

**CITY OF MARATHON, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Prepared by the  
Finance Department



CITY OF MARATHON, FLORIDA  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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## INTRODUCTORY SECTION







## **CITY OF MARATHON, FLORIDA**

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

March 22, 2013

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, 2012.

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with 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, 2012, 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, 2012, 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 Governments*, 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 8,362 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 page 51 following the notes to the basic financial statements. A budget-to-actual comparison for the street maintenance fund is also

included as Required Supplementary Information following the notes to the basic financial statements on page 52. A budget-to-actual comparison for the capital infrastructure fund is included as other financial information on pages 60 and 61. For governmental funds, other than the general fund, street maintenance fund and capital infrastructure fund, this comparison is presented in the nonmajor governmental fund subsection of this report, on pages 62 and 63.

## **Factors Affecting Financial Condition**

### **Local Economy**

The Florida Keys are often referred to as the “American Caribbean” and Marathon is known as “The Heart of the Keys.” 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 engine. The local environment 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 have continually ranked among the top tourist destinations in the Country. In addition to tourism, commercial seafood harvesting is a significant piece of the local economy as the Florida Keys are one of the largest providers of seafood products in the country, serving both national and international markets.

The City of Marathon’s economic outlook is strong. Although, the economy has been flat for the previous several years, due to the effects of the national recession, the tourism industry in the Florida Keys proved extremely resilient. Additionally, the City’s work on the wastewater and stormwater utility projects pumped millions of dollars into the local economy over the last several years. The utility projects are now complete, and the City has experienced increased revenues due to the required hookup to the City’s wastewater utility system. As a result of the completion of the utility infrastructure projects, the City was awarded up to 200 transient building rights by the State of Florida to encourage development of hotels and resorts. Presently, three developments have been approved and are expected to break ground this year. It is anticipated that these new developments will add over \$100,000,000 to the City’s tax base and will create many new permanent jobs. The City’s share of sales tax and tourism based surtaxes will also increase significantly when these projects are brought online in 2014. The City is experiencing growth in the commercial and residential sector with new restaurants, businesses and single family residences coming online. In September 2012, the area’s unemployment rate was 4.5%, compared with the statewide rate of 7.9%.

### **Long-term Financial Planning and Relevant Financial Policies**

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 significant grant funding in order to lessen the cost burden on the local community. In 2008 the state of Florida authorized \$200,000,000 in grant funding for Florida Keys water quality improvement projects. All local stakeholders have approved an interlocal agreement that sets forth the distribution of funds for the 2013 fiscal year. According to the interlocal agreement the City will receive \$20,000,000 which will be used to pay down debt of the utility enterprise funds.

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 previously 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 advanced 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 is particularly proud of its accomplishments in improving the near shore water quality of the surrounding waters through the timely completion of these projects. With the completion of these necessary infrastructure projects, the City has now began the process of redevelopment of older amenities and plans to focus on creating sufficient modern accommodations to make Marathon the family fun destination of the Florida Keys.

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. The City also continues to devote resources to transportation and traffic issues and concerns. The City will complete the Grassy Key fire station project during fiscal year 2013. The City has also included are various bridge repair, roadway and intersection improvements and roadway beautification efforts. Other major projects currently included in the Five Year Capital Improvement Plan are:

- The construction of City Hall facilities
- The continued implementation of the Fire Safety Program
- Continuing improvements to City parks, beaches, and roadways

### **Awards and Acknowledgements**

The City was awarded the "2012 Plant Operations Excellence Award" by the Florida Department of Environmental Protection, for one of its wastewater plant facilities. This award is given to wastewater treatment facilities that are continuously compliant with a good history of recordkeeping and maintenance.

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, 2011. This was the ninth 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, 2012 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, 2012

### **CITY COUNCIL**

Pete Worthington, Mayor  
Dick Ramsay, Vice-Mayor

Ginger Snead, Councilwoman  
Richard Keating, Councilman  
Mike Cinque, Councilman

### **CITY MANAGER**

Roger Hernstadt

### **CITY CLERK**

Diane Clavier

### **CITY ATTORNEY**

John Herin  
Gray - Robinson, 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, 2011

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.



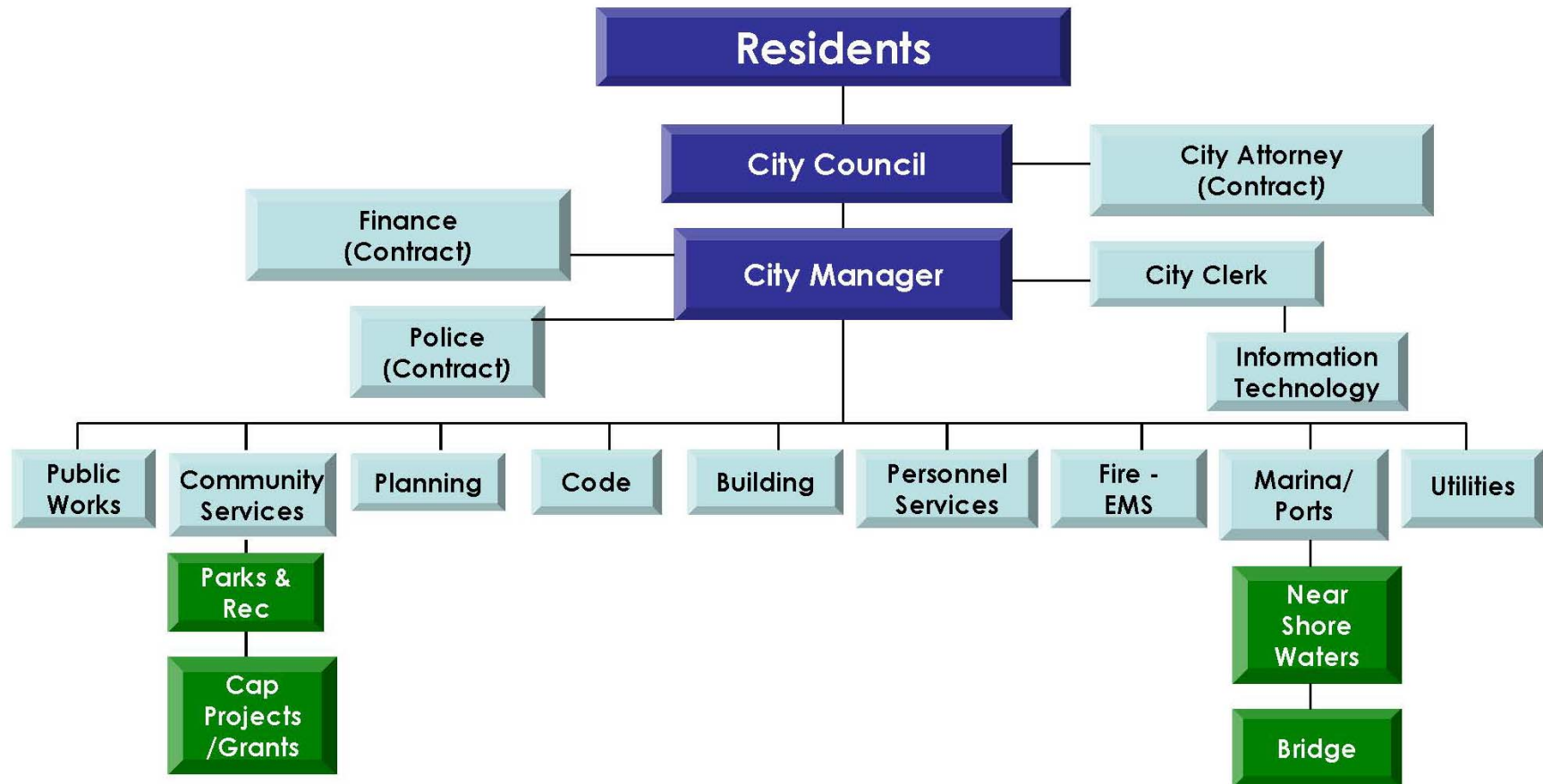
*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

## City of Marathon FY12 Department Organizational Chart





## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT





## 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 and for the year ended September 30, 2012, 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 3 through 15 and pages 54 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, budgetary comparison information, other financial information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The budgetary comparison information, other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

KEEFE, MCCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
March 22, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)





**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

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, 2012. 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 \$ 93,654,989 (net assets), as compared with \$ 90,497,015 for the previous year. Of this amount, \$ 21,796,072 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$ 16,236,043 for the previous year.
- The City's total net assets increased by \$ 3,157,974 or 3.49% during the current fiscal year. Included in the total net assets are governmental net assets that increased by \$ 1,276,063 and business-type activities net assets that increased by \$ 1,881,911.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 8,546,828, an increase of \$ 299,605 in comparison with the prior year. \$ 2,396,537 (28.04%), of this total amount is available for spending at the City's discretion (unassigned fund balance in the General Fund).
- The City's total debt increased by \$ 4,750,549 (5.57%) during the current fiscal year. The primary factor of the increase was additional draws from the State Revolving Fund loans to fund the continuing construction of wastewater and stormwater utility capital improvements.

### **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.

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).

CITY OF MARATHON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2012

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, street and bridge maintenance, 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 16 and 17 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.

The City of Marathon previously implemented Governmental Accounting and Financial Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balances are now presented in the following classifications:

**Non-Spendable Fund Balance** – Amounts that are not in a spendable form (for example, inventory, long-term portion of loans, prepaid expenses, and notes receivable), or are required to be maintained intact (for example, the principal of an endowment fund).

**Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resource providers (i.e. grant providers), constitutionally, or through enabling legislation (legislation that creates a new revenue source and restricts its use). Effectively, a restriction may be changed or lifted only with the consent of resource providers.

**Committed Fund Balance** – Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (i.e. City Council). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

**Assigned Fund Balance** – Amounts intended to be used by the government for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (the authority for making an assignment is not required to be the government's highest level of decision making authority).

**Unassigned Fund Balance** – the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

With the implementation of GASB Statement No. 54 the City's Vehicle Replacement Fund was reclassified from a special revenue fund to the Capital Infrastructure Fund, with the net assets of the Vehicle Replacement Fund being considered as *committed* fund balance of the Capital Infrastructure Fund. Also as a result of the implementation, the Capital Infrastructure Fund was reclassified from a special revenue fund to a capital project fund.

CITY OF MARATHON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2012

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, Street Maintenance Fund, and Capital Infrastructure 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 58 and 59 of this report.

The City of Marathon adopted an annual appropriated budget for its General Fund, three of its special revenue funds, the Capital Project Fund and the Debt Service Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (page 51). A budgetary comparison schedule has also been provided for the major special revenue fund, which is the Street Maintenance Fund (page 52) and the Capital Infrastructure Fund, which is a capital project fund (page 60).

The governmental fund financial statements can be found on pages 18 through 21 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 22 through 25 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 26 and 27 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 28 through 50 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.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

Required supplementary information can be found on pages 51 through 57 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 58 through 63 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 \$ 93,654,989 at the close of the most recent fiscal year, compared to net assets of \$ 90,497,015 in the prior year.

#### **City of Marathon's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,189,513	\$ 11,250,135	\$ 18,781,876	\$ 22,951,263	\$ 27,971,389	\$ 34,201,398
Capital assets (net)	<u>33,142,616</u>	<u>32,972,288</u>	<u>124,336,631</u>	<u>115,264,861</u>	<u>157,479,247</u>	<u>148,237,149</u>
Total assets	<u>42,332,129</u>	<u>44,222,423</u>	<u>143,118,507</u>	<u>138,216,124</u>	<u>185,450,636</u>	<u>182,438,547</u>
Current and other liabilities	1,320,963	3,939,628	2,433,595	14,841,590	3,754,558	18,781,218
Long term liabilities	<u>4,620,344</u>	<u>5,168,036</u>	<u>83,420,745</u>	<u>67,992,278</u>	<u>88,041,089</u>	<u>73,160,314</u>
Total liabilities	<u>5,941,307</u>	<u>9,107,664</u>	<u>85,854,340</u>	<u>82,833,868</u>	<u>91,795,647</u>	<u>91,941,532</u>
Net assets:						
Invested in capital assets, net of related debt	28,142,616	27,231,548	39,625,782	43,132,708	67,768,398	70,364,256
Restricted	4,090,519	3,896,716	-	-	4,090,519	3,896,716
Unrestricted	<u>4,157,687</u>	<u>3,986,495</u>	<u>17,638,385</u>	<u>12,249,548</u>	<u>21,796,072</u>	<u>16,236,043</u>
Total net assets	<u>\$ 36,390,822</u>	<u>\$ 35,114,759</u>	<u>\$ 57,264,167</u>	<u>\$ 55,382,256</u>	<u>\$ 93,654,989</u>	<u>\$ 90,497,015</u>

The largest portion of the City's net assets (72.36%) reflects its investment in capital assets (e.g. land, building, and equipment), less any related debt used to acquire those assets that are still outstanding. This investment in capital assets reflects a 3.69% decrease 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, \$ 4,090,519 (4.37%), represents resources that are subject to external restrictions on how they may be used. This represents an increase of 4.97% from the previous year's balance of \$ 3,896,716. The remaining balance of unrestricted net assets \$ 21,796,072 (23.27%) may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

**Changes in Net Assets**

Governmental activities and business-type activities increased the City's net assets by \$ 3,157,974 from the previous fiscal year. The relevant revenue and expense categories and their effect on net assets are summarized in the table below. The information presented in this table will be used in the subsequent discussion of governmental and business-type activities:

**City of Marathon's Changes in Net Assets**

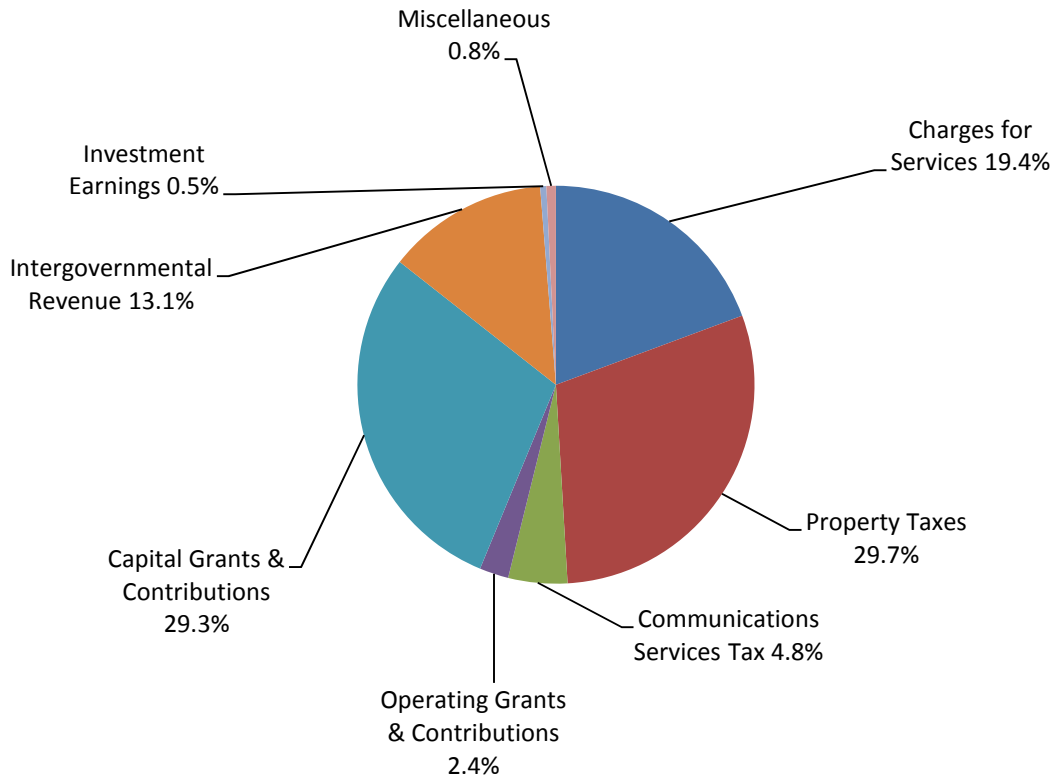
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,306,054	\$ 2,189,660	\$ 4,815,141	\$ 2,909,642	\$ 7,121,195	\$ 5,099,302
Operating grants and contributions	282,495	336,415	92,292	16,921	374,787	353,336
Capital grants and contributions	3,494,595	3,988,661	4,926,863	6,754,484	8,421,458	10,743,145
General revenues:						
Property taxes	3,536,651	3,580,301	-	-	3,536,651	3,580,301
Other taxes	571,793	562,218	-	-	571,793	562,218
State shared revenues	1,564,952	1,684,366	-	-	1,564,952	1,684,366
Investment earnings	60,123	103,927	125,436	167,282	185,559	271,209
Miscellaneous	92,030	473,615	-	275,000	92,030	748,615
Total revenues	11,908,693	12,919,163	9,959,732	10,123,329	21,868,425	23,042,492
Expenses:						
General government	2,596,950	4,230,495	-	-	2,596,950	4,230,495
Public safety	4,260,491	4,524,285	-	-	4,260,491	4,524,285
Community services	2,477,396	2,850,714	-	-	2,477,396	2,850,714
Community development	894,343	860,053	-	-	894,343	860,053
Interest on long-term debt	234,371	266,465	-	-	234,371	266,465
Marina	-	-	645,935	714,940	645,935	714,940
Wastewater	-	-	6,502,017	3,903,661	6,502,017	3,903,661
Stormwater	-	-	1,098,948	658,901	1,098,948	658,901
Total expenses	10,463,551	12,732,012	8,246,900	5,277,502	18,710,451	18,009,514
Increase in net assets before transfers	1,445,142	187,151	1,712,832	4,845,827	3,157,974	5,032,978
Transfers	(169,079)	(306,703)	169,079	306,703	-	-
Increase (decrease) in net assets	1,276,063	(119,552)	1,881,911	5,152,530	3,157,974	5,032,978
Net assets, October 1	35,114,759	35,234,311	55,382,256	50,229,726	90,497,015	85,464,037
Net assets, September 30	\$ 36,390,822	\$ 35,114,759	\$ 57,264,167	\$ 55,382,256	\$ 93,654,989	\$ 90,497,015

Governmental activities increased the City of Marathon's net assets by \$ 1,276,063 as compared to a decrease in net assets of \$ 119,552 in the prior fiscal year.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 51.08% of the governmental activities total revenues. Property taxes, which represent 29.7% 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, 2012

**Revenue Sources - Governmental Activities**



**Business-Type Activities**

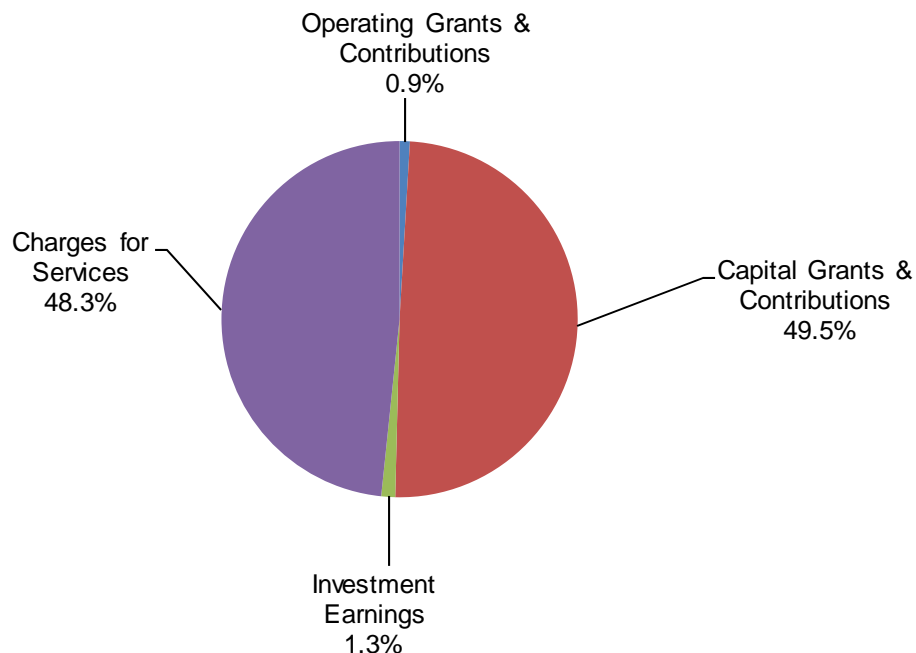
Business-type activities increased the City of Marathon's net assets by \$ 1,881,911. This increase in net assets is due principally to the fact that capital grants and contributions, including special assessments, directly increase capital assets in the wastewater and stormwater utilities and are not used for operating expenses.

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

- In total, the City's business-type activities reflected an operating loss of \$ 1,809,833 This is primarily due to:
  - The Wastewater Fund's operating loss of \$ 1,110,745. This wastewater operating loss increased from the prior year's operating loss by \$ 140,035 due to the ramp up of operations as a majority of the wastewater treatment and collection systems came online during the year.
  - The Stormwater Fund's operating loss of \$ 703,851. This stormwater operating loss increased from the previous year's operating loss of \$ 451,687 mainly due to the increase in depreciation expense.
  - The Marina Fund's operating income of \$ 4,763. This operating income is up \$ 76,275 from its operating loss from the previous year of \$ 71,512. This increase in income is due to an increase in the user fees charged to the marina customers.
- Grants and contributions, both operating and capital, represent 50.4% of the total business-type revenues.

CITY OF MARATHON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2012

**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, *unassigned fund balance* may serve as a useful measure of a government's 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 \$ 8,546,828 an increase of \$ 299,605 in comparison with the prior year. \$ 2,396,537 (28.04%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance: \$ 38,818 is restricted for police education, \$ 2,700,591 is restricted for capital projects, \$ 1,234,443 is restricted for street maintenance projects, \$ 116,667 is restricted for grant projects, \$ 93,528 is *nonspendable fund balance* for prepaid items, and \$ 1,966,244 is *committed fund balance* to indicate that it is not available for new spending because it is already committed for a variety of restricted purposes.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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*General Fund*

The General Fund is the main operating fund of the City of Marathon. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 2,396,537 while total fund balance was \$ 2,527,683. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.86% of total General Fund expenditures, while total fund balance represents 30.44% of that same amount.

The fund balance of the City of Marathon's General Fund decreased by \$ 112,034 during the current fiscal year. Total General Fund revenues decreased 1% while expenditures decreased 23%.

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:

	2012 Amount	Percentage of Total	2011 Amount	Percentage of Total	Increase (Decrease) 2011	Percentage of Increase (Decrease)
Revenues:						
Property taxes	\$ 3,536,651	46%	\$ 3,580,301	46%	\$ (43,650)	-1%
Intergovernmental	1,748,996	23%	1,854,322	24%	(105,326)	-6%
Licenses and permits	689,191	9%	631,917	8%	57,274	9%
Charges for services	959,924	12%	897,555	11%	62,369	7%
Fines and forfeitures	81,959	1%	122,385	2%	(40,426)	-33%
Communication services taxes	571,793	8%	562,218	7%	9,575	2%
Interest	19,137	0%	67,780	1%	(48,643)	-72%
Miscellaneous	74,390	1%	76,206	1%	(1,816)	-2%
Total revenues	<u>\$ 7,682,041</u>	<u>100%</u>	<u>\$ 7,792,684</u>	<u>100%</u>	<u>\$ (110,643)</u>	<u>-1%</u>

- Property taxes revenue decreased 1% due to the City assessing a millage rate below the roll back rate, which is the tax rate that would bring in the same amount of dollars from the previous year, and due to lower assessed property values.
- Intergovernmental revenues decreased 6% due to a decrease in grant revenues.
- Interest revenue decreased 72% due to lower interest rates and cash balances during the year.
- License and permit revenue increased 9% due to an increase in building permit activity, primarily as a result of businesses and individuals hooking up to the City sewer system.
- Fines and forfeitures revenue decreased 33% due to a decrease in code enforcement fines.



**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

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

	2012 Amount	Percentage of Total	2011 Amount	Percentage of Total	Increase (Decrease) From 2011	Percentage of Increase (Decrease)
Expenditures:						
City Council	\$ 489,904	6%	\$ 474,509	4%	\$ 15,395	3%
Administration	1,549,822	19%	1,589,356	15%	(39,534)	-2%
Legal	403,133	5%	2,685,397	25%	(2,282,264)	-85%
Police services	1,261,236	15%	1,314,499	12%	(53,263)	-4%
Fire/EMS	2,723,039	33%	2,800,368	26%	(77,329)	-3%
Public Works	102,823	1%	91,931	1%	10,892	12%
Parks and recreation	896,692	11%	956,103	9%	(59,411)	-6%
Bridge	32,577	0%	42,066	0%	(9,489)	-23%
Community development	845,333	10%	820,110	8%	25,223	3%
Total expenditures	<u>\$ 8,304,559</u>	<u>100%</u>	<u>\$ 10,774,339</u>	<u>100%</u>	<u>\$ (2,469,780)</u>	<u>-23%</u>

- Legal expenditures decreased 85% due to a legal settlement payment that was made in the prior year.
- Public safety (Police and Fire/EMS) accounts for approximately 48% of the General Fund expenditures.
- Public works expenses increased 12% due to increased maintenance expenses.
- Bridge expenditures decreased 23% due to decreased maintenance costs.

*Other governmental funds*

Significant items pertaining to other governmental funds are as follows:

- The Street Maintenance Fund decreased its fund balance by \$ 151,411 due to decreased grant revenues.
- The Capital Infrastructure Fund increased its fund balance by \$ 337,413 due to a decrease in project expenditures. Project expenditures decreased due to the completion of two large projects; the beach sand restoration project, and recreational trail project during the previous year.

**Proprietary Funds**

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

*Wastewater Fund*

- The City is continuing its construction of a City-wide wastewater collection and treatment system, however, the majority of the project that was in progress in previous years, was completed, online and operating prior to the end of the fiscal year. This activity resulted in an increase in the Wastewater Utility unrestricted net assets of \$ 1,046,569 and an increase in investment in capital assets (net of related debt) of \$ 297,853.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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*Stormwater Fund*

- During the current fiscal year, the City completed the design and construction of City-wide stormwater collection and treatment infrastructure. The majority of this project was in progress in previous years; however, the project was in full service by fiscal year end. This activity resulted in an increase in the Stormwater Utility unrestricted net assets of \$ 4,174,365 and a decrease in investment in capital assets (net of related debt) of \$ 3,683,946 due to the increase in State Revolving Fund debt borrowings to bring the project to completion.

*Marina Fund*

- The activities at the City's marina resulted in an increase in unrestricted net assets of \$ 167,903 and a decrease in investment in capital assets (net of related debt) of \$ 120,833.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in a \$ 78,800 increase to total appropriations. The significant changes to the individual departments (budgetary level of control for the General Fund) from the original to the final amended budget can be briefly summarized as follows:

- \$ 52,800 increase allocated to the city council department for expenditures related to the lower keys shuttle program being higher than originally anticipated.
- \$ 15,000 increase allocated to the city manager department for personnel expenditures being higher than originally anticipated.
- \$ 9,000 increase allocated to the legal department for expenditures for special counsel being higher than anticipated.
- \$ 2,000 increase allocated to the building department for increased expenditures related to the temporary building official.

Actual expenditures were \$ 573,884 below the final budgeted amounts. The significant variances can be summarized as follows:

- Expenditures for City administration were \$ 177,557 under the budgeted amount due to lower than anticipated expenditures for personnel costs, software renewals and professional services.
- Expenditures for police services were \$ 168,747 under the budgeted amount due to lower than anticipated expenditures for contract costs.
- Parks and recreation expenditures were \$ 137,531 under the budgeted amount due to lower than anticipated expenditures for grounds and structure maintenance, special events and activities, personnel and utility expenses.
- City elected officials expenditures were \$ 32,014 under the budgeted amount due to lower than anticipated costs for; travel, retirement benefits, and contributions to other government agencies.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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Resources available for appropriations were \$ 175,138 under the budgeted amount. The significant variances can be summarized as follows:

- Licenses and permits were \$ 287,909 under the budgeted amount as a result of two anticipated large hotel construction projects being delayed.
- Intergovernmental revenues were \$ 96,954 over the budgeted amount as a result of an increase in sales tax revenues and an increase in the fire insurance premium tax revenues.

### **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, 2012, amounts to \$ 157,479,247 (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 \$ 9,242,098 (6.23%) as compared to \$ 16,256,672 (12%) in the prior year.

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

- The investment in construction in progress decreased in the area of governmental activities by \$ 367,389 as ongoing street, sidewalk, beach and park improvement projects were completed.
- The investment in construction in progress in business-type activities decreased by \$ 53,515,305 primarily due to the ongoing City-wide wastewater and stormwater projects coming online during the year.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital assets, net of depreciation:						
Land	\$ 9,099,578	\$ 8,930,788	\$ 2,957,857	\$ 2,957,857	\$ 12,057,435	\$ 11,888,645
Intangibles	8,889	11,422	1,638,463	1,613,745	1,647,352	1,625,167
Construction in progress	171,918	539,307	1,662,475	55,177,780	1,834,393	55,717,087
Buildings	10,530,969	10,890,195	33,366,470	14,510,203	43,897,439	25,400,398
Leasehold improvements	26,511	30,094	-	-	26,511	30,094
Improvement other than buildings	10,623,167	9,687,451	53,106,998	39,902,045	63,730,165	49,589,496
Land improvements	-	-	204,120	-	204,120	-
Fire equipment and vehicles	1,800,540	1,866,249	342,245	382,025	2,142,785	2,248,274
Furniture and equipment	881,044	1,016,782	31,058,003	721,206	31,939,047	1,737,988
Total	<u>\$ 33,142,616</u>	<u>\$ 32,972,288</u>	<u>\$ 124,336,631</u>	<u>\$ 115,264,861</u>	<u>\$ 157,479,247</u>	<u>\$ 148,237,149</u>

Additional information on the City's capital assets can be found in Note 7 on pages 39 through 41 of this report.

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

**Long-term debt**

At the end of the current fiscal year, the City of Marathon had governmental activities improvement revenue bond debt outstanding of \$ 5,000,000. This debt is secured by the City's local discretionary sales surtax revenues. The City also had State Revolving Fund debt outstanding of \$ 56,074,089 split between the Wastewater Enterprise Fund (\$ 39,069,362) and the Stormwater Enterprise Fund (\$ 17,004,727). In addition, the City has a \$ 28,636,760 Series 2009 Florida Utility System Revenue Bond split between the Wastewater Enterprise Fund (\$ 21,477,570) and Stormwater Enterprise Fund (\$ 7,159,190) for wastewater and stormwater improvements. The State Revolving Fund debt is secured by the pledge of future non-ad valorem assessments for utility construction, the capital infrastructure funds, and the gross revenues derived yearly from the operation of the sewer and stormwater systems after payment of operating and maintenance expenses and the satisfaction of all yearly payment senior obligations. The 2009 Florida Utility System Revenue Bond is secured by the pledge of net revenues of the City's utility systems and non-ad valorem special assessment revenues.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Long-term debt:						
Improvement						
Revenue Bonds	\$ 5,000,000	\$ 5,740,740	\$ -	\$ -	\$ 5,000,000	\$ 5,740,740
State Revolving						
Fund loan	-	-	56,074,089	39,429,612	56,074,089	39,429,612
Wastewater System						
Revenue Bonds	-	-	28,636,760	39,806,380	28,636,760	39,806,380
Compensated absences	155,902	184,012	19,025	15,255	174,927	199,267
Other post-employment						
benefit obligation	220,772	180,000	-	-	220,772	180,000
Total	<u>\$ 5,376,674</u>	<u>\$ 6,104,752</u>	<u>\$ 84,729,874</u>	<u>\$ 79,251,247</u>	<u>\$ 90,106,548</u>	<u>\$ 85,355,999</u>

The City of Marathon's total debt increased \$ 4,750,549 (5.57%) during the current fiscal year, primarily due to additional draws from the State Revolving Fund loans to fund the continuing construction of wastewater and stormwater utility capital improvements.

Additional information on the City of Marathon's long-term debt can be found in Note 8 on pages 41 through 43 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for Monroe County is currently 4.5%, which is a decrease from a rate of 6.2% a year ago. The rate still compares favorably to the state's average unemployment rate of 7.9%.

During the current fiscal year unassigned fund balance in the General Fund increased to \$ 2,396,537. 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 2.0512. For the fiscal year 2013, the City adopted a final millage rate of 2.1989 mills which is 7.2 % above the roll back rate, as compared to 1.9999 in fiscal year 2012.

During fiscal year 2013, the City will be working on the following programs/projects:

- Completion of the City-wide wastewater collection and treatment system
- Construction of a permanent City Hall facility
- Completion of the construction of a fire station on Grassy Key

**CITY OF MARATHON, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2012

- Continued implementation of the Fire Safety Program
- Various beach and park improvements
- Various street/transportation/bridge improvements

**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, 2012

	Governmental Activities	Business- type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 7,882,970	\$ 18,249,057	\$ 26,132,027
Investments	38,161	-	38,161
Receivables, net	470,404	443,835	914,239
Due from other governments	626,398	6,478	632,876
Prepays	93,528	20,842	114,370
Deferred charges	-	61,664	61,664
Net pension asset	78,052	-	78,052
Capital assets not being depreciated	9,275,318	6,234,077	15,509,395
Capital assets, being depreciated	23,867,298	118,102,554	141,969,852
	<u>42,332,129</u>	<u>143,118,507</u>	<u>185,450,636</u>
<b>Total assets</b>			
	<u>42,332,129</u>	<u>143,118,507</u>	<u>185,450,636</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	532,330	1,124,466	1,656,796
Due to other governments	32,303	-	32,303
Noncurrent liabilities:			
Due within one year	756,330	1,309,129	2,065,459
Due in more than one year	4,620,344	83,420,745	88,041,089
	<u>5,941,307</u>	<u>85,854,340</u>	<u>91,795,647</u>
<b>Total liabilities</b>			
	<u>5,941,307</u>	<u>85,854,340</u>	<u>91,795,647</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 9)</b>	-	-	-
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	28,142,616	39,625,782	67,768,398
Restricted for:			
Capital projects	2,700,591	-	2,700,591
Street maintenance	1,234,443	-	1,234,443
Police education	38,818	-	38,818
Grant projects	116,667	-	116,667
Unrestricted	4,157,687	17,638,385	21,796,072
	<u>36,390,822</u>	<u>57,264,167</u>	<u>93,654,989</u>
<b>Total net assets</b>			
	<u>\$ 36,390,822</u>	<u>\$ 57,264,167</u>	<u>\$ 93,654,989</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, 2012

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	\$ 2,596,950	\$ 182,481	\$ -	\$ -	\$ (2,414,469)	\$ -	\$ (2,414,469)
Public safety	4,260,491	987,852	193,154	-	(3,079,485)	-	(3,079,485)
Community services	2,477,396	614,280	89,341	3,439,372	1,665,597	-	1,665,597
Community development	894,343	521,441	-	55,223	(317,679)	-	(317,679)
Interest on long-term debt	234,371	-	-	-	(234,371)	-	(234,371)
Total governmental activities	<u>10,463,551</u>	<u>2,306,054</u>	<u>282,495</u>	<u>3,494,595</u>	<u>(4,380,407)</u>	<u>-</u>	<u>(4,380,407)</u>
Business-type activities:							
Wastewater	6,502,017	4,164,443	-	3,926,274	-	1,588,700	1,588,700
Stormwater	1,098,948	-	-	1,000,589	-	(98,359)	(98,359)
Marina	645,935	650,698	92,292	-	-	97,055	97,055
Total business-type activities	<u>8,246,900</u>	<u>4,815,141</u>	<u>92,292</u>	<u>4,926,863</u>	<u>-</u>	<u>1,587,396</u>	<u>1,587,396</u>
Total	<u>\$ 18,710,451</u>	<u>\$ 7,121,195</u>	<u>\$ 374,787</u>	<u>\$ 8,421,458</u>	<u>(4,380,407)</u>	<u>1,587,396</u>	<u>(2,793,011)</u>
General revenues:							
Property taxes					3,536,651	-	3,536,651
Communications services tax					571,793	-	571,793
Unrestricted intergovernmental revenue					1,564,952	-	1,564,952
Unrestricted investment earnings					60,123	125,436	185,559
Miscellaneous					92,030	-	92,030
Transfers					(169,079)	169,079	-
Total general revenues					<u>5,656,470</u>	<u>294,515</u>	<u>5,950,985</u>
Change in net assets					1,276,063	1,881,911	3,157,974
Net assets, beginning					<u>35,114,759</u>	<u>55,382,256</u>	<u>90,497,015</u>
Net assets, ending					<u>\$ 36,390,822</u>	<u>\$ 57,264,167</u>	<u>\$ 93,654,989</u>

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

**CITY OF MARATHON, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2012

	General Fund	Street Maintenance Fund	Capital Infrastructure Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 2,093,256	\$ 1,224,849	\$ 3,924,074	\$ 640,791	\$ 7,882,970
Investments	24,958	11,559	1,644	-	38,161
Receivables, net	410,404	-	-	60,000	470,404
Due from other governments	317,792	85,806	198,547	24,253	626,398
Prepaid items	<u>92,328</u>	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>93,528</u>
Total assets	<u>\$ 2,938,738</u>	<u>\$ 1,323,414</u>	<u>\$ 4,124,265</u>	<u>\$ 725,044</u>	<u>\$ 9,111,461</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 380,472	\$ 52,771	\$ 99,087	\$ -	\$ 532,330
Due to other governments	<u>30,583</u>	<u>-</u>	<u>-</u>	<u>1,720</u>	<u>32,303</u>
Total liabilities	<u>411,055</u>	<u>52,771</u>	<u>99,087</u>	<u>1,720</u>	<u>564,633</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 9)</b>	-	-	-	-	-
Fund balances:					
Nonspendable:					
Prepaid items	92,328	1,200	-	-	93,528
Restricted for:					
Capital projects	-	-	2,700,591	-	2,700,591
Street maintenance	-	1,234,443	-	-	1,234,443
Police education	38,818	-	-	-	38,818
Grant projects	-	-	-	116,667	116,667
Committed to:					
Vehicle replacement	-	-	1,324,587	-	1,324,587
Grant matching	-	35,000	-	-	35,000
Infrastructure improvements	-	-	-	368,452	368,452
Affordable housing	-	-	-	137,942	137,942
Restoration projects	-	-	-	100,263	100,263
Unassigned	<u>2,396,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,396,537</u>
Total fund balances	<u>2,527,683</u>	<u>1,270,643</u>	<u>4,025,178</u>	<u>723,324</u>	<u>8,546,828</u>
Total liabilities and fund balances	<u>\$ 2,938,738</u>	<u>\$ 1,323,414</u>	<u>\$ 4,124,265</u>	<u>\$ 725,044</u>	<u>\$ 9,111,461</u>

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, 2012

**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 18	\$ 8,546,828
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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	41,389,510
Less accumulated depreciation	(8,246,894)

The net pension asset is not an available resource and, therefore, is not reported in the funds.	78,052
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Certain liabilities are not due and payable in the current period  
and therefore are not reported in the funds:

Net OPEB obligation	(220,772)
Compensated absences payable	(155,902)
Governmental revenue bonds payable	<u>(5,000,000)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 16	\$ <u><u>36,390,822</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, 2012

	General Fund	Street Maintenance Fund	Capital Infrastructure Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 3,536,651	\$ -	\$ -	\$ -	\$ 3,536,651
Intergovernmental	1,748,996	644,833	3,079,918	138,473	5,612,220
Licenses and permits	689,191	-	-	-	689,191
Charges for services	959,924	-	-	-	959,924
Fines and forfeitures	81,959	-	-	-	81,959
Communications services tax	571,793	-	-	-	571,793
Impact fees	-	-	-	123,585	123,585
Special assessments	-	12,427	-	-	12,427
Interest	19,137	13,822	23,779	3,385	60,123
Miscellaneous	74,390	5,640	12,000	-	92,030
	<u>7,682,041</u>	<u>676,722</u>	<u>3,115,697</u>	<u>265,443</u>	<u>11,739,903</u>
Total revenues					
<b>EXPENDITURES:</b>					
Current:					
General government	2,442,659	-	-	-	2,442,659
Public safety	3,984,275	-	-	-	3,984,275
Community services	1,032,092	333,267	-	146,806	1,512,165
Community development	845,333	-	-	-	845,333
Capital outlay	200	486,069	1,025,407	-	1,511,676
Debt service:					
Principal	-	-	-	740,740	740,740
Interest and fiscal charges	-	-	-	234,371	234,371
	<u>8,304,559</u>	<u>819,336</u>	<u>1,025,407</u>	<u>1,121,917</u>	<u>11,271,219</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(622,518)</u>	<u>(142,614)</u>	<u>2,090,290</u>	<u>(856,474)</u>	<u>468,684</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	510,484	-	82,718	1,100,111	1,693,313
Transfers out	<u>-</u>	<u>(8,797)</u>	<u>(1,835,595)</u>	<u>(18,000)</u>	<u>(1,862,392)</u>
Total other financing sources (uses)	<u>510,484</u>	<u>(8,797)</u>	<u>(1,752,877)</u>	<u>1,082,111</u>	<u>(169,079)</u>
Net change in fund balances	(112,034)	(151,411)	337,413	225,637	299,605
<b>FUND BALANCES, beginning, as restated Note 2</b>	<u>2,639,717</u>	<u>1,422,054</u>	<u>3,687,765</u>	<u>497,687</u>	<u>8,247,223</u>
<b>FUND BALANCES, ending</b>	<u>\$ 2,527,683</u>	<u>\$ 1,270,643</u>	<u>\$ 4,025,178</u>	<u>\$ 723,324</u>	<u>\$ 8,546,828</u>

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**  
**For the Year Ended September 30, 2012**

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

Net change in fund balances - total governmental funds, page 20	\$ 299,605
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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	1,502,288
Donated capital assets	168,790
Less current year provision for depreciation	(1,490,857)

In the statement of activities, only the gain on the disposal  
of capital assets is reported, whereas in the governmental  
funds, only the proceeds from the disposal are reported:

Loss on disposal of capital asset	(9,893)
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Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces long term  
liabilities in the statement of net assets.

740,740

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 Net pension asset	78,052
Change in Net OPEB obligation	(40,772)
Change in compensated absences payable	<u>28,110</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES,**  
**PAGE 17**

**\$ 1,276,063**

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, 2012

	Business-Type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 10,755,617	\$ 7,087,273	\$ 406,167	\$ 18,249,057
Receivables, net	443,835	-	-	443,835
Prepays	12,894	1,198	6,750	20,842
Due from other funds	1,382,315	-	-	1,382,315
Due from other governments	2,810	3,668	-	6,478
Total current assets	12,597,471	7,092,139	412,917	20,102,527
Noncurrent assets:				
Deferred charges	46,248	15,416	-	61,664
Capital assets not being depreciated	6,198,881	-	35,196	6,234,077
Capital assets, net of accumulated depreciation	89,463,164	26,781,675	1,857,715	118,102,554
Total noncurrent assets	95,708,293	26,797,091	1,892,911	124,398,295
Total assets	108,305,764	33,889,230	2,305,828	144,500,822
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	866,863	238,966	18,637	1,124,466
Due to other funds	-	1,382,315	-	1,382,315
Current portion of loans payable	951,350	355,877	-	1,307,227
Current portion of compensated absences	505	326	1,071	1,902
Total current liabilities	1,818,718	1,977,484	19,708	3,815,910
Noncurrent liabilities:				
Compensated absences, net of current portion	4,556	2,910	9,657	17,123
Loans payable	59,595,582	23,808,040	-	83,403,622
Total noncurrent liabilities	59,600,138	23,810,950	9,657	83,420,745
Total liabilities	61,418,856	25,788,434	29,365	87,236,655
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	35,115,113	2,617,758	1,892,911	39,625,782
Unrestricted	11,771,795	5,483,038	383,552	17,638,385
Total net assets	\$ 46,886,908	\$ 8,100,796	\$ 2,276,463	\$ 57,264,167

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, 2012

	Business-Type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 4,164,443	\$ -	\$ 650,698	\$ 4,815,141
Total operating revenues	4,164,443	-	650,698	4,815,141
<b>OPERATING EXPENSES:</b>				
Personnel costs	135,754	71,933	339,677	547,364
Operating expenses	2,637,850	55,614	182,539	2,876,003
Provision for depreciation and amortization	2,501,584	576,304	123,719	3,201,607
Total operating expenses	5,275,188	703,851	645,935	6,624,974
Operating income (loss)	(1,110,745)	(703,851)	4,763	(1,809,833)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	73,997	48,724	2,715	125,436
Interest expense	(1,226,829)	(395,097)	-	(1,621,926)
Total nonoperating revenues (expenses)	(1,152,832)	(346,373)	2,715	(1,496,490)
Income (loss) before capital contributions	(2,263,577)	(1,050,224)	7,478	(3,306,323)
<b>CAPITAL CONTRIBUTIONS</b>				
Special assessments	3,926,274	998,089	-	4,924,363
Grants	-	2,500	92,292	94,792
Total capital contributions	3,926,274	1,000,589	92,292	5,019,155
Income before transfers	1,662,697	(49,635)	99,770	1,712,832
<b>TRANSFERS</b>				
Transfers in	-	650,000	-	650,000
Transfers out	(318,275)	(109,946)	(52,700)	(480,921)
Total transfers	(318,275)	540,054	(52,700)	169,079
Change in net assets	1,344,422	490,419	47,070	1,881,911
NET ASSETS, beginning	45,542,486	7,610,377	2,229,393	55,382,256
NET ASSETS, ending	\$ 46,886,908	\$ 8,100,796	\$ 2,276,463	\$ 57,264,167

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, 2012

	Business-Type Activities Enterprise Funds			
	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Wastewater Fund	Stormwater Fund	Marina Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 3,878,989	\$ -	\$ 650,698	\$ 4,529,687
Payments to employees	(132,313)	(70,738)	(332,185)	(535,236)
Payments to suppliers	<u>(2,611,767)</u>	<u>(71,105)</u>	<u>(225,919)</u>	<u>(2,908,791)</u>
Net cash provided by (used in) operating activities	<u>1,134,909</u>	<u>(141,843)</u>	<u>92,594</u>	<u>1,085,660</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Operating grant proceeds	-	-	135,432	135,432
Transfers to other funds	<u>(318,275)</u>	<u>(109,946)</u>	<u>(52,700)</u>	<u>(480,921)</u>
Net cash provided by (used in) non-capital and related financing activities	<u>(318,275)</u>	<u>(109,946)</u>	<u>82,732</u>	<u>(345,489)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(12,096,067)	(2,229,753)	(2,887)	(14,328,707)
Proceeds from capital grants	30,896	2,500	-	33,396
Proceeds from capital assessments	3,926,274	998,509	-	4,924,783
Proceeds from capital debt	14,290,208	4,599,576	-	18,889,784
Transfers from/(to) other funds	(647,707)	1,297,707	-	650,000
Repayments of capital debt	(12,703,124)	(711,803)	-	(13,414,927)
Interest paid	<u>(1,567,675)</u>	<u>(417,882)</u>	<u>-</u>	<u>(1,985,557)</u>
Net cash provided by (used in) capital and related financing activities	<u>(8,767,195)</u>	<u>3,538,854</u>	<u>(2,887)</u>	<u>(5,231,228)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	<u>73,997</u>	<u>48,724</u>	<u>2,715</u>	<u>125,436</u>
Net cash provided by investing activities	<u>73,997</u>	<u>48,724</u>	<u>2,715</u>	<u>125,436</u>
Net increase (decrease) in cash and cash equivalents	(7,876,564)	3,335,789	175,154	(4,365,621)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>18,632,181</u>	<u>3,751,484</u>	<u>231,013</u>	<u>22,614,678</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$ 10,755,617</u>	<u>\$ 7,087,273</u>	<u>\$ 406,167</u>	<u>\$ 18,249,057</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, 2012

	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 (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,110,745)	\$ (703,851)	\$ 4,763	\$ (1,809,833)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Provision for depreciation and amortization	2,501,584	576,304	123,719	3,201,607
(Increase) decrease in:				
Receivables	(285,454)	-	-	(285,454)
Prepays	(1,970)	635	4,055	2,720
Increase (decrease) in:				
Accounts payable and accrued liabilities	29,441	(15,217)	(41,374)	(27,150)
Compensated absences	2,053	286	1,431	3,770
Total adjustments	2,245,654	562,008	87,831	2,895,493
Net cash provided by (used in) operating activities	\$ 1,134,909	\$ (141,843)	\$ 92,594	\$ 1,085,660

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, 2012

ASSETS	
Cash	\$ <u>95,422</u>
Investments:	
Bond fund	1,538,686
Equity funds	<u>2,341,824</u>
Total investments	<u>3,880,510</u>
Receivables:	
Plan members	4,639
City (including State)	<u>67,973</u>
Total receivables	<u>72,612</u>
Total assets	<u>4,048,544</u>
LIABILITIES	<u>-</u>
NET ASSETS:	
Net assets held in trust for pension benefits	\$ <u><u>4,048,544</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, 2012

**ADDITIONS:**

Contributions:

Plan members	\$ 57,363
City (including State)	<u>428,818</u>

Total contributions	<u>486,181</u>
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Investment income:

Net appreciation in fair value of investments	<u>529,567</u>
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Total additions	<u>1,015,748</u>
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**DEDUCTIONS:**

Administrative expenses	<u>13,624</u>
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Total deductions	<u>13,624</u>
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Change in net assets	1,002,124
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NET ASSETS, beginning	<u>3,046,420</u>
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NET ASSETS, ending	<u>\$ 4,048,544</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, 2012

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 is 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, 2012

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

The Capital Infrastructure Fund, a capital projects fund, accounts for revenues derived from local government infrastructure surtax levied in the County, as well as other income sources, including grant revenues. 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 City reports the following major proprietary funds:

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

The Stormwater Fund accounts for the provision of stormwater control services to City residents, businesses and government agencies.



**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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."

CITY OF MARATHON, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2012

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 another 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:

The City presents fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of the City Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Commission or through the Commission delegating this responsibility to the City Manager.

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

When an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the City considers restricted funds to have been spent first.

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 \$ 898,835 is established for EMS receivables based on historical collection rates.

Date of management review:

Subsequent events were evaluated through March 22, 2013, which is the date the financial statements were available to be issued.

**NOTE 2 - IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD PRONOUNCEMENT AND RESTATEMENT OF FUND EQUITY**

During the year, the City determined that the Vehicle Replacement Fund should be combined with the Capital Infrastructure Fund in accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented in 2011. The City presented the Vehicle Replacement Fund with the General Fund in 2011. In addition, the Capital Infrastructure Fund was recategorized from a special revenue fund to a capital project fund.

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 2 – IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD PRONOUNCEMENT AND RESTATEMENT OF FUND EQUITY (continued)**

This change had the following effect on fund balances of the General Fund and Capital Infrastructure Fund:

	General Fund	Capital Infrastructure Fund
	<u>                    </u>	<u>                    </u>
Fund balance at September 30, 2011	\$ 3,886,794	\$ 2,440,688
GASB 54 change in fund structure	<u>(1,247,077)</u>	<u>1,247,077</u>
Restated fund balance at September 30, 2012	\$ <u>2,639,717</u>	\$ <u>3,687,765</u>

**NOTE 3 - 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.

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

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, 2012, the City had the following investments:

	Fair Value	Investment Maturities (In Years)
Florida PRIME	\$ 10,936	Less than 1
Fund B	<u>27,225</u>	4-10
	<u>\$ 38,161</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. The weighted average maturity of the securities held in Florida Prime is 39 days. The weighted average life of the securities held by Fund B is 4.08 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

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:

The Firefighters' Pension Plan is part of the Florida Municipal Pension Trust Fund which is a trust established for the purpose of funding the individually designed employee pension plans of the participating Florida municipalities. FMIVT is an external investment pool open to eligible units of local governments to invest in one or more investment portfolios under the direct and daily supervision of an investment advisor. FMIVT is not subject to SEC or other regulatory oversight. The FMIVT Board of Trustees provides oversight. The fair value of the positions in the FMIVT portfolios is the same as the value of the portfolio shares. The Florida League of Cities, Inc. serves as Administrator for both the Fund and FMIVT.

The Board of Trustees adopted an investment policy authorizing investments in a variety of fixed income and domestic and international equity instruments. Among the types of instruments the Fund is authorized to invest in are: common stock, preferred and convertible preferred stocks, repurchase agreements, commingled governmental trusts, no-load investment funds, no-load mutual funds, FMIVT portfolios, obligations of the United States of America, its agencies and instrumentalities, corporate debt obligations, asset-backed securities and money market instruments and/or funds.

CITY OF MARATHON, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

As of September 30, 2012, the City's Firefighters' Pension Plan (the "Plan") had the following investments:

FMIvT Broad Market High Quality Bond Fund	\$ 1,538,686
FMIvT High Quality Growth Fund	318,075
FMIvT Diversified Small to Mid Cap	413,497
FMIvT Russell 1000 Enhanced Index	890,609
FMIvT International Blend	393,617
FMIvT Diversified Value	<u>326,026</u>
	<u>\$ 3,880,510</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 4.66 years and a weighted average maturity of 5.42 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.

Foreign credit risk:

This category applies only if a government's deposits or investments are exposed to foreign currency risk. The Plan's investments in the FMIvT are not subject to foreign currency risk.

Risks and uncertainties:

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

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

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 4 - 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, 2012, there were no significant delinquent taxes.

**NOTE 5 - RECEIVABLES AND PAYABLES**

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

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Street Maintenance</u>	<u>Affordable Housing</u>	<u>CDBG</u>
Customers billed	\$ 1,270,491	\$ -	\$ -	\$ -	\$ -
Intergovernmental	317,792	198,547	85,806	-	24,253
Loans	-	-	-	60,000	-
Miscellaneous	38,748	-	-	-	-
Contributions	-	-	-	-	-
Gross receivables	1,627,031	198,547	85,806	60,000	24,253
Less allowance for uncollectibles	<u>(898,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 728,196</u>	<u>\$ 198,547</u>	<u>\$ 85,806</u>	<u>\$ 60,000</u>	<u>\$ 24,253</u>

	<u>Wastewater</u>	<u>Stormwater</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ 443,835	\$ -	\$ -	\$ 1,714,326
Intergovernmental	2,810	3,668	-	632,876
Loans	-	-	-	60,000
Miscellaneous	-	-	-	38,748
Contributions	-	-	72,612	72,612
Gross receivables	446,645	3,668	72,612	2,518,562
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(898,835)</u>
Net receivables	<u>\$ 446,645</u>	<u>\$ 3,668</u>	<u>\$ 72,612</u>	<u>\$ 1,619,727</u>



**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 5 – RECEIVABLES AND PAYABLES (continued)**

Receivables consist of the following:

Receivables (including pension trust fund)	\$ 986,851
Due from other governments	<u>632,876</u>
Net total receivables	<u><u>\$ 1,619,727</u></u>

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	\$ 257,805	\$ 99,087	\$ 6,400	\$ 237,063	\$ 3,944	\$ 5,930	\$ 610,229
Payroll liabilities	122,667	-	9,181	6,399	3,792	12,707	154,746
Retainage	-	-	37,190	487,849	186,271	-	711,310
Accrued interest	-	-	-	135,552	44,959	-	180,511
Total	<u>\$ 380,472</u>	<u>\$ 99,087</u>	<u>\$ 52,771</u>	<u>\$ 866,863</u>	<u>\$ 238,966</u>	<u>\$ 18,637</u>	<u>\$ 1,656,796</u>

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

The composition of interfund transfers is as follows:

Transfer Out	General Fund	Capital Infrastructure Fund	Transfer In Non-Major Governmental Funds	Stormwater Fund	Total
Capital Infrastructure Fund	\$ 210,484	\$ -	\$ 975,111	\$ 650,000	\$ 1,835,595
Street Maintenance Fund	-	8,797	-	-	8,797
Nonmajor Governmental Funds	-	18,000	-	-	18,000
Marina Fund	50,000	2,700	-	-	52,700
Stormwater Fund	50,000	29,946	30,000	-	109,946
Wastewater Fund	200,000	23,275	95,000	-	318,275
Total	<u>\$ 510,484</u>	<u>\$ 82,718</u>	<u>\$ 1,100,111</u>	<u>\$ 650,000</u>	<u>\$ 2,343,313</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 \$ 64,718 were made from the Street Maintenance and Enterprise Funds to the Capital Infrastructure Fund in order to set aside funds for the purchase of new City vehicles.

Transfers totaling \$ 18,000 were made from the Impact Fee Fund to the Capital Infrastructure Fund in order to use impact fees for their specified capital purpose.

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 6 - INTERFUND BALANCES AND TRANSFERS (continued)**

A transfer of \$ 650,000 was made from the Capital Infrastructure Fund to the Stormwater Enterprise Fund to support stormwater projects.

A transfer of \$ 975,111 was made from the Capital Infrastructure Fund to the Debt Service Fund in order to satisfy debt service requirements.

A transfer of \$ 125,000 was made from the Wastewater Fund and the Stormwater Fund to the CDBG Fund in order to provide matching funds for the sewer hookup grant.

At September 30, 2012, the Stormwater Fund owes the Wastewater Fund \$ 1,382,315. This temporary borrowing will be paid back during the following fiscal year.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 8,930,788	\$ 168,790	\$ -	\$ 9,099,578
Intangibles	3,822	-	-	3,822
Construction-in-progress	539,307	124,889	492,278	171,918
<b>Total capital assets not being depreciated</b>	<b>9,473,917</b>	<b>293,679</b>	<b>492,278</b>	<b>9,275,318</b>
Capital assets being depreciated:				
Buildings	12,595,819	-	6,774	12,589,045
Leasehold Improvements	58,235	-	-	58,235
Improvements other than buildings	12,765,306	1,681,320	-	14,446,626
Fire equipment and vehicles	2,822,811	149,657	32,225	2,940,243
Furniture and equipment	2,090,277	38,700	56,534	2,072,443
Intangibles	7,600	-	-	7,600
<b>Total capital assets being depreciated</b>	<b>30,340,048</b>	<b>1,869,677</b>	<b>95,533</b>	<b>32,114,192</b>
<b>Total capital assets</b>	<b>39,813,965</b>	<b>2,163,356</b>	<b>587,811</b>	<b>41,389,510</b>
Less accumulated depreciation:				
Buildings	1,705,624	356,994	4,542	2,058,076
Leasehold Improvements	28,141	3,583	-	31,724
Improvements other than buildings	3,077,855	745,604	-	3,823,459
Fire equipment and vehicles	956,562	208,703	25,562	1,139,703
Furniture and equipment	1,073,495	173,440	55,536	1,191,399
Intangibles	-	2,533	-	2,533
<b>Total accumulated depreciation</b>	<b>6,841,677</b>	<b>1,490,857</b>	<b>85,640</b>	<b>8,246,894</b>
<b>Total capital assets being depreciated, net</b>	<b>23,498,371</b>	<b>378,820</b>	<b>9,893</b>	<b>23,867,298</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 32,972,288</b>	<b>\$ 672,499</b>	<b>\$ 502,171</b>	<b>\$ 33,142,616</b>

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 7 - CAPITAL ASSETS (continued)**

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

<b>Governmental activities:</b>	
General government	\$ 94,991
Public safety	394,220
Community services	953,314
Community development	<u>48,332</u>

Total provision for depreciation - governmental activities	\$ <u><u>1,490,857</u></u>
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,957,857	\$ -	\$ -	\$ 2,957,857
Intangibles	1,613,745	-	-	1,613,745
Construction-in-progress	<u>55,177,780</u>	<u>1,596,973</u>	<u>55,112,278</u>	<u>1,662,475</u>
 Total capital assets not being depreciated	 <u>59,749,382</u>	 <u>1,596,973</u>	 <u>55,112,278</u>	 <u>6,234,077</u>
 Capital assets being depreciated:				
Buildings	16,048,022	20,182,605	-	36,230,627
Improvements other than buildings	41,677,283	14,935,330	-	56,612,613
Land improvements	-	214,863	-	214,863
Intangibles	-	37,078	-	37,078
Equipment	881,916	30,406,761	-	31,288,677
Vehicles	<u>520,377</u>	<u>-</u>	<u>-</u>	<u>520,377</u>
 Total capital assets being depreciated	 <u>59,127,598</u>	 <u>65,776,637</u>	 <u>-</u>	 <u>124,904,235</u>
 Total capital assets	 <u>118,876,980</u>	 <u>67,373,610</u>	 <u>55,112,278</u>	 <u>131,138,312</u>
 Less accumulated depreciation:				
Buildings	1,537,819	1,326,338	-	2,864,157
Improvements other than buildings	1,775,238	1,730,377	-	3,505,615
Land improvements	-	10,743	-	10,743
Intangibles	-	12,360	-	12,360
Equipment	160,710	69,964	-	230,674
Vehicles	<u>138,352</u>	<u>39,780</u>	<u>-</u>	<u>178,132</u>
 Total accumulated depreciation	 <u>3,612,119</u>	 <u>3,189,562</u>	 <u>-</u>	 <u>6,801,681</u>
 Total capital assets, being depreciated, net	 <u>55,515,479</u>	 <u>62,587,075</u>	 <u>-</u>	 <u>118,102,554</u>
 Business activities capital assets, net	 <u>\$ 115,264,861</u>	 <u>\$ 64,184,048</u>	 <u>\$ 55,112,278</u>	 <u>\$ 124,336,631</u>

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 7 - CAPITAL ASSETS (continued)**

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

Business-type activities:	
Enterprise - Wastewater	\$ 2,491,795
Enterprise - Stormwater	574,048
Enterprise - Marina	<u>123,719</u>
Total provision for depreciation - business-type activities	<u>\$ 3,189,562</u>

**NOTE 8 - 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, 2012:

	Balance October 1, 2011	Increases	Decreases	Balance September 30, 2012	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Series 2004	\$ 5,740,740	\$ -	\$ 740,740	\$ 5,000,000	\$ 740,740
Compensated absences payable	184,012	33,391	61,501	155,902	15,590
Other post-employment benefit obligation	<u>180,000</u>	<u>40,772</u>	<u>-</u>	<u>220,772</u>	<u>-</u>
Governmental activities, long-term debt	<u>\$ 6,104,752</u>	<u>\$ 74,163</u>	<u>\$ 802,241</u>	<u>\$ 5,376,674</u>	<u>\$ 756,330</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, 2012, the outstanding principal balance on the bonds was \$ 5,000,000.

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

Year Ending September 30,	Principal	Interest	Total
2013	\$ 740,740	\$ 203,056	\$ 943,796
2014	740,740	171,204	911,944
2015	740,740	139,352	880,092
2016	740,740	107,500	848,240
2017	740,740	75,648	816,388
2018-2019	<u>1,296,300</u>	<u>55,747</u>	<u>1,352,047</u>
	<u>\$ 5,000,000</u>	<u>\$ 752,507</u>	<u>\$ 5,752,507</u>

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 8 - LONG-TERM DEBT (continued)**

The following is a summary of changes in long-term liabilities of the City's business-type activities for the year ended September 30, 2012:

	Balance October 1, 2011	Increases	Decreases	Balance September 30, 2012	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable:					
Series 2008	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ -
Series 2009	29,806,380	-	1,169,620	28,636,760	1,217,320
State Revolving Fund Loan Program	39,429,612	18,889,784	2,245,307	56,074,089	89,907
Compensated absences payable	15,255	7,940	4,170	19,025	1,902
Business-type activities, long-term debt	<u>\$ 79,251,247</u>	<u>\$ 18,897,724</u>	<u>\$ 13,419,097</u>	<u>\$ 84,729,874</u>	<u>\$ 1,309,129</u>

**State Revolving Fund Loans:**

As of September 30, 2012, the City has entered into eight 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. It is estimated that 100% of the pledged revenue will cover debt service to maturity. Through September 30, 2012, the City has borrowed a total of \$ 56,074,089 under these agreements. As of September 30, 2012, repayments have begun on all loan agreements which have outstanding balances. The breakdown as of September 30, 2012 of the total amounts authorized, the fixed weighted average interest rates, the estimated semi-annual payment amount and the amounts drawn to date on each loan is as follows:

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Semi-Annual Payment Amount	Total Obligation September 30, 2012
WW 63702P *	\$ 31,308,211	2.25-2.54%	\$ 1,014,626	\$ 27,507,295
WW 637060*	21,541,520	2.08-2.73%	708,708	16,894,736
WW 637090 *	10,373,801	2.02-2.66%	336,280	9,650,699
WW 63705P	848,654	2.46%	29,602	856,839
SW 637070	519,195	2.37%	17,447	520,183
SW 63703P	395,302	2.46%	13,555	392,356
SW 63704P	253,923	2.46%	8,705	251,981
WW 637020	17,168,596	2.08%	614,122	-
Total	<u>\$ 82,409,202</u>		<u>\$ 2,743,045</u>	<u>\$ 56,074,089</u>

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

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 8 - LONG-TERM DEBT (continued)**

Annual debt service requirements of the State Revolving Fund loans that have reached project completion and amortization schedules are approximately as follows:

<u>Year Ending September 30,</u>	<u>Principal*</u>	<u>Interest*</u>
2013	\$ 89,900	\$ 48,700
2014	92,100	46,500
2015	94,400	44,200
2016	96,700	41,900
2017	99,100	39,600
2018-2022	532,900	160,200
2023-2027	601,600	91,500
2028-2030	414,700	23,400
	<u>\$ 2,021,400</u>	<u>\$ 496,000</u>

\* Amounts above do not include all of the City's State Revolving Fund debt service requirements. Only loans that have reached project completion are included above.

Utility System Revenue Bonds, Series 2009:

The City previously 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. Monthly principal and interest payments are due 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, 2012, the City is in compliance with those covenants.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,217,300	\$ 631,900
2013	1,266,900	604,000
2014	1,318,600	574,900
2015	1,372,200	544,700
2016	1,428,200	513,200
2017-2019	22,033,600	855,000
	<u>\$ 28,636,800</u>	<u>\$ 3,723,700</u>

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 9 - 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. The City previously settled a lawsuit for \$ 3,000,000. The amount of insurance available to cover this settlement was \$ 1,000,000. There were no other 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 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.

**Construction commitment:**

At September 30, 2012, the City had outstanding construction contract commitments of the governmental and enterprise funds consisting of the following:

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended at September 30, 2012</u>	<u>Contracts and Retainage Payable</u>	<u>Balance to Complete</u>
Community Park Parking	\$ 175,425	\$ -	\$ -	\$ 175,425
Grassy Key Fire Station	1,594,791	-	-	1,594,791
Keys RV Wastewater	730,722	-	3,100	727,622
	<u>\$ 2,500,938</u>	<u>\$ -</u>	<u>\$ 3,100</u>	<u>\$ 2,497,838</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 2015. Pursuant to the agreement, the Sheriff will provide law enforcement coverage within the City. Services for the fiscal year ending September 30, 2013 are budgeted to be approximately \$ 1,464,000. Costs for police services for the year ended September 30, 2012 were approximately \$ 1,260,000.

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)**

Collective Bargaining Agreement:

During the year, the City Council approved a collective bargaining agreement between the City and the professional firefighters of Marathon, International Association of Firefighters Local 4396. The agreement is effective through December 31, 2014 and shall be renewed on an annual basis thereafter, unless either party provides the other written notice of its intent to terminate or modify the agreement not less than ninety days prior to expiration date.

**NOTE 10 - 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 employees hired prior to August 9, 2011 and 5% for those hired thereafter. Normal retirement is defined as age 59-1/2. 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, 2012 were approximately \$ 148,600. Amendments to the Plan must be authorized by the City Council.

**NOTE 11 - 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.

At October 1, 2011 (date of the latest actuarial valuation), the Plan's membership consisted of twenty-three 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.



CITY OF MARATHON, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2012

NOTE 11 - FIREFIGHTERS' PENSION PLAN (continued)

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.

During April 2012, the City executed a collective bargaining agreement with the firefighter's union. A portion of the agreement addressed the City's firefighter pension contributions. The City would like to try and limit its required contribution to 12% of employee's pensionable pay. If the City's required net contribution exceeds 12% of compensation, the union agrees to automatically increase the employee contribution 1% of compensation for each \$ 25,000 (or part thereof) by which the City's net required contribution exceeded 12%, not to exceed a total employee contribution of 15% (existing 5% plus an additional 10%) of compensation. In the event the City's contribution exceeds 15% of compensation, the parties agree to reopen this article of the agreement at the request of the City for negotiations. If following reopening, the parties are unable to reach agreement on modification of this article within thirty (30) days, the City has the unilateral right to terminate the current plan and convert to a 401(a) plan with a City contribution of 10% of compensation. The employee contribution to such a 401(a) plan must be no less than 5% of compensation.

In the event the City's required net contribution is less than 12% of compensation, the difference will be set aside in a stabilization fund to be applied toward the short fall in any future year in which the City's required net contribution exceeds 12% of compensation.

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 \$ 350,766 for the year ended September 30, 2012. Contributions from the State totaled \$ 193,154 which was complemented by City contributions of \$ 235,664. 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, 2012

**NOTE 11 - FIREFIGHTERS' PENSION PLAN (continued)**

Annual pension cost and net pension asset:

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

Annual required contribution	\$ 350,766
Interest on net pension (asset)	-
Adjustment to annual required contribution	-
Annual pension cost	<u>350,766</u>
Contributions made	<u>428,818</u>
Change in net pension obligation (asset)	(78,052)
Net pension obligation (asset) at beginning of year	<u>-</u>
Net pension obligation (asset) at end of year	<u><u>\$ (78,052)</u></u>

Fiscal Year Ending	Trend Information		Net Pension (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2010	\$ 514,735	100%	\$ -
9/30/2011	\$ 550,833	100%	\$ -
9/30/2012	\$ 350,766	122%	\$ (78,052)

Funded status and funding progress:

The funded status of the plan as of October 1, 2011, is as follows.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2011*	\$ 2,859,424	\$ 2,351,247	\$ -	122.00%	\$ 1,368,971	0.00%

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

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

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 11 - FIREFIGHTERS' PENSION PLAN (continued)**

Additional information as of the latest actuarial valuation follows:

Valuation date	10/1/11
Actuarial cost method	Aggregate
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	5-yr. smoothed market value
Actuarial assumptions:	
Discount rate	7.50%
Projected salary increases	4.00%

**NOTE 12 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS**

GASB Statement No. 45; Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions ("OPEB"), established new accounting standards for post-retirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution ("ARC") and the amount funded during the year is required to be recorded in the employer's Statement of Net Assets as an increase (or decrease) in the OPEB obligation.

Plan Description and Funding Policy:

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan currently offered through the City at the "blended" employee group rate which, is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. As of September 30, 2012 (date of the latest actuarial valuation) there are no participating retirees in the group health program.

The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City's current policy to fund the plan on a "pay-as-you-go" basis from the General Fund.

Annual OPEB Cost and Net OPEB Obligation:

The end of the year net OPEB obligation is determined as follows:

Annual required contribution	\$ 43,779
Interest on net OPEB obligation	7,200
Adjustment to annual required contribution	(10,207)
Employer contributions	<u>-</u>

**CITY OF MARATHON, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 12 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)**

Increase in net OPEB obligation	40,772
Net OPEB obligation, October 1, 2011	<u>180,000</u>
Net OPEB obligation, September 30, 2012	\$ <u><u>220,772</u></u>

The government's annual OPEB cost, percentage of OPEB cost contributed, and net post-employment benefit obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
9/30/2010	\$ 94,000	5.0%	\$ 89,000
9/30/2011	\$ 96,000	5.5%	\$ 180,000
9/30/2012	\$ 40,772	0.0%	\$ 220,772

**Funded Status and Funding Progress:**

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2010	\$ -	\$ 257,000	\$ 257,000	0.0%	\$ 2,943,000	8.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, which is presented as required supplementary information following the notes to the financial statements, highlights multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

CITY OF MARATHON, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2012

NOTE 12 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan and include the types of benefits in force at the time of valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the valuation are as follows:

Measurement date	October 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar payment
Amortization period	30-year open period
Actuarial assumptions:	
Investment rate of return	4.00%
Healthcare cost trend rate:	
Ultimate rate	10.00% for 2011/12 graded to 5.00% for 2021/22



## REQUIRED SUPPLEMENTARY INFORMATION





**CITY OF MARATHON, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>REVENUES:</b>				
Property taxes	\$ 3,532,298	\$ 3,532,298	\$ 3,536,651	\$ 4,353
Intergovernmental	1,652,042	1,652,042	1,748,996	96,954
Licenses and permits	977,100	977,100	689,191	(287,909)
Charges for services	913,500	913,500	959,924	46,424
Fines and forfeitures	107,000	107,000	81,959	(25,041)
Communications services taxes	564,239	564,239	571,793	7,554
Interest	55,000	55,000	19,137	(35,863)
Miscellaneous	56,000	56,000	74,390	18,390
	<u>7,857,179</u>	<u>7,857,179</u>	<u>7,682,041</u>	<u>(175,138)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Elected officials	469,118	521,918	489,904	32,014
Administration	1,712,379	1,727,379	1,549,822	177,557
City attorney	395,000	404,000	403,133	867
	<u>2,576,497</u>	<u>2,653,297</u>	<u>2,442,859</u>	<u>210,438</u>
Total general government				
Public safety:				
Police	1,429,983	1,429,983	1,261,236	168,747
Fire/EMS	2,729,532	2,729,532	2,723,039	6,493
	<u>4,159,515</u>	<u>4,159,515</u>	<u>3,984,275</u>	<u>175,240</u>
Total public safety				
Community services:				
Public works	105,848	105,848	102,823	3,025
Parks and recreation	1,034,223	1,034,223	896,692	137,531
Bridges	34,844	34,844	32,577	2,267
	<u>1,174,915</u>	<u>1,174,915</u>	<u>1,032,092</u>	<u>142,823</u>
Total community services				
Community development	888,716	890,716	845,333	45,383
	<u>8,799,643</u>	<u>8,878,443</u>	<u>8,304,559</u>	<u>573,884</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(942,464)</u>	<u>(1,021,264)</u>	<u>(622,518)</u>	<u>398,746</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	510,484	510,484	510,484	-
Appropriation of prior year's fund balance	431,980	510,780	-	(510,780)
	<u>942,464</u>	<u>1,021,264</u>	<u>510,484</u>	<u>(510,780)</u>
Total other financing sources (uses)				
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(112,034)</u>	\$ <u>(112,034)</u>

**CITY OF MARATHON, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**STREET MAINTENANCE FUND**  
For the Year Ended September 30, 2012

	Original and Final Budget	Actual Amounts	Variance
<b>REVENUES:</b>			
Intergovernmental	\$ 658,546	\$ 644,833	\$ (13,713)
Special assessments	12,500	12,427	(73)
Interest	10,000	13,822	3,822
Miscellaneous	-	5,640	5,640
	<u>681,046</u>	<u>676,722</u>	<u>(4,324)</u>
<b>Total revenues</b>			
	<u>681,046</u>	<u>676,722</u>	<u>(4,324)</u>
<b>EXPENDITURES:</b>			
Current:			
Community services	417,766	333,267	84,499
Capital outlay	593,813	486,069	107,744
	<u>1,011,579</u>	<u>819,336</u>	<u>192,243</u>
<b>Total expenditures</b>			
	<u>1,011,579</u>	<u>819,336</u>	<u>192,243</u>
Excess (deficiency) of revenues over expenditures	<u>(330,533)</u>	<u>(142,614)</u>	<u>187,919</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	275,000	-	(275,000)
Transfers out	(8,797)	(8,797)	-
Appropriation of prior year's fund balance	64,330	-	(64,330)
	<u>330,533</u>	<u>(8,797)</u>	<u>(339,330)</u>
<b>Total other financing sources (uses)</b>			
	<u>330,533</u>	<u>(8,797)</u>	<u>(339,330)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (151,411)</u>	<u>\$ (151,411)</u>

**CITY OF MARATHON, FLORIDA**  
**NOTE TO BUDGETARY COMPARISON SCHEDULES**  
September 30, 2012

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

An annual appropriated budget is adopted for the General Fund, Street Maintenance Fund, Capital Infrastructure Fund, Impact Fees Fund, Vehicle Replacement Fund, CDBG Fund and the Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States. The City does not legally adopt an annual budget for the Affordable Housing Fund or the Restoration Fund. 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.
- 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 expenditures in the General Fund by \$ 78,800.
- g. Appropriations which are neither expended nor specifically designated to be carried over, lapse at the end of the fiscal year.

**CITY OF MARATHON, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**  
**SCHEDULE OF FUNDING PROGRESS\***  
**FIREFIGHTERS' PENSION TRUST FUND**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2005	\$ 342,824	\$ 342,824	\$ -	100.00%	\$ 748,200	0.00%
October 1, 2006	\$ 660,131	\$ 660,131	\$ -	100.00%	\$ 744,145	0.00%
October 1, 2008	\$ 1,249,350	\$ 1,084,546	\$ -	115.00%	\$ 1,056,666	0.00%
October 1, 2010	\$ 2,248,488	\$ 2,357,649	\$ 109,161	95.37%	\$ 1,378,189	7.92%
October 1, 2011	\$ 2,859,424	\$ 2,351,247	\$ -	122.00%	\$ 1,368,971	0.00%

\* 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 or 2009.

CITY OF MARATHON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIREFIGHTERS' PENSION TRUST FUND  
FOR THE LAST SIX YEARS

	<u>Annual Required Contribution</u>	<u>Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 250,848	\$ 321,558	128.19%
2008	\$ 281,737	\$ 330,220	117.21%
2009	\$ 391,751	\$ 338,121	86.31%
2010	\$ 514,735	\$ 514,735	100.00%
2011	\$ 550,833	\$ 550,833	100.00%
2012	\$ 350,766	\$ 428,818	122.25%

**CITY OF MARATHON, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2010	\$ -	\$ 257,000	\$ 257,000	0.0%	\$ 2,943,000	8.73 %
October 1, 2011	\$ -	\$ 174,433	\$ 174,433	0.0%	\$ 1,405,753	12.41 %

CITY OF MARATHON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS  
FOR THE LAST THREE YEARS

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Estimated Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
09/30/10	\$ 94,000	\$ 5,000	5.0%
09/30/11	\$ 96,000	\$ 5,000	5.5%
09/30/12	\$ 40,772	\$ -	0.0%





## 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.

**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. These funds are also available to provide down payment assistance to qualified homebuyers.

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

**Community Development Block Grant (CDBG) Fund** – This fund is used to account for the revenues which are legally restricted for use in the City's Community Development Block Grant program which assists residents with sewer connections.

### 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.

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**CITY OF MARATHON, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2012

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund	CDBG Fund		
ASSETS:						
Cash and cash equivalents	\$ 370,172	\$ 77,942	\$ 100,263	\$ 92,414	\$ -	\$ 640,791
Due from other governments	-	-	-	24,253	-	24,253
Receivables	-	60,000	-	-	-	60,000
	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total assets	<u>\$ 370,172</u>	<u>\$ 137,942</u>	<u>\$ 100,263</u>	<u>\$ 116,667</u>	<u>\$ -</u>	<u>\$ 725,044</u>
LIABILITIES AND FUND BALANCES:						
Due to other governments	\$ <u>1,720</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,720</u>
COMMITMENTS AND CONTINGENCIES (NOTE 9)	-	-	-	-	-	-
Fund balances:						
Restricted for:						
Grant projects	-	-	-	116,667	-	116,667
Committed for:						
Infrastructure improvements	368,452	-	-	-	-	368,452
Affordable housing	-	137,942	-	-	-	137,942
Restoration projects	-	-	100,263	-	-	100,263
	<u>-</u>	<u>-</u>	<u>100,263</u>	<u>-</u>	<u>-</u>	<u>100,263</u>
Total fund balances	<u>368,452</u>	<u>137,942</u>	<u>100,263</u>	<u>116,667</u>	<u>-</u>	<u>723,324</u>
Total liabilities and fund balances	<u>\$ 370,172</u>	<u>\$ 137,942</u>	<u>\$ 100,263</u>	<u>\$ 116,667</u>	<u>\$ -</u>	<u>\$ 725,044</u>

**CITY OF MARATHON, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2012**

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund	CDBG Fund		
<b>REVENUES:</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 138,473	\$ -	\$ 138,473
Impact fees	123,585	-	-	-	-	123,585
Interest	2,046	563	776	-	-	3,385
	<u>125,631</u>	<u>563</u>	<u>776</u>	<u>138,473</u>	<u>-</u>	<u>265,443</u>
Total revenues						
	<u>125,631</u>	<u>563</u>	<u>776</u>	<u>138,473</u>	<u>-</u>	<u>265,443</u>
<b>EXPENDITURES:</b>						
Current:						
Community services	-	-	-	146,806	-	146,806
Debt service:						
Principal	-	-	-	-	740,740	740,740
Interest and fiscal charges	-	-	-	-	234,371	234,371
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,111</u>	<u>1,121,917</u>
Total expenditures						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,806</u>	<u>975,111</u>	<u>1,121,917</u>
Excess (deficiency) of revenues over expenditures	<u>125,631</u>	<u>563</u>	<u>776</u>	<u>(8,333)</u>	<u>(975,111)</u>	<u>(856,474)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	125,000	975,111	1,100,111
Transfers out	(18,000)	-	-	-	-	(18,000)
	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>975,111</u>	<u>1,082,111</u>
Total other financing sources (uses)						
	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>975,111</u>	<u>1,082,111</u>
Net change in fund balances	107,631	563	776	116,667	-	225,637
<b>FUND BALANCES, beginning</b>	<u>260,821</u>	<u>137,379</u>	<u>99,487</u>	<u>-</u>	<u>-</u>	<u>497,687</u>
<b>FUND BALANCES, ending</b>	<u>\$ 368,452</u>	<u>\$ 137,942</u>	<u>\$ 100,263</u>	<u>\$ 116,667</u>	<u>\$ -</u>	<u>\$ 723,324</u>

# **BUDGETARY COMPARISON SCHEDULES**





CITY OF MARATHON, FLORIDA  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL INFRASTRUCTURE FUND  
For the Year Ended September 30, 2012

	Original and Final Budget	Actual Amounts	Variance
REVENUES:			
Intergovernmental	\$ 3,098,344	\$ 3,079,918	\$ (18,426)
Interest	15,000	12,044	(2,956)
Miscellaneous	<u>250,000</u>	<u>12,000</u>	<u>(238,000)</u>
Total revenues	<u>3,363,344</u>	<u>3,103,962</u>	<u>(259,382)</u>
EXPENDITURES:			
Capital outlay	<u>3,318,186</u>	<u>1,025,407</u>	<u>2,292,779</u>
Excess of revenues over expenditures	<u>45,158</u>	<u>2,078,555</u>	<u>2,033,397</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	118,000	116,943	(1,057)
Transfers out	(2,211,132)	(1,935,595)	275,537
Appropriation of prior year's fund balance	<u>2,047,974</u>	<u>-</u>	<u>(2,047,974)</u>
Total other financing sources (uses)	<u>(45,158)</u>	<u>(1,818,652)</u>	<u>(1,773,494)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>259,903</u></u>	\$ <u><u>259,903</u></u>



**CITY OF MARATHON, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL INFRASTRUCTURE FUND**  
**(CONTINUED)**  
For the Year Ended September 30, 2012

**EXPLANATION OF DIFFERENCES BETWEEN CHANGE IN  
FUND BALANCE BUDGET TO ACTUAL AND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - CAPITAL INFRASTRUCTURE FUND**

Net change in fund balance, Page 60	\$ 259,903
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Amounts reported for budget to actual are different because:

The net change in fund balance in the City's Vehicle Replacement Fund are reported in the Vehicle Replacement Fund for budgetary purposes but in the Capital Infrastructure Fund for the purpose of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:

Net change in fund balance - Vehicle Replacement Fund	<u>77,510</u>
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General Fund net change in fund balance per the Statement of Revenues Expenditures, and Changes in Fund Balances - Capital Infrastructure Fund, Page 20	\$ <u><u>337,413</u></u>
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**CITY OF MARATHON, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2012

	Impact Fees			Vehicle Replacement Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impact fees	142,500	123,585	(18,915)	-	-	-
Interest	<u>2,700</u>	<u>2,046</u>	<u>(654)</u>	<u>15,000</u>	<u>11,735</u>	<u>(3,265)</u>
Total revenues	<u>145,200</u>	<u>125,631</u>	<u>(19,569)</u>	<u>15,000</u>	<u>11,735</u>	<u>(3,265)</u>
EXPENDITURES:						
Current:						
Community services	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>145,200</u>	<u>125,631</u>	<u>(19,569)</u>	<u>15,000</u>	<u>11,735</u>	<u>(3,265)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	164,718	164,718	-
Transfers out	(18,000)	(18,000)	-	(100,000)	(98,943)	1,057
Appropriation of prior year's fund balance	<u>(127,200)</u>	<u>-</u>	<u>127,200</u>	<u>(79,718)</u>	<u>-</u>	<u>79,718</u>
Total other financing sources (uses)	<u>(145,200)</u>	<u>(18,000)</u>	<u>127,200</u>	<u>(15,000)</u>	<u>65,775</u>	<u>80,775</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 107,631</u>	<u>\$ 107,631</u>	<u>\$ -</u>	<u>\$ 77,510</u>	<u>\$ 77,510</u>

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.

CDBG Fund			Debt Service Fund		
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
\$ 750,000	\$ 138,473	\$ (611,527)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>750,000</u>	<u>138,473</u>	<u>(611,527)</u>	<u>-</u>	<u>-</u>	<u>-</u>
875,000	146,806	728,194			
-	-	-	740,740	740,740	-
-	-	-	<u>234,908</u>	<u>234,371</u>	<u>537</u>
<u>875,000</u>	<u>146,806</u>	<u>728,194</u>	<u>975,648</u>	<u>975,111</u>	<u>537</u>
<u>(125,000)</u>	<u>(8,333)</u>	<u>116,667</u>	<u>(975,648)</u>	<u>(975,111)</u>	<u>537</u>
125,000	125,000	-	975,648	975,111	(537)
-	-	-	-	-	-
-	-	-	-	-	-
<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>975,648</u>	<u>975,111</u>	<u>(537)</u>
<u>\$ -</u>	<u>\$ 116,667</u>	<u>\$ 116,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## 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>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	64-73
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	74-77
<b>Debt Capacity</b> 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.	78-80
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	81-82
<b>Operating Information</b> 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.	83-85

*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 NINE FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 14,255,597	\$ 16,372,786	\$ 15,638,541	\$ 19,339,970
Restricted	4,373,475	5,039,914	7,324,824	4,733,068
Unrestricted	<u>4,024,147</u>	<u>4,798,655</u>	<u>5,650,368</u>	<u>6,350,476</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>
Business-type activities:				
Invested in capital assets, net of related debt	790,069	669,008	5,094,011	9,528,390
Restricted	-	-	-	-
Unrestricted (deficit)	<u>-</u>	<u>(9,447)</u>	<u>213,284</u>	<u>(1,265,735)</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>
Total government:				
Invested in capital assets, net of related debt	15,045,666	17,041,794	20,732,552	28,868,360
Restricted	4,373,475	5,039,914	7,324,824	4,733,068
Unrestricted (deficit)	<u>4,024,147</u>	<u>4,789,208</u>	<u>5,863,652</u>	<u>5,084,741</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>

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*.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 20,098,109	\$ 24,381,462	\$ 26,154,207	\$ 27,231,548	\$ 28,142,616
8,026,767	4,194,245	3,374,364	3,896,716	4,090,519
<u>7,012,204</u>	<u>6,654,654</u>	<u>5,705,740</u>	<u>3,986,495</u>	<u>4,157,687</u>
 35,137,080	 35,230,361	 35,234,311	 35,114,759	 36,390,822
  18,060,264	  29,001,944	  50,378,894	  43,132,708	  39,625,782
-	-	-	-	-
<u>(4,279,528)</u>	<u>1,813,152</u>	<u>(149,168)</u>	<u>12,249,548</u>	<u>17,638,385</u>
 13,780,736	 30,815,096	 50,229,726	 55,382,256	 57,264,167
  38,158,373	  53,383,406	  76,533,101	  70,364,256	  67,768,398
8,026,767	4,194,245	3,374,364	3,896,716	4,090,519
<u>2,732,676</u>	<u>8,467,806</u>	<u>5,556,572</u>	<u>16,236,043</u>	<u>21,796,072</u>
\$ <u><u>48,917,816</u></u>	\$ <u><u>66,045,457</u></u>	\$ <u><u>85,464,037</u></u>	\$ <u><u>90,497,015</u></u>	\$ <u><u>93,654,989</u></u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>EXPENSES:</b>				
Governmental activities:				
General government	\$ 2,805,425	\$ 3,837,452	\$ 7,905,757	\$ 3,867,901
Public safety	2,832,115	2,997,230	4,737,074	3,645,846
Community services	1,270,051	1,417,715	1,880,765	2,050,244
Community development	1,309,166	1,365,876	1,335,976	1,576,341
Interest on long-term debt	<u>14,801</u>	<u>90,515</u>	<u>372,885</u>	<u>390,607</u>
Total governmental activities	<u>8,231,558</u>	<u>9,708,788</u>	<u>16,232,457</u>	<u>11,530,939</u>
Business-type activities:				
Wastewater	-	-	10,826	52,230
Marina	504,056	688,950	537,316	622,185
Stormwater	<u>-</u>	<u>-</u>	<u>10,694</u>	<u>39,716</u>
Total business-type activities	<u>504,056</u>	<u>688,950</u>	<u>558,836</u>	<u>714,131</u>
Total governmental expenses	<u>\$ 8,735,614</u>	<u>\$ 10,397,738</u>	<u>\$ 16,791,293</u>	<u>\$ 12,245,070</u>
<b>PROGRAM REVENUES:</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,399,886	\$ 1,354,431	\$ 1,407,360	\$ 1,391,936
Public safety	844,927	742,410	647,303	740,365
Community services	334,148	345,376	356,349	516,645
Community development	687,725	1,002,999	1,118,382	746,217
Operating grants and contributions	566,908	1,112,299	4,402,251	624,697
Capital grants and contributions	<u>2,432,746</u>	<u>3,375,694</u>	<u>4,674,802</u>	<u>2,879,187</u>
Total governmental activities program revenues	<u>6,266,340</u>	<u>7,933,209</u>	<u>12,606,447</u>	<u>6,899,047</u>
Business-type activities:				
Charges for services:				
Wastewater	-	-	-	-
Marina	263,165	310,057	354,332	457,657
Stormwater	-	-	-	-
Operating grants and contributions	-	45,076	39,272	53,595
Capital grants and contributions	<u>-</u>	<u>23,360</u>	<u>2,002,836</u>	<u>2,627,827</u>
Total business-type activities program revenues	<u>-</u>	<u>378,493</u>	<u>2,396,440</u>	<u>3,139,079</u>
Total program revenues	<u>\$ 6,266,340</u>	<u>\$ 8,311,702</u>	<u>\$ 15,002,887</u>	<u>\$ 10,038,126</u>
<b>NET (EXPENSE) REVENUE:</b>				
Governmental activities	\$ (1,965,218)	\$ (1,775,579)	\$ (3,626,010)	\$ (4,631,892)
Business-type activities	<u>(504,056)</u>	<u>(310,457)</u>	<u>1,837,604</u>	<u>2,424,948</u>
Total net expense	<u>\$ (2,469,274)</u>	<u>\$ (2,086,036)</u>	<u>\$ (1,788,406)</u>	<u>\$ (2,206,944)</u>

Fiscal Year				
2008	2009	2010	2011	2012
\$ 3,319,061	\$ 2,519,857	\$ 3,646,885	\$ 4,230,495	\$ 2,596,950
4,069,335	4,363,860	4,580,076	4,524,285	4,260,491
2,041,301	3,343,066	2,577,772	2,850,714	2,477,396
1,395,694	1,091,795	941,914	860,053	894,343
361,961	330,414	298,339	266,465	234,371
11,187,352	11,648,992	12,044,986	12,732,012	10,463,551
340,016	541,667	2,126,390	3,903,661	6,502,017
695,938	671,407	688,583	658,901	645,935
264,150	14,138	274,878	714,940	1,098,948
1,300,104	1,227,212	3,089,851	5,277,502	8,246,900
\$ 12,487,456	\$ 12,876,204	\$ 15,134,837	\$ 18,009,514	\$ 18,710,451
\$ 155,111	\$ 155,056	\$ 173,716	\$ 195,765	\$ 182,481
760,546	851,446	841,587	927,827	987,852
559,447	373,299	515,305	569,458	614,280
743,533	441,225	480,738	496,610	521,441
496,996	288,829	1,250,302	336,415	282,495
6,338,416	3,581,347	2,973,949	3,988,661	3,494,595
9,054,049	5,691,202	6,235,597	6,514,736	6,083,144
-	524,084	1,015,725	2,266,214	4,164,443
615,247	638,575	671,330	643,428	650,698
-	-	-	-	-
55,646	93,172	52,421	16,921	92,292
5,202,199	16,213,258	20,000,850	6,754,484	4,926,863
5,873,092	17,469,089	21,740,326	9,681,047	9,834,296
\$ 14,927,141	\$ 23,160,291	\$ 27,975,923	\$ 16,195,783	\$ 15,917,440
\$ (2,133,303)	\$ (5,957,790)	\$ (5,809,389)	\$ (6,217,276)	\$ (4,380,407)
4,572,988	16,241,877	18,650,475	4,403,545	1,587,396
\$ 2,439,685	\$ 10,284,087	\$ 12,841,086	\$ (1,813,731)	\$ (2,793,011)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>GENERAL REVENUES:</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,432,016	\$ 4,098,515	\$ 4,365,919	\$ 4,776,651
Other taxes	566,267	601,859	669,856	633,305
State shared revenues	289,678	400,123	464,835	367,701
Investment earnings	104,434	280,744	658,527	595,386
Miscellaneous	162,385	127,489	426,251	492,630
Transfers	(1,028,677)	(175,014)	(555,000)	(424,000)
Total governmental activities	<u>3,526,103</u>	<u>5,333,716</u>	<u>6,030,388</u>	<u>6,441,673</u>
Business-type activities:				
Investment earnings	-	-	25,855	106,412
Miscellaneous	2,283	4,935	2,229,275	-
Loss on disposal of equipment	-	-	-	-
Transfers	1,028,677	175,014	555,000	424,000
Total business-type activities	<u>1,030,960</u>	<u>179,949</u>	<u>2,810,130</u>	<u>530,412</u>
Total general revenues	<u>\$ 4,557,063</u>	<u>\$ 5,513,665</u>	<u>\$ 8,840,518</u>	<u>\$ 6,972,085</u>
<b>CHANGE IN NET ASSETS:</b>				
Governmental activities	\$ 1,560,885	\$ 3,558,137	\$ 2,404,378	\$ 1,809,781
Business-type activities	<u>526,904</u>	<u>(130,508)</u>	<u>4,647,734</u>	<u>2,955,360</u>
Total change in net assets	<u>\$ 2,087,789</u>	<u>\$ 3,427,629</u>	<u>\$ 7,052,112</u>	<u>\$ 4,765,141</u>

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*.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 4,258,748	\$ 4,079,688	\$ 3,746,062	\$ 3,580,301	\$ 3,536,651
626,113	590,167	591,504	562,218	571,793
1,709,756	1,526,669	1,575,835	1,684,366	1,564,952
539,492	341,774	194,189	103,927	60,123
220,516	43,328	170,699	473,615	92,030
(507,756)	(530,555)	(464,950)	(306,703)	(169,079)
<u>6,846,869</u>	<u>6,051,071</u>	<u>5,813,339</u>	<u>6,097,724</u>	<u>5,656,470</u>
437,337	151,372	299,205	167,282	125,436
-	120,000	-	275,000	-
-	(9,444)	-	-	-
<u>507,756</u>	<u>530,555</u>	<u>464,950</u>	<u>306,703</u>	<u>169,079</u>
<u>945,093</u>	<u>792,483</u>	<u>764,155</u>	<u>748,985</u>	<u>294,515</u>
<u>\$ 7,791,962</u>	<u>\$ 6,843,554</u>	<u>\$ 6,577,494</u>	<u>\$ 6,846,709</u>	<u>\$ 5,950,985</u>
\$ 4,713,566	\$ 93,281	\$ 3,950	\$ (119,552)	\$ 1,276,063
<u>5,518,081</u>	<u>17,034,360</u>	<u>19,414,630</u>	<u>5,152,530</u>	<u>1,881,911</u>
<u>\$ 10,231,647</u>	<u>\$ 17,127,641</u>	<u>\$ 19,418,580</u>	<u>\$ 5,032,978</u>	<u>\$ 3,157,974</u>

**CITY OF MARATHON, FLORIDA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund:				
Nonspendable	\$ 40,551	\$ 58,432	\$ 60,977	\$ 92,610
Restricted	40,085	19,955	80,932	45,241
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>3,581,989</u>	<u>4,175,293</u>	<u>4,594,693</u>	<u>5,266,938</u>
Total general fund	<u>3,662,625</u>	<u>4,253,680</u>	<u>4,736,602</u>	<u>5,404,789</u>
Special revenue funds:				
Nonspendable	-	-	-	-
Restricted	-	134,355	-	-
Committed	<u>4,639,429</u>	<u>5,430,480</u>	<u>11,474,547</u>	<u>5,714,020</u>
Total special revenue funds	<u>4,639,429</u>	<u>5,564,835</u>	<u>11,474,547</u>	<u>5,714,020</u>
Total governmental funds	<u>\$ 8,302,054</u>	<u>\$ 9,818,515</u>	<u>\$ 16,211,149</u>	<u>\$ 11,118,809</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*.

Note: The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011. Fiscal years 2004-2010 have been restated to conform to the new statement requirements.



Fiscal Year				
2008	2009	2010	2011	2012
\$ 47,092	\$ 48,145	\$ 110,418	\$ 131,006	\$ 92,328
31,657	33,332	28,522	33,974	38,818
-	-	-	1,247,077	-
-	-	-	431,980	-
<u>5,630,951</u>	<u>5,291,297</u>	<u>4,970,012</u>	<u>2,042,757</u>	<u>2,396,537</u>
<u>5,709,700</u>	<u>5,372,774</u>	<u>5,108,952</u>	<u>3,886,794</u>	<u>2,527,683</u>
-	-	1,582	3,171	1,200
-	-	-	3,859,571	4,051,701
<u>9,457,677</u>	<u>5,630,462</u>	<u>5,218,327</u>	<u>497,687</u>	<u>1,966,244</u>
<u>9,457,677</u>	<u>5,630,462</u>	<u>5,219,909</u>	<u>4,360,429</u>	<u>6,019,145</u>
<u>\$ 15,167,377</u>	<u>\$ 11,003,236</u>	<u>\$ 10,328,861</u>	<u>\$ 8,247,223</u>	<u>\$ 8,546,828</u>

**CITY OF MARATHON, FLORIDA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>REVENUES:</b>				
Ad valorem taxes	\$ 3,432,016	\$ 4,098,515	\$ 4,365,919	\$ 4,776,651
Communication services taxes	566,267	601,859	669,856	633,305
Impact fees	n/a	n/a	56,384	207,692
Licenses and permits	736,597	1,035,052	1,176,781	785,569
Intergovernmental revenue	4,961,663	6,512,740	11,162,771	5,488,148
Charges for services	675,994	649,029	559,537	642,998
Fines and forfeitures	181,763	136,510	115,809	142,341
Special assessments	-	-	-	-
Interest	104,434	280,744	658,527	595,386
Miscellaneous	162,387	127,490	426,252	392,927
	<u>10,821,121</u>	<u>13,441,939</u>	<u>19,191,836</u>	<u>13,665,017</u>
<b>EXPENDITURES:</b>				
Current:				
General government	2,857,781	3,630,608	7,359,947	2,822,349
Public safety	2,806,148	2,798,132	3,083,352	3,481,477
Community services	1,022,818	1,172,637	1,385,482	1,437,157
Community development	1,296,042	1,359,560	1,309,363	1,547,317
Capital outlay	1,624,068	5,234,411	4,080,526	7,205,686
Debt service:				
Principal	90,000	1,318,000	555,556	740,741
Interest and other fiscal charges	32,617	92,875	372,885	390,607
	<u>9,729,474</u>	<u>15,606,223</u>	<u>18,147,111</u>	<u>17,625,334</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>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of asset	-	-	-	-
Transfers in	693,071	1,934,956	1,511,921	2,337,615
Transfers out	(894,627)	(2,193,870)	(2,066,921)	(2,761,615)
Bonds Issued	75,000	4,018,000	5,907,000	-
	<u>(126,556)</u>	<u>3,759,086</u>	<u>5,352,000</u>	<u>(424,000)</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>
Debt service as a percentage of non-capital expenditures	1.51%	13.60%	6.60%	10.86%

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*.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 4,258,748	\$ 4,079,688	\$ 3,746,062	\$ 3,580,301	\$ 3,536,651
626,113	590,167	591,504	562,218	571,793
242,602	69,422	82,004	100,609	123,585
890,063	577,528	630,173	632,899	689,191
8,817,885	5,518,964	6,119,922	6,429,133	5,612,220
649,084	814,226	811,580	897,555	959,924
164,172	88,277	94,318	122,385	81,959
-	-	21,944	12,461	12,427
539,492	341,774	194,189	103,927	60,123
320,219	60,282	183,368	477,675	92,030
<u>16,508,378</u>	<u>12,140,328</u>	<u>12,475,064</u>	<u>12,919,163</u>	<u>11,739,903</u>
2,796,344	2,472,219	2,485,113	4,749,262	2,442,659
3,614,984	3,984,749	4,188,041	4,114,867	3,984,275
1,410,054	1,523,952	1,541,831	1,377,523	1,512,165
1,364,266	997,868	918,382	820,110	845,333
1,663,704	5,723,971	2,914,127	2,655,130	1,511,676
740,741	740,741	740,741	740,741	740,740
361,961	330,414	298,339	266,465	234,371
<u>11,952,054</u>	<u>15,773,914</u>	<u>13,086,574</u>	<u>14,724,098</u>	<u>11,271,219</u>
<u>4,556,324</u>	<u>(3,633,586)</u>	<u>(611,510)</u>	<u>(1,804,935)</u>	<u>468,684</u>
-	-	402,085	30,000	-
2,107,155	2,174,125	1,888,430	2,808,056	1,693,313
(2,614,911)	(2,704,680)	(2,353,380)	(3,114,759)	(1,862,392)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(507,756)</u>	<u>(530,555)</u>	<u>(62,865)</u>	<u>(276,703)</u>	<u>(169,079)</u>
\$ <u>4,048,568</u>	\$ <u>(4,164,141)</u>	\$ <u>(674,375)</u>	\$ <u>(2,081,638)</u>	\$ <u>299,605</u>
10.72%	9.55%	10.11%	8.03%	9.98%

**CITY OF MARATHON, FLORIDA**  
**NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN 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>
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	\$ 2,834,285,807	1.5000	N/A	N/A
2010	2009	\$ 2,165,777,278	\$ 76,633,829	\$ 2,242,411,107	1.6850	N/A	N/A
2011	2010	\$ 1,909,523,812	\$ 74,754,478	\$ 1,984,278,290	1.8458	N/A	N/A
2012	2011	\$ 1,731,544,701	\$ 73,025,922	\$ 1,804,570,623	1.9999	N/A	N/A

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	City of Marathon	Overlapping Rates (1)					Total Direct and Overlapping Rates
			Monroe County	School Board	S. Florida Water Mgt District	FL Keys Mosquito Control District	Other	
2003	2002	2.9645	3.9455	4.7130	0.2840	0.6641	0.4130	12.9841
2004	2003	2.4931	4.2938	4.4220	0.2840	0.6641	0.4130	12.5700
2005	2004	2.4931	3.9436	3.9320	0.2840	0.6090	0.4130	11.6747
2006	2005	2.0500	3.4361	3.3820	0.2840	0.6090	0.4130	10.1741
2007	2006	1.7896	2.5609	3.0610	0.2840	0.5505	0.4130	8.6590
2008	2007	1.4243	2.2656	2.9460	0.2549	0.4175	0.3691	7.6774
2009	2008	1.5000	2.6883	2.9220	0.2549	0.3798	0.3691	8.1141
2010	2009	1.6850	3.0837	3.3870	0.2549	0.4262	0.3691	9.2059
2011	2010	1.8458	3.3445	3.8235	0.2549	0.4596	0.3691	10.0974
2012	2011	1.9999	3.3470	3.5650	0.1785	0.4836	0.2578	9.8318

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

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 TEN YEARS AGO**

Taxpayer	2012		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
BLUEGREEN RESORTS MANAGEMENT INC.	\$ 33,151,685.00	1	1.67 %
FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION INC	27,978,314.00	2	1.41 %
MARLIN BAY YACHT CLUB LLC	13,469,152.00	3	0.68 %
FISHERMANS HOSPITAL INC.	12,560,546.00	4	0.63 %
SH MARATHON LTD	11,262,499.00	5	0.57 %
SH3 LTD	10,997,696.00	6	0.55 %
MICHAEL FELLING	10,252,698.00	7	0.52 %
HOME DEPOT USA INC #6302	8,472,954.00	8	0.43 %
CXA-10 CORPORATION	7,768,025.00	9	0.39 %
1525 LLC	6,553,215.00	10	0.33 %
	<u>\$ 142,466,784</u>		<u>7.18 %</u>
Taxpayer	2003		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
FL KEYS ELECTRIC CO-OP ASSN INC.	\$ 22,391,959	1	1.87 %
FISHERMENS HOSPITAL INC.	12,024,671	2	1.01 %
HOME DEPOT USA INC #6302	10,487,526	3	0.88 %
BLUEGREEN RESORTS MANAGEMENT INC.	9,990,370	4	0.84 %
BANANA BAY OF MARATHON, INC.	7,792,072	5	0.65 %
SH MARATHON LTD (HOLIDAY INN/MARINA)	7,293,390	6	0.61 %
BELLSOUTH TELECOMMUNICATIONS INC	7,164,142	7	0.60 %
WHITE KEYS PARTNERS LLLP (KEY LIME)	6,684,253	8	0.56 %
BIOSPHERE PROPERTIES INC (PUBLIX)	6,164,537	9	0.52 %
MARATHON MANOR, INC.	5,694,734	10	0.48 %
	<u>\$ 95,687,654</u>		<u>8.02 %</u>

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

**CITY OF MARATHON, FLORIDA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN 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
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%
2010	3,861,476	3,746,062	97.01%	-	3,746,062	97.01%
2011	3,701,426	3,580,301	96.73%	-	3,580,301	96.73%
2012	3,662,967	3,536,651	96.55%	-	3,536,651	96.55%

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			
2003	-	-	1,408,000	-	1,408,000	0.12%	136
2004	-	75,000	1,318,000	-	1,393,000	0.10%	134
2005	-	4,093,000	-	-	4,093,000	0.24%	385
2006	-	9,444,444	-	832,168	10,276,612	0.47%	969
2007	-	8,703,703	-	13,058,380	21,762,083	0.78%	2,093
2008	-	7,962,963	-	26,168,257	34,131,220	1.11%	3,380
2009	-	7,222,222	-	58,155,645	65,377,867	2.31%	6,350
2010	-	6,481,481	-	64,171,550	70,653,031	3.15%	6,846
2011	-	5,740,740	-	79,235,992	84,976,732	4.28%	10,218
2012	-	5,000,000	-	84,710,849	89,710,849	4.97%	10,728

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  
COMPUTATION OF DIRECT AND ESTIMATED  
OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
SEPTEMBER 30, 2012

	Debt Outstanding	Applicable to City of Marathon	
		Percentage	Amount
Direct debt:			
City of Marathon (1)	\$ -	100.00%	\$ -
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>15,307,000</u>	9.33%	(3) <u>1,427,686</u>
Total ad valorem tax supported debt	\$ <u><u>15,307,000</u></u>		\$ <u><u>1,427,686</u></u>
Ratios:			
Overall debt to 2012 taxable valuation			0.08%
Overall debt per capita			\$ 170.74

Notes:

- (1) City of Marathon direct debt does not include revenue bonds.
- (2) Monroe County School Board debt is as of June 30, 2011, and does not include revenue bonds
- (3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Marathon to the total assessed value of property subject to taxation in the overlapping unit.

**CITY OF MARATHON, FLORIDA**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Improvement Revenue Bonds							Coverage
	Local Govt. Infrastructure Tax	Wastewater Special Assessments	Utility Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	
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	(500,120)	7,384,965	740,741	719,025	5.06
2010	2,283,263	8,194,977	2,067,849	(1,144,076)	11,402,013	1,803,693	1,655,543	3.30
2011	2,448,373	4,229,285	3,290,999	(1,894,752)	8,073,905	2,717,333	1,936,248	1.73
2012	2,270,445	3,926,274	5,162,532	(2,901,151)	8,458,100	4,155,668	1,856,830	1.41

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

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

Note: Repayment of one of the City's State Revolving Fund Loans began on February 15, 2010.

Repayment of three of the City's State Revolving Fund Loans began February 15, 2011.

Repayment of one of the City's State Revolving Fund Loans began on June 15, 2011.

Repayment of one of the City's State Revolving Fund Loans began on July 15, 2011.

Repayment of one of the City's State Revolving Fund Loans began on September 15, 2012.

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

**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>
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)	4,321,142 (b)	53,159 (b)	5.5%
2009	10,295 (a)	4,184,821 (b)	52,690 (b)	7.4%
2010	10,321 (a)	4,232,833 (b)	52,982 (b)	8.6%
2011	8,316 (c)	4,309,305 (b)	53,644 (b)	6.4%
2012	8,362 (a)	4,454,852 (b)	55,150 (b)	4.5%

**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, 2009 and 2010. State data as provided by the Office of Economic and Demographic Research, FL Legislature.
- (c) Data obtained from 2010 Federal census.

**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 SIX YEARS AGO**

<u>Employer</u>	<u>2012</u>		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Monroe County	193	1	N/A
Monroe County School Board	151	2	N/A
Home Depot USA	150	3	N/A
Winn Dixie Supermarkets	93	4	N/A
Publix Supermarkets	90	5	N/A
Walgreens Co.	88	6	N/A
K-Mart Corporation	77	7	N/A
City of Marathon	56	8	N/A
Fishermen's Hospital	50	9	N/A
Florida Keys Aqueduct Authority	45	10	N/A

<u>Employer</u>	<u>2006</u>		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Home Depot USA	150	1	N/A
Publix Supermarkets	101	2	N/A
K-Mart Corporation	77	3	N/A
City of Marathon	58	4	N/A
Fishermen's Hospital	50	5	N/A
Office Depot, Inc.	45	6	N/A
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 TEN FISCAL YEARS**

Employees	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	5	5	8	8	9	6	5	5	4	4
Public Safety	13	16	16	28	22	21	25	24	23	23
Community Development	7	13	13	15	16	17	15	11	10	10
Community Services	5	5	7	11	13	13	15	16	13	13
Marina	5	5	8	7	7	7	7	6	6	6
Total number of employees	35	44	52	69	67	64	67	62	56	56

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police:										
Police personnel and officers	17	17	17	17	17	15	17	16	15	14
Police calls for service	31,366	30,964	30,792	24,292	22,411	20,273	20,533	25,801	43,898	37,974
Fire/EMS:										
Fire personnel	14	15	15	22	22	21	24	24	23	23
Fire / emergency calls answered	N/A	N/A	287	251	527	324	339	187	441	436
Emergency medical services calls	N/A	1,468	1,105	1,007	1,249	1,160	1,254	1,355	1,321	1,329
Community development:										
Building permits issued	2,035	2,257	2,638	3,107	2,159	1,588	1,569	1,561	2,238	3,204
Commercial fire occupancy inspections	54	424	354	475	309	446	478	452	452	454
Community services:										
Transportation:										
Public right of way maintenance (miles)	64	64	64	64	64	66	66	63	63	63
Culture and recreation:										
Registrations for special events	10	10	23	35	32	25	34	24	27	8
Registrations for summer camp	N/A	N/A	N/A	N/A	125	109	79	104	109	104
Registrations for athletic programs	N/A	N/A	N/A	N/A	1,360	1,629	1,414	1,169	1,345	1,268
Registrations for cultural programs	N/A	N/A	N/A	N/A	227	1,375	1,041	6,304	5,720	6,350
Registrations for private events in public park areas	N/A	N/A	N/A	N/A	110	147	99	376	195	238
Marina:										
Mooring balls	64	64	64	64	226	226	226	226	226	226
Boat slips	5	5	5	13	13	13	13	13	13	13

N/A = not available

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

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	66	66	66	66	66
Number of street lights	N/A	N/A	190	190	190	190	188	188	188	188
Number of traffic signals	N/A	N/A	8	8	8	8	8	8	8	8
Culture and recreation:										
Amphitheater	-	-	1	1	1	1	1	1	1	1
Parks	-	-	4	4	4	4	4	4	4	4
Parks acreage	-	-	45	45	45	45	45	45	45	45
Beaches	-	-	2	2	2	2	2	2	2	2
Community center	-	-	1	1	1	-	-	-	-	-
Picnic pavilions	-	-	16	16	16	18	18	18	18	18
In-line hockey rink	-	-	1	1	1	1	1	1	1	1
Soccer fields	-	-	2	2	2	2	2	2	2	2
Skate park	-	-	1	1	1	1	1	1	1	1
Basketball courts	-	-	4	4	4	3	3	3	3	3
Tennis courts	-	-	4	4	4	4	4	4	4	4
Baseball/softball fields	-	-	2	2	2	2	2	2	2	2
Utility system:										
Fire hydrants - City of Marathon	-	-	-	53	101	125	134	154	154	154
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

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.





## COMPLIANCE SECTION





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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2013. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the City'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*.

City of Marathon, Florida

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  
March 22, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133

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

**Compliance**

We have audited City of Marathon, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

**Internal Control over Compliance**

Management of City of Marathon, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Marathon, Florida internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City of Marathon, Florida's internal control over compliance.

City of Marathon, Florida

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, City Council, others within the entity, federal awarding agencies, and pass-through entities 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  
March 22, 2013



## 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 the City of Marathon, Florida (the "City"), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 22, 2013.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 22, 2013, 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 occurred, or are likely to have occurred, 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) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

City of Marathon, Florida

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 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, 2011, 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, 2012. 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, 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  
March 22, 2013



**CITY OF MARATHON, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended September 30, 2012

Federal Agency, Pass-through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCY NAME:</b>				
Indirect Programs:				
Department of Housing and Urban Development -				
Passed through State of Florida				
Department of Economic Opportunity:				
Community Development Block Grants	14.228	11DB-C5-11-54-02-H16	138,474	-
Department of Energy -				
Passed through Monroe County				
State Energy Program - ARRA	* 81.041	ARS010	400,000	-
Environmental Protection Agency -				
Passed through the Florida Department				
of Environmental Protection:				
Capitalization Grants for Clean Water				-
State Revolving Funds - ARRA	* 66.458	WW637090	2,945,380	-
State Revolving Funds	* 66.458	WW63702P	3,240,890	-
			<u>6,186,270</u>	
Department of Transportation -				
Passed through the Florida Department				
of Environmental Protection:				
Recreational Trails Program	20.219	T2840	1,374	-
Department of the Interior -				
Passed through the Florida Department				
of Environmental Protection:				
Clean Vessel Act	15.616	LE-649	16,063	-
Total Expenditures of Federal Awards			<u>\$ 6,742,181</u>	<u>\$ -</u>

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

\* Denotes a major program



**CITY OF MARATHON, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**For the Year Ended September 30, 2012**

**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 are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal programs for City of Marathon, Florida expresses an unqualified opinion.
6. There are no findings relative to the major Federal programs for City of Marathon, Florida reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<b>Federal Program</b>	<b>Federal CFDA Number</b>
Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds	66.458
Department of Energy - State Energy Program	81.041

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

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS**

NONE

**CITY OF MARATHON, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL PROGRAMS AND STATE PROJECT**  
For the Year Ended September 30, 2012

**D. OTHER ISSUES**

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