814	658,102	103,065	1,287,792	464,556	36,125	-	2,957,454
Miscellaneous	18,140	-	-	-	-	60,000	-	78,140
Contributions	-	-	-	-	-	-	252,654	252,654
Gross receivables	1,100,391	658,102	103,065	1,287,792	464,556	96,125	252,654	3,962,685
Less allowance for uncollectibles	(404,625)	-	-	-	-	-	-	(404,625)
Net total receivables	<u>\$ 695,766</u>	<u>\$ 658,102</u>	<u>\$ 103,065</u>	<u>\$ 1,287,792</u>	<u>\$ 464,556</u>	<u>\$ 96,125</u>	<u>\$ 252,654</u>	<u>\$ 3,558,060</u>

Receivables consist of the following:

Receivables (including pension trust fund)	\$ 600,606
Due from other governments	<u>2,957,454</u>
Net total receivables	<u><u>\$ 3,558,060</u></u>

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Interfund Transfers

	Transfers In				Total
	General Fund	Capital Infrastructure Fund	Wastewater Fund	Nonmajor Funds	
Transfers out:					
General fund	\$ -	\$ -	\$ -	\$ 59,050	\$ 59,050
Capital Infrastructure fund	255,429	-	637,756	1,352,702	2,245,887
Street Maintenance fund	-	-	-	9,974	9,974
Wastewater fund	60,000	-	-	-	60,000
Stormwater fund	50,000	-	-	-	50,000
Nonmajor fund	20,000	300,000	-	-	320,000
Total transfers out	<u>\$ 385,429</u>	<u>\$ 300,000</u>	<u>\$ 637,756</u>	<u>\$ 1,421,726</u>	<u>\$ 2,744,911</u>

- A transfer from the Capital Infrastructure Fund to the General Fund was made in accordance with the 10% exception under Florida Statutes allowing the use of Local Government Infrastructure Surtax proceeds and accrued interest for any public purpose.
- Transfers were made from the Wastewater and Stormwater Utility Enterprise Funds to the General Fund to support general wastewater/stormwater project administration costs.
- A transfer of \$300,000 from the Vehicle and Equipment Replacement Fund (nonmajor) to the Capital Infrastructure Fund to support procurement of a replacement Fire Department tanker truck.
- A transfer was made from the Capital Infrastructure Fund to the Wastewater Utility Enterprise Fund (\$637,756) to support wastewater projects.
- Transfers to nonmajor funds include regular ongoing transfers for debt service and vehicle replacement.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,829,954	\$ -	\$ -	\$ 8,829,954
Construction in progress	<u>6,739,421</u>	<u>13,060</u>	<u>(6,625,860)</u>	<u>126,621</u>
Total capital assets, not being depreciated	<u>15,569,375</u>	<u>13,060</u>	<u>(6,625,860)</u>	<u>8,956,575</u>
Capital assets, being depreciated:				
Buildings	4,386,509	7,160,628	(82,045)	11,465,092
Leasehold improvements	53,759	4,476	-	58,235
Improvements other than buildings	6,672,568	57,926	-	6,730,494
Fire equipment and vehicles	2,542,390	392,369	(307,544)	2,627,215
Furniture and equipment	<u>1,266,019</u>	<u>203,681</u>	<u>(4,090)</u>	<u>1,465,610</u>
Total capital assets, being depreciated	<u>14,921,245</u>	<u>7,819,080</u>	<u>(393,679)</u>	<u>22,346,646</u>
Less accumulated depreciation for:				
Buildings	(509,409)	(170,907)	10,939	(669,377)
Leasehold improvements	(14,703)	(2,688)	-	(17,391)
Improvements other than buildings	(959,058)	(412,536)	-	(1,371,594)
Fire equipment and vehicles	(514,505)	(174,769)	123,912	(565,362)
Furniture and equipment	<u>(449,270)</u>	<u>(169,154)</u>	<u>-</u>	<u>(618,424)</u>
Total accumulated depreciation	<u>(2,446,945)</u>	<u>(930,054)</u>	<u>134,851</u>	<u>(3,242,148)</u>
Total capital assets, being depreciated, net	<u>12,474,300</u>	<u>6,889,026</u>	<u>(258,828)</u>	<u>19,104,498</u>
Governmental activities capital assets, net	<u>\$28,043,675</u>	<u>\$ 6,902,086</u>	<u>\$ (6,884,688)</u>	<u>\$28,061,073</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,919,433	\$ -	\$ -	\$ 1,919,433
Construction in progress	<u>9,383,361</u>	<u>18,275,840</u>	<u>-</u>	<u>27,659,201</u>
Total capital assets, not being depreciated	<u>11,302,794</u>	<u>18,275,840</u>	<u>-</u>	<u>29,578,634</u>
Capital assets, being depreciated:				
Buildings	918,893	1,354,305	-	2,273,198
Improvements other than buildings	26,945	9,491	-	36,436
Equipment	134,308	1,470	-	135,778
Vehicles	<u>280,661</u>	<u>-</u>	<u>-</u>	<u>280,661</u>
Total capital assets, being depreciated	<u>1,360,807</u>	<u>1,365,266</u>	<u>-</u>	<u>2,726,073</u>
Less accumulated depreciation for:				
Buildings	(85,747)	(37,715)	-	(123,462)
Improvements other than buildings	(7,699)	(1,925)	-	(9,624)
Equipment	(40,223)	(16,616)	-	(56,839)
Vehicles	<u>(58,714)</u>	<u>(28,974)</u>	<u>-</u>	<u>(87,688)</u>
Total accumulated depreciation	<u>(192,383)</u>	<u>(85,230)</u>	<u>-</u>	<u>(277,613)</u>
Total capital assets, being depreciated, net	<u>1,168,424</u>	<u>1,280,036</u>	<u>-</u>	<u>2,448,460</u>
Business-type activities capital assets, net	<u>\$12,471,218</u>	<u>\$19,555,876</u>	<u>\$ -</u>	<u>\$32,027,094</u>

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 71,856
Public safety	195,523
Community services	631,247
Community development	31,428
Total depreciation expenses - governmental activities	<u>\$ 930,054</u>

Business-type activities:

Stormwater	\$ 629
Wastewater	5,182
Marina	79,419
Total depreciation expenses - business- type activities	<u>\$ 85,230</u>

NOTE 7. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2008:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Improvement revenue bonds, Series 2004	\$ 8,703,704	\$ -	\$ 740,741	\$ 7,962,963	\$ 740,741
Compensated absences	134,970	8,098	14,661	128,407	12,841
Governmental activities long-term liabilities	<u>\$ 8,838,674</u>	<u>\$ 8,098</u>	<u>\$ 755,402</u>	<u>\$ 8,091,370</u>	<u>\$ 753,581</u>

Improvement Revenue Bonds, Series 2004

On July 20, 2004, the City issued Improvement Revenue Bonds, Series 2004, for an amount of up to \$10,000,000 to be drawn down over an 18 month period that expired in January 2006. The issuance was established similar to bond anticipation notes where the principal amount is the lesser of \$10,000,000 or the advances made under the bond. As of January 2006, the City had drawn down the total \$10,000,000. Bond proceeds were used to finance several projects under the City's capital infrastructure plan, as well as to pay off the commercial paper loan. This facility is secured by pledged revenues of the local government one-cent sales tax revenues (local discretionary sales surtax). The bond carries a tax-exempt bank qualified rate of 4.30% and matures on July 1, 2019. For the year ended September 30, 2008, approximately 30% of the pledged revenue went to debt service. It is also estimated that approximately 30% of the pledged revenue will cover debt service to maturity.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Improvement Revenue Bonds, Series 2004 (Continued)

The amortization of the entire \$10,000,000 obligation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 740,741	\$ 330,463	\$ 1,071,204
2010	740,741	298,611	1,039,352
2011	740,741	266,759	1,007,500
2012	740,741	234,907	975,648
2013	740,741	203,056	943,797
2014-2018	2,962,963	493,704	3,456,667
2019	<u>1,296,295</u>	<u>55,741</u>	<u>1,352,036</u>
	<u>\$ 7,962,963</u>	<u>\$ 1,883,241</u>	<u>\$ 9,846,204</u>

The following is a summary of changes in long-term liabilities of the City's for business-type activities for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
State Revolving Fund Loans	\$ 1,558,380	\$ 3,109,877	\$ -	\$ 4,668,257	\$ -
Florida Rural Utility Commission Note, Series 2007	11,500,000	-	-	11,500,000	-
Wastewater System Revenue Bonds, Series 2008	-	10,000,000	-	10,000,000	-
Compensated absences	<u>11,037</u>	<u>4,163</u>	<u>518</u>	<u>14,682</u>	<u>1,468</u>
Business-type activities long-term liabilities	<u>\$ 13,069,417</u>	<u>\$ 13,114,040</u>	<u>\$ 518</u>	<u>\$ 26,182,939</u>	<u>\$ 1,468</u>

State Revolving Fund Loans

As of September 30, 2008, the City has entered into six revolving loan agreements with the State of Florida Department of Environmental Protection Clean Water State Revolving Fund Loan program to finance its wastewater and stormwater utility capital projects. The loans are collateralized by a pledge of the wastewater and stormwater non-ad valorem assessments. For the current year, there were no debt service payments. It is estimated that 100% of the pledged revenue will cover debt service to maturity. Total pledged revenues are approximately \$21,314,000. Through September 30, 2008, the City has borrowed a total of \$4,668,257 under these agreements. The breakdown as of September 30, 2008 of the total amounts authorized, the fixed weighted average interest rate, the repayment start dates and the amounts drawn to date on each loan is as follows:

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

State Revolving Fund Loan(s) (Continued)

SRF Loan Agreement No.	Total Loan Amount <u>Authorized</u>	Interest Rate	Repayment Start Date	Estimated Semi-Annual Repayment Amount	Total Funds Borrowed through September 30, 2008
WW 637020*	\$ 8,746,211	2.31%	February 15, 2010	\$ 371,982	\$ 1,413,714
WW 637050	848,654	2.46%	July 15, 2009	28,834	873,151
WW 637060	1,918,808	2.37%	January 15, 2010	62,710	1,357,643
SW 637030	395,302	2.46%	July 15, 2009	13,205	399,698
SW 637040	253,923	2.46%	July 15, 2009	8,482	256,695
SW 637070	519,195	2.37%	May 15, 2010	17,042	367,354
Total	<u>\$ 12,682,093</u>			<u>\$ 502,255</u>	<u>\$ 4,668,257</u>

The amounts of the semiannual payments for each loan will be calculated based on the actual amount of the principal drawn under the agreement, as well as associated capitalized interest and loan service fees. These amounts will not be determined until project completion; therefore, amortization schedules are not available for these loan agreements at this time.

*Subsequent to fiscal year end, on December 10, 2008, this loan agreement was amended to increase the loan by \$2,562,000 at an interest rate of 2.54%.

Florida Rural Utility Financing Commission Revenue Note, Series 2007

On August 24, 2007, the City entered into a 'bridge' loan agreement with the Florida Rural Utility Financing Commission program in a total principal amount of \$11,500,000 for the financing of wastewater and stormwater utility capital construction. The revenue note carries a fixed interest rate of 4.0% and matures on September 1, 2010. There are no principal payments due during the term of the loan. The loan is secured by the pledge of permanent financing to be provided by the State Revolving Fund Loan program. Pledged revenues will cover 100% of the debt service to maturity. The note proceeds and associated interest earnings are held by the Commission in restricted accounts on behalf of the City of Marathon. Loan funds are disbursed to the City upon submittal of construction contract progress payment applications. As of September 30, 2008, the City had drawn approximately \$10,750,000 including draws against the interest earned.

Wastewater System Revenue Bond Series 2008

On September 25, 2008, the City issued Wastewater System Revenue Bonds, Series 2008, for an amount of \$10,000,000 for the financing of the wastewater system capital construction. The bond has an interest rate of 3.31% and expires on January 1, 2012. There are no principal payments due during the life of the bond. The bonds are collateralized by a pledge of proceeds of the permanent financing to be provided by the State Revolving Fund Loan program. Total debt service is \$11,081,267, of which pledged revenues will cover 100% to maturity.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Wastewater System Revenue Bond Series 2008 (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ -	\$ 253,767	\$ 253,767
2010	-	331,000	331,000
2011	-	331,000	331,000
2012	10,000,000	165,500	10,165,500
	<u>\$ 10,000,000</u>	<u>\$ 1,081,267</u>	<u>\$ 11,081,267</u>

NOTE 8. COMMITMENTS AND CONTINGENCIES

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; injuries to employees; and natural disasters for which the City purchases commercial insurance. There was no reduction in insurance coverage from coverages in the prior year. There were no settlements that exceeded insurance coverage for each of the past three years.

Litigation

The City is involved in legal proceedings incidental to its operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the City.

Grant Contingency

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

Construction Commitment

At September 30, 2008, the City had outstanding construction contract commitments of the governmental and enterprise funds consisting of:

- Completion of the Service Area 4 & 6 Wastewater, Stormwater and Water Re-Use Collection System in the amount of approximately \$19,807,000 by GlobeTec Construction.
- Completion of the Service Area 4 & 6 Wastewater and Stormwater treatment plants in the amount of approximately \$5,554,000 by Lanzo Construction.
- Completion of the Service Area 5 Wastewater, Stormwater and Water Re-Use Collection System in the amount of approximately \$19,125,000 by Lanzo Construction.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. DEFINED CONTRIBUTION PLAN

The City as a single-employer contributes to the City of Marathon Money Purchase Plan, which is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) which is administered by ICMA. Under the Plan, the City contributes 10% for all full-time employees, except the City Manager, for whom the City contributes 15%. Normal retirement is defined as age 57-1/2. The employees are not required to make contributions and are fully vested on day one. Employer contributions for the fiscal year ended September 30, 2008 were \$189,570. Amendments to the Plan must be authorized by the City Council.

NOTE 10. FIREFIGHTERS' PENSION PLAN

Plan Description

The City established The City of Marathon Firefighters' Pension Plan and Trust Fund (the Plan) as a Local Law Plan in accordance with Chapter 175, Florida Statutes on October 1, 2005 as per a City adopted ordinance. The Plan is a single-employer, defined benefit plan that covers all full-time and volunteer firefighters. This replaces the previous Firefighters Pension Fund first created on December 9, 2003 and is treated as a newly created plan from an actuarial standpoint. From a financial statement perspective, the ending net assets of the old plan became the beginning net assets of the new Plan on October 1, 2005. The administrative duties for this Fund are handled through the Florida Municipal Pension Trust Retirement Services. A more detailed description of the Plan appears in the ordinances constituting the Plan and in the Summary Plan Description. The Plan does not issue a stand-alone financial report, but is included in the reporting entity of the City as a pension trust fund. Amendments to the plan document can only be authorized by the City Council.

At October 1, 2006 (date of the latest actuarial valuation), the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2
Current employees:	
Vested	-
Non-vested	<u>13</u>
Total	<u>15</u>

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Administrative costs of the Plan are financed through investment earnings.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. FIREFIGHTERS' PENSION PLAN (Continued)

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported in investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

Contributions and Funding Policy

Firefighters are required to contribute 5% of their salary to the Plan. Contributions from the State of Florida are based on the amount of fire insurance premiums written by private insurers on property within City limits. The City is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, when the aggregate actuarial cost method is used, a schedule of funding progress is not required, however, in accordance with GASB 50, a schedule of funding progress is required using a valuation method other than the aggregate method.

The required contribution to the Plan as determined by the actuarial valuation was \$281,737 for the year ended September 30, 2008. Contributions from the State totaled \$216,059 which was complemented by City contributions of \$114,161. State contributions are recognized as both revenue and expenditure during the period in the general fund.

Pension Benefits

Normal retirement is defined by the plan as the attainment of age 55 with 6 years of credited service or 20 years of credited service with no age requirement. Upon normal retirement, participants are entitled to 3.5% of their average final compensation for each year of credited service. Benefit options include a ten year certain payout or a life annuity. Early retirement is defined by the plan as the attainment of age 50 with 6 years of credited service. Upon early retirement, accrued benefits are reduced by 3% per year.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (asset) of the Plan for the current year were as follows:

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. FIREFIGHTERS' PENSION PLAN (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

Annual required contribution	\$ 281,737
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	281,737
Contributions made	281,737
Decrease in net pension obligation	-
Net pension obligation at beginning of year	-
Net pension obligation at end of year	\$ -

Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$ 271,754	100%	\$ -
9/30/07	250,700	100%	-
9/30/08	281,737	100%	-

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2008, is as follows. The Plan did not prepare an actuarial valuation as of October 1, 2007 and therefore did not have a schedule of funding progress as of October 1, 2007.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a÷b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)÷c)</u>
October 1, 2008*	\$ 1,130,532	\$ 1,198,373	\$ 67,841	94.3%	\$ 1,056,666	6.4%

*Actuarial accrued liability is calculated using the entry age normal cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

CITY OF MARATHON, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. FIREFIGHTERS' PENSION PLAN (Continued)

Funded Status and Funding Progress (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2006
Actuarial cost method	Aggregate
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.0%
Cost of living adjustments	3.0%

*Includes inflation at 4.0%

NOTE 11. SUBSEQUENT EVENTS

Subsequent to year end the City initiated non-ad valorem assessments relating to its wastewater utility construction project. Customers in service areas 4 & 6 were given the option to either prepay their system development charge assessments in full before September 30, 2008, or to amortize the assessments over 20 years via non-ad valorem assessments.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARATHON, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Property taxes	\$ 4,303,947	\$ 4,303,947	\$ 4,258,748	\$ (45,199)
Intergovernmental	1,962,984	2,194,584	2,113,766	(80,818)
Licenses and permits	859,800	859,800	751,454	(108,346)
Charges for services	761,294	761,294	638,764	(122,530)
Fines and forfeitures	117,500	117,500	164,172	46,672
Communications services taxes	667,199	667,199	626,113	(41,086)
Interest	175,000	175,000	208,137	33,137
Miscellaneous	48,361	325,361	320,105	(5,256)
Total revenues	<u>8,896,085</u>	<u>9,404,685</u>	<u>9,081,259</u>	<u>(323,426)</u>
Expenditures:				
Current:				
General government:				
Elected officials	460,926	460,926	426,686	34,240
Administration	1,935,268	2,004,385	1,848,284	156,101
City Attorney	482,000	534,050	543,417	(9,367)
Non-Departmental	-	15,850	15,802	48
Total general government	<u>2,878,194</u>	<u>3,015,211</u>	<u>2,834,189</u>	<u>181,022</u>
Public safety:				
Police	1,446,410	1,411,410	1,411,025	385
Fire/EMS	2,154,694	2,231,194	2,218,383	12,811
Total public safety	<u>3,601,104</u>	<u>3,642,604</u>	<u>3,629,408</u>	<u>13,196</u>
Community services:				
Public works	232,737	232,737	224,522	8,215
Parks and recreation	969,194	981,688	935,059	46,629
Bridge	147,272	140,657	115,283	25,374
Total community services	<u>1,349,203</u>	<u>1,355,082</u>	<u>1,274,864</u>	<u>80,218</u>
Community development	<u>1,495,426</u>	<u>1,547,926</u>	<u>1,364,266</u>	<u>183,660</u>
Total expenditures	<u>9,323,927</u>	<u>9,560,823</u>	<u>9,102,727</u>	<u>458,096</u>
Excess (deficiency) of revenues over expenditures	<u>(427,842)</u>	<u>(156,138)</u>	<u>(21,468)</u>	<u>134,670</u>
Other financing sources (uses):				
Transfers out	(41,480)	(41,480)	(59,050)	(17,570)
Transfers in	385,429	385,429	385,429	-
Appropriation of prior years' fund balance	83,893	(187,811)	-	187,811
Total other financing sources and uses	<u>427,842</u>	<u>156,138</u>	<u>326,379</u>	<u>170,241</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,911</u>	<u>\$ 304,911</u>

See note to budgetary comparison schedule.

CITY OF MARATHON, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE CAPITAL INFRASTRUCTURE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 5,687,309	\$ 7,977,524	\$ 6,051,318	\$ (1,926,206)
Interest	<u>200,000</u>	<u>200,000</u>	<u>154,518</u>	<u>(45,482)</u>
Total revenues	<u>5,887,309</u>	<u>8,177,524</u>	<u>6,205,836</u>	<u>(1,971,688)</u>
Expenditures:				
Capital outlay	4,065,000	4,481,000	1,587,467	2,893,533
General and administrative	<u>28,000</u>	<u>28,000</u>	<u>1,836</u>	<u>26,164</u>
Total expenditures	<u>4,093,000</u>	<u>4,509,000</u>	<u>1,589,303</u>	<u>2,919,697</u>
Excess (deficiency) of revenues over expenditures	<u>1,794,309</u>	<u>3,668,524</u>	<u>4,616,533</u>	<u>948,009</u>
Other financing sources (uses):				
Transfers in	300,000	300,000	300,000	-
Transfers out	(2,246,241)	(2,246,241)	(2,245,887)	354
Appropriation of prior years' fund balance	<u>151,932</u>	<u>(1,722,283)</u>	<u>-</u>	<u>1,722,283</u>
Total other financing sources and uses	<u>(1,794,309)</u>	<u>(3,668,524)</u>	<u>(1,945,887)</u>	<u>1,722,637</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,670,646</u>	<u>\$ 2,670,646</u>

See note to budgetary comparison schedule.

CITY OF MARATHON, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE STREET MAINTENANCE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 1,307,864	\$ 1,307,864	\$ 652,801	\$ (655,063)
Charges for services	9,727	9,727	10,320	593
Interest	<u>70,000</u>	<u>70,000</u>	<u>126,673</u>	<u>56,673</u>
Total revenues	<u>1,387,591</u>	<u>1,387,591</u>	<u>789,794</u>	<u>(597,797)</u>
Expenditures:				
Current:				
Community services	400,100	400,100	138,408	261,692
Capital outlay	<u>1,116,000</u>	<u>1,116,000</u>	<u>4,775</u>	<u>1,111,225</u>
Total expenditures	<u>1,516,100</u>	<u>1,516,100</u>	<u>143,183</u>	<u>1,372,917</u>
Excess (deficiency) of revenues over expenditures	(128,509)	(128,509)	646,611	775,120
Other financing sources:				
Transfers in	108,426	108,426	-	(108,426)
Transfers out	(9,974)	(233,354)	(9,974)	223,380
Appropriation of prior years' fund balance	<u>30,057</u>	<u>253,437</u>	<u>-</u>	<u>(253,437)</u>
Total other financing sources	<u>128,509</u>	<u>128,509</u>	<u>(9,974)</u>	<u>(138,483)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,637</u>	<u>\$ 636,637</u>

See note to budgetary comparison schedule.

CITY OF MARATHON, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is adopted for the general fund (a major fund), the capital infrastructure fund and the street maintenance fund (major special revenue funds), two of the nonmajor special revenue funds and the debt service fund on a basis consistent with accounting principles generally accepted in the United States. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Annually, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1st, the budget is legally enacted through passage of a resolution.
- d. The City Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2008, there were supplemental appropriations of \$236,896 in the general fund.
- e. The City Manager is authorized to transfer budget amounts within the departments within any fund. However, any revisions that alter the total appropriations of any department must be approved by the City Council. Therefore, the legal level of control is at the department level.
- f. Formal budgetary integration is employed as a management control device during the year for all budgeted funds. The final budget, as amended by City Council, includes adjustments, some of which were material in relation to the original appropriation. Original appropriations were transferred between departments of the General Fund.
- g. Appropriations which are neither expended nor specifically designated to be carried over, lapse at the end of the fiscal year.

CITY OF MARATHON, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

SCHEDULE OF FUNDING PROGRESS*

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2008	\$ 1,130,532	\$ 1,198,373	\$ 67,841	94.3%	\$ 1,056,666	6.4%

*Actuarial accrued liability is calculated using the entry age normal cost method.

Note: This schedule of funding progress was prepared in accordance with the requirements of GASB 50 for plans that use the aggregate actuarial cost method. The schedule was prepared using the entry age actuarial cost method. Since the Plan did not prepare an actuarial valuation dated October 1, 2006, the October 1, 2008 funding progress was the funding progress data that was available.

CITY OF MARATHON, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Fiscal Year Ended <u>September 30,</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2006	\$ 271,754	100%
2007	250,700	100%
2008	281,737	100%

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Vehicle Replacement Fund – This fund is used to account for reserves for the replacement of City vehicles.

Impact Fees Fund – This fund is used to account for transportation, parks and public safety projects. Revenues are derived from impact fees collected during the building permit process.

Affordable Housing Fund – This fund is used to purchase land or homes to be used for affordable housing.

Restoration Fund – This fund is used for restoration and management activities of public resource protection and conservation lands.

Debt Service Fund

Debt Service Fund – This fund is used to account for the payment of principal, interest and expenditures on the long-term debt of the governmental funds.

CITY OF MARATHON, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>Special Revenue Funds</u>				Debt Service <u>Fund</u> Debt <u>Service</u>	Total Nonmajor Governmental <u>Funds</u>
	<u>Vehicle Replacement</u>	<u>Impact Fees</u>	<u>Affordable Housing</u>	<u>Restoration</u>		
<u>ASSETS</u>						
Cash	\$ 672,331	\$ 635,528	\$ 60,953	\$ 36,256	\$ -	\$ 1,405,068
Receivables	-	-	60,000	-	-	60,000
Total assets	<u>\$ 672,331</u>	<u>\$ 635,528</u>	<u>\$ 120,953</u>	<u>\$ 36,256</u>	<u>\$ -</u>	<u>\$ 1,465,068</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Due to other governments	\$ -	\$ 2,501	\$ -	\$ -	\$ -	\$ 2,501
Fund balances:						
Unreserved	672,331	633,027	120,953	36,256	-	1,462,567
Total fund balances	<u>672,331</u>	<u>633,027</u>	<u>120,953</u>	<u>36,256</u>	<u>-</u>	<u>1,462,567</u>
Total liabilities and fund balances	<u>\$ 672,331</u>	<u>\$ 635,528</u>	<u>\$ 120,953</u>	<u>\$ 36,256</u>	<u>\$ -</u>	<u>\$ 1,465,068</u>

CITY OF MARATHON, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Vehicle Replacement</u>	<u>Impact Fees</u>	<u>Affordable Housing</u>	<u>Restoration Fund</u>	<u>Debt Service</u>	
Revenues:						
Licenses and permits	\$ -	\$ -	\$ 120,000	\$ 18,609	\$ -	\$ 138,609
Impact fees	-	242,602	-	-	-	242,602
Interest	31,062	17,629	1,396	77	-	50,164
Miscellaneous	-	114	-	-	-	114
Total revenues	<u>31,062</u>	<u>260,345</u>	<u>121,396</u>	<u>18,686</u>	<u>-</u>	<u>431,489</u>
Expenditures:						
General government	-	-	443	-	-	443
Capital outlay	-	13,696	-	-	-	13,696
Debt service:						
Principal	-	-	-	-	740,741	740,741
Interest and fiscal charges	-	-	-	-	361,961	361,961
Total expenditures	<u>-</u>	<u>13,696</u>	<u>443</u>	<u>-</u>	<u>1,102,702</u>	<u>1,116,841</u>
Excess (deficiency) of revenues over expenditures	<u>31,062</u>	<u>246,649</u>	<u>120,953</u>	<u>18,686</u>	<u>(1,102,702)</u>	<u>(685,352)</u>
Other financing sources (uses):						
Transfers in	301,454	-	-	17,570	1,102,702	1,421,726
Transfers out	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>1,454</u>	<u>-</u>	<u>-</u>	<u>17,570</u>	<u>1,102,702</u>	<u>1,121,726</u>
Net change in fund balances	32,516	246,649	120,953	36,256	-	436,374
Fund balances, beginning	<u>639,815</u>	<u>386,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,026,193</u>
Fund balances, ending	<u>\$ 672,331</u>	<u>\$ 633,027</u>	<u>\$ 120,953</u>	<u>\$ 36,256</u>	<u>\$ -</u>	<u>\$ 1,462,567</u>

CITY OF MARATHON, FLORIDA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds							
	<u>Vehicle Replacement Fund</u>				<u>Impact Fees</u>			
			Actual Amounts	Variance with Final Budget - Positive (Negative)			Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>			<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>		
Revenues:								
Impact fees	\$ -	\$ -	\$ -	\$ -	\$ 68,500	\$ 68,500	\$ 242,602	\$ 174,102
Interest	33,000	33,000	31,062	(1,938)	10,000	10,000	17,629	7,629
Miscellaneous	-	-	-	-	149	149	114	(35)
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>31,062</u>	<u>(1,938)</u>	<u>78,649</u>	<u>78,649</u>	<u>260,345</u>	<u>181,696</u>
Expenditures:								
Capital outlay	-	-	-	-	245,000	245,000	13,696	(231,304)
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,000</u>	<u>245,000</u>	<u>13,696</u>	<u>(231,304)</u>
Excess (deficiency) of revenues over expenditures	<u>33,000</u>	<u>33,000</u>	<u>31,062</u>	<u>(1,938)</u>	<u>(166,351)</u>	<u>(166,351)</u>	<u>246,649</u>	<u>413,000</u>
Other financing sources (uses):								
Transfers in	301,454	301,454	301,454	-	-	-	-	-
Transfers out	(972,999)	(972,999)	(300,000)	672,999	(164,399)	(164,399)	-	164,399
Unappropriated surplus	<u>638,545</u>	<u>638,545</u>	<u>-</u>	<u>(638,545)</u>	<u>330,750</u>	<u>330,750</u>	<u>-</u>	<u>(330,750)</u>
Total other financing sources (uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>1,454</u>	<u>34,454</u>	<u>166,351</u>	<u>166,351</u>	<u>-</u>	<u>(166,351)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,516</u>	<u>\$ 32,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,649</u>	<u>\$ 246,649</u>

(Continued)

CITY OF MARATHON, FLORIDA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Debt Service Fund			Variance with Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Impact fees	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Capital outlay	-	-	-	-
Debt service:				
Principal	740,741	740,741	740,741	-
Interest and fiscal charges	362,315	362,315	361,961	354
Total expenditures	1,103,056	1,103,056	1,102,702	354
Excess (deficiency) of revenues over expenditures	(1,103,056)	(1,103,056)	(1,102,702)	354
Other financing sources (uses):				
Transfers in	1,103,056	1,103,056	1,102,702	(354)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION

This part of the City of Marathon's comprehensive annual financial report presents detailed information as 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>	<u>Page</u>
Financial Trends	54-58
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	59-62
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	63-64
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.	
Demographic and Economic Information	65-66
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	67-69
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

CITY OF MARATHON, FLORIDA

NET ASSETS BY COMPONENT

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 14,255,597	\$ 16,372,786	\$ 15,638,541	\$ 19,339,970	\$ 20,098,109
Restricted	4,373,475	5,039,914	7,324,824	4,733,068	8,026,767
Unrestricted	<u>4,024,147</u>	<u>4,798,655</u>	<u>5,650,368</u>	<u>6,350,476</u>	<u>7,012,204</u>
Total governmental activities net assets	<u>22,653,219</u>	<u>26,211,355</u>	<u>28,613,733</u>	<u>30,423,514</u>	<u>35,137,080</u>
Business-type activities:					
Invested in capital assets, net of related debt	790,069	669,008	5,094,011	9,528,390	18,060,264
Restricted	-	-	-	-	-
Unrestricted	<u>-</u>	<u>(9,447)</u>	<u>213,284</u>	<u>(1,265,735)</u>	<u>(4,279,528)</u>
Total business-type activities net assets	<u>790,069</u>	<u>659,561</u>	<u>5,307,295</u>	<u>8,262,655</u>	<u>13,780,736</u>
Total government:					
Invested in capital assets, net of related debt	15,045,666	17,041,794	20,732,552	28,868,360	38,158,373
Restricted	4,373,475	5,039,914	7,324,824	4,733,068	8,026,767
Unrestricted	<u>4,024,147</u>	<u>4,789,208</u>	<u>5,863,652</u>	<u>5,084,741</u>	<u>2,732,676</u>
Total government net assets	<u>\$ 23,443,288</u>	<u>\$ 26,870,916</u>	<u>\$ 33,921,028</u>	<u>\$ 38,686,169</u>	<u>\$ 48,917,816</u>

Note: Data not available prior to fiscal 2004 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF MARATHON, FLORIDA

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:					
Governmental activities:					
General government	\$ 2,805,425	\$ 3,837,452	\$ 7,905,757	\$ 3,867,901	\$ 3,319,061
Public safety	2,832,115	2,997,230	4,737,074	3,645,846	4,069,335
Community services	1,270,051	1,417,715	1,880,765	2,050,244	2,041,301
Community development	1,309,166	1,365,876	1,335,976	1,576,341	1,395,694
Interest on long-term debt	14,801	90,515	372,885	390,607	361,961
Total governmental activities	<u>8,231,558</u>	<u>9,708,788</u>	<u>16,232,457</u>	<u>11,530,939</u>	<u>11,187,352</u>
Business-type activities:					
Wastewater	-	-	10,826	52,230	340,016
Marina	504,056	688,950	537,316	622,185	695,938
Stormwater	-	-	10,694	39,716	264,150
Total business-type activities	<u>504,056</u>	<u>688,950</u>	<u>558,836</u>	<u>714,131</u>	<u>1,300,104</u>
Total government expenses	<u>\$ 8,735,614</u>	<u>\$10,397,738</u>	<u>\$16,791,293</u>	<u>\$12,245,070</u>	<u>\$12,487,456</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,399,886	\$ 1,354,431	\$ 1,407,360	\$ 1,391,936	\$ 155,111
Public safety	844,927	742,410	647,303	740,365	760,546
Community services	334,148	345,376	356,349	516,645	559,447
Community development	687,725	1,002,999	1,118,382	746,217	743,533
Operating grants and contributions	566,908	1,112,299	4,402,251	624,697	496,996
Capital grants and contributions	<u>2,432,746</u>	<u>3,375,694</u>	<u>4,674,802</u>	<u>2,879,187</u>	<u>6,338,416</u>
Total governmental activities program revenues	<u>6,266,340</u>	<u>7,933,209</u>	<u>12,606,447</u>	<u>6,899,047</u>	<u>9,054,049</u>
Business-type activities:					
Charges for services:					
Wastewater	-	-	-	-	-
Marina	263,165	310,057	354,332	457,657	615,247
Stormwater	-	-	-	-	-
Operating grants and contributions	-	45,076	39,272	53,595	55,646
Capital grants and contributions	<u>-</u>	<u>23,360</u>	<u>2,002,836</u>	<u>2,627,827</u>	<u>5,202,199</u>
Total business-type activities program revenues	<u>-</u>	<u>378,493</u>	<u>2,396,440</u>	<u>3,139,079</u>	<u>5,873,092</u>
Total program revenues	<u>\$ 6,266,340</u>	<u>\$ 8,311,702</u>	<u>\$15,002,887</u>	<u>\$10,038,126</u>	<u>\$14,927,141</u>

(Continued)

CITY OF MARATHON, FLORIDA

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(Continued)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (expense) revenue:					
Governmental activities	\$(1,965,218)	\$ (1,775,579)	\$(3,626,010)	\$(4,631,892)	\$(2,133,303)
Business-type activities	<u>(504,056)</u>	<u>(310,457)</u>	<u>1,837,604</u>	<u>2,424,948</u>	<u>4,572,988</u>
Total net expense	<u>\$(2,469,274)</u>	<u>\$ (2,086,036)</u>	<u>\$(1,788,406)</u>	<u>\$(2,206,944)</u>	<u>\$ 2,439,685</u>
General revenues:					
Governmental activities:					
Taxes:					
Property taxes	\$ 3,432,016	\$ 4,098,515	\$ 4,365,919	\$ 4,776,651	\$ 4,258,748
Other taxes	566,267	601,859	669,856	633,305	626,113
State shared revenues	289,678	400,123	464,835	367,701	1,709,756
Investment earnings	104,434	280,744	658,527	595,386	539,492
Miscellaneous	162,385	127,489	426,251	492,630	220,516
Transfers	<u>(1,028,677)</u>	<u>(175,014)</u>	<u>(555,000)</u>	<u>(424,000)</u>	<u>(507,756)</u>
Total governmental activities	<u>3,526,103</u>	<u>5,333,716</u>	<u>6,030,388</u>	<u>6,441,673</u>	<u>6,846,869</u>
Business-type activities:					
Investment earnings	-	-	25,855	106,412	437,337
Miscellaneous	2,283	4,935	2,229,275	-	-
Transfers	<u>1,028,677</u>	<u>175,014</u>	<u>555,000</u>	<u>424,000</u>	<u>507,756</u>
Total business-type activities	<u>1,030,960</u>	<u>179,949</u>	<u>2,810,130</u>	<u>530,412</u>	<u>945,093</u>
Total general revenues	<u>\$ 4,557,063</u>	<u>\$ 5,513,665</u>	<u>\$ 8,840,518</u>	<u>\$ 6,972,085</u>	<u>\$ 7,791,962</u>
Change in net assets:					
Governmental activities	\$ 1,560,885	\$ 3,558,137	\$ 2,404,378	\$ 1,809,781	\$ 4,713,566
Business-type activities	<u>526,904</u>	<u>(130,508)</u>	<u>4,647,734</u>	<u>2,955,360</u>	<u>5,518,081</u>
Total change in net assets	<u>\$ 2,087,789</u>	<u>\$ 3,427,629</u>	<u>\$ 7,052,112</u>	<u>\$ 4,765,141</u>	<u>\$10,231,647</u>

Note: Data not available prior to fiscal 2004 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local*

CITY OF MARATHON, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:					
Reserved	\$ 40,085	\$ 19,955	\$ 80,932	\$ 137,851	\$ 78,749
Unreserved	<u>3,622,540</u>	<u>4,233,725</u>	<u>4,655,670</u>	<u>5,266,937</u>	<u>5,630,951</u>
Total general fund	<u>3,662,625</u>	<u>4,253,680</u>	<u>4,736,602</u>	<u>5,404,788</u>	<u>5,709,700</u>
Special revenue funds:					
Reserved	4,639,429	134,355	-	-	-
Unreserved, reported in:					
Capital infrastructure fund	-	3,725,836	8,030,567	1,838,600	4,509,246
Street maintenance fund	-	1,159,768	2,374,258	2,849,227	3,485,864
Impact fee fund	-	-	200,359	386,378	633,027
Vehicle replacement fund	-	544,876	869,363	639,815	672,331
Affordable housing	-	-	-	-	120,953
Restoration	-	-	-	-	36,256
Total special revenue funds	<u>4,639,429</u>	<u>5,564,835</u>	<u>11,474,547</u>	<u>5,714,020</u>	<u>9,457,677</u>
Debt service funds:					
Reserved	-	-	-	-	-
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>4,639,429</u>	<u>5,564,835</u>	<u>11,474,547</u>	<u>5,714,020</u>	<u>9,457,677</u>
Total governmental funds	<u>\$8,302,054</u>	<u>\$9,818,515</u>	<u>\$16,211,149</u>	<u>\$11,118,808</u>	<u>\$15,167,377</u>

Note: Data not available prior to fiscal 2004 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF MARATHON, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:					
Ad valorem taxes	\$3,432,016	\$4,098,515	\$4,365,919	\$4,776,651	\$4,258,748
Franchise fees	-	-	-	-	-
Communication Services taxes	566,267	601,859	669,856	633,305	626,113
Impact fees	n/a	n/a	56,384	207,692	242,602
Licenses and permits	736,597	1,035,052	1,176,781	785,569	890,063
Intergovernmental revenue	4,961,663	6,512,740	11,162,771	5,488,148	8,817,885
Charges for services	675,994	649,029	559,537	642,998	649,084
Fines and forfeitures	181,763	136,510	115,809	142,341	164,172
Interest income	104,434	280,744	658,527	595,386	539,492
Miscellaneous	162,387	127,490	426,252	392,927	320,219
Total revenues	<u>10,821,121</u>	<u>13,441,939</u>	<u>19,191,836</u>	<u>13,665,017</u>	<u>16,508,378</u>
Expenditures:					
Current:					
General government	2,857,781	3,630,608	7,359,947	2,822,349	2,796,344
Public safety	2,806,148	2,798,132	3,083,352	3,481,477	3,614,984
Community services	1,022,818	1,172,637	1,385,482	1,437,157	1,410,054
Community development	1,296,042	1,359,560	1,309,363	1,547,317	1,364,266
Capital outlay	1,624,068	5,234,411	4,080,526	7,205,686	1,663,704
Debt service:					
Principal	90,000	1,318,000	555,556	740,741	740,741
Interest and other fiscal charges	32,617	92,875	372,885	390,607	361,961
Total expenditures	<u>9,729,474</u>	<u>15,606,223</u>	<u>18,147,111</u>	<u>17,625,334</u>	<u>11,952,054</u>
Excess (deficiency) of revenues over expenditures	<u>1,091,647</u>	<u>(2,164,284)</u>	<u>1,044,725</u>	<u>(3,960,317)</u>	<u>4,556,324</u>
Other financing sources (uses):					
Transfers in	693,071	1,934,956	1,511,921	2,337,615	2,107,155
Transfers out	(894,627)	(2,193,870)	(2,066,921)	(2,761,615)	(2,614,911)
Bonds Issued	75,000	4,018,000	5,907,000	-	-
Total other financing sources (uses)	<u>(126,556)</u>	<u>3,759,086</u>	<u>5,352,000</u>	<u>(424,000)</u>	<u>(507,756)</u>
Net change in fund balances	<u>\$ 965,091</u>	<u>\$ 1,594,802</u>	<u>\$ 6,396,725</u>	<u>\$ (4,384,317)</u>	<u>\$ 4,048,568</u>
Debt service as a percentage of non-capital expenditures	1.54%	15.74%	7.07%	12.18%	12.00%

Note: Data not available prior to fiscal 2004 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF MARATHON, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST EIGHT FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

<u>Fiscal Year</u> <u>Ended</u> <u>September 30,</u>	<u>Tax Roll</u> <u>Year</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Total Net</u> <u>Assessed</u> <u>Value</u>	<u>Total</u> <u>Direct</u> <u>Tax</u> <u>Rate</u>	<u>Estimated</u> <u>Actual</u> <u>Value (1)</u>	<u>Estimated</u> <u>Actual Value</u> <u>as a Percentage</u> <u>of Net Assessed</u> <u>Value</u>
2001	2000	\$ 899,256,852	\$ 71,566,362	\$ 970,823,214	13.7277	n/a	n/a
2002	2001	1,011,692,510	68,119,027	1,079,811,537	13.4553	n/a	n/a
2003	2002	1,128,078,626	67,353,235	1,195,431,861	12.9841	n/a	n/a
2004	2003	1,370,802,387	64,176,791	1,434,979,178	12.5700	n/a	n/a
2005	2004	1,621,112,010	70,100,880	1,691,212,890	11.6747	n/a	n/a
2006	2005	2,137,232,089	72,452,105	2,209,684,194	10.1741	n/a	n/a
2007	2006	2,693,641,765	81,397,661	2,775,039,426	8.6590	n/a	n/a
2008	2007	2,991,200,387	87,126,504	3,078,326,891	7.7213	n/a	n/a

Note: The City of Marathon commenced operations on November 30, 1999. Property taxes were levied and collected for the first time in fiscal year ended September 30, 2001.

Note (1): Property in the City is reassessed each year. The Property Appraiser estimates a just (market) value for all types of real property. For non-homesteaded properties the just value is equal to the assessed value. For homesteaded properties, the just value is adjusted for both the Florida 'Save Our Homes' valuation cap and the homestead exemption amount to arrive at the assessed value. As a result, there is no formula available to estimate the relationship between overall just (actual) value and assessed value.

Source: Monroe County Property Appraiser's Office and the City of Marathon Finance Office.

CITY OF MARATHON, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

		Direct Rate	Overlapping Rates (1)							
			FL Keys							
Fiscal Year	Tax Roll Year	City of Marathon	Monroe County	School Board	S. Florida Water Mgt District	Mosquito Control District	Other	Total Overlapping Rates	Total Applied Rate	
1999	1998	-	7.8439	6.0730	0.2840	0.6641	0.4130	15.2780	15.2780	
2000	1999	-	7.4413	5.6550	0.2840	0.6641	0.4130	14.4574	14.4574	
2001	2000	2.9645	4.2181	5.1840	0.2840	0.6641	0.4130	10.7632	13.7277	
2002	2001	2.9645	4.1407	4.9890	0.2840	0.6641	0.4130	10.4908	13.4553	
2003	2002	2.9645	3.9455	4.7130	0.2840	0.6641	0.4130	10.0196	12.9841	
2004	2003	2.4931	4.2938	4.4220	0.2840	0.6641	0.4130	10.0769	12.5700	
2005	2004	2.4931	3.9436	3.9320	0.2840	0.6090	0.4130	9.1816	11.6747	
2006	2005	2.0500	3.4361	3.3820	0.2840	0.6090	0.4130	8.1241	10.1741	
2007	2006	1.7896	2.5609	3.0610	0.2840	0.5505	0.4130	6.8694	8.6590	
2008	2007	1.4243	2.2656	2.9460	0.2549	0.4175	0.4130	6.2970	7.7213	

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

Note: The City of Marathon commenced operations on November 30, 1999. Property taxes were levied and collected for the first time in fiscal year ended September 30, 2001.

Note (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Marathon, Florida.

Sources: City of Marathon Finance Department and Monroe County Property Appraiser's Office.

CITY OF MARATHON, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND SIX YEARS AGO

<u>Taxpayer</u>	2008		
	Net Assessed <u>Value</u>	<u>Rank</u>	Percent of Total City Net Assessed <u>Value</u>
BLUEGREEN RESORTS MANAGEMENT INC.	\$ 45,945,715	1	1.49%
FL KEYS ELECTRIC CO-OP ASSN INC.	28,877,990	2	0.94%
FELLING, MICHAEL	24,614,576	3	0.80%
KEY COLONY BAY DEVELOPMENT LLC	22,496,209	4	0.73%
BOAT HOUSE ASSOCIATES, INC	19,862,412	5	0.65%
KEYS MARINA SOMBRERO, LLC	15,101,352	6	0.49%
SANDLER AT GREATER MARATHON BAY LLC	12,717,646	7	0.41%
HOME DEPOT USA INC #6302	11,880,970	8	0.39%
KEYS MARINA MARATHON LLC	10,381,114	9	0.34%
SH MARATHON LTD (HOLIDAY INN / MARINA)	9,739,880	10	0.32%
	<u>\$201,617,864</u>		<u>6.56%</u>

<u>Taxpayer</u>	2002		
	Net Assessed <u>Value</u>	<u>Rank</u>	Percent of Total City Net Assessed <u>Value</u>
FL KEYS ELECTRIC CO-OP ASSN INC.	\$ 22,391,959	1	2.07%
FISHERMENS HOSPITAL INC.	12,024,671	2	1.11%
HOME DEPOT USA INC #6302	10,487,526	3	0.97%
BLUEGREEN RESORTS MANAGEMENT INC.	9,990,370	4	0.93%
BANANA BAY OF MARATHON, INC.	7,792,072	5	0.72%
SH MARATHON LTD (HOLIDAY INN/MARINA)	7,293,390	6	0.68%
BELLSOUTH TELECOMMUNICATIONS INC	7,164,142	7	0.66%
WHITE KEYS PARTNERS LLLP (KEY LIME)	6,684,253	8	0.62%
BIOSPHERE PROPERTIES INC (PUBLIX)	6,164,537	9	0.57%
MARATHON MANOR, INC.	5,694,734	10	0.53%
	<u>\$ 95,687,654</u>		<u>8.86%</u>

Source: Tax roll provided by Monroe County Property Appraisers Office.

Note: City of Marathon commenced operations on November 30, 1999. There is no data prior to 2002.

CITY OF MARATHON, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST EIGHT FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for Fiscal <u>Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Year's</u>	Total Collections to Date	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2001	\$2,882,965	\$2,792,295	96.85%	\$ -	\$2,792,295	96.85%
2002	3,201,103	3,101,425	96.89%	-	3,101,425	96.89%
2003	3,543,859	3,445,101	97.21%	-	3,445,101	97.21%
2004	3,580,232	3,447,677	96.30%	-	3,447,677	96.30%
2005	4,223,307	4,093,781	96.93%	-	4,093,781	96.93%
2006	4,529,856	4,365,919	96.38%	-	4,365,919	96.38%
2007	4,869,653	4,776,651	98.09%	-	4,776,651	98.09%
2008	4,303,947	4,259,597	98.97%		4,259,597	98.97%

Note: The City of Marathon commenced operations on November 30, 1999. Property taxes were levied and collected for the first time in fiscal year ended September 30, 2001.

Source: City of Marathon Finance Department and Monroe County Tax Collector's Office.

CITY OF MARATHON, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST NINE FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities				
	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds	Total	Percent of Net Assessed Value (1)	Per Capita (1)	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00	
2001	-	-	-	-	-	0.00%	0.00	
2002	-	-	-	-	-	0.00%	0.00	
2003	-	-	1,408,000	-	1,408,000	0.12%	136.16	
2004	-	75,000	1,318,000	-	1,393,000	0.10%	134.06	
2005	-	4,093,000	-	-	4,093,000	0.24%	385.19	
2006	-	9,444,444	-	832,168	10,276,612	0.47%	969.03	
2007	-	8,703,703	-	13,058,380	21,762,083	0.78%	2093.31	
2008	-	17,962,963	-	26,168,257	44,131,220	1.43%	4370.73	

Note: The City of Marathon commenced operations on November 30, 1999.

Note (1): Total personal income amounts not available for the City of Marathon jurisdiction. Personal income data provided in demographics section is for all of Monroe County. Therefore, assessed taxable value was used as the relevant economic base.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

CITY OF MARATHON, FLORIDA

PLEDGED REVENUE COVERAGE

LAST NINE FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Improvement Revenue Bonds					
	Local Govt. Infrastructure <u>Tax</u>	Less Operating <u>Expenses</u>	Net Available <u>Revenue</u>	Debt Service <u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2000	n/a	n/a	n/a	n/a	n/a	n/a
2001	n/a	n/a	n/a	n/a	n/a	n/a
2002	n/a	n/a	n/a	n/a	n/a	n/a
2003	n/a	n/a	n/a	n/a	n/a	n/a
2004	n/a	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a	n/a
2006	\$ 2,383,964	n/a	\$2,383,964	\$555,556	\$372,885	2.57
2007	2,405,183	n/a	2,405,183	740,741	390,607	2.13
2008	2,442,698	n/a	2,442,698	740,741	361,961	2.22

Note: The City of Marathon commenced operations on November 30, 1999.

Note: Repayment of the City's Improvement Revenue Bond began in fiscal year ended September 30, 2006.

Note: Repayment of the City's State Revolving Fund Loans does not begin until July 2009.

Note: Payment on the FRUFC Revenue Note Series is not due until the maturity date of September 1, 2010.

Note: Repayment of the City's Wastewater System Revenue Bonds, Series 2008 does not begin until January 1, 2012.

Source: City of Marathon Finance Department

CITY OF MARATHON, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	Personal Income (Amounts Expressed in <u>Thousands) (2)</u>	Per Capita Personal <u>Income (2)</u>	<u>Unemployment Rate (3)</u>
1999	-	\$ -	\$ -	2.2%
2000	10,255	2,941,452	37,009	2.0%
2001	10,407	2,940,428	37,159	2.6%
2002	10,445	2,925,881	37,029	2.8%
2003	10,341	2,995,004	37,966	2.3%
2004	10,391	3,136,506	40,203	2.2%
2005	10,626	3,498,309	45,946	3.0%
2006	10,605 (a)	3,775,859 (b)	48,427 (b)	2.5%
2007	10,396 (a)	4,003,510 (b)	50,436 (b)	3.0%
2008	10,097	4,163,261 (b)	51,759 (b)	5.5%

Sources:

- (1) Office of Economic and Demographic Research, FL Legislature and City of Marathon Finance Dept.
- (2) United States Census Bureau for all of Monroe County and Bureau of Economic and Business Research, University of FL.
- (3) Florida Department of Labor, Agency for Workforce Innovation. Rates are for the entire County of Monroe.

(a) & (b) Monroe County-specific data was not available. Monroe County 2005 actual data as a percent of State of FL data was used as a base % and applied to 2006, 2007, & 2008 State data as provided by the Office of Economic and Demographic Research, FL Legislature.

Note: When Marathon-specific data has not been available, Monroe County percentage projections were applied to Marathon's actual population figures from prior years.

CITY OF MARATHON, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TWO YEARS AGO

<u>Employer</u>	2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Home Depot USA	150	1	n/a
Publix Supermarkets	117	2	n/a
Winn Dixie Supermarkets	93	3	n/a
K-Mart Corporation	77	4	n/a
City of Marathon	64	5	n/a
Fishermen's Hospital	50	6	n/a
Office Depot, Inc.	45	7	n/a
Walgreen Co.	43	8	n/a
D'Assign Source	38	9	n/a
Dot Palm Landscaping	25	10	n/a

<u>Employer</u>	2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Home Depot USA	150	1	n/a
Publix Supermarkets	101	2	n/a
K-Mart Corporation	77	3	n/a
City of Marathon	58	4	n/a
Fishermen's Hospital	50	5	n/a
Office Depot, Inc.	45	6	n/a
Walgreen Co.	38	7	n/a
D'Assign Source	35	8	n/a
Dot Palm Landscaping	25	9	n/a
Marine Bank of the Florida Keys	20	10	n/a

Source: Data obtained from the Monroe County Tax Collector's Office Occupation License Department and City of Marathon Finance Department. The data provided does have one notable limitation. The Monroe County Tax Collector does not have employee data for the City's businesses in the following categories: overnight accommodations (hotels, motels, apartments), restaurants and bars, professional business services other than medical or banks. Therefore these businesses are not included in this ranking. The City does not have a method for collecting data relative to number of employees for any entity except the City itself.

Note: No data was available from the Tax Collector's office for years prior to 2006.

CITY OF MARATHON, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST NINE FISCAL YEARS

<u>Employees</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	-	-	-	5	5	8	8	9	6
Public Safety	-	-	-	13	16	16	28	22	21
Community Development	-	-	-	7	13	13	15	16	17
Community Services	-	-	-	5	5	7	11	13	13
Marina	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total number of employees	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>44</u>	<u>52</u>	<u>69</u>	<u>67</u>	<u>64</u>

Source: City of Marathon Finance Department

Note: City of Marathon commenced operations on November 30, 1999. Prior to Fiscal Year 2003, City of Marathon operations were provided under a contractual services arrangement and there were no direct City employees.

CITY OF MARATHON, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety:									
Police:									
Police personnel and officers	n/a	n/a	14	17	17	17	17	17	15
Police calls for service	n/a	n/a	30,788	31,366	30,964	30,792	24,292	22,411	20,273
Fire/EMS:									
Fire personnel	15	15	15	14	15	15	22	22	21
Fire / emergency calls answered	n/a	n/a	n/a	n/a	n/a	287	251	527	324
Emergency medical services calls	n/a	n/a	n/a	n/a	1,468	1,105	1,007	1,249	1,160
Community development:									
Business permits & occupational licenses issued	<i>see notes</i>								
Building permits issued	8	327	1,933	2,035	2,257	2,638	3,107	2,159	1,588
Commercial fire occupancy inspections	n/a	n/a	n/a	54	424	354	475	309	446
Community services:									
Transportation:									
Public right of way maintenance (miles)	64	64	64	64	64	64	64	64	66
Culture and recreation:									
Registrations for special events	n/a	n/a	n/a	10	10	23	35	32	25
Registrations for summer camp	n/a	n/a	n/a	n/a	n/a	n/a	n/a	125	109
Registrations for athletic programs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,360	1,629
Registrations for cultural programs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	227	1,375
Registrations for private events in public park areas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	110	147
Marina:									
Mooring balls	25	25	25	64	64	64	64	226	226
Boat slips	5	5	5	5	5	5	13	13	13

n/a = not available

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

Note: The City of Marathon commenced operations on November 30, 1999.

Note: Police Services are provided under contract with the Monroe County Sheriff's Department

Note: Utility Services are provided by Florida Keys Aqueduct Authority

Note: Business permits and Occupational Licenses are issued and regulated by Monroe County

Note: Solid Waste services are provided by an outside contractor through Monroe County

CITY OF MARATHON, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government:									
Number of general government buildings	-	-	-	-	-	-	-	-	-
Public safety:									
Police:									
Police stations	-	-	-	-	-	-	-	-	-
Fire:									
Fire stations	2	2	2	2	2	2	2	2	2
Transportation:									
Miles of streets	64	64	64	64	64	64	64	64	66
Number of street lights	n/a	n/a	n/a	n/a	n/a	190	190	190	362
Number of traffic signals	n/a	n/a	n/a	n/a	n/a	8	8	8	8
Culture and recreation:									
Amphitheater	-	-	-	-	-	1	1	1	1
Parks	-	-	-	-	-	4	4	4	4
Parks acreage	-	-	-	-	-	45	45	45	45
Beaches	-	-	-	-	-	2	2	2	2
Community center	-	-	-	-	-	1	1	1	-
Picnic pavilions	-	-	-	-	-	16	16	16	18
In-line hockey rink	-	-	-	-	-	1	1	1	1
Soccer fields	-	-	-	-	-	2	2	2	2
Skate park	-	-	-	-	-	1	1	1	1
Basketball courts	-	-	-	-	-	4	4	4	3
Tennis courts	-	-	-	-	-	4	4	4	4
Baseball/softball fields	-	-	-	-	-	2	2	2	2
Utility system:									
Fire hydrants - City of Marathon	-	-	-	-	-	-	53	101	125
Solid waste:									
Collection trucks	-	-	-	-	-	-	-	-	-

Sources: Various City Departments

Note: The City of Marathon does not own any Administrative Buildings. The City leases office space for general government functions.

Note: The City of Marathon does not own any Police buildings. Police Services are contracted from Monroe County.

Note: The City of Marathon's water utility is operated by the independent Florida Keys Aqueduct Authority.

Note: The City of Marathon does not own any Solid Waste collection trucks. Solid waste services are contracted to a private company.

Note: City of Marathon commenced operations on November 30, 1999.

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants 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***

Honorable Mayor and City Council
City of Marathon, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marathon, Florida (the City) as of September 30, 2008 and for the year then ended which collectively comprise the City's basic financial statements, and have issued our report dated March 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Marathon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Honorable Mayor and City Council
City of Marathon, Florida
Page Two

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor, City Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin LLP

Miami, Florida
March 24, 2009

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor and City Council
City of Marathon, Florida

We have audited the financial statements of the City of Marathon, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 24, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 24, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings in the preceding financial audit report.
- Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Marathon complied with Section 218.415, Florida Statutes.
- Section 10.554(l)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.



- Section 10.554(l)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(l)(i)6., 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 of Marathon was created by Laws of Florida 90-142. There were no component units related to the City.
- Section 10.554(l)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Marathon did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(l)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Marathon for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(l)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Marathon's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin LLP

Miami, Florida
March 24, 2009

**Report of Independent Certified Public Accountants on
Compliance and Internal Control over Compliance Applicable to
Each Major Federal Awards Program and State Financial Assistance Project**

Honorable Mayor and City Council
City of Marathon, Florida

Compliance

We have audited the compliance of the City of Marathon, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects compliance Supplement, that are applicable to its major federal awards program and its state financial assistance project for the fiscal year ended September 30, 2008. The City's major federal awards program and state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and its state financial assistance project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs and its state financial assistance project for the fiscal year ended September 30, 2008.



Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal and or state financial assistance projects programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented and detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Council, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin LLP

Miami, Florida
March 24, 2009

CITY OF MARATHON, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>				
Pass-through from:				
Florida Department of Environmental Protection				
Clean Water State Revolving Fund Loan Agreement	66.458		WW63702P	6,790,718
Clean Water State Revolving Fund Loan Agreement	66.458		WW63705P	254,596
Clean Water State Revolving Fund Loan Agreement	66.458		SW63703	118,591
Clean Water State Revolving Fund Loan Agreement	66.458		SW63704	76,176
Clean Water State Revolving Fund Loan Agreement	66.458		SW637060	1,343,166
Clean Water State Revolving Fund Loan Agreement	66.458		SW637070	363,437
Total Environmental Protection Agency				<u>8,946,684</u>
<u>U.S. Department of Interior-National Park Service</u>				
Marathon Community Park Facilities (LWCF)	15.916		12-00491	45,243
Marathon Community Park Amenities (LWCF)	15.916		12-00537	184,410
Total U.S. Department of Interior				<u>229,653</u>
<u>U.S. Fish and Wildlife Service</u>				
Pass-through program from:				
Florida Department of Environmental Protection	15.616		DEP LE641	28,625
<u>National Oceanic and Atmospheric Administration</u>				
Pass-through program from:				
Florida Department of Environmental Protection				
Coco Plum Beach Park Enhancement Project	11.419		CZ719	23,241
Total Expenditures of Federal Awards				<u>\$ 9,228,203</u>
<u>Florida Department of Environmental Protection</u>				
Direct Programs:				
Marathon Community Park (FRDAP) - 1	37.017		F06057	\$ 182,500
Marathon Community Park (FRDAP) - 2	37.017		F06062	72,750
Wastewater Grant	37.039		LP6116	2,465,188
Subtotal Direct Programs				<u>2,720,438</u>
Pass-through South Florida Water Management District				
Alternative Water Supply Funding Program	37.039		4600001155	50,650
Alternative Water Supply Funding Program	37.039		4600001156	190,050
Total Florida Department of Environmental Protection				<u>2,961,138</u>
<u>Florida Department of Transportation</u>				
Quay Boat Ramp Repair	55.023		413328-2-58-01	90,000
Total Expenditures of State Financial Assistance				<u>\$ 3,051,138</u>

See Note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF MARATHON, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Marathon and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

CITY OF MARATHON, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.

CITY OF MARATHON, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards Programs and State Financial Assistance Projects

Internal control over major federal awards programs and state financial assistance projects:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal awards programs and state financial assistance:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General?

_____ Yes X No

Identification of major federal awards program and state financial assistance project:

Federal Program

CFDA No.

EPA – Clean Water State Revolving Fund Loan

66.458

State Program

CSFA No.

DEP Wastewater Grant

37.039

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000
State \$300,000

Auditee qualified as a low-risk auditee for federal awards programs?

 X Yes _____ No

CITY OF MARATHON, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II – FINANCIAL STATEMENT FINDING

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.

SECTION V – NEW PRONOUNCEMENT

Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2006, for governments with annual revenues of \$100 million or more; for fiscal periods beginning after December 15, 2007, for governments with total annual revenues of \$10 million or more but less than \$100 million; and for fiscal periods beginning after December 15, 2008, for governments with total annual revenues of less than \$10 million. For the City, this Statement is effective for the fiscal year ended September 30, 2010.

Recommendation

The contents of this statement are highly complex and will require significant lead time to implement on the respective implementation date. We would suggest that the City obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.