

CITY OF MARATHON, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Prepared by the
Finance Department

CITY OF MARATHON, FLORIDA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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INTRODUCTORY SECTION



CITY OF MARATHON, FLORIDA

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Phone: (305) 743-0033 Fax: (305) 743-3667

April 27, 2010

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the City of Marathon, Florida for the fiscal year ended September 30, 2009.

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.

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 Keefe, McCullough & Co. 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, 2009, 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, 2009, 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 addition to meeting the requirements set forth above, the independent audit was also designed to meet the special needs of federal and state grantor agencies as provided for in the Federal Single Audit Act, Office of Management and Budget (OMB) Circular A-133 and Florida Single Audit Act in accordance with Chapter 10.550, Rules of the Auditor General. These standards require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are presented in the compliance 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 independent auditor's report on the basic financial statements.

Profile of the Government

The City of Marathon, incorporated November 30, 1999, with a population of 10,295 residents, 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, fire protection, and emergency medical services; 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 pages 45 and 46 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 47 and 48. 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 53 and 54.

Factors Affecting Financial Condition

Local Economy

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 Florida Keys led the State in both hotel occupancy and room rates for 2009, and have continually ranked among the top tourist destinations in the Country.

The City of Marathon's economic outlook reflects some of the uncertainties present in the national economy as a whole. Due to the current economic condition, the outlook is flat. Property tax values decreased and revenues decreased. The pace of growth and development has also slowed significantly throughout the City and surrounding areas. This slow down has led to a decrease in building permit revenues, however, the City expects these revenues to increase in future years due to the required hookup to the City's wastewater utility system. In September 2009, the area's unemployment rate was 7.4%, better than the statewide rate of 11.5%.

During 2007, the State of Florida mandated caps on the amount of money that could be collected through property taxes by local governments. In January, 2008, a constitutional amendment was approved by the electorate which provided for doubling the homestead exemption to \$50,000, exempted the first \$25,000 of business tangible personal property, limited the annual increase in the assessed value of commercial property to 10%, and allowed homeowners to take savings of their current property from having assessed value increases limited to no more than 3% annually (Save Our Homes constitutional amendment passed in 1993) regardless of market value and have that savings (market value less assessed value) applied to the assessed value of a newly purchased homestead property. When taken together, these measures limit the amount of property tax revenues the City can generate to fund operations.

These financial constraints have been and will continue to be major factors in the City's budgeting process. In consideration of these factors, City Council has focused efforts on controlling expenditures, while minimizing the impact to the level of services provided.

Long-term Financial Planning and Relevant Financial Policies

As discussed further under the major initiatives section, the City has developed a comprehensive financial plan to pay for the cost, operation and maintenance of its wastewater and stormwater utility systems. As part of this process the City engaged experts to assist in the development of assessment methodology and to perform utility rate studies. The resulting assessment and rate ordinances adopted by the City will allow the City to pay for the improvements over a period of time that is significantly shorter than the estimated useful lives of the utility assets.

The City has also been successful in securing below market rate loans through the state revolving loan fund program and has aggressively sought and is receiving significant grant funding in order to lessen the cost burden on the local community.

The City strives to maintain an unreserved fund balance in the general fund at a level sufficient to provide for temporary financing of unforeseen needs of an emergency nature and to permit the orderly adjustment to changes resulting from the decline in a revenue source. The City's "informal" policy is that the unreserved fund balance in the general fund should equal or exceed six (6) months of operating expenditures. At September 30, 2009 the City had approximately 7 months of operating expenditures in the general fund unreserved fund balance.

The City has adopted a cash management policy that is designed to maintain earnings free from risk, maintain adequate liquidity to meet the City's obligations, and maximize investment return. To ensure the safety of the City's funds, all investments are with depositories that are qualified under Florida law and thus are fully collateralized in accordance with Chapter 280 of the State statutes.

Major Initiatives

The Florida Legislature has identified the Florida Keys as an area of critical state concern due in part to pollution and questionable water quality resulting from the absence of adequate wastewater treatment throughout the Florida Keys. Over the past several years the City has devoted significant amounts of time, energy and resources to the construction of a City wide wastewater collection and treatment utility. Numerous improvements continue to be made to various stormwater systems throughout the City as well. The purpose of the stormwater system is to reduce flooding in the public right of way and reduce discharges through surface runoff and through existing stormwater outfalls by collecting and treating stormwater. The City in fiscal year 2009-2010 has been awarded significant amounts of American Recovery and Reinvestment Act stimulus funds for the street maintenance and utility fund projects.

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, 2009 the construction continued for the implementation of City-wide wastewater treatment and stormwater management utilities. The City also continues to devote resources to transportation and traffic issues and concerns. Included are various roadway and intersection improvements, roadway beautification efforts and resurfacing of local roads. Other major projects currently included in the Five Year Capital Improvement Plan are:

- The construction of a fire station on Grassy Key
- The implementation of the Fire Safety Program
- Continuing improvements to City parks and beaches

Awards and Acknowledgements

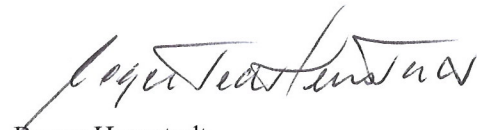
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marathon for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2008. This was the sixth consecutive year that the City of Marathon achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2009 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 other City departments 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, Keefe, McCullough & Co., 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,



Roger Hernstadt
City Manager



Peter Rosasco
Finance Director

CITY OF MARATHON, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2009

CITY COUNCIL

Ginger Snead, Mayor
Mike Cinque, Vice-Mayor

Richard Keating, Councilman
Dick Ramsay, Councilman
Pete Worthington, Councilman

CITY MANAGER

Roger Hernstadt

CITY CLERK

Diane Clavier

CITY ATTORNEY

John Herin
Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, P.A.

FINANCE DIRECTOR

Peter L. Rosasco, CPA

CITY AUDITORS

Keefe, McCullough & Co., LLP
Accountants ▪ Advisors

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, 2008

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.



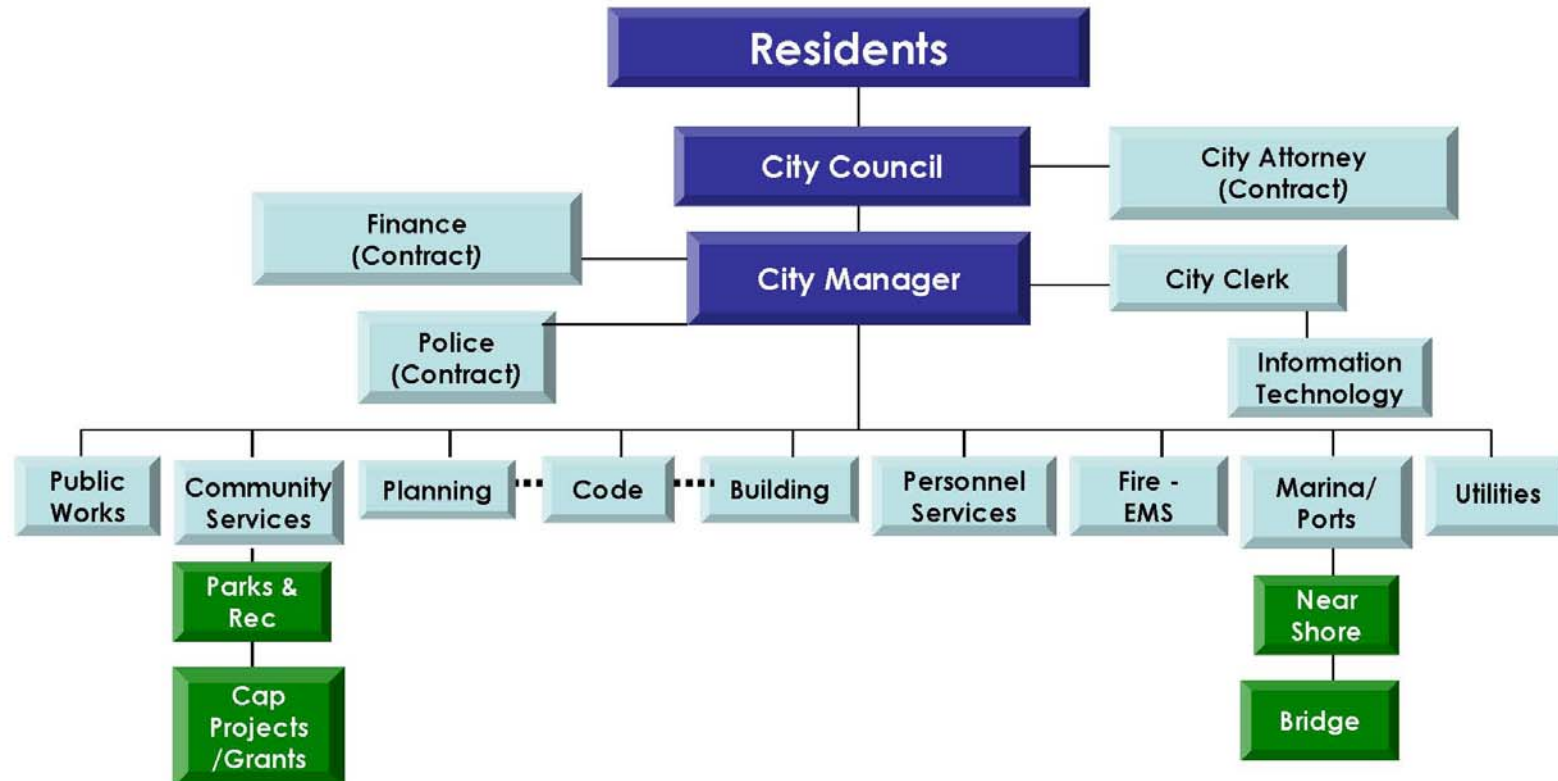
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Marathon FY09 Department Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

ROSS S. GOTTHOFFER, C.P.A.

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Marathon, Florida
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, 2009 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 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 opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009 and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 27, 2010 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 important for assessing the results of our audit.

Management's Discussion and Analysis and the schedule of funding progress are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the 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 City of Marathon, Florida's basic financial statements. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by United States Office of Management and Budget (OMB) 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 and individual fund statements and schedules, as listed in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements. All such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


KEEFE, MCCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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, 2009. 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 through v 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 \$ 66,045,457 (net assets), as compared with \$ 48,917,816 for the previous year. Of this amount, \$ 8,467,806 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$ 2,732,676 for the previous year.
- The City's total net assets increased by \$ 17,127,641 or 35% during the current fiscal year. Included in the total net assets are governmental net assets that increased by \$ 93,281 and business-type activities net assets that increased by \$ 17,034,360.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 11,003,236, a decrease of \$ 4,164,141 in comparison with the prior year. \$ 10,921,759 (99%), of this total amount is available for spending at the City's discretion (unreserved fund balance). \$ 5,291,297 (48%) of this amount is available in the City's general fund.
- The City's total debt increased by \$ 31,246,647 (91%) during the current fiscal year. The primary factor for this increase was the issuance of a \$ 30,000,000 Series 2009 Utility System Revenue Bonds 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 contain 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.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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 and recreation), public safety (fire, EMS, 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 and 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 51 through 54 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 (pages 45 and 46). A budgetary comparison schedule has also been provided for the major special revenue funds, which are the capital infrastructure fund (page 47) and the street maintenance fund (page 48).

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

The governmental fund financial statements can be found on pages 17 through 20 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 21 through 24 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 25 and 26 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 27 through 44 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 45 through 50 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 51 through 54 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 \$ 66,045,457 at the close of the most recent fiscal year, compared to net assets of \$ 48,917,816 in the prior year.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

City of Marathon's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 12,054,886	\$ 16,339,979	\$ 31,853,601	\$ 15,582,165	\$ 43,908,487	\$ 31,922,144
Capital assets (net)	31,603,684	28,061,073	65,802,370	32,027,094	97,406,054	60,088,167
Total assets	43,658,570	44,401,052	97,655,971	47,609,259	141,314,541	92,010,311
Current and other liabilities	1,807,695	1,926,183	8,672,572	7,647,052	10,480,267	9,573,235
Long term liabilities	6,620,514	7,337,789	58,168,303	26,181,471	64,788,817	33,519,260
Total liabilities	8,428,209	9,263,972	66,840,875	33,828,523	75,269,084	43,092,495
Net assets:						
Invested in capital assets, net of related debt	24,381,462	20,098,109	29,001,944	18,060,264	53,383,406	38,158,373
Restricted	4,194,245	8,026,767	-	-	4,194,245	8,026,767
Unrestricted (deficit)	6,654,654	7,012,204	1,813,152	(4,279,528)	8,467,806	2,732,676
Total net assets	\$ 35,230,361	\$ 35,137,080	\$ 30,815,096	\$ 13,780,736	\$ 66,045,457	\$ 48,917,816

The largest portion of the City's net assets (81%) 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 40% 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, \$ 4,194,245 (6%), represents resources that are subject to external restrictions on how they may be used. This represents a decrease of 48% from the previous year's balance of \$ 8,026,767. The remaining balance of unrestricted net assets \$ 8,467,806 (13%) 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 and for business-type activities, all three categories of net assets have positive balances. For the prior fiscal year, the City had positive balances in all three categories of net assets, for its governmental activities, and the City's business-type activities, investment in capital assets (net of related debt) was positive, while the unrestricted net assets reported a negative balance of \$ 4,279,528. This was 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 and business-type activities.

Changes in Net Assets

Governmental activities and business-type activities increased the City's net assets by \$ 17,127,641 from the previous fiscal year. The relevant revenue and expense categories and their effect on nets 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, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

City of Marathon's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,821,026	\$ 2,218,637	\$ 1,162,659	\$ 615,247	\$ 2,983,685	\$ 2,833,884
Operating grants and contributions	288,829	496,996	93,172	55,646	382,001	552,642
Capital grants and contributions	3,581,347	6,338,416	16,213,258	5,202,199	19,794,605	11,540,615
General revenues:						
Property taxes	4,079,688	4,258,748	-	-	4,079,688	4,258,748
Other taxes	590,167	626,113	-	-	590,167	626,113
State shared revenues	1,526,669	1,709,756	-	-	1,526,669	1,709,756
Investment earnings	341,774	539,492	151,372	437,337	493,146	976,829
Miscellaneous	43,328	220,516	120,000	-	163,328	220,516
Loss on disposal of equipment	-	-	(9,444)	-	(9,444)	-
Total revenues	12,272,828	16,408,674	17,731,017	6,310,429	30,003,845	22,719,103
Expenses:						
General government	2,519,857	3,319,061	-	-	2,519,857	3,319,061
Public safety	4,363,860	4,069,335	-	-	4,363,860	4,069,335
Community services	3,343,066	2,041,301	-	-	3,343,066	2,041,301
Community development	1,091,795	1,395,694	-	-	1,091,795	1,395,694
Interest on long-term debt	330,414	361,961	-	-	330,414	361,961
Marina	-	-	671,407	695,938	671,407	695,938
Wastewater	-	-	541,667	340,016	541,667	340,016
Stormwater	-	-	14,138	264,150	14,138	264,150
Total expenses	11,648,992	11,187,352	1,227,212	1,300,104	12,876,204	12,487,456
Transfers	(530,555)	(507,756)	530,555	507,756	-	-
Increase in net assets	93,281	4,713,566	17,034,360	5,518,081	17,127,641	10,231,647
Net assets, October 1	35,137,080	30,423,514	13,780,736	8,262,655	48,917,816	38,686,169
Net assets, September 30	\$ 35,230,361	\$ 35,137,080	\$ 30,815,096	\$ 13,780,736	\$ 66,045,457	\$ 48,917,816

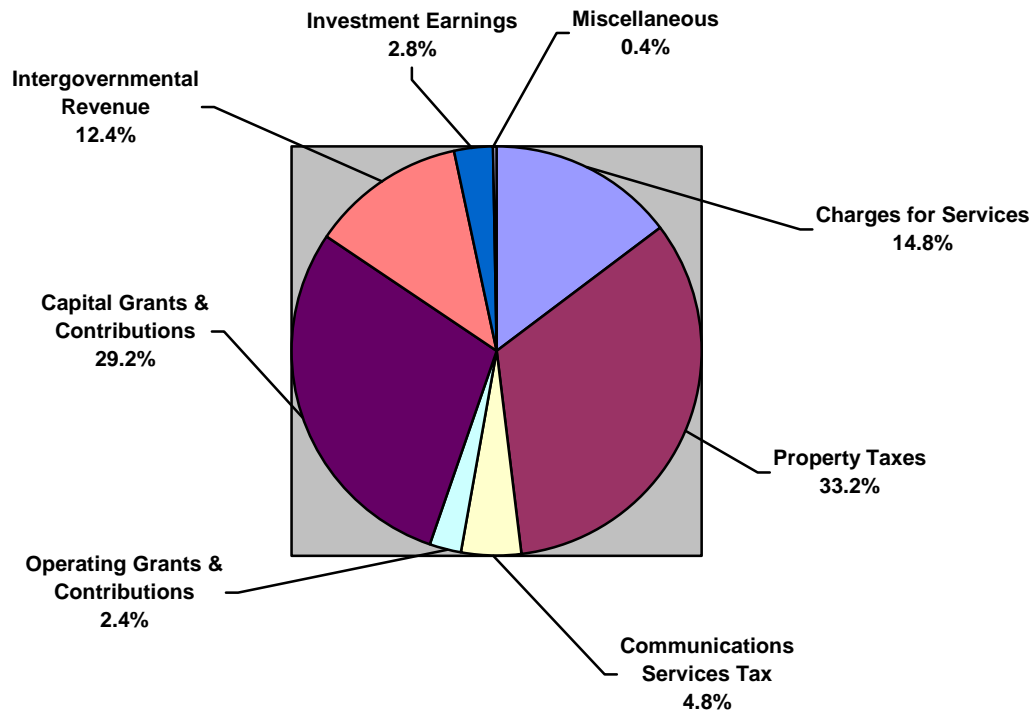
Governmental Activities

Governmental activities increased the City of Marathon's net assets by \$ 93,281 as compared to \$ 4,713,566 in the prior fiscal year. A key element of this decrease is the \$ 2,757,069 (44%) decrease in capital grants and contribution revenues.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 46% of the governmental activities total revenues. Property taxes, which represent 33% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

Revenue Sources - Governmental Activities



Business-Type Activities

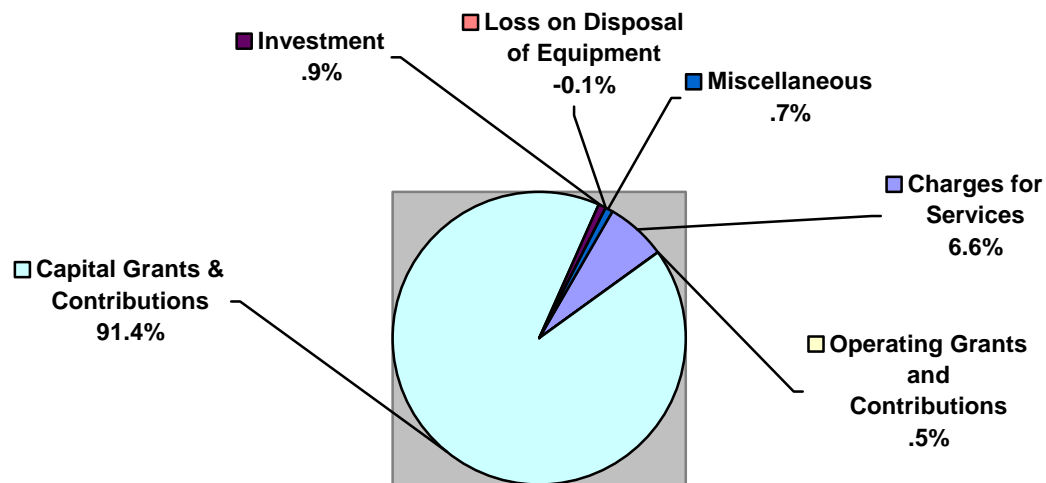
Business-type activities increased the City of Marathon's net assets by \$ 17,034,360. This increase in net assets is due principally to the fact that capital grants and contributions, including special capital assessments, directly increase capital assets in the wastewater and stormwater utilities and are not used for operating expenses.

This is the sixth year of operation for the marina enterprise fund, and the fourth year of operation for the wastewater and stormwater utility enterprise funds.

- In total, the City's business-type activities reflected an operating income of \$ 55,447. This is primarily due to:
 - The wastewater fund's operating income of \$ 72,417. This wastewater operating income is up from the previous year's operating loss of \$ 5,182 due to this being the first year the wastewater utility commenced operations in limited areas of the City.
 - The marina fund's operating loss is \$ 32,832. This operating loss is 60% 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 92% of the total business-type revenues.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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 \$ 11,003,236, a decrease of \$ 4,164,141 in comparison with the prior year. This decrease is primarily due to the decline in intergovernmental revenues. \$ 10,921,759 (99%) of this total amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance, \$ 81,477, 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 \$ 5,291,297 while total fund balance was \$ 5,372,774. 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 61% of total general fund expenditures, while total fund balance represents 62% of that same amount.

The fund balance of the City of Marathon's general fund decreased by \$ 336,926 during the current fiscal year. Total general fund expenditures decreased 4% while total revenues decreased 11%.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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:

	2009 Amount	Percentage of Total	2008 Amount	Percentage of Total	Increase (Decrease) From 2008	Percentage of Increase (Decrease)
Revenues:						
Property taxes	\$ 4,079,688	51%	\$ 4,258,748	47%	\$ (179,060)	-4%
Intergovernmental	1,729,230	21%	2,113,766	23%	(384,536)	-18%
Licenses and permits	567,528	7%	751,454	8%	(183,926)	-24%
Charges for services	814,226	10%	638,764	7%	175,462	27%
Fines and forfeitures	88,277	1%	164,172	2%	(75,895)	-46%
Communication						
services taxes	590,167	7%	626,113	7%	(35,946)	-6%
Interest	148,382	2%	208,137	2%	(59,755)	-29%
Miscellaneous	43,173	1%	320,105	4%	(276,932)	-87%
Total revenues	<u>\$ 8,060,671</u>	<u>100%</u>	<u>\$ 9,081,259</u>	<u>100%</u>	<u>\$ (1,020,588)</u>	<u>-11%</u>

Property taxes revenue decreased 4 % due to lower assessed property values.

- Interest revenue decreased 29% due to lower interest rates and cash balances during the year.
- License and permit revenue decreased 24% due to a decrease in building permit activity, primarily as a result of less building activity in the City due to the decline in the real estate market and deteriorating economic conditions.
- Fines and forfeitures revenue decreased 46% due to a decrease in traffic court fines revenue.
- Miscellaneous revenue decreased 87%; this is primarily due to an insurance recovery payment received in the previous year for hurricane damage to various fire equipment items.

Expenditures in the general fund are shown in the following schedule:

	2009 Amount	Percentage of Total	2008 Amount	Percentage of Total	Increase (Decrease) From 2008	Percentage of Increase (Decrease)
Expenditures:						
City Council	\$ 423,645	5%	\$ 426,686	5%	\$ (3,041)	-1%
Administration	1,646,495	19%	1,848,284	20%	(201,789)	-11%
Legal	417,712	5%	543,417	6%	(125,705)	-23%
Nondepartmental	-	-	15,802	0%	(15,802)	-100%
Police services	1,356,965	16%	1,411,025	16%	(54,060)	-4%
Fire/EMS	2,628,584	30%	2,218,383	24%	410,201	18%
Public Works	229,711	3%	224,522	2%	5,189	2%
Parks and recreation	926,606	11%	935,059	10%	(8,453)	-1%
Bridge	93,161	1%	115,283	1%	(22,122)	-19%
Community development	998,048	11%	1,364,266	15%	(366,218)	-27%
Total expenditures	<u>\$ 8,720,927</u>	<u>100%</u>	<u>\$ 9,102,727</u>	<u>100%</u>	<u>\$ (381,800)</u>	<u>-4%</u>

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

- Public safety (Police and Fire/EMS) accounts for approximately 46% of the general fund expenditures.
- Legal expenditures decreased 23% due to a decrease in litigation.
- Non-departmental expenditures decreased by 100% from the prior year. This is due to disaster related expenses from hurricanes and storms during the previous years. There have been no major storms since 2005.
- Fire/EMS expenditures increased 18% due to an increased contribution from the City to the firefighters defined benefit pension plan, and increased personnel costs.
- Community development expenditures decreased 27% due to lower personnel and professional services contract costs.

Other governmental funds

Significant items pertaining to other governmental funds are as follows:

- The capital infrastructure fund decreased its fund balance by \$ 2,141,750 due to a significant decrease in grant revenues, and higher expenditures on improvements to the City's streets, sidewalks, bridges, parks and beaches.
- The street maintenance fund decreased its fund balance by \$ 1,692,447 due to several ongoing capital projects for improvements to the City's streets.

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 unrestricted net assets of \$ 8,544,098 and an increase in investment in capital assets (net of related debt) of \$ 5,967,845.

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 decrease in the Stormwater Utility unrestricted net assets of \$ 2,559,178 and an increase in investment in capital assets (net of related debt) of \$ 4,448,322.

Marina Fund

- Transfers made to the marina fund totaled \$ 600,292 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.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

General Fund Budgetary Highlights

- There were no differences between the original budget and the final budget.
- Actual expenditures were \$ 784,922 below budgeted amounts. The significant variances can be summarized as follows:
 - Expenditures for City administration were \$ 149,497 under the budgeted amount due to lower than anticipated expenditures for personnel costs.
 - Parks and recreation department expenditures were \$ 76,276 under the budgeted amount due to lower than anticipated costs for utilities and maintenance of facilities.
 - Community development expenditures were \$ 345,681 under the budgeted amount due to lower than anticipated expenditures for personnel and professional services contract costs.

Resources available for appropriations were \$ 861,289 under the budgeted amount. The significant variances can be summarized as follows:

- Property tax revenues were \$ 116,059 under the budgeted amount as a result of collections being less than anticipated.
- Intergovernmental revenues were \$ 345,273 under the budgeted amount as a result of a decrease in fire insurance premium tax revenues, grant revenues and sales tax revenues.
- License and permit revenues were \$ 216,972 under the budgeted amount as a result of less building activity in the City due to the decline in the real estate market and deteriorating economic conditions.

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, 2009, amounts to \$ 97,406,054 (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 \$ 37,317,887 (62%) as compared to \$ 19,573,274 (48%) in the prior year.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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

- The investment in construction in progress increased in the area of governmental activities by \$ 1,577,910 as ongoing street, sidewalk, beach and park improvement projects progress.
- The investment in construction in progress in business-type activities increases by \$ 33,054,539 primarily due to the continuing construction on City-wide wastewater and stormwater projects.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital assets, net of depreciation:						
Land	\$ 8,962,454	\$ 8,829,954	\$ 1,919,433	\$ 1,919,433	\$ 10,881,887	\$ 10,749,387
Construction in progress	1,704,531	126,621	60,713,740	27,659,201	62,418,271	27,785,822
Buildings	11,593,851	10,795,715	2,811,033	2,149,736	14,404,884	12,945,451
Leasehold improvements	37,261	40,844	-	-	37,261	40,844
Improvement other than buildings	6,493,701	5,358,900	78,834	26,812	6,572,535	5,385,712
Fire equipment and vehicles	1,956,790	2,061,853	135,824	192,973	2,092,614	2,254,826
Furniture and equipment	855,096	847,186	143,506	78,939	998,602	926,125
Total	\$ 31,603,684	\$ 28,061,073	\$ 65,802,370	\$ 32,027,094	\$ 97,406,054	\$ 60,088,167

Additional information on the City's capital assets can be found in Note 6 on pages 36 and 37 of this report.

Long-term debt

At the end of the current fiscal year, the City of Marathon had governmental activities improvement revenue bond debt outstanding of \$ 7,222,222. This debt is secured by the City's local discretionary sales surtax revenues. The City also had State Revolving Fund debt outstanding of \$ 13,005,645 split between the wastewater enterprise fund (\$ 11,957,045) and the stormwater enterprise fund (\$ 1,048,600). The City also had \$ 5,150,000 in Florida Rural Utility Financing Commission Revenue Note debt outstanding for wastewater and stormwater improvements, split between the wastewater enterprise fund (\$ 350,000) and the stormwater enterprise fund (\$ 4,800,000). In addition, the City has a \$ 10,000,000 Series 2008 Wastewater System Revenue Bond for wastewater improvements in the wastewater enterprise fund, and a \$ 30,000,000 Series 2009 Florida Utility System Revenue Bond split between the wastewater enterprise fund (\$ 22,500,000) and stormwater enterprise fund (\$ 7,500,000) for wastewater and stormwater improvements. 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.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Long-term debt:						
Improvement Revenue Bonds	\$ 7,222,222	\$ 7,962,963	\$ -	\$ -	\$ 7,222,222	\$ 7,962,963
State Revolving Fund loan	-	-	13,005,645	4,668,257	13,005,645	4,668,257
Wastewater System Revenue Bonds	-	-	40,000,000	10,000,000	40,000,000	10,000,000
FRUFC Revenue Note, 2007	-	-	5,150,000	11,500,000	5,150,000	11,500,000
Compensated absences	154,337	128,407	14,065	14,682	168,402	143,089
Total	\$ 7,376,559	\$ 8,091,370	\$ 58,169,710	\$ 26,182,939	\$ 65,546,269	\$ 34,274,309

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

The City of Marathon's total debt increased \$ 31,246,647 (91.5%) during the current fiscal year, primarily due to issuance of the Florida Utility System Revenue Bonds in the amount of \$ 30,000,000 for continuing construction of wastewater and stormwater utility capital improvements. The City also drew down an additional \$ 8,337,388 State Revolving Fund loans for wastewater and stormwater capital improvements, split between the wastewater enterprise fund (\$ 8,312,536) and the stormwater enterprise fund (\$ 24,852). Furthermore, the City repaid \$ 6,350,000 of the wastewater enterprise fund 'bridge loan' from the Florida Rural Utility Financing Commission.

Additional information on the City of Marathon's long-term debt can be found in Note 7 on pages 37 through 40 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Monroe County is currently 7.4%, which is an increase from a rate of 5.5% a year ago. The rate still compares favorably to the state's average unemployment rate of 11.5%.

During the current fiscal year, unreserved, undesignated fund balance in the general fund decreased to \$ 5,291,297. Decreased property values resulted in a roll back rate, which is the tax rate that would bring in the same amount of dollars from the previous year, of 1.8898. For the fiscal year 2010, the City adopted a final millage rate of 1.6850 which is 10.84% below the roll back rate, as compared to 1.500 in fiscal year 2009.

The marina fund was in an operating income position before the effects of depreciation; however, after depreciation expense is taken into account the fund reported an operating loss. The fund has reported operating losses for six consecutive years; yet this year's operating loss has been significantly reduced, and subsidy from the general fund has been eliminated due to increased rates charged for services provided. The marina fund also transferred \$ 20,000 to the general fund during the year to support general project administration costs.

During fiscal year 2010, 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
- Continued implementation of the Fire Safety Program
- 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 2010 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, 2009

	Governmental Activities	Business- type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 10,538,978	\$ 29,290,780	\$ 39,829,758
Investments	50,975	-	50,975
Restricted asset - note proceeds	-	870,942	870,942
Receivables, net	357,797	34,754	392,551
Due from other governments	1,058,991	1,553,283	2,612,274
Prepays	48,145	-	48,145
Deferred charges	-	103,842	103,842
Capital assets not being depreciated	10,666,985	62,633,173	73,300,158
Capital assets, being depreciated	20,936,699	3,169,197	24,105,896
	<u>43,658,570</u>	<u>97,655,971</u>	<u>141,314,541</u>
Total assets			
	<u>43,658,570</u>	<u>97,655,971</u>	<u>141,314,541</u>
LIABILITIES:			
Accounts payable and accrued liabilities	1,041,431	4,691,225	5,732,656
Due to other governments	724	-	724
Unearned revenue	9,495	3,979,940	3,989,435
Noncurrent liabilities:		-	-
Due within one year	756,045	1,407	757,452
Due in more than one year	6,620,514	58,168,303	64,788,817
	<u>8,428,209</u>	<u>66,840,875</u>	<u>75,269,084</u>
Total liabilities			
	<u>8,428,209</u>	<u>66,840,875</u>	<u>75,269,084</u>
NET ASSETS:			
Invested in capital assets, net of related debt	24,381,462	29,001,944	53,383,406
Restricted for:			
Capital infrastructure	2,367,496	-	2,367,496
Street maintenance	1,793,417	-	1,793,417
Police education	33,332	-	33,332
Unrestricted	6,654,654	1,813,152	8,467,806
	<u>35,230,361</u>	<u>30,815,096</u>	<u>66,045,457</u>
Total net assets			
	<u>\$ 35,230,361</u>	<u>\$ 30,815,096</u>	<u>\$ 66,045,457</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities:							
General government	\$ 2,519,857	\$ 155,056	\$ 51,684	\$ -	\$ (2,313,117)	\$ -	\$ (2,313,117)
Public safety	4,363,860	851,446	92,658	-	(3,419,756)	-	(3,419,756)
Community services	3,343,066	373,299	144,487	3,532,490	707,210	-	707,210
Community development	1,091,795	441,225	-	48,857	(601,713)	-	(601,713)
Interest on long-term debt	330,414	-	-	-	(330,414)	-	(330,414)
Total governmental activities	11,648,992	1,821,026	288,829	3,581,347	(5,957,790)	-	(5,957,790)
Business-type activities:							
Wastewater	541,667	524,084	-	13,699,153	-	13,681,570	13,681,570
Stormwater	14,138	-	-	1,913,813	-	1,899,675	1,899,675
Marina	671,407	638,575	93,172	600,292	-	660,632	660,632
Total business-type activities	1,227,212	1,162,659	93,172	16,213,258	-	16,241,877	16,241,877
Total	\$ 12,876,204	\$ 2,983,685	\$ 382,001	\$ 19,794,605	(5,957,790)	16,241,877	10,284,087
General revenues:							
Property taxes					4,079,688	-	4,079,688
Communications services tax					590,167	-	590,167
Unrestricted intergovernmental revenue					1,526,669	-	1,526,669
Unrestricted investment earnings					341,774	151,372	493,146
Miscellaneous					43,328	120,000	163,328
Loss on disposal of equipment					-	(9,444)	(9,444)
Transfers					(530,555)	530,555	-
Total general revenues					6,051,071	792,483	6,843,554
Change in net assets					93,281	17,034,360	17,127,641
Net assets, beginning					35,137,080	13,780,736	48,917,816
Net assets, ending					\$ 35,230,361	\$ 30,815,096	\$ 66,045,457

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

	General Fund	Capital Infrastructure Fund	Street Maintenance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 5,298,492	\$ 2,181,980	\$ 1,588,837	\$ 1,469,669	\$ 10,538,978
Investments	32,744	2,560	15,671	-	50,975
Receivables, net	357,797	-	-	-	357,797
Due from other governments	236,026	310,734	512,231	-	1,058,991
Prepaid items	48,145	-	-	-	48,145
Total assets	\$ 5,973,204	\$ 2,495,274	\$ 2,116,739	\$ 1,469,669	\$ 12,054,886
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 599,826	\$ 127,778	\$ 313,827	\$ -	\$ 1,041,431
Due to other governments	604	-	-	120	724
Deferred revenue	-	-	9,495	-	9,495
Total liabilities	600,430	127,778	323,322	120	1,051,650
Fund balances:					
Reserved for:					
Prepaid items	48,145	-	-	-	48,145
Police education	33,332	-	-	-	33,332
Unreserved, undesignated reported in:					
General Fund	5,291,297	-	-	-	5,291,297
Capital Infrastructure Fund	-	2,367,496	-	-	2,367,496
Street Maintenance Fund	-	-	1,793,417	-	1,793,417
Special Revenue Funds	-	-	-	1,469,549	1,469,549
Total fund balances	5,372,774	2,367,496	1,793,417	1,469,549	11,003,236
Total liabilities and fund balances	\$ 5,973,204	\$ 2,495,274	\$ 2,116,739	\$ 1,469,669	\$ 12,054,886

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2009

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total fund balances of governmental funds in the balance sheet, page 17	\$ 11,003,236
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Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds:

Governmental capital assets	35,866,498
Less accumulated depreciation	(4,262,814)

Certain liabilities are not due and payable in the current period
and therefore are not reported in the funds:

Compensated absences payable	(154,337)
Governmental revenue bonds payable	<u>(7,222,222)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 15	\$ <u><u>35,230,361</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	General Fund	Capital Infrastructure Fund	Street Maintenance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 4,079,688	\$ -	\$ -	\$ -	\$ 4,079,688
Intergovernmental	1,729,230	2,472,241	1,317,493	-	5,518,964
Licenses and permits	567,528	-	-	10,000	577,528
Charges for services	814,226	-	-	-	814,226
Fines and forfeitures	88,277	-	-	-	88,277
Communications services tax	590,167	-	-	-	590,167
Impact fees	-	-	-	69,422	69,422
Interest	148,382	68,379	91,276	33,737	341,774
Miscellaneous	43,173	16,954	-	155	60,282
Total revenues	8,060,671	2,557,574	1,408,769	113,314	12,140,328
EXPENDITURES:					
Current:					
General government	2,472,219	-	-	-	2,472,219
Public safety	3,984,749	-	-	-	3,984,749
Community services	1,249,478	-	274,474	-	1,523,952
Community development	997,868	-	-	-	997,868
Capital outlay	16,613	2,527,164	3,180,194	-	5,723,971
Debt service:					
Principal	-	-	-	740,741	740,741
Interest and fiscal charges	-	-	-	330,414	330,414
Total expenditures	8,720,927	2,527,164	3,454,668	1,071,155	15,773,914
Excess (deficiency) of revenues over expenditures	(660,256)	30,410	(2,045,899)	(957,841)	(3,633,586)
Other financing sources (uses):					
Transfers in	374,450	54,000	363,426	1,382,249	2,174,125
Transfers out	(51,120)	(2,226,160)	(9,974)	(417,426)	(2,704,680)
Total other financing sources (uses)	323,330	(2,172,160)	353,452	964,823	(530,555)
Net change in fund balances	(336,926)	(2,141,750)	(1,692,447)	6,982	(4,164,141)
FUND BALANCES, beginning	5,709,700	4,509,246	3,485,864	1,462,567	15,167,377
FUND BALANCES, ending	\$ 5,372,774	\$ 2,367,496	\$ 1,793,417	\$ 1,469,549	\$ 11,003,236

The accompanying notes to the financial statements are an integral part of these 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
September 30, 2009

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net change in fund balances - total governmental funds, page 19	\$ (4,164,141)
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Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives:

Expenditures for capital assets	4,563,277
Less current year provision for depreciation	(1,020,666)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	740,741
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Certain items reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the governmental funds:

Change in compensated absences payable	<u>(25,930)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 16	\$ <u><u>93,281</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

	Business-type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 27,212,362	\$ 1,965,556	\$ 112,862	\$ 29,290,780
Receivables, net	34,754	-	-	34,754
Restricted asset - note proceeds	586,578	284,364	-	870,942
Due from other governments	<u>1,496,791</u>	<u>4,074</u>	<u>52,418</u>	<u>1,553,283</u>
Total current assets	<u>29,330,485</u>	<u>2,253,994</u>	<u>165,280</u>	<u>31,749,759</u>
Noncurrent assets:				
Deferred charges	81,658	22,184	-	103,842
Capital assets not being depreciated	44,745,852	17,649,364	237,957	62,633,173
Capital assets, net of accumulated depreciation	<u>1,235,623</u>	<u>15,762</u>	<u>1,917,812</u>	<u>3,169,197</u>
Total noncurrent assets	<u>46,063,133</u>	<u>17,687,310</u>	<u>2,155,769</u>	<u>65,906,212</u>
Total assets	<u>75,393,618</u>	<u>19,941,304</u>	<u>2,321,049</u>	<u>97,655,971</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,979,681	1,682,599	28,945	4,691,225
Unearned revenue	3,979,940	-	-	3,979,940
Current portion of compensated absences	<u>-</u>	<u>-</u>	<u>1,407</u>	<u>1,407</u>
Total current liabilities	<u>6,959,621</u>	<u>1,682,599</u>	<u>30,352</u>	<u>8,672,572</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	-	-	12,658	12,658
Loans payable	<u>44,807,044</u>	<u>13,348,601</u>	<u>-</u>	<u>58,155,645</u>
Total noncurrent liabilities	<u>44,807,044</u>	<u>13,348,601</u>	<u>12,658</u>	<u>58,168,303</u>
Total liabilities	<u>51,766,665</u>	<u>15,031,200</u>	<u>43,010</u>	<u>66,840,875</u>
NET ASSETS				
Invested in capital assets, net of related debt	20,257,546	6,588,629	2,155,769	29,001,944
Unrestricted (deficit)	<u>3,369,407</u>	<u>(1,678,525)</u>	<u>122,270</u>	<u>1,813,152</u>
Total net assets	<u>\$ 23,626,953</u>	<u>\$ 4,910,104</u>	<u>\$ 2,278,039</u>	<u>\$ 30,815,096</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Business-Type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
OPERATING REVENUES:				
Charges for services	\$ 524,084	\$ -	\$ 638,575	\$ 1,162,659
Miscellaneous	90,000	30,000	-	120,000
Total operating revenues	614,084	30,000	638,575	1,282,659
OPERATING EXPENSES:				
Personnel costs	8,367	2,779	382,440	393,586
Operating expenses	479,026	9,948	223,636	712,610
Provision for depreciation and amortization	54,274	1,411	65,331	121,016
Total operating expenses	541,667	14,138	671,407	1,227,212
Operating income (loss)	72,417	15,862	(32,832)	55,447
NONOPERATING REVENUES (EXPENSES):				
Interest income	139,815	9,469	2,088	151,372
Loss on disposal of equipment	-	-	(9,444)	(9,444)
Total nonoperating revenues (expenses)	139,815	9,469	(7,356)	141,928
Income (loss) before capital contributions	212,232	25,331	(40,188)	197,375
CAPITAL CONTRIBUTIONS				
Special assessments	5,029,609	513,813	-	5,543,422
Grants	8,669,544	1,400,000	93,172	10,162,716
Contribution of capital assets	-	-	600,292	600,292
Total capital contributions	13,699,153	1,913,813	693,464	16,306,430
Income before transfers	13,911,385	1,939,144	653,276	16,503,805
TRANSFERS				
Transfers in	660,555	-	-	660,555
Transfers out	(60,000)	(50,000)	(20,000)	(130,000)
Total transfers	600,555	(50,000)	(20,000)	530,555
Change in net assets	14,511,940	1,889,144	633,276	17,034,360
NET ASSETS, beginning	9,115,013	3,020,960	1,644,763	13,780,736
NET ASSETS, ending	\$ 23,626,953	\$ 4,910,104	\$ 2,278,039	\$ 30,815,096

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Business-type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	Wastewater Fund	Stormwater Fund	Marina Fund	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 579,459	\$ 30,000	\$ 638,575	\$ 1,248,034
Payments to employees	(10,087)	(2,779)	(384,595)	(397,461)
Payments to suppliers	(447,862)	(13,945)	(225,098)	(686,905)
Net cash provided by operating activities	<u>121,510</u>	<u>13,276</u>	<u>28,882</u>	<u>163,668</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating grant proceeds	-	-	76,880	76,880
Transfers to other funds	(60,000)	(50,000)	(20,000)	(130,000)
Net cash provided by (used in) non-capital financing activities	<u>(60,000)</u>	<u>(50,000)</u>	<u>56,880</u>	<u>(53,120)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(11,838,313)	(9,879,574)	-	(21,717,887)
Proceeds from capital grants	8,466,146	1,864,479	-	10,330,625
Proceeds from capital assessments	5,850,764	513,813	-	6,364,577
Proceeds from capital debt	22,431,971	7,477,816	-	29,909,787
Transfers from other funds	660,555	-	-	660,555
Repayments of capital debt	(6,350,000)	-	-	(6,350,000)
Interest paid	(710,033)	(257,500)	-	(967,533)
Net cash provided by (used in) capital and related financing activities	<u>18,511,090</u>	<u>(280,966)</u>	<u>-</u>	<u>18,230,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>154,906</u>	<u>42,398</u>	<u>2,088</u>	<u>199,392</u>
Net cash provided by investing activities	<u>154,906</u>	<u>42,398</u>	<u>2,088</u>	<u>199,392</u>
Net increase (decrease) in cash and cash equivalents	18,727,506	(275,292)	87,850	18,540,064
CASH AND CASH EQUIVALENTS, beginning	<u>8,484,856</u>	<u>2,240,848</u>	<u>25,012</u>	<u>10,750,716</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 27,212,362</u>	<u>\$ 1,965,556</u>	<u>\$ 112,862</u>	<u>\$ 29,290,780</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)
For the Year Ended September 30, 2009

	Business-type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ <u>72,417</u>	\$ <u>15,862</u>	\$ <u>(32,832)</u>	\$ <u>55,447</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Provision for depreciation and amortization	54,274	1,411	65,331	121,016
(Increase) decrease in:				
Receivables	(34,625)	(3,997)	-	(38,622)
Inventory	5,993	-		5,993
Increase (decrease) in:				
Accounts payable and accrued expenses	23,451	-	(3,000)	20,451
Compensated absences	<u>-</u>	<u>-</u>	<u>(617)</u>	<u>(617)</u>
Total adjustments	<u>49,093</u>	<u>(2,586)</u>	<u>61,714</u>	<u>108,221</u>
Net cash provided by operating activities	\$ <u>121,510</u>	\$ <u>13,276</u>	\$ <u>28,882</u>	\$ <u>163,668</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Contributions of capital assets from Capital Infrastructure Fund	\$ <u>-</u>	\$ <u>-</u>	\$ <u>600,292</u>	<u>600,292</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIREFIGHTERS' PENSION TRUST FUND
September 30, 2009

ASSETS	
Cash	\$ <u>20,293</u>
Investments:	
Bond fund	649,864
Equity funds	<u>903,835</u>
Total investments	<u>1,553,699</u>
Receivables:	
Plan members	7,473
City (including State)	<u>163,151</u>
Total receivables	<u>170,624</u>
Total assets	<u>1,744,616</u>
LIABILITIES	<u>-</u>
NET ASSETS:	
Net assets held in trust for pension benefits	\$ <u><u>1,744,616</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF MARATHON, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIREFIGHTERS' PENSION TRUST FUND
For the Year Ended September 30, 2009

ADDITIONS:

Contributions:

Plan members	\$ 65,349
City (including State)	<u>338,121</u>

Total contributions	<u>403,470</u>
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Investment income:

Net appreciation in fair value of investments	<u>77,359</u>
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Total additions	<u>480,829</u>
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DEDUCTIONS:

Administrative expenses	<u>15,868</u>
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Total deductions	<u>15,868</u>
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Change in net assets	464,961
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NET ASSETS, beginning	<u>1,279,655</u>
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NET ASSETS, ending	\$ <u><u>1,744,616</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

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 and provides the following services: general government, public safety, community services and community development. The City also operates three enterprise funds which provide wastewater, stormwater and marina services.

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:

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.

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
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, the proprietary funds, 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.

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 funds 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.

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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Proprietary Funds 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. 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.

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 interest bearing checking accounts.

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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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."

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.

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:

Buildings	25-50 years
Leasehold improvements	5-20 years
Improvements other than buildings	10-50 years
Fire equipment and vehicles	5-25 years
Furniture and equipment	5-10 years

Prepays:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 has typically been used to liquidate such amounts.

Unearned/deferred revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenue in the enterprise fund represents prepayments on special assessments that were not yet levied. Unearned revenues at the government-wide level arise only when the City receives resources before it has a legal claim to them.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and bond premiums and discounts 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Fund balance:

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 balance 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.

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.

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.

Allowance for doubtful accounts:

The City's contracted service provider processes receivables associated with emergency medical services (EMS). An allowance account of \$ 498,963 is established for EMS receivables based on historical collection rates.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

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 interest bearing checking accounts 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 United States 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 investment earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The City invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The SBA previously reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" and "Fund B").

The Florida PRIME has adopted operating procedures consistent with the requirement for a 2a7-like fund. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

Investments – City:

As of September 30, 2009, the City had the following investments:

	Fair Value	Investment Maturities (In Years)
Florida PRIME	\$ 19,813	Less than 1
Fund B	31,162	6-10
	<u>\$ 50,975</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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit risk:

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

Investments – Firefighters' Pension Plan:

As of September 30, 2009, the City's Firefighters' Pension Plan (the "Plan") had the following investments:

FMIvT Broad Market High Quality Bond Fund	\$ 649,864
FMIvT High Quality Growth Fund	116,094
FMIvT Diversity Small Cap Equity Fund	165,172
FMIvT Russell 1000 Enhanced Index	354,899
FMIvT International Blend	145,766
FMIvT Large Cap Diversified Value	<u>121,904</u>
	<u>\$ 1,553,699</u>

Interest rate risk:

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The FMIvT Broad Market High Quality Bond Fund has an effective duration of 3.57 years and a weighted average maturity of 4.81 years.

Credit risk:

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The FMIvT Broad Market High Quality Bond Fund is rated AA/V4 by Fitch. The other investments are not rated.

Concentration risk:

The FMIvT is a Local Government Investment Pool and therefore considered an external investment pool which is excluded from concentration risk disclosure requirements.

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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

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, 2009, there were no significant delinquent taxes.

NOTE 4 - RECEIVABLES AND PAYABLES

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

	General	Capital Infrastructure	Street Maintenance	Wastewater	Stormwater	Marina (Nonmajor Fund)	Pension Trust Fund	Total
Customers billed	\$ 818,953	\$ -	\$ -	\$ 34,754	\$ -	\$ -	\$ -	\$ 853,707
Intergovernmental	236,026	310,734	512,231	1,496,791	4,074	52,418	-	2,612,274
Miscellaneous	37,807	-	-	-	-	-	-	37,807
Contributions	-	-	-	-	-	-	170,624	170,624
Gross receivables	1,092,786	310,734	512,231	1,531,545	4,074	52,418	170,624	3,674,412
Less allowance for uncollectibles	(498,963)	-	-	-	-	-	-	(498,963)
Net receivables	<u>\$ 593,823</u>	<u>\$ 310,734</u>	<u>\$ 512,231</u>	<u>\$ 1,531,545</u>	<u>\$ 4,074</u>	<u>\$ 52,418</u>	<u>\$ 170,624</u>	<u>\$ 3,175,449</u>

Receivables consist of the following:

Receivables (including pension trust fund)	\$ 563,175
Due from other governments	<u>2,612,274</u>
Net total receivables	<u>\$ 3,175,449</u>

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 – RECEIVABLES AND PAYABLES (continued)

Accounts payable and accrued liabilities for the City's individual major and nonmajor fund are as follows:

	General	Capital Infrastructure	Street Maintenance	Wastewater	Stormwater	Marina (Nonmajor Fund)	Total
Vendors	\$ 326,789	\$ 127,778	\$ 308,888	\$ 2,849,239	\$ 1,627,956	\$ 12,425	\$ 5,253,075
Payroll liabilities	273,037	-	4,939	2,247	966	16,520	297,709
Accrued interest	-	-	-	128,195	53,677	-	181,872
Total	<u>\$ 599,826</u>	<u>\$ 127,778</u>	<u>\$ 313,827</u>	<u>\$ 2,979,681</u>	<u>\$ 1,682,599</u>	<u>\$ 28,945</u>	<u>\$ 5,732,656</u>

NOTE 5 - TRANSFERS

The composition of interfund transfers is as follows:

Transfers Out	Transfer In						Total
	General Fund	Capital Infrastructure Fund	Street Maintenance Fund	Vehicle Replacement Fund	Debt Service Fund	Wastewater Fund	
General Fund	\$ -	\$ -	\$ -	\$ 51,120	\$ -	\$ -	\$ 51,120
Capital Infrastructure Fund	244,450	-	-	250,000	1,071,155	660,555	2,226,160
Street Maintenance Fund	-	-	-	9,974	-	-	9,974
Impact Fee Fund	-	54,000	363,426	-	-	-	417,426
Marina Fund	20,000	-	-	-	-	-	20,000
Stormwater Fund	50,000	-	-	-	-	-	50,000
Wastewater Fund	60,000	-	-	-	-	-	60,000
Total	<u>\$ 374,450</u>	<u>\$ 54,000</u>	<u>\$ 363,426</u>	<u>\$ 311,094</u>	<u>\$ 1,071,155</u>	<u>\$ 660,555</u>	<u>\$ 2,834,680</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 Marina, Wastewater and Stormwater Utility Enterprise Funds to the General Fund to support general project administration costs.

Transfers totaling \$ 311,094 were made from the General, Capital Infrastructure and Street Maintenance Funds to the Vehicle Replacement Fund in order to fund the purchase of new City vehicles.

Transfers totaling \$ 417,426 were made from the Impact Fee Fund to the Capital Infrastructure and Street Maintenance Funds in order to use impact fees for their specified capital purpose.

A transfer of \$ 660,555 was made from the Capital Infrastructure Fund to the Wastewater Utility Enterprise Fund to support wastewater projects.

A transfer of \$ 1,071,155 was made from the Capital Infrastructure Fund to the Debt Service Fund in order to satisfy debt service requirements.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,954	\$ 132,500	\$ -	\$ 8,962,454
Construction-in-progress	126,621	1,604,610	26,700	1,704,531
Total capital assets not being depreciated	<u>8,956,575</u>	<u>1,737,110</u>	<u>26,700</u>	<u>10,666,985</u>
Capital assets being depreciated:				
Buildings	11,465,092	1,118,572	-	12,583,664
Leasehold Improvements	58,235	-	-	58,235
Improvements other than buildings	6,730,494	1,491,634	-	8,222,128
Fire equipment and vehicles	2,627,215	16,702	-	2,643,917
Furniture and equipment	1,465,610	225,959	-	1,691,569
Total capital assets being depreciated	<u>22,346,646</u>	<u>2,852,867</u>	<u>-</u>	<u>25,199,513</u>
Total capital assets	<u>31,303,221</u>	<u>4,589,977</u>	<u>26,700</u>	<u>35,866,498</u>
Less accumulated depreciation:				
Buildings	669,377	320,436	-	989,813
Leasehold Improvements	17,391	3,583	-	20,974
Improvements other than buildings	1,371,594	356,833	-	1,728,427
Fire equipment and vehicles	565,362	121,765	-	687,127
Furniture and equipment	618,424	218,049	-	836,473
Total accumulated depreciation	<u>3,242,148</u>	<u>1,020,666</u>	<u>-</u>	<u>4,262,814</u>
Total capital assets, being depreciated, net	<u>19,104,498</u>	<u>1,832,201</u>	<u>-</u>	<u>20,936,699</u>
Governmental activities capital assets, net	<u>\$ 28,061,073</u>	<u>\$ 3,569,311</u>	<u>\$ 26,700</u>	<u>\$ 31,603,684</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,919,433	\$ -	\$ -	\$ 1,919,433
Construction-in-progress	27,659,201	33,478,866	424,327	60,713,740
Total capital assets not being depreciated	<u>29,578,634</u>	<u>33,478,866</u>	<u>424,327</u>	<u>62,633,173</u>
Capital assets being depreciated:				
Buildings	2,273,198	733,768	-	3,006,966
Improvements other than buildings	36,436	54,895	-	91,331
Equipment	135,778	80,309	-	216,087
Vehicles	280,661	-	70,438	210,223
Total capital assets being depreciated	<u>2,726,073</u>	<u>868,972</u>	<u>70,438</u>	<u>3,524,607</u>
Total capital assets	<u>32,304,707</u>	<u>34,347,838</u>	<u>494,765</u>	<u>66,157,780</u>
Less accumulated depreciation:				
Buildings	123,462	72,471	-	195,933
Improvements other than buildings	9,624	2,873	-	12,497
Equipment	56,839	15,742	-	72,581
Vehicles	87,688	21,930	35,219	74,399
Total accumulated depreciation	<u>277,613</u>	<u>113,016</u>	<u>35,219</u>	<u>355,410</u>
Total capital assets, being depreciated, net	<u>2,448,460</u>	<u>755,956</u>	<u>35,219</u>	<u>3,169,197</u>
Business-type activities capital assets, net	<u>\$ 32,027,094</u>	<u>\$ 34,234,822</u>	<u>\$ 459,546</u>	<u>\$ 65,802,370</u>

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 43,116
Public safety	363,845
Community services	585,059
Community development	<u>28,646</u>
 Total provision for depreciation - governmental activities	 \$ <u><u>1,020,666</u></u>
 Business-type activities:	
Enterprise - Wastewater	\$ 46,763
Enterprise - Stormwater	922
Enterprise - Marina	<u>65,331</u>
 Total provision for depreciation - business-type activities	 \$ <u><u>113,016</u></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, 2009:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009	Due Within One Year
Governmental activities:					
Bonds payable:					
Series 2004	\$ 7,962,963	\$ -	\$ 740,741	\$ 7,222,222	\$ 740,740
Compensated absences payable	<u>128,407</u>	<u>66,128</u>	<u>40,198</u>	<u>154,337</u>	<u>15,305</u>
 Governmental activities, long-term debt	 <u>\$ 8,091,370</u>	 <u>\$ 66,128</u>	 <u>\$ 780,939</u>	 <u>\$ 7,376,559</u>	 <u>\$ 756,045</u>

Improvement Revenue Bonds, Series 2004:

The City previously issued \$ 10,000,000 of Public Improvement Revenue Bonds, Series 2004 to finance the cost of acquisition and construction of certain capital projects under the City's capital infrastructure plan, as well as pay off an existing loan. Principal and interest are payable quarterly. The Bonds bear interest at 4.30% and are secured and payable from the local government one-cent sales tax revenues (local discretionary sales surtax). At September 30, 2009, the outstanding principal balance on the bonds was \$ 7,222,222.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - LONG-TERM DEBT (continued)

Annual debt service requirements of the Public Improvement Revenue Bonds, Series 2004 are as follows:

Year Ending September 30,	Principal	Interest	Total
2010	\$ 740,740	\$ 226,944	\$ 967,684
2011	740,740	274,722	1,015,462
2012	740,740	242,870	983,610
2013	740,740	211,019	951,759
2014	740,740	179,167	919,907
2015-2019	3,518,522	418,057	3,936,579
	<u>\$ 7,222,222</u>	<u>\$ 1,552,779</u>	<u>\$ 8,775,001</u>

The following is a summary of changes in long-term liabilities of the City's business-type activities for the year ended September 30, 2009:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009	Due Within One Year
Business-type activities:					
Bonds payable:					
Series 2008	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ -
Series 2009	-	30,000,000	-	30,000,000	-
Florida Rural Utility Commission Revenue Note, Series 2007	11,500,000	-	6,350,000	5,150,000	-
State Revolving Fund Loan Program	4,668,257	8,337,388	-	13,005,645	-
Compensated absences payable	14,682	2,835	3,452	14,065	1,407
Business-type activities, long-term debt	<u>\$ 26,182,939</u>	<u>\$ 38,340,223</u>	<u>\$ 6,353,452</u>	<u>\$ 58,169,710</u>	<u>\$ 1,407</u>

State Revolving Fund Loans:

As of September 30, 2009, the City has entered into seven 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. Through September 30, 2009, the City has borrowed a total of \$ 13,005,645 under these agreements. The breakdown as of September 30, 2009 of the total amounts authorized, the fixed weighted average interest rates, the repayment start dates, the estimated semi-annual payment amount and the amounts drawn to date on each loan is as follows:

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - LONG-TERM DEBT (continued)

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Estimated Repayment Start Date	Estimated Semi-Annual Payment Amount	Total Obligation September 30, 2009
WW 637020	\$ 11,308,211	2.25-2.54%	February 2010	\$ 698,248	\$ 9,672,594
WW 637050	848,654	2.46%	December 2010	28,334	894,630
WW 637060	1,918,808	2.37%	June 2011	62,710	1,389,820
WW 637090	10,000,000	2.66%	June 2011	330,459	-
SW 637030	395,302	2.46%	December 2010	13,205	409,531
SW 637040	253,923	2.46%	December 2010	8,482	263,011
SW 637070	519,195	2.37%	July 2011	17,042	376,059
Total	\$ 25,244,093			\$ 1,158,480	\$ 13,005,645

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.

Florida Rural Utility Financing Commission Revenue Note, Series 2007:

The City previously entered into a bridge loan agreement with the Florida Rural Utility Financing Commission (the "Commission") program for 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. Loan funds are disbursed to the City upon submittal of construction contract progress payment applications. As of September 30, 2009, the City had drawn approximately \$ 11,500,000 on the loan, and has repaid \$ 6,350,000. The outstanding balance as of September 30, 2009 is \$ 5,150,000.

Wastewater System Revenue Bonds, Series 2008:

The City previously issued Wastewater System Revenue Bonds, Series 2008, for an amount of \$ 10,000,000 for the financing of the wastewater system capital construction. The bonds bear interest at a rate of 3.31% and mature 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.

Utility System Revenue Bonds, Series 2009:

During the year, the City issued \$ 30,000,000 of Utility System Revenue Bonds, Series 2009 to finance a portion of wastewater and stormwater utility systems capital construction. The bonds bear interest at the London Interbank Offer Rate (LIBOR) plus 2.01% or 2.135%, whichever is greater. Interest only payments are due monthly through July 2011 with monthly principal and interest payments due thereafter through June 2019. A final principal payment of \$ 19,394,880 is due in July 2019. The bond is secured by and payable from the net revenues of the City's wastewater and stormwater utility systems plus wastewater and stormwater special assessments. Additionally, the bond is secured by the City's infrastructure sales surtax and a covenant to budget and appropriate from all legally available non ad-valorem revenues of the City. The bond indenture contains certain restrictive covenants. As of September 30, 2009, the City is in compliance with those covenants. The outstanding balance as of September 30, 2009 is \$ 30,000,000.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - LONG-TERM DEBT (continued)

Annual debt service requirements of the Wastewater System Revenue Bonds, Series 2008 and the Utility System Revenue Bonds, Series 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	\$ 1,006,000
2011	193,620	1,005,818
2012	11,169,620	824,156
2013	1,217,320	631,850
2014	1,266,880	603,953
2015-2019	<u>26,152,560</u>	<u>2,487,851</u>
	<u>\$ 40,000,000</u>	<u>\$ 6,559,629</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 a defendant in various lawsuits including personal injury, property damage, and other miscellaneous claims. For one of these cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued at the government-wide level in the Statement of Net Assets of approximately \$ 500,000. For another case, where there is a reasonable possibility that a loss has been incurred, the City estimates its possible exposure could be between \$ 1,000,000 and \$ 2,000,000. Due to the uncertainty of the outcome, no liability has been recorded in the financial statements for this case. The remainder of the legal proceedings are incidental to the City's 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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

Construction commitment:

At September 30, 2009, the City had outstanding construction contract commitments of the governmental and enterprise funds consisting of the following:

Project	Total Project Authorization	Expended at September 30, 2009	Contracts and Retainage Payable	Balance to Complete
Little Venice Stormwater and Paving - Phase II	\$ 1,780,742	\$ 1,574,916	\$ 174,991	\$ 30,835
La Palma Access Road	199,674	9,619	1,069	188,986
Service Area III Wastewater	8,404,832	932,687	103,633	7,368,512
Service Area IV & VI Wastewater and Stormwater	39,062,731	28,614,671	2,818,610	7,629,450
Service Area V Wastewater and Stormwater	19,126,494	10,049,799	1,116,644	7,960,051
Wastewater Design and Construction				
Management Services	7,812,482	5,557,313	56,365	2,198,804
Stormwater Design and Construction				
Management Services	2,935,851	2,221,425	3,354	711,072
	<u>\$ 77,542,064</u>	<u>\$ 47,385,514</u>	<u>\$ 4,099,675</u>	<u>\$ 26,056,875</u>

Agreement for Police Services:

During the year, the City entered into a contract with Monroe County Sheriff's Office (the "Sheriff") to provide professional police services through September 2012. Pursuant to the agreement, the Sheriff will provide law enforcement coverage within the City. Services for the fiscal year ending September 30, 2010 are budgeted to be approximately \$ 1,552,000. Costs for police services for the year ended September 30, 2009 were \$ 1,418,915.

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. Normal retirement is defined as age 57-1/2. The employees are not required to make contributions and are fully vested on their first day of employment. Employer contributions for the fiscal year ended September 30, 2009 were \$ 192,762. 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 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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

At October 1, 2008 (date of the latest actuarial valuation), the Plan's membership consisted of two deferred vested participants who are solely entitled to a refund of their employee contributions. Additionally, there were nineteen active participants.

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 Plan. Administrative costs of the Plan are financed through investment earnings.

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 appreciation/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 including interest to the Plan as determined by the actuarial valuation was \$ 410,078 for the year ended September 30, 2009. Contributions from the State totaled \$ 92,658 which was complemented by City contributions of \$ 245,463. 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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

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:

Annual required contribution	\$ 410,078
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>410,078</u>
Contributions made (with interest)	<u>410,078</u>
Change in net pension obligation	-
Net pension obligation at beginning of year	<u>-</u>
Net pension obligation at end of year	<u><u>\$ -</u></u>

Fiscal Year Ending	Trend Information		Net Pension (Asset) Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2007	\$ 250,700	100 %	\$ -
9/30/2008	\$ 281,737	100 %	\$ -
9/30/2009	\$ 410,078	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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2008*	\$ 1,249,350	\$ 1,084,546	\$ (164,804)	115.0 %	\$ 1,056,666	-15.6 %

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

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

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.

Additional information as of the latest actuarial valuation follows:

Valuation date	10/1/08
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	5.00%
Cost of living adjustment	3.00%
*Includes inflation at	3.00%
N/A - not applicable	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2009

	Original and Final Budget	Actual Amounts	Variance
REVENUES:			
Property taxes	\$ 4,195,747	\$ 4,079,688	\$ (116,059)
Intergovernmental	2,074,503	1,729,230	(345,273)
Licenses and permits	784,500	567,528	(216,972)
Charges for services	894,563	814,226	(80,337)
Fines and forfeitures	175,000	88,277	(86,723)
Communications services taxes	641,647	590,167	(51,480)
Interest	120,000	148,382	28,382
Miscellaneous	36,000	43,173	7,173
	<u>8,921,960</u>	<u>8,060,671</u>	<u>(861,289)</u>
EXPENDITURES:			
Current:			
General government:			
Elected officials	485,204	423,645	61,559
Administration	1,795,992	1,646,495	149,497
City attorney	475,000	417,712	57,288
	<u>2,756,196</u>	<u>2,487,852</u>	<u>268,344</u>
Public safety:			
Police	1,414,232	1,356,965	57,267
Fire/EMS	2,560,790	2,628,584	(67,794)
	<u>3,975,022</u>	<u>3,985,549</u>	<u>(10,527)</u>
Community services:			
Public works	254,814	229,711	25,103
Parks and recreation	1,002,882	926,606	76,276
Bridges	173,206	93,161	80,045
	<u>1,430,902</u>	<u>1,249,478</u>	<u>181,424</u>
Community development	<u>1,343,729</u>	<u>998,048</u>	<u>345,681</u>
Total expenditures	<u>9,505,849</u>	<u>8,720,927</u>	<u>784,922</u>
Excess (deficiency) of revenues over expenditures	<u>(583,889)</u>	<u>(660,256)</u>	<u>(76,367)</u>

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(continued)
For the Year Ended September 30, 2009

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Other financing sources (uses):			
Transfers in	374,450	374,450	-
Transfers out	(51,120)	(51,120)	-
Appropriation of prior years' fund balance	<u>260,559</u>	<u>-</u>	<u>(260,559)</u>
 Total other financing sources (uses)	 <u>583,889</u>	 <u>323,330</u>	 <u>(260,559)</u>
 Net change in fund balance	 \$ <u><u>-</u></u>	 \$ <u><u>(336,926)</u></u>	 \$ <u><u>(336,926)</u></u>

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL INFRASTRUCTURE FUND
For the Year Ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
REVENUES:				
Intergovernmental	\$ 7,268,134	\$ 7,268,134	\$ 2,472,241	\$ (4,795,893)
Interest	51,000	51,000	68,379	17,379
Miscellaneous	<u>-</u>	<u>-</u>	<u>16,954</u>	<u>16,954</u>
Total revenues	<u>7,319,134</u>	<u>7,319,134</u>	<u>2,557,574</u>	<u>(4,761,560)</u>
EXPENDITURES:				
Capital outlay	<u>3,892,678</u>	<u>4,292,678</u>	<u>2,527,164</u>	<u>1,765,514</u>
Excess (deficiency) of revenues over expenditures	<u>3,426,456</u>	<u>3,026,456</u>	<u>30,410</u>	<u>(2,996,046)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	354,000	354,000	54,000	(300,000)
Transfers out	(2,215,654)	(2,215,654)	(2,226,160)	(10,506)
Appropriation of prior years' fund balance	<u>(1,564,802)</u>	<u>(1,164,802)</u>	<u>-</u>	<u>1,164,802</u>
Total other financing sources (uses)	<u>(3,426,456)</u>	<u>(3,026,456)</u>	<u>(2,172,160)</u>	<u>854,296</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,141,750)</u>	<u>\$ (2,141,750)</u>

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE FUND
For the Year Ended September 30, 2009

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
REVENUES:			
Intergovernmental	\$ 2,425,842	\$ 1,317,493	\$ (1,108,349)
Charges for services	9,727	-	(9,727)
Interest	113,000	91,276	(21,724)
	<u>2,548,569</u>	<u>1,408,769</u>	<u>(1,139,800)</u>
EXPENDITURES:			
Current:			
Community services	492,049	274,474	217,575
Capital outlay	3,028,768	3,180,194	(151,426)
	<u>3,520,817</u>	<u>3,454,668</u>	<u>66,149</u>
Excess (deficiency) of revenues over expenditures	<u>(972,248)</u>	<u>(2,045,899)</u>	<u>(1,073,651)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	363,426	363,426	-
Transfers out	(9,974)	(9,974)	-
Appropriation of prior years' fund balance	618,796	-	(618,796)
	<u>972,248</u>	<u>353,452</u>	<u>(618,796)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(1,692,447)</u>	\$ <u>(1,692,447)</u>

CITY OF MARATHON, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULES
September 30, 2009

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.
- 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. For the year ended September 30, 2009, expenditures exceeded the budget in the General Fund in the Fire/EMS Department level by \$ 67,794.
- f. Formal budgetary integration is employed as a management control device during the year for all budgeted funds. The final budget included an amendment by City Council to increase capital outlay by \$ 400,000 in the Capital Infrastructure 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
SCHEDULE OF FUNDING PROGRESS*
FIREFIGHTERS' PENSION TRUST FUND
For the Last Four Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2005	\$ 342,824	\$ 342,824	\$ -	100.0%	\$ 748,200	0.0%
October 1, 2006	\$ 660,131	\$ 660,131	\$ -	100.0%	\$ 744,145	0.0%
October 1, 2008	\$ 1,249,350	\$ 1,084,546	\$ (164,804)	115.0%	\$ 1,056,666	-15.6%

*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 normal cost method. The schedule was prepared using the entry age normal cost method. The Plan did not prepare an actuarial valuation dated October 1, 2007.

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, 2009

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Vehicle Replacement Fund	Impact Fees Fund	Affordable Housing Fund	Restoration Fund		
ASSETS:						
Cash and cash equivalents	\$ 1,003,485	\$ 296,095	\$ 123,074	\$ 47,015	\$ -	\$ 1,469,669
Total assets	<u>\$ 1,003,485</u>	<u>\$ 296,095</u>	<u>\$ 123,074</u>	<u>\$ 47,015</u>	<u>\$ -</u>	<u>\$ 1,469,669</u>
LIABILITIES AND FUND BALANCES:						
<u>Liabilities:</u>						
Due to other governments	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ 120
Fund balances:						
Unreserved	<u>1,003,485</u>	<u>295,975</u>	<u>123,074</u>	<u>47,015</u>	<u>-</u>	<u>1,469,549</u>
Total fund balances	<u>1,003,485</u>	<u>295,975</u>	<u>123,074</u>	<u>47,015</u>	<u>-</u>	<u>1,469,549</u>
Total liabilities and fund balances	<u>\$ 1,003,485</u>	<u>\$ 296,095</u>	<u>\$ 123,074</u>	<u>\$ 47,015</u>	<u>\$ -</u>	<u>\$ 1,469,669</u>

CITY OF MARATHON, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Vehicle Replacement Fund	Impact Fees Fund	Affordable Housing Fund	Restoration Fund		
REVENUES:						
Licenses and permits	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
Impact fees	-	69,422	-	-	-	69,422
Interest	20,060	10,797	2,121	759	-	33,737
Miscellaneous	-	155	-	-	-	155
Total revenues	<u>20,060</u>	<u>80,374</u>	<u>2,121</u>	<u>10,759</u>	<u>-</u>	<u>113,314</u>
EXPENDITURES:						
Debt service:						
Principal	-	-	-	-	740,741	740,741
Interest and fiscal charges	-	-	-	-	330,414	330,414
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,155</u>	<u>1,071,155</u>
Excess (deficiency) of revenues over expenditures	<u>20,060</u>	<u>80,374</u>	<u>2,121</u>	<u>10,759</u>	<u>(1,071,155)</u>	<u>(957,841)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	311,094	-	-	-	1,071,155	1,382,249
Transfers out	-	(417,426)	-	-	-	(417,426)
Total other financing sources (uses)	<u>311,094</u>	<u>(417,426)</u>	<u>-</u>	<u>-</u>	<u>1,071,155</u>	<u>964,823</u>
Net change in fund balances	331,154	(337,052)	2,121	10,759	-	6,982
FUND BALANCES, beginning	<u>672,331</u>	<u>633,027</u>	<u>120,953</u>	<u>36,256</u>	<u>-</u>	<u>1,462,567</u>
FUND BALANCES, ending	<u>\$ 1,003,485</u>	<u>\$ 295,975</u>	<u>\$ 123,074</u>	<u>\$ 47,015</u>	<u>\$ -</u>	<u>\$ 1,469,549</u>

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	Special		
	Vehicle Replacement Fund		
	Original and Final Budget	Actual	Variance
REVENUES:			
Impact fees	\$ -	\$ -	\$ -
Interest	28,000	20,060	(7,940)
Miscellaneous	-	-	-
Total revenues	28,000	20,060	(7,940)
EXPENDITURES:			
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	28,000	20,060	(7,940)
OTHER FINANCING SOURCES (USES):			
Transfers in	311,094	311,094	-
Transfers out	(300,000)	-	300,000
Appropriation of prior years' fund balance	(39,094)	-	39,094
Total other financing sources (uses)	(28,000)	311,094	339,094
Net change in fund balances	\$ -	\$ 331,154	\$ 331,154

Note: Budgetary comparison schedules are prepared and presented for the nonmajor special revenue governmental funds above. The City does not prepare budgets for the other nonmajor special revenue governmental funds, and therefore, budgetary comparison schedules are not presented.

Revenue Funds			Debt Service Fund		
Impact Fees					
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
\$ 156,000	\$ 69,422	\$ (86,578)	\$ -	\$ -	\$ -
17,000	10,797	(6,203)	-	-	-
100	155	55	-	-	-
173,100	80,374	(92,726)	-	-	-
-	-	-	740,741	740,741	-
-	-	-	330,463	330,414	49
-	-	-	1,071,204	1,071,155	49
173,100	80,374	(92,726)	(1,071,204)	(1,071,155)	49
-	-	-	1,071,204	1,071,155	(49)
(417,426)	(417,426)	-	-	-	-
244,326	-	(244,326)	-	-	-
(173,100)	(417,426)	(244,326)	1,071,204	1,071,155	(49)
\$ -	\$ (337,052)	\$ (337,052)	\$ -	\$ -	\$ -

STATISTICAL SECTION

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	55-59
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	60-63
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	64-65
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	66-67
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	68-70
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 otherwise 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 SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
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	\$ 24,381,462
Restricted	4,373,475	5,039,914	7,324,824	4,733,068	8,026,767	4,194,245
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>	<u>6,654,654</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>	<u>35,230,361</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	29,001,944
Restricted	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>(9,447)</u>	<u>213,284</u>	<u>(1,265,735)</u>	<u>(4,279,528)</u>	<u>1,813,152</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>	<u>30,815,096</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	53,383,406
Restricted	4,373,475	5,039,914	7,324,824	4,733,068	8,026,767	4,194,245
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>	<u>8,467,806</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>	<u>\$ 66,045,457</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 SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
EXPENSES:						
Governmental activities:						
General government	\$ 2,805,425	\$ 3,837,452	\$ 7,905,757	\$ 3,867,901	\$ 3,319,061	\$ 2,519,857
Public safety	2,832,115	2,997,230	4,737,074	3,645,846	4,069,335	4,363,860
Community services	1,270,051	1,417,715	1,880,765	2,050,244	2,041,301	3,343,066
Community development	1,309,166	1,365,876	1,335,976	1,576,341	1,395,694	1,091,795
Interest on long-term debt	14,801	90,515	372,885	390,607	361,961	330,414
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>	<u>11,648,992</u>
Business-type activities:						
Wastewater	-	-	10,826	52,230	340,016	541,667
Marina	504,056	688,950	537,316	622,185	695,938	671,407
Stormwater	-	-	10,694	39,716	264,150	14,138
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>	<u>1,227,212</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>	<u>\$ 12,876,204</u>
PROGRAM REVENUES:						
Governmental activities:						
Charges for services:						
General government	\$ 1,399,886	\$ 1,354,431	\$ 1,407,360	\$ 1,391,936	\$ 155,111	\$ 155,056
Public safety	844,927	742,410	647,303	740,365	760,546	851,446
Community services	334,148	345,376	356,349	516,645	559,447	373,299
Community development	687,725	1,002,999	1,118,382	746,217	743,533	441,225
Operating grants and contributions	566,908	1,112,299	4,402,251	624,697	496,996	288,829
Capital grants and contributions	2,432,746	3,375,694	4,674,802	2,879,187	6,338,416	3,581,347
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>	<u>5,691,202</u>
Business-type activities:						
Charges for services:						
Wastewater	-	-	-	-	-	524,084
Marina	263,165	310,057	354,332	457,657	615,247	638,575
Stormwater	-	-	-	-	-	-
Operating grants and contributions	-	45,076	39,272	53,595	55,646	93,172
Capital grants and contributions	-	23,360	2,002,836	2,627,827	5,202,199	16,213,258
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>	<u>17,469,089</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>	<u>\$ 23,160,291</u>

CITY OF MARATHON, FLORIDA
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(continued)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
NET (EXPENSE) REVENUE:						
Governmental activities	\$ (1,965,218)	\$ (1,775,579)	\$ (3,626,010)	\$ (4,631,892)	\$ (2,133,303)	\$ (5,957,790)
Business-type activities	(504,056)	(310,457)	1,837,604	2,424,948	4,572,988	16,241,877
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>	<u>\$ 10,284,087</u>
GENERAL REVENUES:						
Governmental activities:						
Taxes:						
Property taxes	\$ 3,432,016	\$ 4,098,515	\$ 4,365,919	\$ 4,776,651	\$ 4,258,748	\$ 4,079,688
Other taxes	566,267	601,859	669,856	633,305	626,113	590,167
State shared revenues	289,678	400,123	464,835	367,701	1,709,756	1,526,669
Investment earnings	104,434	280,744	658,527	595,386	539,492	341,774
Miscellaneous	162,385	127,489	426,251	492,630	220,516	43,328
Transfers	(1,028,677)	(175,014)	(555,000)	(424,000)	(507,756)	(530,555)
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>	<u>6,051,071</u>
Business-type activities:						
Investment earnings	-	-	25,855	106,412	437,337	151,372
Miscellaneous	2,283	4,935	2,229,275	-	-	120,000
Loss on disposal of equipment	-	-	-	-	-	(9,444)
Transfers	1,028,677	175,014	555,000	424,000	507,756	530,555
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>	<u>792,483</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>	<u>\$ 6,843,554</u>
CHANGE IN NET ASSETS:						
Governmental activities	\$ 1,560,885	\$ 3,558,137	\$ 2,404,378	\$ 1,809,781	\$ 4,713,566	\$ 93,281
Business-type activities	526,904	(130,508)	4,647,734	2,955,360	5,518,081	17,034,360
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>	<u>\$ 17,127,641</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
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General fund:						
Reserved	\$ 40,085	\$ 19,955	\$ 80,932	\$ 137,851	\$ 78,749	\$ 81,477
Unreserved	3,622,540	4,233,725	4,655,670	5,266,937	5,630,951	5,291,297
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>	<u>5,372,774</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	2,367,496
Street maintenance fund	-	1,159,768	2,374,258	2,849,227	3,485,864	1,793,417
Impact fee fund	-	-	200,359	386,378	633,027	295,975
Vehicle replacement fund	-	544,876	869,363	639,815	672,331	1,003,485
Affordable housing	-	-	-	-	120,953	123,074
Restoration	-	-	-	-	36,256	47,015
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>	<u>5,630,462</u>
Debt service funds:						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total debt service funds	<u>-</u>	<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>	<u>5,630,462</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>	<u>\$ 11,003,236</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 SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
REVENUES:						
Ad valorem taxes	\$ 3,432,016	\$ 4,098,515	\$ 4,365,919	\$ 4,776,651	\$ 4,258,748	\$ 4,079,688
Communication services taxes	566,267	601,859	669,856	633,305	626,113	590,167
Impact fees	n/a	n/a	56,384	207,692	242,602	69,422
Licenses and permits	736,597	1,035,052	1,176,781	785,569	890,063	577,528
Intergovernmental revenue	4,961,663	6,512,740	11,162,771	5,488,148	8,817,885	5,518,964
Charges for services	675,994	649,029	559,537	642,998	649,084	814,226
Fines and forfeitures	181,763	136,510	115,809	142,341	164,172	88,277
Interest	104,434	280,744	658,527	595,386	539,492	341,774
Miscellaneous	162,387	127,490	426,252	392,927	320,219	60,282
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>	<u>12,140,328</u>
EXPENDITURES:						
Current:						
General government	2,857,781	3,630,608	7,359,947	2,822,349	2,796,344	2,472,219
Public safety	2,806,148	2,798,132	3,083,352	3,481,477	3,614,984	3,984,749
Community services	1,022,818	1,172,637	1,385,482	1,437,157	1,410,054	1,523,952
Community development	1,296,042	1,359,560	1,309,363	1,547,317	1,364,266	997,868
Capital outlay	1,624,068	5,234,411	4,080,526	7,205,686	1,663,704	5,723,971
Debt service:						
Principal	90,000	1,318,000	555,556	740,741	740,741	740,741
Interest and other fiscal charges	32,617	92,875	372,885	390,607	361,961	330,414
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>	<u>15,773,914</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>	<u>(3,633,586)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	693,071	1,934,956	1,511,921	2,337,615	2,107,155	2,174,125
Transfers out	(894,627)	(2,193,870)	(2,066,921)	(2,761,615)	(2,614,911)	(2,704,680)
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>	<u>(530,555)</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>	<u>\$ (4,164,141)</u>
Debt service as a percentage of non-capital expenditures	1.51%	13.60%	6.60%	10.86%	10.72%	9.55%

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 NINE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

<u>Fiscal Year Ended September 30,</u>	<u>Tax Roll Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value (1)</u>	<u>Estimated Actual Value as a Percentage of Net Assessed Value (1)</u>
2001	2000	\$ 899,256,852	\$ 71,566,362	\$ 970,823,214	2.9645	N/A	N/A
2002	2001	\$ 1,011,692,510	\$ 68,119,027	\$ 1,079,811,537	2.9645	N/A	N/A
2003	2002	\$ 1,128,078,626	\$ 67,353,235	\$ 1,195,431,861	2.9645	N/A	N/A
2004	2003	\$ 1,370,802,387	\$ 64,176,791	\$ 1,434,979,178	2.4931	N/A	N/A
2005	2004	\$ 1,621,112,010	\$ 70,100,880	\$ 1,691,212,890	2.4931	N/A	N/A
2006	2005	\$ 2,137,232,089	\$ 72,452,105	\$ 2,209,684,194	2.0500	N/A	N/A
2007	2006	\$ 2,693,641,765	\$ 81,397,661	\$ 2,775,039,426	1.7896	N/A	N/A
2008	2007	\$ 2,991,200,387	\$ 87,126,504	\$ 3,078,326,891	1.4243	N/A	N/A
2009	2008	\$ 2,756,096,830	\$ 78,188,977	\$ 2,834,284,807	1.5000	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)

Fiscal Year	Tax Roll Year	Direct Rate	Overlapping Rates (1)					Total Overlapping Rates	Total Applied Rate
		City of Marathon	Monroe County	School Board	S. Florida Water Mgt District	FL Keys Mosquito Control District	Other		
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	0.3691	6.2531	7.6774
2009	2008	1.5000	2.6883	2.9220	0.2549	0.3798	0.3691	6.6141	8.1141

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 SEVEN YEARS AGO**

Taxpayer	2009		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
BLUEGREEN RESORTS MANAGEMENT INC.	\$ 45,945,715	1	1.62 %
FL KEYS ELECTRIC CO-OP ASSN INC.	28,877,990	2	1.02 %
FELLING, MICHAEL	24,614,576	3	0.87 %
KEY COLONY BAY DEVELOPMENT LLC	22,496,209	4	0.79 %
BOAT HOUSE ASSOCIATES, INC	19,862,412	5	0.70 %
KEYS MARINA SOMBRERO, LLC	15,101,352	6	0.53 %
SANDLER AT GREATER MARATHON BAY LLC	12,717,646	7	0.45 %
HOME DEPOT USA INC #6302	11,880,970	8	0.42 %
KEYS MARINA MARATHON LLC	10,381,114	9	0.37 %
SH MARATHON LTD (HOLIDAY INN / MARINA)	9,739,880	10	0.34 %
	<u>\$ 201,617,864</u>		<u>7.11 %</u>
Taxpayer	2002		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
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 NINE FISCAL YEARS

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year's	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2009	4,294,698	4,079,688	94.99%	-	4,079,688	94.99%

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 TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities	Total	Percent of Net Assessed Value (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds			
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	-	7,962,963	-	26,168,257	34,131,220	1.11%	3380.33
2009	-	7,222,222	-	58,155,645	65,377,867	2.31%	6350.45

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 September 30,	Improvement Revenue Bonds							
	Local Govt. Infrastructure Tax	Wastewater Special Assessments	Utility Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
2000	\$ N/A	\$ N/A	\$ 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	N/A	N/A
2002	N/A	N/A	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	N/A	N/A
2004	N/A	N/A	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	N/A	N/A
2006	2,383,964	N/A	N/A	N/A	2,383,964	555,556	372,885	2.57
2007	2,405,183	N/A	N/A	N/A	2,405,183	740,741	390,607	2.13
2008	2,442,698	N/A	N/A	N/A	2,442,698	740,741	361,961	2.22
2009	2,209,299	4,859,306	1,037,897	(721,537)	7,384,965	740,741	719,025	5.06

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: Interest only payments until February 2010 on the City's State Revolving Fund Loans.

Note: Interest only payments until July 2011 on the City's Wastewater System Revenue Bonds, Series 2009.

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>	<u>Personal Income (Amounts Expressed in Thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
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 (a)	4,163,261 (b)	51,759 (b)	5.5%
2009	10,295 (a)	4,063,916 (b)	51,162 (b)	7.4%

Sources:

- (1) Office of Economic and Demographic Research, FL Legislature.
 - (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 Florida data was used as a base % and applied to 2006, 2007, 2008 and 2009. 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 THREE YEARS AGO

Employer	2009		Percentage of Total City Employment
	Employees	Rank	
Monroe County	212	1	N/A
Monroe County School Board	151	2	N/A
Home Depot USA	150	3	N/A
Publix Supermarkets	127	4	N/A
Winn Dixie Supermarkets	93	5	N/A
K-Mart Corporation	77	6	N/A
City of Marathon	67	7	N/A
Fishermen's Hospital	55	8	N/A
Walgreens Co.	48	9	N/A
Florida Keys Aqueduct Authority	45	10	N/A

Employer	2006		Percentage of Total City Employment
	Employees	Rank	
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
Walgreens Co.	38	7	N/A
D'Asign 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 SEVEN FISCAL YEARS

Employees	2003	2004	2005	2006	2007	2008	2009
General Government	5	5	8	8	9	6	5
Public Safety	13	16	16	28	22	21	25
Community Development	7	13	13	15	16	17	15
Community Services	5	5	7	11	13	13	15
Marina	5	5	8	7	7	7	7
Total number of employees	<u>35</u>	<u>44</u>	<u>52</u>	<u>69</u>	<u>67</u>	<u>64</u>	<u>67</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 TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety:										
Police:										
Police personnel and officers	N/A	N/A	14	17	17	17	17	17	15	17
Police calls for service	N/A	N/A	30,788	31,366	30,964	30,792	24,292	22,411	20,273	20,533
Fire/EMS:										
Fire personnel	15	15	15	14	15	15	22	22	21	24
Fire / emergency calls answered	N/A	N/A	N/A	N/A	N/A	287	251	527	324	339
Emergency medical services calls	N/A	N/A	N/A	N/A	1,468	1,105	1,007	1,249	1,160	1,254
Community development:										
Business permits and 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	1,569
Commercial fire occupancy inspections	N/A	N/A	N/A	54	424	354	475	309	446	478
Community services:										
Transportation:										
Public right of way maintenance (miles)	64	64	64	64	64	64	64	64	66	66
Culture and recreation:										
Registrations for special events	N/A	N/A	N/A	10	10	23	35	32	25	34
Registrations for summer camp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	125	109	79
Registrations for athletic programs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,360	1,629	1,414
Registrations for cultural programs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	227	1,375	1,041
Registrations for private events in public park areas	N/A	N/A	N/A	N/A	N/A	N/A	N/A	110	147	99
Marina:										
Mooring balls	25	25	25	64	64	64	64	226	226	226
Boat slips	5	5	5	5	5	5	13	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 TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government:										
Number of general government buildings	-	-	-	-	-	-	-	-	-	-
Public safety:										
Police:										
Police stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets	64	64	64	64	64	64	64	64	66	66
Number of street lights	N/A	N/A	N/A	N/A	N/A	190	190	190	190	188
Number of traffic signals	N/A	N/A	N/A	N/A	N/A	8	8	8	8	8
Culture and recreation:										
Amphitheater	-	-	-	-	-	1	1	1	1	1
Parks	-	-	-	-	-	4	4	4	4	4
Parks acreage	-	-	-	-	-	45	45	45	45	45
Beaches	-	-	-	-	-	2	2	2	2	2
Community center	-	-	-	-	-	1	1	1	-	-
Picnic pavilions	-	-	-	-	-	16	16	16	18	18
In-line hockey rink	-	-	-	-	-	1	1	1	1	1
Soccer fields	-	-	-	-	-	2	2	2	2	2
Skate park	-	-	-	-	-	1	1	1	1	1
Basketball courts	-	-	-	-	-	4	4	4	3	3
Tennis courts	-	-	-	-	-	4	4	4	4	4
Baseball/softball fields	-	-	-	-	-	2	2	2	2	2
Utility system:										
Fire hydrants - City of Marathon	-	-	-	-	-	-	53	101	125	134
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

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

COMPLIANCE SECTION



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

To the Honorable Mayor, and City Council
City of Marathon, Florida
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 City of Marathon, Florida (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City of Marathon, Florida's basic financial statements and have issued our report thereon dated April 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Marathon, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Marathon, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Marathon, Florida'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 City of Marathon, Florida'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 City of Marathon, Florida's financial statements that is more than inconsequential will not be prevented or detected by City of Marathon, Florida'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 City of Marathon, Florida'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.

Compliance and Other Matters

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

This report is intended solely for the information and use of City management, members of the City Council, Federal and state awarding agencies and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 27, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, and City Council
City of Marathon, Florida
Marathon, Florida

Compliance

We have audited the compliance of City of Marathon, Florida 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 Department of Financial Services' State Projects Compliance Supplement, that are applicable to its major Federal Programs and state project for the year ended September 30, 2009. City of Marathon, Florida's major Federal programs and state project are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and state project is the responsibility of City of Marathon, Florida's management. Our responsibility is to express an opinion on City of Marathon, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or state project occurred. An audit includes examining, on a test basis, evidence about City of Marathon, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Marathon, Florida's compliance with those requirements.

In our opinion, City of Marathon, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and state project for the year ended September 30, 2009.

Internal Control over Compliance

The management of City of Marathon, Florida 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 projects. In planning and performing our audit, we considered City of Marathon, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or state project 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 City of Marathon, Florida'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 or state project 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 or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or state project 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 project will not be prevented or detected by the entity'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 City management, members of the City Council, federal and state awarding agencies and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 27, 2010



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INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT

To the Honorable Mayor, and City Council
City of Marathon, Florida
Marathon, Florida

We have audited the basic financial statements of City of Marathon, Florida (the "City"), as of and for the year ended September 30, 2009, and have issued our report thereon dated April 27, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report 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 April 27, 2010, 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 auditors' reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(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 City of Marathon complied with Section 218.415, Florida Statutes.

Section 10.554(1)(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(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse and; (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

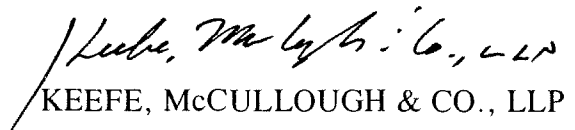
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Marathon, Florida was created by Laws of Florida 90-142. There were no component units related to the City.

Section 10.554(1)(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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(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 entity'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 of America require 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.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 27, 2010

CITY OF MARATHON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2009

<u>Federal/State Agency, Pass-through Entity Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
FEDERAL AGENCY NAME:				
Direct Programs:				
Department of Defense:				
State Memorandum of Agreement				
Program for the Reimbursement				
of Technical Services				
	* 12.113	-	\$ 5,778,482	-
Department of Housing and				
Urban Development:				
Economic Development Initiative -				
Special Project, Neighborhood				
Initiative and Miscellaneous Grants				
	14.251	B-06-SP-FL-0208	74,250	-
	14.251	B-08-SP-FL-0124	98,000	-
Department of Agriculture:				
Cooperative Forestry Assistance				
	10.664	014018	12,500	-
Indirect Programs:				
Department of Homeland Security -				
Passed through State of Florida				
Division of Emergency Management:				
Disaster Grants - Public Assistance				
	* 97.036	06-WL-&K-11-54-02-553	847,587	-
	* 97.036	08-FA-B9-11-54-00-598	561,979	-
	* 97.036	09-PA-00-11-54-13-518	51,684	-

CITY OF MARATHON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
(continued)
For the Fiscal Year Ended September 30, 2009

<u>Federal/State Agency, Pass-through Entity Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Environmental Protection Agency - Passed through the Florida Department of Environmental Protection: Capitalization Grants for Clean Water State Revolving Funds	66.458	WW63702P	3,901,908	-
Congressionally Mandated Projects	66.202	XP96449906-0	8,782	-
Department of Transportation - Passed through the Florida Department of Environmental Protection: Recreational Trails Program	20.219	T28040	15,795	-
Passed through the Florida Department of Transportation: Highway Planning and Construction	* 20.205	AP230	678,156	-
	* 20.205	ARRA-478-B	39,600	-
Department of the Interior - Passed through the Florida Department of Environmental Protection: Clean Vessel Act	15.616	LE649	63,340	-

CITY OF MARATHON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

For the Fiscal Year Ended September 30, 2009

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
Department of Commerce - Passed through the Florida Department of Environmental Protection: Coastal Zone Management Administration Awards	11.419	CZ915	20,000	-
Total Expenditures of Federal Awards			\$ 12,152,063	\$ -
STATE AGENCY NAME:				
Direct Projects:				
Department of Environmental Protection: Statewide Surface Water Restoration and Wastewater Projects	* 37.039	LP6116	\$ 1,691,063	\$ -
	* 37.039	LP6082	1,200,000	-
Fish and Wildlife Conservation Commission: Florida Boating Improvement Program	77.006	7091	200,000	-
Total Expenditures of State Financial Assistance			\$ 3,091,063	\$ -

NOTE: This schedule was prepared on the accrual basis of accounting.

* Denotes a major program/project

CITY OF MARATHON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECT
For the Year Ended September 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Marathon, Florida.
2. No material weaknesses relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of City of Marathon, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs or state project are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General.
5. The auditors' report on compliance with requirements applicable to the major Federal programs and state project for City of Marathon, Florida expresses an unqualified opinion.
6. There are no findings relative to the major Federal programs or state project for City of Marathon, Florida reported in Part C of this schedule.
7. The programs / project tested as a major program / project is as follows:

Federal Program	Federal CFDA Number
Department of Homeland Security - Public Assistance Grants	97.036
Department of Transportation - Highway Planning and Construction	20.205
Department of Defense - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113

State Project	State CSFA Number
Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects	37.039

8. The threshold for distinguishing Type A and Type B projects was \$ 300,000 for major Federal programs and state projects.
9. City of Marathon, Florida was determined to be a low risk auditee pursuant to OMB Circular A-133.

CITY OF MARATHON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECT
For the Year Ended September 30, 2009

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

NONE

D. OTHER ISSUES

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal Programs or state financial assistance projects.
2. No corrective action plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Act.
3. A separate management letter was not issued.