

CITY OF MARATHON, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Prepared by the
Finance Department

CITY OF MARATHON, FLORIDA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION



CITY OF MARATHON, FLORIDA

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

March 24, 2015

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, 2014.

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, 2014, 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 unmodified opinion that the City of Marathon's financial statements for the fiscal year ended September 30, 2014, 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 the 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 8,425 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 two enterprise funds; a City marina facility and a wastewater and stormwater utilities fund.

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 55 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 56. A budget-to-actual comparison for the capital infrastructure fund is included as other financial information on pages 67 and 68. 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 69 and 70.

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 aspect 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. The tourism industry in the Florida Keys is both vibrant and 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 City has experienced increased revenues due to increased building permits and the required hookup to the City's wastewater utility system. Presently, four large developments have been approved and two of them are expected to open for business in fiscal year 2015. It is anticipated that the two new developments opening in 2015 will add over \$100,000,000 to the City's tax base and will create many new permanent jobs. The City is experiencing growth in the commercial and residential sector with new restaurants, businesses and single family residences coming online. In November 2014, the area's unemployment rate was 3.2%, compared with the statewide rate of 5.8%.

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, and during 2014 the City was awarded its first portion of grant funding in the amount of \$17,000,000. The City officials and local stakeholders are actively pursuing the State to appropriate another tranche of the grant funding in their next years budget.

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 were 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 has begun construction on the new City Hall facility and anticipates completion in January of 2016. The City has also included 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 development of a community center
- The development of a maintenance facilities and Utilities yard
- Improvements at Ocean Front Park and Community Park
- The continued implementation of the Fire Safety Program

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marathon for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013. This was the eleventh 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, 2014 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,

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

Michael Puto
City Manager

A handwritten signature in blue ink that reads "Jennifer Johnson". The signature is written in a cursive, flowing style.

Jennifer Johnson
Finance Director

CITY OF MARATHON, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2014

CITY COUNCIL

Dick Ramsay, Mayor
Chris Bull, Vice-Mayor

John Bartus, Councilman
Richard Keating, Councilman
Mark Senmartin, Councilman

CITY MANAGER

Mike Puto

CITY CLERK

Diane Clavier

CITY ATTORNEY

Lynn Dannheisser
Gray - Robinson, P.A.

FINANCE DIRECTOR

Jennifer Johnson

CITY AUDITORS

Keefe McCullough
CPA's + Trusted Advisors



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Marathon
Florida**

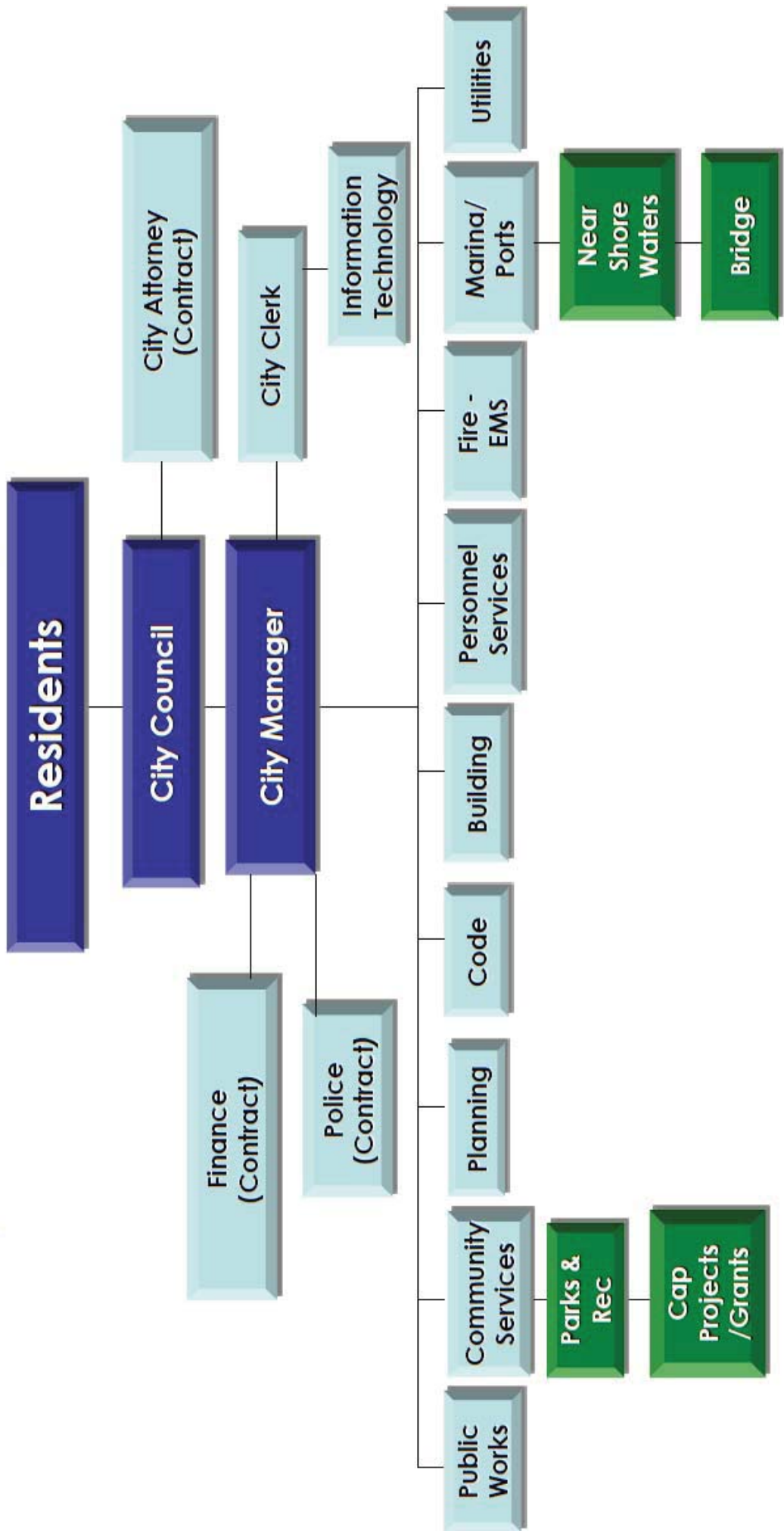
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

City of Marathon FY14 Department Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014 and the respective changes in financial position, and where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, schedule of employer contributions, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of investment returns on pages 4 through 15 and pages 58 through 64, 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.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the City's internal control over financial reporting and compliance.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida
March 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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, 2014. 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 \$ 97,996,361 (net position), as compared with \$ 95,941,328 for the previous year. Of this amount, \$ 14,465,622 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$ 16,259,302 for the previous year.
- The City's total net position increased by \$ 2,055,033 or 2.14% during the current fiscal year. Included in the total net position is governmental net position that increased by \$ 1,376,262 and business-type activities net position that increased by \$ 678,771.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 13,525,697, an increase of \$ 6,134,352 in comparison with the prior year. \$ 2,476,511 (18.31%), 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 \$ 1,377,969 (1.75%) during the current fiscal year. The primary factor of the increase was due to the refinancing of the improvement revenue bonds.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures 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, 2014

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 and a wastewater and 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.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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 65 and 66 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 55). A budgetary comparison schedule has also been provided for the major special revenue fund, which is the Street Maintenance Fund (page 56) and the Capital Infrastructure Fund, which is a capital project fund (pages 67 and 68).

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 and 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 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 54 of this report.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Other Information

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

Required supplementary information can be found on pages 55 through 64 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 65 through 70 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position 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 \$ 97,996,361 at the close of the most recent fiscal year, compared to net position of \$ 95,941,328 the prior year.

City of Marathon's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 14,093,289 | \$ 7,959,316 | \$ 12,641,107 | \$ 12,285,387 | \$ 26,734,396 | \$ 20,244,703 |
| Capital assets (net) | 34,749,287 | 34,237,953 | 120,544,280 | 121,800,347 | 155,293,567 | 156,038,300 |
| Total assets | 48,842,576 | 42,197,269 | 133,185,387 | 134,085,734 | 182,027,963 | 176,283,003 |
| Deferred outflows of resources | 15,427 | - | - | - | 15,427 | - |
| Current and other liabilities | 1,155,662 | 1,300,432 | 3,361,409 | 1,055,644 | 4,517,071 | 2,356,076 |
| Long term liabilities | 9,381,922 | 3,952,680 | 70,148,036 | 74,032,919 | 79,529,958 | 77,985,599 |
| Total liabilities | 10,537,584 | 5,253,112 | 73,509,445 | 75,088,563 | 84,047,029 | 80,341,675 |
| Net position: | | | | | | |
| Net investment in capital assets | 30,819,582 | 29,978,693 | 50,316,306 | 47,690,144 | 81,135,888 | 77,668,837 |
| Restricted | 2,394,851 | 2,013,189 | - | - | 2,394,851 | 2,013,189 |
| Unrestricted | 5,105,986 | 4,952,275 | 9,359,636 | 11,307,027 | 14,465,622 | 16,259,302 |
| Total net position | \$ 38,320,419 | \$ 36,944,157 | \$ 59,675,942 | \$ 58,997,171 | \$ 97,996,361 | \$ 95,941,328 |

The largest portion of the City's net position (82.79%) 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 4.46% increase from the prior year. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$ 2,394,851 (2.44%), represents resources that are subject to external restrictions on how they may be used. This represents an increase of 18.96% from the previous year's balance of \$ 2,013,189. The remaining balance of unrestricted net position \$ 14,465,622 (14.77%) 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, 2014

Changes in Net Position

Governmental activities and business-type activities increased the City's net position by \$ 2,055,033 from the previous fiscal year. The relevant revenue and expenditure categories and their effect on net position 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 Position

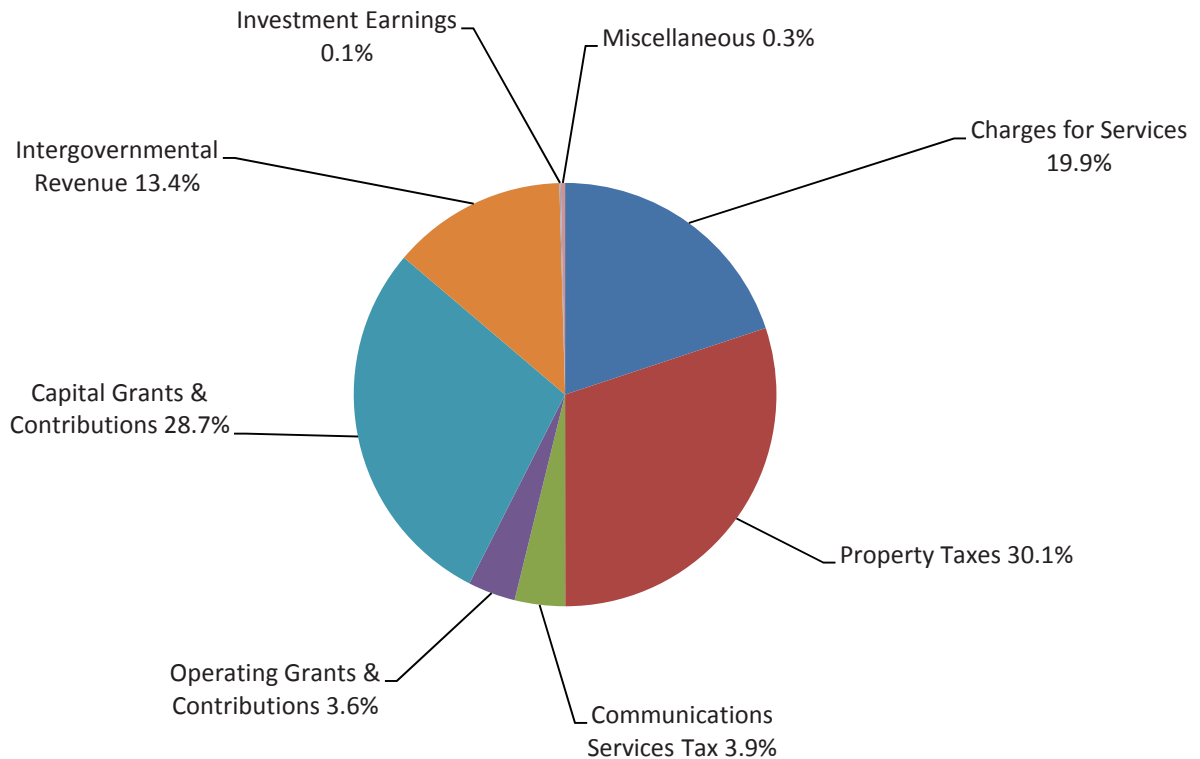
| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,632,858 | \$ 2,700,197 | \$ 6,817,638 | \$ 6,571,828 | \$ 9,450,496 | \$ 9,272,025 |
| Operating grants and contributions | 480,670 | 486,147 | 41,873 | 135,379 | 522,543 | 621,526 |
| Capital grants and contributions | 3,801,181 | 2,726,468 | 5,145,621 | 5,546,634 | 8,946,802 | 8,273,102 |
| General revenues: | | | | | | |
| Property taxes | 3,978,700 | 3,777,989 | - | - | 3,978,700 | 3,777,989 |
| Other taxes | 508,840 | 554,701 | - | - | 508,840 | 554,701 |
| State shared revenues | 1,766,483 | 1,643,871 | - | - | 1,766,483 | 1,643,871 |
| Investment earnings | 14,392 | 27,364 | 33,250 | 46,463 | 47,642 | 73,827 |
| Miscellaneous | 41,806 | 69,179 | - | - | 41,806 | 69,179 |
| Total revenues | 13,224,930 | 11,985,916 | 12,038,382 | 12,300,304 | 25,263,312 | 24,286,220 |
| Expenses: | | | | | | |
| General government | 2,718,127 | 2,751,456 | - | - | 2,718,127 | 2,751,456 |
| Public safety | 4,713,469 | 4,623,980 | - | - | 4,713,469 | 4,623,980 |
| Community services | 2,943,294 | 2,673,198 | - | - | 2,943,294 | 2,673,198 |
| Community development | 875,734 | 887,239 | - | - | 875,734 | 887,239 |
| Interest on long-term debt | 282,779 | 202,629 | - | - | 282,779 | 202,629 |
| Marina | - | - | 710,071 | 748,329 | 710,071 | 748,329 |
| Wastewater | - | - | 9,594,935 | 8,772,782 | 9,594,935 | 8,772,782 |
| Stormwater | - | - | 1,369,870 | 1,278,604 | 1,369,870 | 1,278,604 |
| Total expenses | 11,533,403 | 11,138,502 | 11,674,876 | 10,799,715 | 23,208,279 | 21,938,217 |
| Increase in net position before transfers | 1,691,527 | 847,414 | 363,506 | 1,500,589 | 2,055,033 | 2,348,003 |
| Transfers | (315,265) | (294,079) | 315,265 | 294,079 | - | - |
| Increase in net position | 1,376,262 | 553,335 | 678,771 | 1,794,668 | 2,055,033 | 2,348,003 |
| Net position-beginning | 36,944,157 | 36,390,822 | 58,997,171 | 57,202,503 | 95,941,328 | 93,593,325 |
| Net position-ending | \$ 38,320,419 | \$ 36,944,157 | \$ 59,675,942 | \$ 58,997,171 | \$ 97,996,361 | \$ 95,941,328 |

Governmental activities increased the City of Marathon's net position by \$ 1,376,262 as compared to an increase in net position of \$ 678,335 in the prior fiscal year.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 52.28% of the governmental activities total revenues. Property taxes, which represent 30.08% 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, 2014

Revenue Sources - Governmental Activities



Business-Type Activities

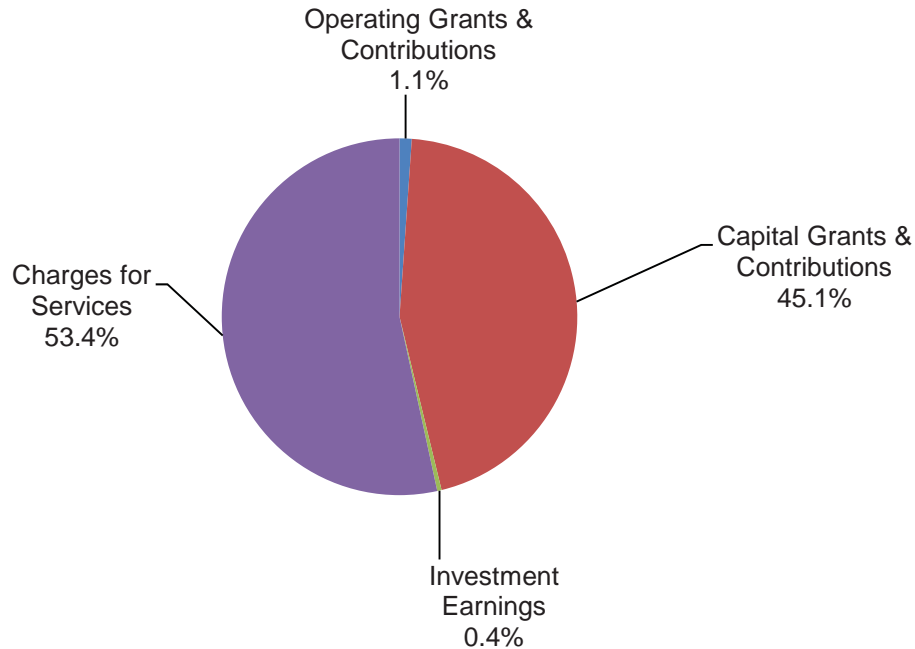
Business-type activities increased the City of Marathon's net position by \$ 678,771. This increase in net position is due principally to the fact that capital grants and contributions, including special assessments, directly increase capital assets in the wastewater and stormwater utilities and are not used for operating expenses.

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

- In total, the City's business-type activities reflected an operating loss of \$ 3,005,309. This is primarily due to:
 - The Wastewater and Stormwater Fund's operating loss of \$ 3,157,753. This operating loss increased from the prior year's operating loss by \$ 1,026,758 due to the increased operating expense.
 - The Marina Fund's operating income of \$ 152,444. This operating income is up \$ 98,926 from its operating income from the previous year of \$ 53,518. This increase in income is due to an increase in users of the City marina.
- Grants and contributions, both operating and capital, represent 46.20% of the total business-type revenues.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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 \$ 13,525,697 an increase of \$ 6,134,352 in comparison with the prior year. \$ 2,476,511 (18.31%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance: \$ 39,481 is restricted for police education, \$ 131,462 is restricted for firefighter pension, \$ 124,084 is restricted for grant projects, \$ 1,838,418 is restricted for street maintenance projects, \$ 5,881,701 is restricted for capital projects, \$ 92,943 is *nonspendable fund balance* for prepaid items, \$ 2,338,268 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 and \$ 602,829 is assigned to subsequent year's budget.

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 \$ 2,476,511 while total fund balance was \$ 3,341,726. 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 27.92% of total General Fund expenditures, while total fund balance represents 37.67% of that same amount.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

The fund balance of the City of Marathon's General Fund increased by \$ 292,754 during the current fiscal year. Total General Fund revenues increased .46% while expenditures increased 1.7%.

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:

| | 2014 Amount | Percentage of Total | 2013 Amount | Percentage of Total | Increase (Decrease) From 2013 | Percentage of Increase (Decrease) |
|------------------------------|---------------------|------------------------|---------------------|------------------------|-------------------------------------|---|
| Revenues: | | | | | | |
| Property taxes | \$ 3,978,700 | 46% | \$ 3,777,989 | 44% | \$ 200,711 | 5% |
| Intergovernmental | 2,099,539 | 24% | 2,017,393 | 24% | 82,146 | 4% |
| Licenses and permits | 966,452 | 11% | 927,451 | 11% | 39,001 | 4% |
| Charges for services | 840,115 | 10% | 1,067,452 | 12% | (227,337) | -21% |
| Fines and forfeitures | 169,149 | 2% | 157,311 | 2% | 11,838 | 8% |
| Communication services taxes | 508,840 | 6% | 554,701 | 8% | (45,861) | -8% |
| Interest | 3,219 | 0% | 10,803 | 0% | (7,584) | -70% |
| Miscellaneous | 34,485 | 0% | 48,199 | 1% | (13,714) | -28% |
| Total revenues | <u>\$ 8,600,499</u> | <u>100%</u> | <u>\$ 8,561,299</u> | <u>100%</u> | <u>\$ 39,200</u> | <u>0%</u> |

- Revenues from property taxes increased 5% due to the increase in the tax rate charged to property owners.
- Charges for services decreased 21% due to an increase in the allowance for doubtful account collections for emergency medical services fees.
- Intergovernmental revenues increased 4% due to increased collections of the sales tax revenue sharing from the State.
- Communication service tax revenue decreased 8% due to legislative changes to this tax at the State level.

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

| | 2014 Amount | Percentage of Total | 2013 Amount | Percentage of Total | Increase (Decrease) From 2013 | Percentage of Increase (Decrease) |
|-----------------------|---------------------|------------------------|---------------------|------------------------|-------------------------------------|---|
| Expenditures: | | | | | | |
| City Council | \$ 548,779 | 6% | \$ 608,536 | 7% | \$ (59,757) | -10% |
| Administration | 1,526,876 | 18% | 1,518,090 | 18% | 8,786 | 1% |
| Legal | 413,574 | 4% | 298,297 | 4% | 115,277 | 39% |
| Police services | 1,435,412 | 16% | 1,344,923 | 15% | 90,489 | 7% |
| Fire/EMS | 2,822,518 | 32% | 2,810,408 | 32% | 12,110 | 0% |
| Public works | 225,853 | 3% | 239,428 | 3% | (13,575) | -6% |
| Parks and recreation | 960,105 | 11% | 896,080 | 10% | 64,025 | 7% |
| Bridges | 21,634 | 0% | 36,337 | 0% | (14,703) | -40% |
| Non departmental | 90,224 | 1% | 143,197 | 2% | (52,973) | 143% |
| Community development | 825,034 | 9% | 825,021 | 9% | 13 | 0% |
| Total expenditures | <u>\$ 8,870,009</u> | <u>100%</u> | <u>\$ 8,720,317</u> | <u>100%</u> | <u>\$ 149,692</u> | <u>2%</u> |

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

- Legal increased 39% due to an increase in general and litigation services provided to the City by the outsourced legal department.
- Public safety (Police and Fire/EMS) accounts for approximately 48% of the General Fund expenditures.

Other governmental funds

Significant items pertaining to other governmental funds are as follows:

- The Street Maintenance Fund increased its fund balance by \$ 278,565 due to increased capital outlay grant activity that reimbursed for bridge repair capital outlay expenditures.
- The Capital Infrastructure Fund increased its fund balance by \$ 5,441,410 due to the bonding of the City Hall construction project.

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 and Stormwater Utility Fund

- The City-wide stormwater collection and wastewater collection and treatment systems were completed, online and operating prior to the end of the previous fiscal year. This activity resulted in an increase in the Wastewater and Stormwater Utility Fund net position of \$ 527,829

Marina Fund

- The activities at the City's marina resulted in a change of net position of \$ 150,942.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase of \$ 404,453 in total budgeted revenues, and an increase of \$ 152,271 in total budgeted expenditures. 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:

- \$ 237,046 increase allocated to the Fire & EMS department for unanticipated personnel expenditures for the State contribution pass through to the Firefighters Chapter 175 pension plan, \$ 237,046 of fire insurance premium tax intergovernmental revenues were also included in the amendment to account for the receipt of the pass through monies from received the State.
- \$ 90,225 increase allocated to the non departmental expenditures for unforeseen storm damage cleanup. Intergovernmental revenue resources of \$ 73,607 from Federal Emergency Management Agency (FEMA) grant funding related to this project were also in the final budget amendment.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

- \$ 125,000 decrease to the administration budget due to personnel expenditures being less than originally anticipated.
- \$ 20,000 decrease to the Community Services budget for decreased personnel costs.

Actual expenditures were \$ 408,672 below the final budgeted amounts. The significant variances can be summarized as follows:

- Expenditures for City administration were \$ 76,793 under the budgeted amount due to lower than anticipated expenditures for personnel costs and professional services.
- Expenditures for police services were \$ 110,311 under the budgeted amount due to lower than anticipated expenditures for contract costs.
- Community services were \$ 21,806 under the budgeted amount due to lower than anticipated expenditures for grounds and structure maintenance, special events and activities, personnel and utility expenditures.
- Community development expenditures were \$ 66,243 under the budgeted amount due to lower than anticipated costs for personnel and professional services.

Resources available for appropriations were \$ 79,814 under the budgeted amount. The significant variances can be summarized as follows:

- Property taxes were \$ 32,250 over the budgeted amount due to collections being higher than originally anticipated.
- Charges for services were \$ 154,685 under the budgeted amount due to an increase in the allowance for doubtful account collections related to emergency medical service fees.
- Intergovernmental revenues were \$ 84,259 over the budgeted amount as a result of an increase in sales tax revenues shared by the State.

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, 2014, amounts to \$ 155,293,567 (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 net decrease in the City's investment in capital assets for the current fiscal year was \$ 744,733 as compared to the \$ 1,440,947 net decrease in the prior year.

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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

- The construction in progress increased in the area of governmental activities by \$ 379,704 for the City Hall construction project.
- The improvements other than buildings in the governmental activities increased by \$ 676,768 for the 117th Street Bridge Project of which \$ 8,650 was in construction in progress, and by \$ 501,080 for Ocean Front Park improvements of which \$ 102,650 was in construction in progress.
- The improvements other than buildings in the business-type activities increased by \$ 77,448 due to the replacement of 75 mooring balls and down lines at the City Marina.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Capital assets, net of depreciation: | | | | | | |
| Land | \$ 9,099,578 | \$ 9,099,578 | \$ 2,667,688 | \$ 2,957,857 | \$ 11,767,266 | \$ 12,057,435 |
| Intangibles | 3,822 | 6,356 | 1,625,987 | 1,626,104 | 1,629,809 | 1,632,460 |
| Construction in progress | 621,706 | 349,432 | 1,244,689 | 816,045 | 1,866,395 | 1,165,477 |
| Buildings | 11,541,317 | 11,914,393 | 29,793,606 | 31,511,916 | 41,334,923 | 43,426,309 |
| Leasehold improvements | 25,572 | 28,858 | - | - | 25,572 | 28,858 |
| Improvement other than buildings | 11,053,853 | 10,360,267 | 83,899,889 | 83,551,672 | 94,953,742 | 93,911,939 |
| Land improvements | - | - | 170,718 | 182,634 | 170,718 | 182,634 |
| Fire equipment and vehicles | 1,744,431 | 1,695,329 | 374,143 | 418,176 | 2,118,574 | 2,113,505 |
| Furniture and equipment | 659,008 | 783,740 | 767,560 | 735,943 | 1,426,568 | 1,519,683 |
| Total | \$ 34,749,287 | \$ 34,237,953 | \$ 120,544,280 | \$ 121,800,347 | \$ 155,293,567 | \$ 156,038,300 |

Additional information on the City's capital assets can be found in Note 6 on pages 39 through 41 of this report.

Long-term debt

At the end of the current fiscal year, the City of Marathon had governmental activities improvement revenue bond debt outstanding of \$ 9,550,000. This debt is secured by the City's local discretionary sales surtax revenues. The City's Wastewater and Stormwater Enterprise Fund also had State Revolving Fund debt outstanding of \$ 70,227,974. 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.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Long-term debt: | | | | | | |
| Improvement Revenue Bonds | \$ 9,550,000 | \$ 4,259,260 | \$ - | \$ - | \$ 9,550,000 | \$ 4,259,260 |
| State Revolving Fund Loan | - | - | 70,227,974 | 74,110,203 | 70,227,974 | 74,110,203 |
| Wastewater System Revenue Bonds | - | - | - | - | - | - |
| Compensated absences | 111,692 | 190,334 | 16,035 | 16,475 | 127,727 | 206,809 |
| Other post-employment benefit obligation | 311,399 | 262,859 | - | - | 311,399 | 262,859 |
| Total | \$ 9,973,091 | \$ 4,712,453 | \$ 70,244,009 | \$ 74,126,678 | \$ 80,217,100 | \$ 78,839,131 |

CITY OF MARATHON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

The City of Marathon's total debt increased by \$ 1,377,969 (1.75%) during the current fiscal year, primarily due to the refunding of the improvement revenue bonds.

Additional information on the City of Marathon's long-term debt can be found in Note 7 on pages 41 through 44 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Monroe County was 3.2% in November of 2014, which is a decrease from a rate of 3.8% a year ago. The rate still compares favorably to the state's average unemployment rate of 5.8%.

During the current fiscal year unassigned fund balance in the General Fund increased to \$ 2,476,511. A slight increase in 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 2.2097. For the fiscal year 2015, the City adopted a final millage rate of 2.3297 mills which is 5.43 % above the roll back rate, as compared to 2.2969 in fiscal year 2014.

During fiscal year 2015, the City will be working on the following programs/projects:

- Construction of a permanent City Hall facility.
- 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 POSITION
September 30, 2014

| | Governmental Activities | Business- type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 12,355,237 | \$ 12,114,214 | \$ 24,469,451 |
| Investments | 39,716 | - | 39,716 |
| Receivables, net | 373,286 | 368,743 | 742,029 |
| Due from other governments | 1,229,008 | 130,450 | 1,359,458 |
| Prepays | 92,943 | 27,700 | 120,643 |
| Net pension asset | 3,099 | - | 3,099 |
| Capital assets not being depreciated | 9,725,106 | 5,526,121 | 15,251,227 |
| Capital assets, being depreciated | 25,024,181 | 115,018,159 | 140,042,340 |
| | <u>48,842,576</u> | <u>133,185,387</u> | <u>182,027,963</u> |
| Total assets | | | |
| | <u>48,842,576</u> | <u>133,185,387</u> | <u>182,027,963</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred charge on refunding | 15,427 | - | 15,427 |
| | <u>15,427</u> | <u>-</u> | <u>15,427</u> |
| LIABILITIES: | | | |
| Accounts payable and accrued liabilities | 498,678 | 3,265,436 | 3,764,114 |
| Unearned revenues | 33,225 | - | 33,225 |
| Due to other governments | 32,590 | - | 32,590 |
| Noncurrent liabilities: | | | |
| Due within one year | 591,169 | 95,973 | 687,142 |
| Due in more than one year | 9,381,922 | 70,148,036 | 79,529,958 |
| | <u>10,537,584</u> | <u>73,509,445</u> | <u>84,047,029</u> |
| Total liabilities | | | |
| | <u>10,537,584</u> | <u>73,509,445</u> | <u>84,047,029</u> |
| COMMITMENTS AND CONTINGENCIES (NOTE 8) | - | - | - |
| NET POSITION: | | | |
| Net investment in capital assets | 30,819,582 | 50,316,306 | 81,135,888 |
| Restricted for: | | | |
| Capital projects | 261,406 | - | 261,406 |
| Street maintenance | 1,838,418 | - | 1,838,418 |
| Police education | 39,481 | - | 39,481 |
| Firefighter pension | 131,462 | - | 131,462 |
| Grant projects | 124,084 | - | 124,084 |
| Unrestricted | 5,105,986 | 9,359,636 | 14,465,622 |
| | <u>38,320,419</u> | <u>59,675,942</u> | <u>97,996,361</u> |
| Total net position | <u>\$ 38,320,419</u> | <u>\$ 59,675,942</u> | <u>\$ 97,996,361</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, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|----------------------|----------------------|------------------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities Business-type Activities Total |
| Governmental activities: | | | | | |
| General government | \$ 2,718,127 | \$ 194,134 | \$ 63,092 | \$ - | \$ (2,460,901) \$ (2,460,901) |
| Public safety | 4,713,469 | 912,737 | 237,046 | - | (3,563,686) (3,563,686) |
| Community services | 2,943,294 | 659,677 | 180,532 | 3,739,710 | 1,636,625 1,636,625 |
| Community development | 875,734 | 866,310 | - | 61,471 | 52,047 52,047 |
| Interest and other debt service costs | 282,779 | - | - | - | (282,779) (282,779) |
| Total governmental activities | 11,533,403 | 2,632,858 | 480,670 | 3,801,181 | (4,618,694) (4,618,694) |
| Business-type activities: | | | | | |
| Wastewater | 9,594,935 | 5,989,281 | 973 | 4,078,200 | 473,519 473,519 |
| Stormwater | 1,369,870 | - | - | 1,022,871 | (346,999) (346,999) |
| Marina | 710,071 | 828,357 | 40,900 | 44,550 | 203,736 203,736 |
| Total business-type activities | 11,674,876 | 6,817,638 | 41,873 | 5,145,621 | 330,256 330,256 |
| Total | \$ 23,208,279 | \$ 9,450,496 | \$ 522,543 | \$ 8,946,802 | (4,288,438) (4,288,438) |
| General revenues: | | | | | |
| Property taxes | | | | | 3,978,700 3,978,700 |
| Communications services tax | | | | | 508,840 508,840 |
| Unrestricted intergovernmental revenue | | | | | 1,766,483 1,766,483 |
| Unrestricted investment earnings | | | | | 14,392 33,250 47,642 |
| Miscellaneous, including sale of general capital assets | | | | | 41,806 41,806 |
| Transfers | | | | | (315,265) 315,265 - |
| Total general revenues | | | | | 5,994,956 348,515 6,343,471 |
| Change in net position | | | | | 1,376,262 678,771 2,055,033 |
| Net position, beginning | | | | | 36,944,157 58,997,171 95,941,328 |
| Net position, ending | | | | | \$ 38,320,419 \$ 59,675,942 \$ 97,996,361 |

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

CITY OF MARATHON, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

| | General Fund | Street Maintenance Fund | Capital Infrastructure Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------|-----------------------------------|--|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 2,748,955 | \$ 1,351,643 | \$ 7,398,851 | \$ 855,788 | \$ 12,355,237 |
| Investments | 25,974 | 12,034 | 1,708 | - | 39,716 |
| Receivables, net | 300,806 | - | - | 72,480 | 373,286 |
| Due from other governments | 305,320 | 528,661 | 395,027 | - | 1,229,008 |
| Due from other funds | 262,264 | - | - | - | 262,264 |
| Prepaid items | 91,443 | 1,500 | - | - | 92,943 |
| Total assets | \$ 3,734,762 | \$ 1,893,838 | \$ 7,795,586 | \$ 928,268 | \$ 14,352,454 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 327,411 | \$ 53,920 | \$ 117,334 | \$ 13 | \$ 498,678 |
| Unearned revenues | 33,225 | - | - | - | 33,225 |
| Due to other funds | - | - | 262,264 | - | 262,264 |
| Due to other governments | 32,400 | - | - | 190 | 32,590 |
| Total liabilities | 393,036 | 53,920 | 379,598 | 203 | 826,757 |
| COMMITMENTS AND CONTINGENCIES (NOTE 8) | | | | | |
| | - | - | - | - | - |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 91,443 | 1,500 | - | - | 92,943 |
| Restricted for: | | | | | |
| Capital projects | - | - | 5,881,701 | - | 5,881,701 |
| Street maintenance | - | 1,838,418 | - | - | 1,838,418 |
| Police education | 39,481 | - | - | - | 39,481 |
| Firefighter pension | 131,462 | - | - | - | 131,462 |
| Grant projects | - | - | - | 124,084 | 124,084 |
| Committed to: | | | | | |
| Vehicle replacement | - | - | 1,534,287 | - | 1,534,287 |
| Grant matching | - | - | - | - | - |
| Infrastructure improvements | - | - | - | 544,180 | 544,180 |
| Affordable housing | - | - | - | 158,168 | 158,168 |
| Restoration projects | - | - | - | 101,633 | 101,633 |
| Assigned to: | | | | | |
| Subsequent year's budget | 602,829 | - | - | - | 602,829 |
| Unassigned | 2,476,511 | - | - | - | 2,476,511 |
| Total fund balances | 3,341,726 | 1,839,918 | 7,415,988 | 928,065 | 13,525,697 |
| Total liabilities and fund balances | \$ 3,734,762 | \$ 1,893,838 | \$ 7,795,586 | \$ 928,268 | \$ 14,352,454 |

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 POSITION
September 30, 2014

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

| | |
|--|---------------|
| Total fund balances of governmental funds in the balance sheet, page 18 | \$ 13,525,697 |
|--|---------------|

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds:

| | |
|-------------------------------|--------------|
| Governmental capital assets | 46,175,901 |
| Less accumulated depreciation | (11,426,614) |

| | |
|---|-------|
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | 3,099 |
|---|-------|

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

| | |
|------------------------------------|--------------------|
| Deferred charge on refunding | 15,427 |
| Net OPEB obligation | (311,399) |
| Compensated absences payable | (111,692) |
| Governmental revenue bonds payable | <u>(9,550,000)</u> |

| | |
|--|-----------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES, PAGE 16 | \$ <u><u>38,320,419</u></u> |
|--|-----------------------------|

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, 2014

| | General Fund | Street Maintenance Fund | Capital Infrastructure Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|-----------------------------------|--|--------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 3,978,700 | \$ - | \$ - | \$ - | \$ 3,978,700 |
| Intergovernmental | 2,099,539 | 1,336,386 | 2,993,633 | 64,770 | 6,494,328 |
| Licenses and permits | 966,452 | - | - | - | 966,452 |
| Charges for services | 840,115 | - | - | - | 840,115 |
| Fines and forfeitures | 169,149 | - | - | - | 169,149 |
| Communications services tax | 508,840 | - | - | - | 508,840 |
| Impact fees | - | - | - | 205,288 | 205,288 |
| Interest | 3,219 | 1,352 | 8,726 | 1,095 | 14,392 |
| Miscellaneous | 34,485 | 5,798 | 6,025 | 20,000 | 66,308 |
| Total revenues | <u>8,600,499</u> | <u>1,343,536</u> | <u>3,008,384</u> | <u>291,153</u> | <u>13,243,572</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,579,453 | - | - | - | 2,579,453 |
| Public safety | 4,257,930 | - | - | - | 4,257,930 |
| Community services | 1,207,592 | 376,765 | - | 60,054 | 1,644,411 |
| Community development | 825,034 | - | - | - | 825,034 |
| Capital outlay | - | 688,206 | 1,791,455 | - | 2,479,661 |
| Debt service: | | | | | |
| Principal | - | - | - | 785,000 | 785,000 |
| Interest and fiscal charges | - | - | - | 228,960 | 228,960 |
| Bond issuance costs | - | - | - | 50,733 | 50,733 |
| Total expenditures | <u>8,870,009</u> | <u>1,064,971</u> | <u>1,791,455</u> | <u>1,124,747</u> | <u>12,851,182</u> |
| Excess (deficiency) of revenues over expenditures | <u>(269,510)</u> | <u>278,565</u> | <u>1,216,929</u> | <u>(833,594)</u> | <u>392,390</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Payment to refunded bond escrow agent | - | - | - | (4,277,773) | (4,277,773) |
| Bonds issued | - | - | 6,058,707 | 4,276,293 | 10,335,000 |
| Transfers in | 562,264 | - | 144,211 | 1,066,173 | 1,772,648 |
| Transfers out | - | - | (1,978,437) | (109,476) | (2,087,913) |
| Total other financing sources (uses) | <u>562,264</u> | <u>-</u> | <u>4,224,481</u> | <u>955,217</u> | <u>5,741,962</u> |
| Net change in fund balances | 292,754 | 278,565 | 5,441,410 | 121,623 | 6,134,352 |
| FUND BALANCES, beginning | <u>3,048,972</u> | <u>1,561,353</u> | <u>1,974,578</u> | <u>806,442</u> | <u>7,391,345</u> |
| FUND BALANCES, ending | <u>\$ 3,341,726</u> | <u>\$ 1,839,918</u> | <u>\$ 7,415,988</u> | <u>\$ 928,065</u> | <u>\$ 13,525,697</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, 2014

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

| | | |
|---|----|-----------|
| Net change in fund balances - total governmental funds, page 20 | \$ | 6,134,352 |
|---|----|-----------|

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 | | 2,164,118 |
| Less current year provision for depreciation | | (1,642,174) |
| Disposals | | (10,610) |

The issuance of long-term debt (e.g. bonds and notes
payable) provide current financial resources to
governmental funds, while repayment of the principal
of long-term debt consumes the current financial resources
of governmental funds. Neither transaction has any effect
on net position

| | | |
|--------------------|--|--------------|
| Principal payments | | 5,062,773 |
| Bond proceeds | | (10,335,000) |

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:

| | | |
|--|--|----------|
| Provision for amortization of deferred charge on refunding | | (3,086) |
| Change in net pension asset | | (24,213) |
| Change in net OPEB obligation | | (48,540) |
| Change in compensated absences payable | | 78,642 |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES,
PAGE 17

| | | |
|--|----|-----------|
| | \$ | 1,376,262 |
|--|----|-----------|

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

CITY OF MARATHON, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

| | Business-Type Activities Enterprise Funds | | |
|---|--|---------------|------------------|
| | Major Fund | Nonmajor Fund | Total |
| | Wastewater and Stormwater Fund | Marina Fund | Enterprise Funds |
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 11,420,213 | \$ 694,001 | \$ 12,114,214 |
| Receivables, net | 368,743 | - | 368,743 |
| Prepays | 22,500 | 5,200 | 27,700 |
| Due from other governments | 77,617 | 52,833 | 130,450 |
| Total current assets | 11,889,073 | 752,034 | 12,641,107 |
| Noncurrent assets: | | | |
| Capital assets not being depreciated | 5,490,925 | 35,196 | 5,526,121 |
| Capital assets, net of accumulated depreciation | 113,325,670 | 1,692,489 | 115,018,159 |
| Total noncurrent assets | 118,816,595 | 1,727,685 | 120,544,280 |
| Total assets | 130,705,668 | 2,479,719 | 133,185,387 |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 3,250,829 | 14,607 | 3,265,436 |
| Current portion of loans payable | 94,370 | - | 94,370 |
| Current portion of compensated absences | 901 | 702 | 1,603 |
| Total current liabilities | 3,346,100 | 15,309 | 3,361,409 |
| Noncurrent liabilities: | | | |
| Compensated absences, net of current portion | 8,111 | 6,321 | 14,432 |
| Loans payable | 70,133,604 | - | 70,133,604 |
| Total noncurrent liabilities | 70,141,715 | 6,321 | 70,148,036 |
| Total liabilities | 73,487,815 | 21,630 | 73,509,445 |
| NET POSITION: | | | |
| Net investment in capital assets | 48,588,621 | 1,727,685 | 50,316,306 |
| Unrestricted | 8,629,232 | 730,404 | 9,359,636 |
| Total net position | \$ 57,217,853 | \$ 2,458,089 | \$ 59,675,942 |

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 POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

| | Business-Type Activities Enterprise Funds | | |
|---|--|------------------------------------|------------------------------|
| | Major Fund Wastewater and Stormwater Fund | Nonmajor Fund Marina Fund | Total Enterprise Funds |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 5,989,281 | \$ 828,357 | \$ 6,817,638 |
| Total operating revenues | 5,989,281 | 828,357 | 6,817,638 |
| OPERATING EXPENSES: | | | |
| Personnel costs | 543,415 | 351,178 | 894,593 |
| Operating expenses | 4,556,594 | 207,270 | 4,763,864 |
| Provision for depreciation | 4,047,025 | 117,465 | 4,164,490 |
| Total operating expenses | 9,147,034 | 675,913 | 9,822,947 |
| Operating income (loss) | (3,157,753) | 152,444 | (3,005,309) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Loss on disposal of property | (97,482) | (34,158) | (131,640) |
| Insurance recovery | 973 | - | 973 |
| Interest income | 32,395 | 855 | 33,250 |
| Interest expense | (1,720,289) | - | (1,720,289) |
| Total nonoperating revenues (expenses) | (1,784,403) | (33,303) | (1,817,706) |
| Income (loss) before capital contributions | (4,942,156) | 119,141 | (4,823,015) |
| CAPITAL CONTRIBUTIONS: | | | |
| Special assessments | 4,981,052 | - | 4,981,052 |
| Grants | 120,019 | 85,450 | 205,469 |
| Total capital contributions | 5,101,071 | 85,450 | 5,186,521 |
| Income before transfers | 158,915 | 204,591 | 363,506 |
| TRANSFERS: | | | |
| Transfers in | 650,000 | - | 650,000 |
| Transfers out | (281,086) | (53,649) | (334,735) |
| Total transfers | 368,914 | (53,649) | 315,265 |
| Change in net position | 527,829 | 150,942 | 678,771 |
| NET POSITION, beginning | 56,690,024 | 2,307,147 | 58,997,171 |
| NET POSITION, ending | \$ 57,217,853 | \$ 2,458,089 | \$ 59,675,942 |

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, 2014

| | Business-Type Activities Enterprise Funds | | |
|---|--|------------------------------------|------------------------------|
| | Major Fund Wastewater and Stormwater Fund | Nonmajor Fund Marina Fund | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers and users | \$ 6,372,787 | \$ 828,357 | \$ 7,201,144 |
| Payments to employees | (528,762) | (353,360) | (882,122) |
| Payments to suppliers | (4,624,526) | (215,376) | (4,839,902) |
| Net cash provided by operating activities | 1,219,499 | 259,621 | 1,479,120 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Operating grant proceeds | - | 61,435 | 61,435 |
| Transfers to other funds | (281,086) | (53,649) | (334,735) |
| Net cash provided by (used in) non-capital and related financing activities | (281,086) | 7,786 | (273,300) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | (777,983) | (84,103) | (862,086) |
| Proceeds from disposal of property | 192,688 | - | 192,688 |
| Proceeds from capital grants | 120,019 | - | 120,019 |
| Proceeds from capital assessments | 5,002,836 | - | 5,002,836 |
| Proceeds from insurance recoveries | 973 | - | 973 |
| Transfers from other funds | 650,000 | - | 650,000 |
| Repayments of capital debt | (3,882,229) | - | (3,882,229) |
| Interest paid | (1,732,079) | - | (1,732,079) |
| Net cash used in capital and related financing activities | (425,775) | (84,103) | (509,878) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | 32,395 | 855 | 33,250 |
| Net cash provided by investing activities | 32,395 | 855 | 33,250 |
| Net increase in cash and cash equivalents | 545,033 | 184,159 | 729,192 |
| CASH AND CASH EQUIVALENTS, beginning | 10,875,180 | 509,842 | 11,385,022 |
| CASH AND CASH EQUIVALENTS, ending | \$ 11,420,213 | \$ 694,001 | \$ 12,114,214 |

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (continued)
 For the Year Ended September 30, 2014

| | Business-Type Activities Enterprise Funds | | |
|--|--|--------------------------|----------------------------|
| | Major Fund | Nonmajor | Total |
| | Wastewater and Stormwater Fund | Fund Marina Fund | Enterprise Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ <u>(3,157,753)</u> | \$ <u>152,444</u> | \$ <u>(3,005,309)</u> |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Provision for depreciation | 4,047,025 | 117,465 | 4,164,490 |
| (Increase) decrease in: | | | |
| Receivables | 90,919 | - | 90,919 |
| Prepays | (9,600) | 1,797 | (7,803) |
| Due from other governments | 292,587 | - | 292,587 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued liabilities | (47,106) | (8,218) | (55,324) |
| Compensated absences | <u>3,427</u> | <u>(3,867)</u> | <u>(440)</u> |
| Total adjustments | <u>4,377,252</u> | <u>107,177</u> | <u>4,484,429</u> |
| Net cash provided by operating activities | \$ <u><u>1,219,499</u></u> | \$ <u><u>259,621</u></u> | \$ <u><u>1,479,120</u></u> |

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

CITY OF MARATHON, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIREFIGHTERS' PENSION TRUST FUND
September 30, 2014

| | |
|---|----------------------------|
| ASSETS | |
| Cash | \$ <u>33,103</u> |
| Investments: | |
| Bond fund | 2,173,769 |
| Equity funds | <u>3,310,308</u> |
| Total investments | <u>5,484,077</u> |
| Receivables: | |
| City (including State) | <u>99,974</u> |
| Total assets | <u>5,617,154</u> |
| LIABILITIES | |
| Reserve for additional benefits | <u>165,909</u> |
| NET POSITION: | |
| Net position held in trust for pension benefits | \$ <u><u>5,451,245</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 POSITION
FIREFIGHTERS' PENSION TRUST FUND
For the Year Ended September 30, 2014

ADDITIONS:

Contributions:

| | |
|------------------------|----------------|
| Plan members | \$ 58,208 |
| City (including State) | <u>263,341</u> |

| | |
|---------------------|----------------|
| Total contributions | <u>321,549</u> |
|---------------------|----------------|

Investment income:

| | |
|---|----------------|
| Net appreciation in fair value of investments | <u>417,331</u> |
|---|----------------|

| | |
|-----------------|----------------|
| Total additions | <u>738,880</u> |
|-----------------|----------------|

DEDUCTIONS:

| | |
|-------------------------|---------------|
| Distributions | 17,052 |
| Administrative expenses | <u>35,373</u> |

| | |
|------------------|---------------|
| Total deductions | <u>52,425</u> |
|------------------|---------------|

| | |
|------------------------|---------|
| Change in net position | 686,455 |
|------------------------|---------|

| | |
|---|------------------|
| NET POSITION, beginning as restated (Note 13) | <u>4,764,790</u> |
|---|------------------|

| | |
|----------------------|---------------------|
| NET POSITION, ending | <u>\$ 5,451,245</u> |
|----------------------|---------------------|

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, 2014

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 two 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 position 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, 2014

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 fund:

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

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

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.

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.

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:

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital assets:

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

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and structures | 10-50 years |
| Leasehold improvements | 5-20 years |
| Improvements other than buildings | 10-50 years |
| Fire equipment and vehicles | 5-12 years |
| Furniture and equipment | 3-20 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.

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

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/unavailable revenue:

Governmental funds report unavailable 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, 2014

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 position. 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. 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 Council. These amounts cannot be used for any other purpose unless the Council 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. The Council has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments; assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 position:

Net position of the government-wide and proprietary funds are categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is that portion of net position 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 position is that portion of net position 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 position consist of all net position 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 position 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 \$ 1,546,302 is established for EMS receivables based on historical collection rates.

Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of management review:

Subsequent events were evaluated through March 24, 2015, which is the date the financial statements were available to be issued.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

Investments:

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

The City has funds invested in the Local Government Surplus Funds Trust Fund (the "Florida PRIME"). Florida PRIME is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. 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.

Investments - City:

As of September 30, 2014, the City had the following investments:

| | Fair Value | Investment Maturities (In Years) |
|---------------|---------------|--|
| Florida PRIME | \$ 39,716 | Less than 1 |
| | \$ 39,716 | |

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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit risk:

The City's investment policy limits investments to the highest ratings issued by a nationally recognized statistical rating organization (NRSRO). Florida PRIME is rated AAAM by Standard and Poor's.

Investments - Firefighters' Pension Plan:

The Firefighters' Pension Plan is part of the Florida Municipal Pension Trust Fund ("FMPTF") which is an external investment pool established for the purpose of funding the individually designed employee pension plans of the participating Florida municipalities. The assets of defined benefit plans are invested through the Florida Municipal Investment Trust (FMIvT), 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.

As of September 30, 2014, the City's Firefighters' Pension Plan (the "Plan") had the following investments:

| | |
|------------------------------------|--------------|
| FMIvT Broad Market High | |
| Quality Bond Fund | \$ 882,749 |
| FMIvT Core Plus Fixed Income | 1,291,020 |
| FMIvT High Quality Growth Fund | 441,374 |
| FMIvT Diversified Small to Mid Cap | 601,373 |
| FMIvT Russell 1000 Enhanced Index | 1,291,020 |
| FMIvT International Blend | 524,132 |
| FMIvT Diversified Value | 452,409 |
| | <hr/> |
| | \$ 5,484,077 |
| | <hr/> |

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 4.77 years and a weighted average maturity of 6.47 years. The FMIvT Core Plus Fixed Income Fund has an effective duration of 2.91 years and a weighted average maturity of 6.52 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.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

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

NOTE 3 - PROPERTY TAXES

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

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, 2014, there were no significant delinquent taxes.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 4 - 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:

| | General | Capital Infrastructure | Street Maintenance | Affordable Housing | CDBG Fund |
|-----------------------------------|--------------|---------------------------|-----------------------|-----------------------|--------------|
| Customers billed | \$ 1,811,828 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 305,320 | 395,027 | 528,661 | - | 12,480 |
| Loans | - | - | - | 60,000 | - |
| Miscellaneous | 35,280 | - | - | - | - |
| Gross receivables | 2,152,428 | 395,027 | 528,661 | 60,000 | 12,480 |
| Less allowance for uncollectibles | (1,546,302) | - | - | - | - |
| Net receivables | \$ 606,126 | \$ 395,027 | \$ 528,661 | \$ 60,000 | \$ 12,480 |

| | Marina | Wastewater/ Stormwater | Pension Trust Fund | Total |
|-----------------------------------|-----------|---------------------------|-----------------------|--------------|
| Customers billed | \$ - | \$ 368,743 | \$ - | \$ 2,180,571 |
| Intergovernmental | 52,833 | 77,617 | - | 1,371,938 |
| Loans | - | - | - | 60,000 |
| Miscellaneous | - | - | - | 35,280 |
| Contributions | - | - | 99,974 | 99,974 |
| Gross receivables | 52,833 | 446,360 | 99,974 | 3,747,763 |
| Less allowance for uncollectibles | - | - | - | (1,546,302) |
| Net receivables | \$ 52,833 | \$ 446,360 | \$ 99,974 | \$ 2,201,461 |

Receivables consist of the following:

| | |
|--|--------------|
| Receivables (including pension trust fund) | \$ 829,523 |
| Due from other governments | 1,371,938 |
| Net total receivables | \$ 2,201,461 |

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

| | General | Capital Infrastructure | Street Maintenance | Wastewater/ Stormwater | Marina (Nonmajor Fund) | CDBG (Nonmajor Fund) | Total |
|---------------------|------------|---------------------------|-----------------------|---------------------------|------------------------------|----------------------------|--------------|
| Settlement | \$ - | \$ - | \$ - | \$ 2,350,000 | \$ - | \$ - | \$ 2,350,000 |
| Vendors | 136,928 | 117,334 | 16,465 | 353,370 | 4,598 | 13 | 628,708 |
| Payroll liabilities | 190,483 | - | 7,391 | 20,423 | 10,009 | - | 228,306 |
| Retainage | - | - | 30,064 | 313,355 | - | - | 343,419 |
| Accrued interest | - | - | - | 213,681 | - | - | 213,681 |
| Total | \$ 327,411 | \$ 117,334 | \$ 53,920 | \$ 3,250,829 | \$ 14,607 | \$ 13 | \$ 3,764,114 |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers is as follows:

| Transfer Out | Transfer In | | | | Total |
|-----------------------------|-------------------|-----------------------------|------------------------------|----------------------------|---------------------|
| | General Fund | Capital Infrastructure Fund | Non-Major Governmental Funds | Wastewater/Stormwater Fund | |
| Capital Infrastructure Fund | \$ 262,264 | \$ - | \$ 1,066,173 | \$ 650,000 | \$ 1,978,437 |
| Street Maintenance Fund | - | - | - | - | - |
| Nonmajor Governmental Funds | - | 109,476 | - | - | 109,476 |
| Marina Fund | 50,000 | 3,649 | - | - | 53,649 |
| Wastewater/Stormwater Fund | 250,000 | 31,086 | - | - | 281,086 |
| Total | <u>\$ 562,264</u> | <u>\$ 144,211</u> | <u>\$ 1,066,173</u> | <u>\$ 650,000</u> | <u>\$ 2,422,648</u> |

A transfer of \$ 262,264 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 and also to refund a contribution made by the General Fund that is no longer necessary. The transfer of \$ 262,264 is also reflected in the amount due from Capital Infrastructure Fund in the General Fund and due to General Fund in the Capital Infrastructure Fund. This amount was transferred subsequent to year end.

Transfers of \$ 300,000 were made from the Marina, and Wastewater/Stormwater Utility Enterprise Funds to the General Fund to support general project administration costs.

Transfers totaling \$ 34,735 were made from the Marina, and Wastewater/Stormwater Utility Enterprise Funds to the Capital Infrastructure Fund in order to set aside funds for the purchase of new City vehicles.

Transfers totaling \$ 109,476 were made from the Impact Fee Fund to the Capital Infrastructure Fund in order to use impact fees for their specified capital purpose.

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

A transfer of \$ 1,066,173 was made from the Capital Infrastructure Fund to the Debt Service Fund in order to satisfy debt service requirements.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|----------------|-------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,099,578 | \$ - | \$ - | \$ 9,099,578 |
| Intangibles | 3,822 | - | - | 3,822 |
| Construction-in-progress | 349,432 | 391,605 | 119,331 | 621,706 |
| Total capital assets not being depreciated | 9,452,832 | 391,605 | 119,331 | 9,725,106 |
| Capital assets being depreciated: | | | | |
| Buildings and structures | 14,328,786 | 18,472 | - | 14,347,258 |
| Leasehold Improvements | 64,215 | - | - | 64,215 |
| Improvements other than buildings | 14,997,805 | 1,552,899 | - | 16,550,704 |
| Fire equipment and vehicles | 3,061,403 | 297,511 | 39,750 | 3,319,164 |
| Furniture and equipment | 2,142,343 | 22,962 | 3,451 | 2,161,854 |
| Intangibles | 7,600 | - | - | 7,600 |
| Total capital assets being depreciated | 34,602,152 | 1,891,844 | 43,201 | 36,450,795 |
| Total capital assets | 44,054,984 | 2,283,449 | 162,532 | 46,175,901 |
| Less accumulated depreciation: | | | | |
| Buildings and structures | 2,414,393 | 391,548 | - | 2,805,941 |
| Leasehold Improvements | 35,357 | 3,286 | - | 38,643 |
| Improvements other than buildings | 4,637,538 | 859,313 | - | 5,496,851 |
| Fire equipment and vehicles | 1,366,074 | 240,272 | 31,613 | 1,574,733 |
| Furniture and equipment | 1,358,603 | 145,221 | 978 | 1,502,846 |
| Intangibles | 5,066 | 2,534 | - | 7,600 |
| Total accumulated depreciation | 9,817,031 | 1,642,174 | 32,591 | 11,426,614 |
| Total capital assets being depreciated, net | 24,785,121 | 249,670 | 10,610 | 25,024,181 |
| Governmental activities, capital assets, net | \$ 34,237,953 | \$ 641,275 | \$ 129,941 | \$ 34,749,287 |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - CAPITAL ASSETS (continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|------------|-------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,957,858 | \$ - | \$ 290,170 | \$ 2,667,688 |
| Intangibles | 1,613,744 | - | - | 1,613,744 |
| Construction-in-progress | 816,045 | 443,335 | 14,691 | 1,244,689 |
| Total capital assets not being depreciated | 5,387,647 | 443,335 | 304,861 | 5,526,121 |
| Capital assets being depreciated: | | | | |
| Buildings | 36,068,901 | 77,445 | 56,943 | 36,089,403 |
| Improvements other than buildings | 89,229,531 | 2,598,064 | - | 91,827,595 |
| Land improvements | 251,299 | - | - | 251,299 |
| Intangibles | 37,078 | 15,619 | - | 52,697 |
| Equipment | 1,002,655 | 112,978 | - | 1,115,633 |
| Vehicles | 594,790 | - | - | 594,790 |
| Total capital assets being depreciated | 127,184,254 | 2,804,106 | 56,943 | 129,931,417 |
| Total capital assets | 132,571,901 | 3,247,441 | 361,804 | 135,457,538 |
| Less accumulated depreciation: | | | | |
| Buildings | 4,556,986 | 1,761,597 | 22,786 | 6,295,797 |
| Improvements other than buildings | 5,687,429 | 2,240,277 | - | 7,927,706 |
| Land improvements | 59,095 | 21,486 | - | 80,581 |
| Intangibles | 26,976 | 13,478 | - | 40,454 |
| Equipment | 264,455 | 83,618 | - | 348,073 |
| Vehicles | 176,613 | 44,034 | - | 220,647 |
| Total accumulated depreciation | 10,771,554 | 4,164,490 | 22,786 | 14,913,258 |
| Total capital assets, being depreciated, net | 116,412,700 | (1,360,384) | 34,157 | 115,018,159 |
| Business activities capital assets, net | \$ 121,800,347 | \$ (917,049) | \$ 339,018 | \$ 120,544,280 |

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

| | |
|---|--------------|
| Governmental activities: | |
| General government | \$ 144,639 |
| Public safety | 436,125 |
| Community services | 992,924 |
| Community development | 68,486 |
| Total provision for depreciation - governmental activities | \$ 1,642,174 |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - CAPITAL ASSETS (continued)

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

| | |
|---|---------------------|
| Business-type activities: | |
| Enterprise - Wastewater/Stormwater | \$ 4,047,025 |
| Enterprise - Marina | <u>117,465</u> |
| Total provision for depreciation - business-type activities | <u>\$ 4,164,490</u> |

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2014:

| | Balance October 1, 2013 | Increases | Decreases | Balance September 30, 2014 | Due Within One Year |
|---|-------------------------------|----------------------|---------------------|----------------------------------|---------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Series 2004 | \$ 4,259,260 | \$ - | \$ 4,259,260 | \$ - | \$ - |
| Series 2013A | | 10,000,000 | 725,000 | 9,275,000 | 535,000 |
| Series 2013B | | 335,000 | 60,000 | 275,000 | 45,000 |
| Compensated absences payable | 190,334 | 29,983 | 108,625 | 111,692 | 11,169 |
| Other post-employment benefit obligation | <u>262,859</u> | <u>48,540</u> | <u>-</u> | <u>311,399</u> | <u>-</u> |
| Governmental activities, long-term debt | <u>\$ 4,712,453</u> | <u>\$ 10,413,523</u> | <u>\$ 5,152,885</u> | <u>\$ 9,973,091</u> | <u>\$ 591,169</u> |

Public Improvement Refunding Revenue Bonds, Series 2013A and 2013B:

During the year, the City issued \$ 10,000,000 and \$ 335,000 in Public Improvement Refunding Revenue Bonds Series 2013A and 2013B, respectively for the purposes of refinancing the Improvement Revenue Bond, Series 2004 and to finance the construction and acquisition of certain capital projects, including a City Hall. The bonds bear interest at 2.59% and 1.89% with quarterly principal and interest payments due through January 1, 2028 and July 1, 2019, respectively. The bonds are secured by certain non ad-valorem revenues of the City.

Annual debt service requirements of the Public Improvement Refunding Revenue Bonds Series 2013A and 2013B are as follows:

| September 30, | Principal | Interest | Total |
|---------------|---------------------|---------------------|----------------------|
| 2015 | \$ 580,000 | \$ 180,453 | \$ 760,453 |
| 2016 | 760,000 | 223,560 | 983,560 |
| 2017 | 750,000 | 204,393 | 954,393 |
| 2018 | 735,000 | 185,653 | 920,653 |
| 2019 | 720,000 | 167,002 | 887,002 |
| 2020-2024 | 3,160,000 | 588,027 | 3,748,027 |
| 2025-2028 | <u>2,845,000</u> | <u>154,235</u> | <u>2,999,235</u> |
| | <u>\$ 9,550,000</u> | <u>\$ 1,703,323</u> | <u>\$ 11,253,323</u> |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 - LONG-TERM DEBT (continued)

The City refunded the Series 2004 Bonds and replaced them with the 2013 Series A and B bonds at favorable rates. The defeasement resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$ 154,987.

Analysis of debt service streams is as follows:

Refunded debt:

Public Improvement Revenue Bonds

Series 2004:

| | |
|----------------------------|----------------|
| Principal payments | \$ 4,259,260 |
| Interest payments and fees | <u>549,407</u> |

| | |
|------------------------------|-----------|
| Debt stream on refunded debt | 4,808,667 |
|------------------------------|-----------|

Refunding debt:

Public Improvement Refunding Revenue Bonds

Series 2013A:

| | |
|----------------------------|----------------|
| Principal payments | \$ 3,995,000 |
| Interest payments and fees | <u>293,917</u> |

| | |
|-------------------------------|-----------|
| Debt stream on refunding debt | 4,288,917 |
|-------------------------------|-----------|

Refunding debt:

Public Improvement Refunding Revenue Bonds

Series 2013B:

| | |
|----------------------------|---------------|
| Principal payments | \$ 335,000 |
| Interest payments and fees | <u>18,344</u> |

| | |
|-------------------------------|----------------|
| Debt stream on refunding debt | <u>353,344</u> |
|-------------------------------|----------------|

| | |
|------------------------------------|-----------------------|
| Aggregate savings in debt services | <u><u>166,406</u></u> |
|------------------------------------|-----------------------|

The following is a summary of changes in long-term liabilities of the City's business-type activities for the year ended September 30, 2014:

| | Balance October 1, 2013 | Increases | Decreases | Balance September 30, 2014 | Due Within One Year |
|---|-------------------------------|------------------------|----------------------------|----------------------------------|---------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| State Revolving Fund | | | | | |
| Loan Program | \$ 74,110,203 | \$ - | \$ 3,882,229 | \$ 70,227,974 | \$ 94,370 |
| Compensated absences payable | <u>16,475</u> | <u>7,086</u> | <u>7,528</u> | <u>16,035</u> | <u>1,603</u> |
| Business-type activities, long-term debt | <u><u>\$ 74,126,678</u></u> | <u><u>\$ 7,086</u></u> | <u><u>\$ 3,889,757</u></u> | <u><u>\$ 70,244,009</u></u> | <u><u>\$ 95,973</u></u> |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 - LONG-TERM DEBT (continued)

State Revolving Fund Loans:

As of September 30, 2014, the City has entered into nine 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, 2014, the City has borrowed a total of \$ 70,227,974 under these agreements and repayments have begun on all loan agreements which have outstanding balances. The breakdown as of September 30, 2014 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:

| <u>SRF Loan Agreement</u> | <u>Total Loan Authorized Amount</u> | <u>Interest Rate</u> | <u>Semi-Annual Payment Amount</u> | <u>Total Obligation September 30, 2014</u> |
|---------------------------|---|--------------------------|---|--|
| WW 63702P | \$ 31,308,211 | 2.25-2.54% | \$ 1,014,626 | \$ 24,720,079 |
| WW 637060 | 21,541,520 | 2.08-2.73% | 708,708 | 19,676,108 |
| WW 637090 | 10,373,801 | 2.02-2.66% | 336,280 | 8,795,215 |
| WW 637091 | 1,990,542 | 1.75% | 64,107 | 1,836,943 |
| WW 637020 | 14,781,172 | 2.08% | 614,122 | 13,360,290 |
| WW 63705P | 848,654 | 2.46% | 29,602 | 779,169 |
| SW 637070 | 519,195 | 2.37% | 17,447 | 474,241 |
| SW 63703P | 395,302 | 2.46% | 13,555 | 356,790 |
| SW 63704P | 253,923 | 2.46% | 8,705 | 229,139 |
| Total | \$ <u>82,012,320</u> | | \$ <u>2,807,152</u> | \$ <u>70,227,974</u> |

Annual debt service requirements of the State Revolving Fund loans are approximately as follows:

| <u>Year Ending September 30,</u> | <u>Principal*</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2015 | \$ 2,469,047 | \$ 3,126,804 | \$ 5,595,851 |
| 2016 | 3,943,169 | 1,631,139 | 5,574,308 |
| 2017 | 4,036,480 | 1,537,828 | 5,574,308 |
| 2018 | 4,132,022 | 1,442,286 | 5,574,308 |
| 2019 | 4,229,848 | 1,344,460 | 5,574,308 |
| 2020-2024 | 22,700,522 | 5,171,016 | 27,871,538 |
| 2025-2029 | 25,522,182 | 2,349,357 | 27,871,539 |
| 2030 | 5,544,704 | 181,332 | 5,726,036 |
| | \$ <u>72,577,974</u> | \$ <u>16,784,222</u> | \$ <u>89,362,196</u> |

* Future payments reflect a principal increase of \$ 2,350,000 for draws taken subsequent to year end.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 - LONG-TERM DEBT (continued)

Risk management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City purchases commercial insurance. There was no reduction in insurance coverage from coverages in the prior year. There were no settlements that exceeded insurance coverage for each of the past three years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in various lawsuits including personal injury, property damage, and other miscellaneous claims. For one of these cases the City has accrued a settlement of \$ 2,350,000 in the Wastewater and Stormwater Fund. For another case, 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.

Agreement for Police Services:

The City previously 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, 2015 are budgeted to be approximately \$ 1,582,000. Costs for police services for the year ended September 30, 2014 were approximately \$ 1,435,400.

Collective Bargaining Agreement:

The City Council previously 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. Subsequent to year end, the City Council approved a new collective bargaining agreement that is effective through September 30, 2017 (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).

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 9 - DEFINED CONTRIBUTION PLAN

The City as a single-employer contributes to the City of Marathon Money Purchase Plan, which is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) which is administered by ICMA. Under the Plan, the City contributes 10% for 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, 2014 were approximately \$ 161,900. Amendments to the Plan must be authorized by the City Council.

NOTE 10 - FIREFIGHTERS' PENSION PLAN

Plan description:

The City established The City of Marathon Firefighters' Pension Plan and Trust Fund (the Plan) as a Local Law Plan in accordance with Chapter 175, Florida Statutes on October 1, 2005 as per a City adopted ordinance. The Plan is a single-employer, defined benefit plan that covers all full-time firefighters. This replaces the previous Firefighters Pension Fund first created on December 9, 2003 and is treated as a newly created plan from an actuarial standpoint. From a financial statement perspective, the ending net position of the old plan became the beginning net position of the new Plan on October 1, 2005. The administrative duties for this Fund are handled through the Florida Municipal Pension Trust Fund ("FMPTF"). 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, 2013 (date of the latest actuarial valuation), the Plan's membership consisted of twenty-three active participants and three inactive plan members entitled to but not yet receiving benefits.

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. City contributions are recognized when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State of Florida. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are financed through investment earnings.

Method used to value investments:

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

Contributions and funding policy:

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

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

The City executed a collective bargaining agreement with the firefighter's union. A portion of the agreement addresses 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 ninety (90) days (or such further period agreed to by both parties in writing), the Union may increase their contributions to maintain pension benefits.

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. As of September 30, 2014, \$ 131,462 has been set aside in the stabilization fund.

The required contribution including interest to the Plan as determined by the actuarial valuation was \$ 263,341 for the year ended September 30, 2014. Contributions from the State totaled \$ 193,515 plus City contributions of \$ 69,826. The State contributed an additional \$ 43,531 which is reserved for additional benefits and thus is included as a liability under reserve for additional benefits on the Statement of Fiduciary Net Position. State contributions are recognized as both revenue and expenditure during the period in the General Fund.

Pension benefits:

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

Annual pension cost and net pension asset:

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 260,648 |
| Interest on net pension (asset) | 75 |
| Adjustment to annual required contribution | 26,831 |
| Annual pension cost | <u>287,554</u> |
| Contributions made | <u>263,341</u> |
| Change in net pension obligation (asset) | 24,213 |
| Net pension obligation (asset) at beginning of year | <u>(27,312)</u> |
| Net pension obligation (asset) at end of year | <u><u>\$ (3,099)</u></u> |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

| Fiscal Year Ending | Trend Information | | Net Pension (Asset) |
|-----------------------|------------------------------------|--|---------------------------|
| | Annual Pension Cost (APC) | Percentage of APC Contributed | |
| 9/30/2012 | \$ 350,766 | 122% | \$ (78,052) |
| 9/30/2013 | \$ 375,451 | 87% | \$ (27,312) |
| 9/30/2014 | \$ 260,648 | 101% | \$ (3,099) |

Funded status and funding progress:

The funded status of the plan as of October 1, 2013, 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, 2013 | \$ 4,024,188 | \$ 3,014,630 | \$ - | 133% | \$ 1,295,521 | 0.00% |

The aggregate actuarial cost method is used to determine the annual required contribution of the City for the Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|--------------------------------|
| Valuation date | 10/1/13 |
| 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% |

The City does not issue audited stand-alone financial statements for the Firefighters' Pension Plan. Therefore, the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No.25* have been incorporated to this Comprehensive Annual Financial Report in the paragraphs below and Required Supplementary Information section.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

Investments:

Investment Policy. The policy regarding the allocation of invested assets is established by its Board of Trustees which currently has all of its funds invested in the Florida Municipal Pension Trust Fund, 60% equities and 40% fixed income - Fund A Option. The investment policy may be amended by the Board by a majority vote of its trustees. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Overall asset allocation targets are reviewed on an annual basis. The following is the adopted asset allocation policy as of September 30, 2014:

| Asset Class/Investment Category | Target Allocation |
|--------------------------------------|----------------------|
| Equity Securities and Similar Funds: | |
| U.S. Large Cap Equity | 39.00% |
| U.S. Small Cap Equity | 11.00% |
| Non - U.S. Equity | 10.00% |
| Fixed Income and Similar Funds: | |
| Core Bonds | 16.00% |
| Multi-Sector | 24.00% |
| Total | 100.00% |

Concentrations. Governmental entities need to disclose the concentration of credit risk with a single issuer. If 5.00% or more of the total assets of the portfolio are invested with one issuer, an additional disclosure is required. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements. There were no individual investment that represent 5.00% or more, at September 30, 2014, that met the criteria for disclosure.

Rate of return. For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.55 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reserves:

Chapter 175, Florida Statutes, established a revenue sharing program whereby participating local governments can receive a portion of the state excise tax of property and casualty insurance premiums collected in their jurisdictions to fund pension benefits for firefighters. Chapter 99-1, Laws of Florida amended Chapter 175 to require future increases in premium tax revenues over those received in 1997 must be used solely to pay for extra retirement benefits for firefighters. Since these increases in premiums tax revenues do not support current benefits the City has recorded a liability of \$ 165,909 for the monies received as of September 30, 2014.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

Deferred Retirement Option Program:

Members who continue in employment after reaching their normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received plus interest. Participation in the DROP must end no later than 84 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance. The City did not have any members participating in the DROP for the year ending September 30, 2014.

Net Pension Liability (Asset) of the City:

The components of the net pension liability of the City at September 30, 2014, were as follows:

| | |
|--|-----------------------|
| Total pension liability | \$ 3,655,742 |
| Plan fiduciary net position | (5,451,245) |
| City's net pension liability (asset) | <u>\$ (1,795,503)</u> |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 149.11% |

Actuarial assumptions. The total pension liability (asset) was determined by an actuarial valuation as of September 30, 2014 which was based on a roll-forward of October 1, 2013 valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Asset cost method | Entry age method |
| Asset method | Market value of assets |
| Inflation | 3.59 percent |
| Salary increases | 4.0 percent, average, including inflation |
| Investment rate of return | 7.5 percent, net of pension plan investment expense, including inflation |
| Mortality rates | 1994 Group Annuity Reserve Table projected to 2002 using Scale AA. |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 10 - FIREFIGHTERS' PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|-----------------------|---|
| Core Bonds | 2.3% |
| Multi-Sector | 2.8% |
| U.S. Large Cap Equity | 5.7% |
| U.S. Small Cap Equity | 6.2% |
| Non-U.S. Equity | 5.4% |

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--------------------------------------|---------------------------|-------------------------------------|---------------------------|
| City's net pension liability (asset) | \$ (1,144,050) | \$ (1,795,503) | \$ (2,348,425) |

NOTE 11 - FLORIDA RETIREMENT SYSTEM

Defined Benefit Plan

The City participates in the Florida Retirement System ("FRS"), a state-wide cost-sharing multiple-employer public employee retirement system, available to governmental units within the state and administered by the State of Florida Division of Retirement, Department of Administration. The elected officials of the City are eligible to participate in FRS. All rates, benefits, and amendments are established by the State of Florida through its legislative body.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 - FLORIDA RETIREMENT SYSTEM (continued)

FRS members with six years of credited service if initially enrolled before July 1, 2011 and eight years of service if initially enrolled after July 1, 2011 are entitled to a retirement benefit. Such benefit, payable monthly for life, is based on 3% times the number of years of credited service, times the average of the member's five highest years of earnings.

Normal retirement age for the Elected Officers' Class is 62 or 30 years of credited service, if initially enrolled before July 1, 2011 and age 65 or 33 years of credited service if initially enrolled on or after July 1, 2011. If a member is vested but has not reached normal retirement age, early retirement can be taken. The amount of the benefit will be reduced by 5.00% for each year the retirement date precedes normal retirement age.

In addition, eligible FRS members can elect to participate in the deferred retirement option program ("the DROP"). The DROP allows an employee to retire and defer their monthly retirement benefit to an interest-bearing account, for up to a maximum of sixty months, and to continue employment with the City. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive payment of the accumulated DROP benefits, and direct receipt, thereafter, of FRS monthly retirement benefit.

Contributions to FRS are made by the City as a percentage of covered payroll. The required contribution rate in effect at September 30, 2014 was 46.24%, including a 3.00% contribution rate from employees, for the Elected Officers' Class. Additionally, the City is required to contribute 12.28% for all DROP participants. At September 30, 2014, the City had five elected officials participating in FRS, and no participants in the DROP.

The contribution requirements of covered payroll and actual contributions made for the fiscal year ending September 30, 2014 and the two preceding years were as follows:

| | <u>FY 2014</u> | <u>FY 2013</u> | <u>FY 2012</u> |
|--|----------------|----------------|----------------|
| Contributions requirements | \$ 31,256 | 14,388 | 10,023 |
| Contributions made by employer (100%) | \$ 28,604 | 11,728 | 7,863 |
| Contributions made by employee (100%) | 2,652 | 2,660 | 2,160 |
| Total contributions made | \$ 31,256 | 14,388 | 10,023 |
| Total covered payroll | \$ 88,400 | 90,150 | 90,000 |
| Percent of contributions to total covered payroll | 35.36% | 15.96% | 11.14% |

FRS issues an annual report including the disclosures above, a statement of financial condition, historical and statistical information and an actuarial report. A copy can be obtained from the State of Florida, Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399 or online at www.myfrs.com.

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

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 Position 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 October 1, 2011 (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 | \$ | 54,340 |
| Interest on net OPEB obligation | | 10,514 |
| Adjustment to annual required contribution | | <u>(14,906)</u> |
| Annual OPEB cost | | 49,948 |
| Expected benefit payments | | (1,408) |
| Net OPEB obligation, October 1, 2013 | | <u>262,859</u> |
| Net OPEB obligation, September 30, 2014 | \$ | <u><u>311,399</u></u> |

The government's annual OPEB cost, percentage of OPEB cost contributed, and net post-employment benefit obligation for 2014 and the two preceding years were as follows:

| Fiscal Year Ending | Annual OPEB Cost | Percentage of APC Contributed | Net OPEB Obligation |
|-----------------------|------------------------|--|---------------------------|
| 9/30/2012 | \$ 40,772 | 0.0% | \$ 220,772 |
| 9/30/2013 | \$ 43,499 | 3.2% | \$ 262,859 |
| 9/30/2014 | \$ 49,948 | 2.8% | \$ 311,399 |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

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

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) |
|--------------------------------|--|---|--|------------------------------|---------------------------|--|
| October 1, 2013 | \$ - | \$ 289,908 | \$ 289,908 | 0.0% | \$ 1,462,545 | 19.82% |

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.

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 | 28-year open period |
| Actuarial assumptions: | |
| Investment rate of return | 4.00% |
| Healthcare cost trend rate: | |
| Ultimate rate | 9.5% for 2012/13 graded to 5.00% for 2021/22 |

CITY OF MARATHON, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2014

NOTE 13 - RESTATEMENT OF BEGINNING FIDUCIARY NET POSITION

The Firefighters' Pension Trust Fund restated its beginning net position to account for state excise tax of property and casualty insurance premiums that must be used solely to pay for extra retirement benefits for firefighters. The cumulative effect of the restatement is as follows:

| | |
|---|---------------------|
| Net position held in trust for pension benefits, as previously reported | \$ 4,892,086 |
| Impact of restatement | <u>(127,296)</u> |
| Net position held in trust for pension benefits, as restated | <u>\$ 4,764,790</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2014

| | Original Budget | Final Budget | Actual Amounts | Variance |
|--|--------------------|------------------|-------------------|-------------------|
| REVENUES: | | | | |
| Property taxes | \$ 3,946,450 | \$ 3,946,450 | \$ 3,978,700 | \$ 32,250 |
| Intergovernmental | 1,719,627 | 2,015,280 | 2,099,539 | 84,259 |
| Licenses and permits | 902,225 | 942,225 | 966,452 | 24,227 |
| Charges for services | 994,800 | 994,800 | 840,115 | (154,685) |
| Fines and forfeitures | 122,700 | 182,700 | 169,149 | (13,551) |
| Communications services taxes | 539,058 | 539,058 | 508,840 | (30,218) |
| Interest | 10,000 | 10,000 | 3,219 | (6,781) |
| Miscellaneous | 41,000 | 49,800 | 34,485 | (15,315) |
| Total revenues | <u>8,275,860</u> | <u>8,680,313</u> | <u>8,600,499</u> | <u>(79,814)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government: | | | | |
| Elected officials | 586,970 | 556,970 | 548,779 | 8,191 |
| Administration | 1,728,669 | 1,603,669 | 1,526,876 | 76,793 |
| Non departmental | - | 90,225 | 90,224 | 1 |
| City attorney | 395,000 | 415,000 | 413,574 | 1,426 |
| Total general government | <u>2,710,639</u> | <u>2,665,864</u> | <u>2,579,453</u> | <u>86,411</u> |
| Public safety: | | | | |
| Police | 1,545,723 | 1,545,723 | 1,435,412 | 110,311 |
| Fire/EMS | 2,709,373 | 2,946,419 | 2,822,518 | 123,901 |
| Total public safety | <u>4,255,096</u> | <u>4,492,142</u> | <u>4,257,930</u> | <u>234,212</u> |
| Community services: | | | | |
| Public works | 247,474 | 247,474 | 225,853 | 21,621 |
| Parks and recreation | 977,544 | 957,544 | 960,105 | (2,561) |
| Bridges | 24,380 | 24,380 | 21,634 | 2,746 |
| Total community services | <u>1,249,398</u> | <u>1,229,398</u> | <u>1,207,592</u> | <u>21,806</u> |
| Community development | <u>911,277</u> | <u>891,277</u> | <u>825,034</u> | <u>66,243</u> |
| Total expenditures | <u>9,126,410</u> | <u>9,278,681</u> | <u>8,870,009</u> | <u>408,672</u> |
| Excess (deficiency) of revenues over expenditures | <u>(850,550)</u> | <u>(598,368)</u> | <u>(269,510)</u> | <u>328,858</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 546,686 | 546,686 | 562,264 | 15,578 |
| Appropriation of prior year's fund balance | 303,864 | 51,682 | - | (51,682) |
| Total other financing sources (uses) | <u>850,550</u> | <u>598,368</u> | <u>562,264</u> | <u>(36,104)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 292,754</u> | <u>\$ 292,754</u> |

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE FUND
For the Year Ended September 30, 2014

| | Original and Final Budget | Actual Amounts | Variance |
|--|---------------------------------|-------------------|-------------------|
| REVENUES: | | | |
| Intergovernmental | \$ 1,269,071 | \$ 1,336,386 | \$ 67,315 |
| Interest | 2,500 | 1,352 | (1,148) |
| Miscellaneous | - | 5,798 | 5,798 |
| | <u>1,271,571</u> | <u>1,343,536</u> | <u>71,965</u> |
| Total revenues | | | |
| EXPENDITURES: | | | |
| Current: | | | |
| Community services | 511,563 | 376,765 | 134,798 |
| Capital outlay | 1,348,000 | 688,206 | 659,794 |
| | <u>1,859,563</u> | <u>1,064,971</u> | <u>794,592</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | <u>(587,992)</u> | <u>278,565</u> | <u>866,557</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 150,000 | - | (150,000) |
| Transfers out | - | - | - |
| Appropriation of prior year's fund balance | <u>437,992</u> | <u>-</u> | <u>(437,992)</u> |
| Total other financing sources (uses) | <u>587,992</u> | <u>-</u> | <u>(587,992)</u> |
| Net change in fund balance | \$ <u>-</u> | \$ <u>278,565</u> | \$ <u>278,565</u> |

CITY OF MARATHON, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULES
September 30, 2014

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, Restoration 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. 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 reclassify expenditures in the General Fund; however, overall expenditures did not change from the original budget.
- 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, 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 | 95.00% | \$ 1,378,189 | 8.00% |
| October 1, 2011 | \$ 2,859,424 | \$ 2,351,247 | \$ - | 122.00% | \$ 1,368,971 | 0.00% |
| October 1, 2012 | \$ 3,373,139 | \$ 2,377,610 | \$ - | 142.00% | \$ 1,164,340 | 0.00% |
| October 1, 2013 | \$ 4,024,188 | \$ 3,014,630 | \$ - | 133.00% | \$ 1,295,521 | 0.00% |

Note: For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method. Note that the ARC for the Plan is calculated using the aggregate actuarial cost method.

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> |
|------|---|---------------------|-----------------------------------|
| 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% |
| 2013 | \$ 375,451 | \$ 324,745 | 86.49% |
| 2014 | \$ 260,648 | \$ 263,341 | 101.00% |

CITY OF MARATHON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
FIREFIGHTERS' PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2014

| | |
|---|------------------------------|
| Total pension liability | |
| Service cost | \$ 402,517 |
| Interest | 255,647 |
| Benefit payments, including refunds of member contributions | <u>(17,052)</u> |
| Net change in total pension liability | 641,112 |
| Total pension liability - beginning | 3,014,630 |
| Total pension liability - ending (a) | <u><u>\$ 3,655,742</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 69,826 |
| Contributions - member | 58,208 |
| Contributions - nonemployer contributing member | 193,515 |
| Net investment income | 417,331 |
| Benefit payments, including refunds of member contributions | (17,052) |
| Administrative expenses | <u>(35,373)</u> |
| Net change in plan fiduciary net position | 686,455 |
| Plan fiduciary net position - beginning | 4,764,790 |
| Plan fiduciary net position (asset) - ending (b) | <u><u>\$ 5,451,245</u></u> |
| City net pension liability (asset) - ending (a) - (b) | <u><u>\$ (1,795,503)</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 149.11% |
| Covered-employee payroll | \$ 1,347,342 |
| City net pension liability (asset) as percentage of covered-employee payroll | -133.26% |

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MARATHON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' PENSION TRUST FUND
LAST TEN FISCAL YEARS

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|-------------|--------------|---------------|-----------------|-----------------|-------------------|-------------------|
| Actuarially determined contribution | \$ N/A | \$ 271,933 | \$ 250,848 | \$ 281,737 | \$ 391,751 | \$ 514,935 | \$ 552,405 | \$ 349,195 | \$ 375,384 | \$ 260,648 |
| Contributions in relation to the actuarially determined contribution | N/A | 271,933 | 250,848 | 281,737 | 391,751 | 514,735 | 550,834 | 347,666 | 377,579 | 264,774 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 200 | \$ 1,571 | \$ 1,529 | \$ (2,195) | \$ (4,126) |
| Covered-employee payroll | \$ N/A | \$ 748,200 | \$ 744,145 | \$ * N/A | \$ 1,056,666 | \$ * N/A | \$ 1,378,189 | \$ 1,368,971 | \$ 1,164,340 | \$ 1,295,521 |

| | | | | | | | | | | |
|---|-----|--------|--------|-------|--------|-------|--------|--------|--------|--------|
| Contributions as a percentage of covered-employee payroll | N/A | 36.34% | 33.71% | * N/A | 37.07% | * N/A | 39.97% | 25.40% | 32.43% | 20.44% |
|---|-----|--------|--------|-------|--------|-------|--------|--------|--------|--------|

Notes to Schedule

Valuation date: September 30, 2014

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|--|
| Actuarial cost method | Aggregate cost method |
| Asset valuation method | Equal to the method value of assets, adjusted by five year phase-in of investment return |
| Inflation | 3.59% |
| Salary increases | 4.00% |
| Investment rate of return | 7.5% including inflation and net of investment expenses |
| Retirement rate | 100% at normal retirement age |
| Mortality | 1994 Group Annuity Reserve Tables projected to 2002 using Scale AA |

* N/A Not Available

CITY OF MARATHON
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
FIREFIGHTERS' PENSION TRUST FUND
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDING SEPTEMBER 30, 2014

| | <u>2014</u> |
|---|-------------|
| Annual money-weighted rate of return, net of investment expense | 8.55% |

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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% |
| October 1, 2012 | \$ - | \$ 215,888 | \$ 215,888 | 0.0% | \$ 1,433,868 | 15.06% |
| October 1, 2013 | \$ - | \$ 289,908 | \$ 289,908 | 0.0% | \$ 1,462,545 | 19.82% |

CITY OF MARATHON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS
FOR THE LAST FIVE 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% |
| 09/30/13 | \$ 43,449 | \$ 1,400 | 3.2% |
| 09/30/14 | \$ 49,948 | \$ 1,400 | 2.8% |

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.

CITY OF MARATHON, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

| | 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 | \$ 544,370 | \$ 98,168 | \$ 101,633 | \$ 111,617 | \$ - | \$ 855,788 |
| Receivables | <u>-</u> | <u>60,000</u> | <u>-</u> | <u>12,480</u> | <u>-</u> | <u>72,480</u> |
| Total assets | <u>\$ 544,370</u> | <u>\$ 158,168</u> | <u>\$ 101,633</u> | <u>\$ 124,097</u> | <u>\$ -</u> | <u>\$ 928,268</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 13 | \$ - | \$ 13 |
| Due to other governments | <u>190</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>190</u> |
| Total liabilities | <u>\$ 190</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13</u> | <u>\$ -</u> | <u>\$ 203</u> |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Grant projects | - | - | - | 124,084 | - | 124,084 |
| Committed for: | | | | | | |
| Infrastructure improvements | 544,180 | - | - | - | - | 544,180 |
| Affordable housing | - | 158,168 | - | - | - | 158,168 |
| Restoration projects | <u>-</u> | <u>-</u> | <u>101,633</u> | <u>-</u> | <u>-</u> | <u>101,633</u> |
| Total fund balances | <u>544,180</u> | <u>158,168</u> | <u>101,633</u> | <u>124,084</u> | <u>-</u> | <u>928,065</u> |
| Total liabilities and fund balances | <u>\$ 544,370</u> | <u>\$ 158,168</u> | <u>\$ 101,633</u> | <u>\$ 124,097</u> | <u>\$ -</u> | <u>\$ 928,268</u> |

CITY OF MARATHON, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

| | Special Revenue Funds | | | | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|-------------------------|-------------------|-------------------|--------------------|-----------------------------------|
| | Impact Fees Fund | Affordable Housing Fund | Restoration Fund | CDBG Fund | | |
| REVENUES: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 64,770 | \$ - | \$ 64,770 |
| Impact fees | 205,138 | - | 150 | - | - | 205,288 |
| Miscellaneous | - | 20,000 | - | - | - | 20,000 |
| Interest | 731 | 95 | 125 | 144 | - | 1,095 |
| | <u>205,869</u> | <u>20,095</u> | <u>275</u> | <u>64,914</u> | <u>-</u> | <u>291,153</u> |
| Total revenues | | | | | | |
| | <u>205,869</u> | <u>20,095</u> | <u>275</u> | <u>64,914</u> | <u>-</u> | <u>291,153</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Community services | - | - | - | 60,054 | - | 60,054 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 785,000 | 785,000 |
| Interest and fiscal charges | - | - | - | - | 228,960 | 228,960 |
| Bond issuance costs | - | - | - | - | 50,733 | 50,733 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,064,693</u> | <u>1,124,747</u> |
| Total expenditures | | | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>60,054</u> | <u>1,064,693</u> | <u>1,124,747</u> |
| Excess (deficiency) of revenues over expenditures | | | | | | |
| | <u>205,869</u> | <u>20,095</u> | <u>275</u> | <u>4,860</u> | <u>(1,064,693)</u> | <u>(833,594)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Payment to refunded bond escrow agent | | | | | (4,277,773) | (4,277,773) |
| Bonds issued | | | | | 4,276,293 | 4,276,293 |
| Transfers in | - | - | - | - | 1,066,173 | 1,066,173 |
| Transfers out | (109,476) | - | - | - | - | (109,476) |
| | <u>(109,476)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,064,693</u> | <u>955,217</u> |
| Total other financing sources (uses) | | | | | | |
| | <u>(109,476)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,064,693</u> | <u>955,217</u> |
| Net change in fund balances | | | | | | |
| | 96,393 | 20,095 | 275 | 4,860 | - | 121,623 |
| FUND BALANCES, beginning | <u>447,787</u> | <u>138,073</u> | <u>101,358</u> | <u>119,224</u> | <u>-</u> | <u>806,442</u> |
| FUND BALANCES, ending | <u>\$ 544,180</u> | <u>\$ 158,168</u> | <u>\$ 101,633</u> | <u>\$ 124,084</u> | <u>\$ -</u> | <u>\$ 928,065</u> |

BUDGETARY COMPARISON SCHEDULES

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL INFRASTRUCTURE FUND
For the Year Ended September 30, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance</u> |
|--|----------------------------|-------------------------|---------------------------|---------------------|
| REVENUES: | | | | |
| Intergovernmental | \$ 4,182,357 | \$ 2,644,657 | \$ 2,993,633 | \$ 348,976 |
| Interest | 8,500 | 8,500 | 7,063 | (1,437) |
| Miscellaneous | <u>100,000</u> | <u>-</u> | <u>6,025</u> | <u>6,025</u> |
| Total revenues | <u>4,290,857</u> | <u>2,653,157</u> | <u>3,006,721</u> | <u>353,564</u> |
| EXPENDITURES: | | | | |
| Capital outlay | <u>7,387,680</u> | <u>2,070,380</u> | <u>1,791,455</u> | <u>278,925</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,096,823)</u> | <u>582,777</u> | <u>1,215,266</u> | <u>632,489</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 435,000 | 435,000 | 258,378 | (176,622) |
| Bond proceeds | 6,000,000 | 6,058,703 | 6,058,707 | 4 |
| Transfers out | (2,360,268) | (2,384,432) | (2,400,009) | (15,577) |
| Appropriation of prior year's fund balance | <u>(977,909)</u> | <u>(4,692,048)</u> | <u>-</u> | <u>4,692,048</u> |
| Total other financing sources (uses) | <u>3,096,823</u> | <u>(582,777)</u> | <u>3,917,076</u> | <u>4,499,853</u> |
| Net change in fund balance | \$ <u>-</u> | \$ <u>-</u> | \$ <u>5,132,342</u> | \$ <u>5,132,342</u> |

CITY OF MARATHON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL INFRASTRUCTURE FUND
(CONTINUED)
For the Year Ended September 30, 2014

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 67 | \$ 5,132,342 |
|-------------------------------------|--------------|

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>309,068</u> |
|---|----------------|

| | |
|---|----------------------------|
| 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>\$ 5,441,410</u></u> |
|---|----------------------------|

CITY OF MARATHON, FLORIDA
BUDGETARY COMPARISON SCHEDULES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

| | Impact Fees | | | Vehicle Replacement Fund | | |
|---|------------------------------------|-----------|-----------|------------------------------------|------------|------------|
| | Original and Final Budget | Actual | Variance | Original and Final Budget | Actual | Variance |
| REVENUES: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Impact fees | 113,400 | 205,138 | 91,738 | - | - | - |
| Interest | 1,400 | 731 | (669) | 5,000 | 1,663 | (3,337) |
| Total revenues | 114,800 | 205,869 | 91,069 | 5,000 | 1,663 | (3,337) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Community services | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 114,800 | 205,869 | 91,069 | 5,000 | 1,663 | (3,337) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Payment to refunded bond escrow agent | - | - | - | - | - | - |
| Bonds issued | - | - | - | - | - | - |
| Transfers in | - | - | - | 456,308 | 456,308 | - |
| Transfers out | (260,000) | (109,476) | 150,524 | (325,000) | (148,903) | 176,097 |
| Appropriation of prior year's fund balance | 145,200 | - | (145,200) | (136,308) | - | 136,308 |
| Total other financing sources (uses) | (114,800) | (109,476) | 5,324 | (5,000) | 307,405 | 312,405 |
| Net change in fund balances | \$ - | \$ 96,393 | \$ 96,393 | \$ - | \$ 309,068 | \$ 309,068 |

Note: Budgetary comparison schedules are prepared and presented for the nonmajor special revenue governmental funds above. The City does not prepare a budget for the Affordable Housing Fund, and therefore, a budgetary comparison schedule is not presented.

| Restoration Fund | | | CDBG Fund | | | Debt Service Fund | | | |
|------------------------------------|--------|----------|------------------------------------|-----------|--------------|--------------------|-----------------|-------------|-------------|
| Original and Final Budget | Actual | Variance | Original and Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| \$ - | \$ - | \$ - | \$ 521,080 | \$ 64,770 | \$ (456,310) | \$ - | \$ - | \$ - | \$ - |
| - | 150 | 150 | - | - | - | - | - | - | - |
| 200 | 125 | (75) | - | 144 | 144 | - | - | - | - |
| 200 | 275 | 75 | 521,080 | 64,914 | (456,166) | - | - | - | - |
| 25,000 | - | 25,000 | 605,666 | 60,054 | 545,612 | - | - | - | - |
| - | - | - | - | - | - | - | - | 785,000 | (785,000) |
| - | - | - | - | - | - | 1,042,010 | 1,066,174 | 279,693 | 786,481 |
| 25,000 | - | 25,000 | 605,666 | 60,054 | 545,612 | 1,042,010 | 1,066,174 | 1,064,693 | 1,481 |
| (24,800) | 275 | 25,075 | (84,586) | 4,860 | 89,446 | (1,042,010) | (1,066,174) | (1,064,693) | 1,481 |
| - | - | - | - | - | - | - | - | (4,277,773) | (4,277,773) |
| - | - | - | - | - | - | - | - | 4,276,293 | 4,276,293 |
| - | - | - | - | - | - | 1,042,010 | 1,066,174 | 1,066,173 | (1) |
| - | - | - | - | - | - | - | - | - | - |
| 24,800 | - | (24,800) | 84,586 | - | (84,586) | - | - | - | - |
| 24,800 | - | (24,800) | 84,586 | - | (84,586) | 1,042,010 | 1,066,174 | 1,064,693 | (1,481) |
| \$ - | \$ 275 | \$ 275 | \$ - | \$ 4,860 | \$ 4,860 | \$ - | \$ - | \$ - | \$ - |

STATISTICAL SECTION

STATISTICAL SECTION

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

| <u>CONTENTS</u> | <u>PAGE</u> |
|--|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 71-80 |
| Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 81-84 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 85-87 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 88-89 |
| Operating Information 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. | 90-92 |

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

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

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ | 24,381,462 | \$ 26,154,207 | \$ 27,231,548 | \$ 28,142,616 | \$ 29,978,693 | \$ 30,819,582 |
| | 4,194,245 | 3,374,364 | 3,896,716 | 4,090,519 | 2,013,189 | 2,394,851 |
| | <u>6,654,654</u> | <u>5,705,740</u> | <u>3,986,495</u> | <u>4,157,687</u> | <u>4,952,275</u> | <u>5,105,986</u> |
| | <u>35,230,361</u> | <u>35,234,311</u> | <u>35,114,759</u> | <u>36,390,822</u> | <u>36,944,157</u> | <u>38,320,419</u> |
| | 29,001,944 | 50,378,894 | 43,132,708 | 39,625,782 | 47,690,144 | 50,316,306 |
| | - | - | - | - | - | - |
| | <u>1,813,152</u> | <u>(149,168)</u> | <u>12,249,548</u> | <u>17,638,385</u> | <u>11,307,027</u> | <u>9,359,636</u> |
| | <u>30,815,096</u> | <u>50,229,726</u> | <u>55,382,256</u> | <u>57,264,167</u> | <u>58,997,171</u> | <u>59,675,942</u> |
| | 53,383,406 | 76,533,101 | 70,364,256 | 67,768,398 | 77,668,837 | 81,135,888 |
| | 4,194,245 | 3,374,364 | 3,896,716 | 4,090,519 | 2,013,189 | 2,394,851 |
| | <u>8,467,806</u> | <u>5,556,572</u> | <u>16,236,043</u> | <u>21,796,072</u> | <u>16,259,302</u> | <u>14,465,622</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> | <u><u>95,941,328</u></u> | <u><u>97,996,361</u></u> |

CITY OF MARATHON, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 |
| EXPENSES: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,837,452 | \$ 7,905,757 | \$ 3,867,901 | \$ 3,319,061 |
| Public safety | 2,997,230 | 4,737,074 | 3,645,846 | 4,069,335 |
| Community services | 1,417,715 | 1,880,765 | 2,050,244 | 2,041,301 |
| Community development | 1,365,876 | 1,335,976 | 1,576,341 | 1,395,694 |
| Interest on long-term debt | 90,515 | 372,885 | 390,607 | 361,961 |
| Total governmental activities | <u>9,708,788</u> | <u>16,232,457</u> | <u>11,530,939</u> | <u>11,187,352</u> |
| Business-type activities: | | | | |
| Wastewater | - | 10,826 | 52,230 | 340,016 |
| Marina | 688,950 | 537,316 | 622,185 | 695,938 |
| Stormwater | - | 10,694 | 39,716 | 264,150 |
| Total business-type activities | <u>688,950</u> | <u>558,836</u> | <u>714,131</u> | <u>1,300,104</u> |
| Total governmental expenses | <u>\$ 10,397,738</u> | <u>\$ 16,791,293</u> | <u>\$ 12,245,070</u> | <u>\$ 12,487,456</u> |
| PROGRAM REVENUES: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 1,354,431 | \$ 1,407,360 | \$ 1,391,936 | \$ 155,111 |
| Public safety | 742,410 | 647,303 | 740,365 | 760,546 |
| Community services | 345,376 | 356,349 | 516,645 | 559,447 |
| Community development | 1,002,999 | 1,118,382 | 746,217 | 743,533 |
| Operating grants and contributions | 1,112,299 | 4,402,251 | 624,697 | 496,996 |
| Capital grants and contributions | 3,375,694 | 4,674,802 | 2,879,187 | 6,338,416 |
| Total governmental activities program revenues | <u>7,933,209</u> | <u>12,606,447</u> | <u>6,899,047</u> | <u>9,054,049</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Wastewater | - | - | - | - |
| Marina | 310,057 | 354,332 | 457,657 | 615,247 |
| Stormwater | - | - | - | - |
| Operating grants and contributions | 45,076 | 39,272 | 53,595 | 55,646 |
| Capital grants and contributions | 23,360 | 2,002,836 | 2,627,827 | 5,202,199 |
| Total business-type activities program revenues | <u>378,493</u> | <u>2,396,440</u> | <u>3,139,079</u> | <u>5,873,092</u> |
| Total program revenues | <u>\$ 8,311,702</u> | <u>\$ 15,002,887</u> | <u>\$ 10,038,126</u> | <u>\$ 14,927,141</u> |
| NET (EXPENSE) REVENUE: | | | | |
| Governmental activities | \$ (1,775,579) | \$ (3,626,010) | \$ (4,631,892) | \$ (2,133,303) |
| Business-type activities | <u>(310,457)</u> | <u>1,837,604</u> | <u>2,424,948</u> | <u>4,572,988</u> |
| Total net expense | <u>\$ (2,086,036)</u> | <u>\$ (1,788,406)</u> | <u>\$ (2,206,944)</u> | <u>\$ 2,439,685</u> |

Continued on next page

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| \$ | 2,519,857 | \$ 3,646,885 | \$ 4,230,495 | \$ 2,596,950 | \$ 2,751,456 | \$ 2,718,127 |
| | 4,363,860 | 4,580,076 | 4,524,285 | 4,260,491 | 4,623,980 | 4,713,469 |
| | 3,343,066 | 2,577,772 | 2,850,714 | 2,477,396 | 2,673,198 | 2,943,294 |
| | 1,091,795 | 941,914 | 860,053 | 894,343 | 887,239 | 875,734 |
| | 330,414 | 298,339 | 266,465 | 234,371 | 202,629 | 282,779 |
| | <u>11,648,992</u> | <u>12,044,986</u> | <u>12,732,012</u> | <u>10,463,551</u> | <u>11,138,502</u> | <u>11,533,403</u> |
| | 541,667 | 2,126,390 | 3,903,661 | 6,502,017 | 8,772,782 | 9,594,935 |
| | 671,407 | 688,583 | 658,901 | 645,935 | 748,329 | 710,071 |
| | 14,138 | 274,878 | 714,940 | 1,098,948 | 1,278,604 | 1,369,870 |
| | <u>1,227,212</u> | <u>3,089,851</u> | <u>5,277,502</u> | <u>8,246,900</u> | <u>10,799,715</u> | <u>11,674,876</u> |
| \$ | <u><u>12,876,204</u></u> | <u><u>15,134,837</u></u> | <u><u>18,009,514</u></u> | <u><u>18,710,451</u></u> | <u><u>21,938,217</u></u> | <u><u>23,208,279</u></u> |
| | | | | | | |
| \$ | 155,056 | \$ 173,716 | \$ 195,765 | \$ 182,481 | \$ 188,528 | \$ 194,134 |
| | 851,446 | 841,587 | 927,827 | 987,852 | 1,103,270 | 912,737 |
| | 373,299 | 515,305 | 569,458 | 614,280 | 597,760 | 659,677 |
| | 441,225 | 480,738 | 496,610 | 521,441 | 810,639 | 866,310 |
| | 288,829 | 1,250,302 | 336,415 | 282,495 | 486,147 | 480,670 |
| | 3,581,347 | 2,973,949 | 3,988,661 | 3,494,595 | 2,726,468 | 3,801,181 |
| | <u>5,691,202</u> | <u>6,235,597</u> | <u>6,514,736</u> | <u>6,083,144</u> | <u>5,912,812</u> | <u>6,914,709</u> |
| | 524,084 | 1,015,725 | 2,266,214 | 4,164,443 | 5,875,927 | 5,989,281 |
| | 638,575 | 671,330 | 643,428 | 650,698 | 695,901 | 828,357 |
| | - | - | - | - | - | - |
| | 93,172 | 52,421 | 16,921 | 92,292 | 135,379 | 41,873 |
| | 16,213,258 | 20,000,850 | 6,754,484 | 4,926,863 | 5,546,634 | 5,145,621 |
| | <u>17,469,089</u> | <u>21,740,326</u> | <u>9,681,047</u> | <u>9,834,296</u> | <u>12,253,841</u> | <u>12,005,132</u> |
| \$ | <u><u>23,160,291</u></u> | <u><u>27,975,923</u></u> | <u><u>16,195,783</u></u> | <u><u>15,917,440</u></u> | <u><u>18,166,653</u></u> | <u><u>18,919,841</u></u> |
| | | | | | | |
| \$ | (5,957,790) | \$ (5,809,389) | \$ (6,217,276) | \$ (4,380,407) | \$ (5,225,690) | \$ (4,618,694) |
| | 16,241,877 | 18,650,475 | 4,403,545 | 1,587,396 | 1,454,126 | 330,256 |
| \$ | <u><u>10,284,087</u></u> | <u><u>12,841,086</u></u> | <u><u>(1,813,731)</u></u> | <u><u>(2,793,011)</u></u> | <u><u>(3,771,564)</u></u> | <u><u>(4,288,438)</u></u> |

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

| | | Fiscal Year | | | |
|--------------------------------|----|-------------------------|-------------------------|-------------------------|--------------------------|
| | | 2005 | 2006 | 2007 | 2008 |
| GENERAL REVENUES: | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ | 4,098,515 | \$ 4,365,919 | \$ 4,776,651 | \$ 4,258,748 |
| Other taxes | | 601,859 | 669,856 | 633,305 | 626,113 |
| State shared revenues | | 400,123 | 464,835 | 367,701 | 1,709,756 |
| Investment earnings | | 280,744 | 658,527 | 595,386 | 539,492 |
| Miscellaneous | | 127,489 | 426,251 | 492,630 | 220,516 |
| Transfers | | (175,014) | (555,000) | (424,000) | (507,756) |
| Total governmental activities | | <u>5,333,716</u> | <u>6,030,388</u> | <u>6,441,673</u> | <u>6,846,869</u> |
| Business-type activities: | | | | | |
| Investment earnings | | - | 25,855 | 106,412 | 437,337 |
| Miscellaneous | | 4,935 | 2,229,275 | - | - |
| Loss on disposal of equipment | | - | - | - | - |
| Transfers | | 175,014 | 555,000 | 424,000 | 507,756 |
| Total business-type activities | | <u>179,949</u> | <u>2,810,130</u> | <u>530,412</u> | <u>945,093</u> |
| Total general revenues | \$ | <u><u>5,513,665</u></u> | <u><u>8,840,518</u></u> | <u><u>6,972,085</u></u> | <u><u>7,791,962</u></u> |
| CHANGE IN NET POSITION: | | | | | |
| Governmental activities | \$ | 3,558,137 | \$ 2,404,378 | \$ 1,809,781 | \$ 4,713,566 |
| Business-type activities | | <u>(130,508)</u> | <u>4,647,734</u> | <u>2,955,360</u> | <u>5,518,081</u> |
| Total change in net position | \$ | <u><u>3,427,629</u></u> | <u><u>7,052,112</u></u> | <u><u>4,765,141</u></u> | <u><u>10,231,647</u></u> |

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ | 4,079,688 | \$ 3,746,062 | \$ 3,580,301 | \$ 3,536,651 | \$ 3,777,989 | \$ 3,978,700 |
| | 590,167 | 591,504 | 562,218 | 571,793 | 554,701 | 508,840 |
| | 1,526,669 | 1,575,835 | 1,684,366 | 1,564,952 | 1,643,871 | 1,766,483 |
| | 341,774 | 194,189 | 103,927 | 60,123 | 27,364 | 14,392 |
| | 43,328 | 170,699 | 473,615 | 92,030 | 69,179 | 41,806 |
| | <u>(530,555)</u> | <u>(464,950)</u> | <u>(306,703)</u> | <u>(169,079)</u> | <u>(294,079)</u> | <u>(315,265)</u> |
| | <u>6,051,071</u> | <u>5,813,339</u> | <u>6,097,724</u> | <u>5,656,470</u> | <u>5,779,025</u> | <u>5,994,956</u> |
| | | | | | | |
| | 151,372 | 299,205 | 167,282 | 125,436 | 46,463 | 33,250 |
| | 120,000 | - | 275,000 | - | - | - |
| | (9,444) | - | - | - | - | - |
| | <u>530,555</u> | <u>464,950</u> | <u>306,703</u> | <u>169,079</u> | <u>294,079</u> | <u>315,265</u> |
| | <u>792,483</u> | <u>764,155</u> | <u>748,985</u> | <u>294,515</u> | <u>340,542</u> | <u>348,515</u> |
| \$ | <u><u>6,843,554</u></u> | <u><u>6,577,494</u></u> | <u><u>6,846,709</u></u> | <u><u>5,950,985</u></u> | <u><u>6,119,567</u></u> | <u><u>6,343,471</u></u> |
| | | | | | | |
| \$ | 93,281 | \$ 3,950 | \$ (119,552) | \$ 1,276,063 | \$ 553,335 | \$ 1,376,262 |
| | <u>17,034,360</u> | <u>19,414,630</u> | <u>5,152,530</u> | <u>1,881,911</u> | <u>1,794,668</u> | <u>678,771</u> |
| \$ | <u><u>17,127,641</u></u> | <u><u>19,418,580</u></u> | <u><u>5,032,978</u></u> | <u><u>3,157,974</u></u> | <u><u>2,348,003</u></u> | <u><u>2,055,033</u></u> |

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

| | Fiscal Year | | | |
|-----------------------------|---------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 |
| General fund: | | | | |
| Nonspendable | \$ 58,432 | \$ 60,977 | \$ 92,610 | \$ 47,092 |
| Restricted | 19,955 | 80,932 | 45,241 | 31,657 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | 4,175,293 | 4,594,693 | 5,266,938 | 5,630,951 |
| Total general fund | <u>4,253,680</u> | <u>4,736,602</u> | <u>5,404,789</u> | <u>5,709,700</u> |
| Special revenue funds: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 134,355 | - | - | - |
| Committed | 5,430,480 | 11,474,547 | 5,714,020 | 9,457,677 |
| Total special revenue funds | <u>5,564,835</u> | <u>11,474,547</u> | <u>5,714,020</u> | <u>9,457,677</u> |
| Total governmental funds | <u>\$ 9,818,515</u> | <u>\$ 16,211,149</u> | <u>\$ 11,118,809</u> | <u>\$ 15,167,377</u> |

Note: The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011. Fiscal years 2005-2010 have been restated to conform to the new statement requirements.

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| \$ 48,145 | \$ 110,418 | \$ 131,006 | \$ 92,328 | \$ 63,583 | \$ 91,443 |
| 33,332 | 28,522 | 33,974 | 38,818 | 39,044 | 170,943 |
| - | - | 1,247,077 | - | - | - |
| - | - | 431,980 | - | 303,864 | 602,829 |
| <u>5,291,297</u> | <u>4,970,012</u> | <u>2,042,757</u> | <u>2,396,537</u> | <u>2,642,481</u> | <u>2,476,511</u> |
| <u>5,372,774</u> | <u>5,108,952</u> | <u>3,886,794</u> | <u>2,527,683</u> | <u>3,048,972</u> | <u>3,341,726</u> |
| - | 1,582 | 3,171 | 1,200 | 1,200 | 1,500 |
| - | - | 3,859,571 | 4,051,701 | 1,974,145 | 7,844,203 |
| <u>5,630,462</u> | <u>5,218,327</u> | <u>497,687</u> | <u>1,966,244</u> | <u>2,367,028</u> | <u>2,338,268</u> |
| <u>5,630,462</u> | <u>5,219,909</u> | <u>4,360,429</u> | <u>6,019,145</u> | <u>4,342,373</u> | <u>10,183,971</u> |
| \$ <u><u>11,003,236</u></u> | \$ <u><u>10,328,861</u></u> | \$ <u><u>8,247,223</u></u> | \$ <u><u>8,546,828</u></u> | \$ <u><u>7,391,345</u></u> | \$ <u><u>13,525,697</u></u> |

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

| | Fiscal Year | | | |
|--|---------------------|---------------------|-----------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 |
| REVENUES: | | | | |
| Ad valorem taxes | \$ 4,098,515 | \$ 4,365,919 | \$ 4,776,651 | \$ 4,258,748 |
| Communication services taxes | 601,859 | 669,856 | 633,305 | 626,113 |
| Impact fees | n/a | 56,384 | 207,692 | 242,602 |
| Licenses and permits | 1,035,052 | 1,176,781 | 785,569 | 890,063 |
| Intergovernmental revenue | 6,512,740 | 11,162,771 | 5,488,148 | 8,817,885 |
| Charges for services | 649,029 | 559,537 | 642,998 | 649,084 |
| Fines and forfeitures | 136,510 | 115,809 | 142,341 | 164,172 |
| Special assessments | - | - | - | - |
| Interest | 280,744 | 658,527 | 595,386 | 539,492 |
| Miscellaneous | 127,490 | 426,252 | 392,927 | 320,219 |
| Total revenues | 13,441,939 | 19,191,836 | 13,665,017 | 16,508,378 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 3,630,608 | 7,359,947 | 2,822,349 | 2,796,344 |
| Public safety | 2,798,132 | 3,083,352 | 3,481,477 | 3,614,984 |
| Community services | 1,172,637 | 1,385,482 | 1,437,157 | 1,410,054 |
| Community development | 1,359,560 | 1,309,363 | 1,547,317 | 1,364,266 |
| Capital outlay | 5,234,411 | 4,080,526 | 7,205,686 | 1,663,704 |
| Debt service: | | | | |
| Principal | 1,318,000 | 555,556 | 740,741 | 740,741 |
| Interest and other fiscal charges | 92,875 | 372,885 | 390,607 | 361,961 |
| Total expenditures | 15,606,223 | 18,147,111 | 17,625,334 | 11,952,054 |
| Excess (deficiency) of revenues over expenditures | (2,164,284) | 1,044,725 | (3,960,317) | 4,556,324 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Payment to refunded bond escrow agent | - | - | - | - |
| Sale of asset | - | - | - | - |
| Transfers in | 1,934,956 | 1,511,921 | 2,337,615 | 2,107,155 |
| Transfers out | (2,193,870) | (2,066,921) | (2,761,615) | (2,614,911) |
| Bonds Issued | 4,018,000 | 5,907,000 | - | - |
| Total other financing sources (uses) | 3,759,086 | 5,352,000 | (424,000) | (507,756) |
| Net change in fund balances | \$ 1,594,802 | \$ 6,396,725 | \$ (4,384,317) | \$ 4,048,568 |
| Debt service as a percentage of non-capital expenditures | 13.60% | 6.60% | 10.86% | 10.72% |

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----|--------------------|---------------------|-----------------------|-------------------|-----------------------|---------------------|
| \$ | 4,079,688 | \$ 3,746,062 | \$ 3,580,301 | \$ 3,536,651 | \$ 3,777,989 | \$ 3,978,700 |
| | 590,167 | 591,504 | 562,218 | 571,793 | 554,701 | 508,840 |
| | 69,422 | 82,004 | 100,609 | 123,585 | 124,806 | 205,288 |
| | 577,528 | 630,173 | 632,899 | 689,191 | 927,451 | 966,452 |
| | 5,518,964 | 6,119,922 | 6,429,133 | 5,612,220 | 5,267,575 | 6,494,328 |
| | 814,226 | 811,580 | 897,555 | 959,924 | 1,067,452 | 840,115 |
| | 88,277 | 94,318 | 122,385 | 81,959 | 157,311 | 169,149 |
| | - | 21,944 | 12,461 | 12,427 | 12,308 | - |
| | 341,774 | 194,189 | 103,927 | 60,123 | 27,364 | 14,392 |
| | 60,282 | 183,368 | 477,675 | 92,030 | 68,959 | 66,308 |
| | <u>12,140,328</u> | <u>12,475,064</u> | <u>12,919,163</u> | <u>11,739,903</u> | <u>11,985,916</u> | <u>13,243,572</u> |
| | 2,472,219 | 2,485,113 | 4,749,262 | 2,442,659 | 2,568,096 | 2,579,453 |
| | 3,984,749 | 4,188,041 | 4,114,867 | 3,984,275 | 4,155,331 | 4,257,930 |
| | 1,523,952 | 1,541,831 | 1,377,523 | 1,512,165 | 1,619,088 | 1,644,411 |
| | 997,868 | 918,382 | 820,110 | 845,333 | 825,021 | 825,034 |
| | 5,723,971 | 2,914,127 | 2,655,130 | 1,511,676 | 2,736,415 | 2,479,661 |
| | 740,741 | 740,741 | 740,741 | 740,740 | 740,740 | 785,000 |
| | 330,414 | 298,339 | 266,465 | 234,371 | 202,629 | 279,693 |
| | <u>15,773,914</u> | <u>13,086,574</u> | <u>14,724,098</u> | <u>11,271,219</u> | <u>12,847,320</u> | <u>12,851,182</u> |
| | <u>(3,633,586)</u> | <u>(611,510)</u> | <u>(1,804,935)</u> | <u>468,684</u> | <u>(861,404)</u> | <u>392,390</u> |
| | - | - | - | - | - | (4,277,773) |
| | - | 402,085 | 30,000 | - | - | - |
| | 2,174,125 | 1,888,430 | 2,808,056 | 1,693,313 | 1,734,247 | 1,772,648 |
| | (2,704,680) | (2,353,380) | (3,114,759) | (1,862,392) | (2,028,326) | (2,087,913) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,335,000</u> |
| | <u>(530,555)</u> | <u>(62,865)</u> | <u>(276,703)</u> | <u>(169,079)</u> | <u>(294,079)</u> | <u>5,741,962</u> |
| \$ | <u>(4,164,141)</u> | <u>\$ (674,375)</u> | <u>\$ (2,081,638)</u> | <u>\$ 299,605</u> | <u>\$ (1,155,483)</u> | <u>\$ 6,134,352</u> |
| | 9.55% | 10.11% | 8.03% | 9.98% | 9.27% | 9.96% |

CITY OF MARATHON, FLORIDA
NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year Ended September 30, | Tax Roll Year | Real Property | Personal Property | Total Net Assessed Value | Total Direct Tax Rate | Estimated Actual Value (1) | Estimated Actual Value as a Percentage of Net Assessed Value (1) |
|---------------------------------------|------------------|------------------|----------------------|--------------------------------|--------------------------------|----------------------------------|--|
| 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 |
| 2013 | 2012 | \$ 1,692,111,205 | \$ 70,358,735 | \$ 1,762,469,940 | 2.1989 | N/A | N/A |
| 2014 | 2013 | \$ 1,710,990,869 | \$ 66,124,906 | \$ 1,777,115,775 | 2.2969 | 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 | Overlapping Rates (1) | | | | | | Total Direct and Overlapping Rates |
|-------------|---------------|-----------------------|---------------|--------------|-------------------------------|-----------------------------------|--------|------------------------------------|
| | | City of Marathon | Monroe County | School Board | S. Florida Water Mgt District | FL Keys Mosquito Control District | Other | |
| 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 |
| 2013 | 2012 | 2.1989 | 3.1229 | 3.6600 | 0.1757 | 0.5171 | 0.2532 | 9.9278 |
| 2014 | 2013 | 2.2969 | 3.1380 | 3.6810 | 0.1685 | 0.5069 | 0.2425 | 10.0338 |

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 | 2014 | | |
|--|--------------------------|------|--|
| | Net Assessed Value | Rank | Percent of Total City Net Assessed Value |
| BLUEGREEN VACATIONS MANAGEMENT INC. | \$ 32,237,333 | 1 | 1.81% |
| FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION INC | 29,793,950 | 2 | 1.68% |
| MARLIN BAY YACHT CLUB LLC | 13,042,306 | 3 | 0.73% |
| SH MARATHON LTD | 12,744,108 | 4 | 0.72% |
| SH3 LTD | 10,948,523 | 5 | 0.62% |
| WATERS EDGE MARINA, LLC | 9,618,678 | 6 | 0.54% |
| HOME DEPOT | 9,174,621 | 7 | 0.52% |
| MARATHON SHOPPING CENTER | 8,477,960 | 8 | 0.48% |
| FIRST FLORIDA KEYS PROPERTIES, INC. | 8,238,288 | 9 | 0.46% |
| REPUBLIC MARATHON LLC | 7,792,504 | 10 | 0.44% |
| | <u>\$ 142,068,271</u> | | <u>7.99%</u> |
| Taxpayer | 2005 | | |
| | Net Assessed Value | Rank | Percent of Total City Net Assessed Value |
| FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION INC. | \$ 24,241,540 | 1 | 1.43% |
| FISHERMENS HOSPITAL INC. | 13,090,651 | 2 | 0.77% |
| HOME DEPOT USA INC #6302 | 11,890,563 | 3 | 0.70% |
| HAMMOCKS AT MARATHON | 10,693,632 | 4 | 0.63% |
| BELLSOUTH | 7,879,880 | 5 | 0.47% |
| MARATHON HOTEL & MARINA | 7,375,000 | 6 | 0.44% |
| WINN DIXIE | 6,902,307 | 7 | 0.41% |
| BIOSPHERE PROPERTIES INC (PUBLIX) | 6,814,759 | 8 | 0.40% |
| BANANA BAY | 6,269,132 | 9 | 0.37% |
| KEY LIME FAMILY DEVELOPMENT | 5,714,319 | 10 | 0.34% |
| | <u>\$ 100,871,783</u> | | <u>5.96%</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 |
| 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% |
| 2013 | 3,899,220 | 3,777,989 | 96.89% | - | 3,777,989 | 96.89% |
| 2014 | 4,103,407 | 3,978,700 | 96.96% | - | 3,978,700 | 96.96% |

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 | | | Percent of Net Assessed Value (1) | Per Capita (1) |
|---------------------------------------|--------------------------------|------------------|------------------|-----------------------------|-------------------------|------------|---|-------------------|
| | General Obligation Bonds | Revenue Bonds | Loans Payable | Revenue Bonds | State Revolving Fund | | | |
| | | | | | Loan Program | | | |
| 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 | - | 11,500,000 | 1,558,380 | 21,762,083 | 0.78% | 2,093 |
| 2008 | - | 7,962,963 | - | 21,500,000 | 4,668,257 | 34,131,220 | 1.11% | 3,380 |
| 2009 | - | 7,222,222 | - | 45,150,000 | 13,005,645 | 65,377,867 | 2.31% | 6,350 |
| 2010 | - | 6,481,481 | - | 40,000,000 | 24,171,550 | 70,653,031 | 3.15% | 8,515 |
| 2011 | - | 5,740,740 | - | 39,806,380 | 39,429,612 | 84,976,732 | 4.28% | 10,218 |
| 2012 | - | 5,000,000 | - | 28,636,760 | 56,074,089 | 89,710,849 | 4.97% | 10,728 |
| 2013 | - | 4,259,260 | - | - | 74,110,203 | 78,369,463 | 4.45% | 9,309 |
| 2014 | - | 9,550,000 | - | - | 70,227,974 | 79,777,974 | 4.49% | 9,469 |

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, 2014

| | 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>45,452,000</u> | | 9.42% | (3) <u>4,280,168</u> |
| Total ad valorem tax supported debt | \$ <u><u>45,452,000</u></u> | | | \$ <u><u>4,280,168</u></u> |
| Ratios: | | | | |
| Overall debt to 2013 taxable valuation | | | | 0.24% |
| Overall debt per capita | | | | \$ 508.03 |

Notes:

- (1) City of Marathon direct debt does not include revenue bonds because the revenue bonds are not being repaid with and are not supported by ad valorem tax proceeds.
- (2) Monroe County School Board debt is as of June 30, 2014, 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 | | | | | | |
|---------------------------------------|--------------------------------------|------------------------|----------------------------------|-------------------------------|-----------------------------|------------------------------|----------------------|
| | Local Govt. Infrastructure Tax | Special Assessments | Utility Operating Revenues | Less Operating Expenses | Net Available Revenue | Debt Service Principal | Interest Coverage |
| 2005 | 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 |
| 2007 | 2,405,183 | N/A | N/A | N/A | 2,405,183 | 740,741 | 390,607 |
| 2008 | 2,442,698 | N/A | N/A | N/A | 2,442,698 | 740,741 | 361,961 |
| 2009 | 2,209,299 | 5,543,422 | 644,084 | (500,120) | 7,384,965 | 740,741 | 719,025 |
| 2010 | 2,283,263 | 9,264,791 | 1,105,725 | (1,144,076) | 11,509,703 | 1,803,693 | 1,655,543 |
| 2011 | 2,448,373 | 5,268,340 | 2,266,214 | (1,894,752) | 8,088,175 | 2,717,333 | 1,936,248 |
| 2012 | 2,270,445 | 4,924,363 | 4,164,443 | (2,901,151) | 8,458,100 | 4,155,668 | 1,856,830 |
| 2013 | 2,410,693 | 5,546,634 | 5,875,927 | (4,007,791) | 9,825,463 | 4,905,134 | 2,202,143 |
| 2014 | 2,622,637 | 4,981,052 | 5,989,281 | (5,100,009) | 8,492,961 | 4,667,229 | 1,949,249 |

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

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> |
|-------------|-----------------------|---|---|----------------------------------|
| 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) | 4,015,108 (b) | 50,436 (b) | 5.5% |
| 2009 | 10,295 (a) | 4,184,821 (b) | 52,690 (b) | 7.4% |
| 2010 | 8,297 (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% |
| 2013 | 8,419 (a) | 4,630,157 (b) | 56,392 (b) | 3.8% |
| 2014 | 8,425 (a) | 4,711,642 (b) | 57,406 (b) | 3.2% |

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. 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 NINE YEARS AGO

| Employer | 2014 | | Percentage of Total City Employment |
|---------------------------------|-----------|------|---|
| | Employees | Rank | |
| Monroe County | 193 | 1 | N/A |
| Monroe County School Board | 151 | 2 | N/A |
| Home Depot USA | 150 | 3 | N/A |
| Walgreens Co. | 114 | 4 | N/A |
| Winn Dixie Supermarkets | 93 | 5 | N/A |
| Publix Supermarkets | 93 | 6 | N/A |
| K-Mart Corporation | 77 | 7 | N/A |
| City of Marathon | 70 | 8 | N/A |
| Fishermen's Hospital | 50 | 9 | N/A |
| Florida Keys Aqueduct Authority | 45 | 10 | N/A |

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

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

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

CITY OF MARATHON, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

| Employees | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|
| General Government | 8 | 8 | 9 | 6 | 5 | 5 | 4 | 4 | 4 | 6 |
| Public Safety | 16 | 28 | 22 | 21 | 25 | 24 | 23 | 23 | 25 | 26 |
| Community Development | 13 | 15 | 16 | 17 | 15 | 11 | 10 | 10 | 11 | 13 |
| Community Services | 7 | 11 | 13 | 13 | 15 | 16 | 13 | 13 | 17 | 19 |
| Marina | 8 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 |
| Total number of employees | 52 | 69 | 67 | 64 | 67 | 62 | 56 | 56 | 63 | 70 |

Source: City of Marathon Finance Department

CITY OF MARATHON, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Police personnel and officers | 17 | 17 | 17 | 15 | 17 | 16 | 15 | 14 | 14 | 20 |
| Police calls for service | 30,792 | 24,292 | 22,411 | 20,273 | 20,533 | 25,801 | 43,898 | 37,974 | 40,026 | 37,028 |
| Fire/EMS: | | | | | | | | | | |
| Fire personnel | 15 | 22 | 22 | 21 | 24 | 24 | 23 | 23 | 23 | 26 |
| Fire / emergency calls answered | 287 | 251 | 527 | 324 | 339 | 187 | 441 | 436 | 530 | 619 |
| Emergency medical services calls | 1,105 | 1,007 | 1,249 | 1,160 | 1,254 | 1,355 | 1,321 | 1,329 | 1,662 | 1,806 |
| Community development: | | | | | | | | | | |
| Building permits issued | 2,638 | 3,107 | 2,159 | 1,588 | 1,569 | 1,561 | 2,238 | 3,204 | 3,863 | 3,019 |
| Commercial fire occupancy inspections | 354 | 475 | 309 | 446 | 478 | 452 | 452 | 454 | 538 | 533 |
| Community services: | | | | | | | | | | |
| Transportation: | | | | | | | | | | |
| Public right of way maintenance (miles) | 64 | 64 | 64 | 66 | 66 | 63 | 63 | 63 | 63 | 63 |
| Culture and recreation: | | | | | | | | | | |
| Registrations for summer camp | N/A | N/A | 125 | 109 | 79 | 104 | 109 | 104 | 55 | 147 |
| Registrations for athletic programs | N/A | N/A | 1,360 | 1,629 | 1,414 | 1,169 | 1,345 | 1,268 | 1,222 | 1,539 |
| Registrations for cultural programs | N/A | N/A | 12,227 | 16,375 | 21,041 | 26,304 | 25,720 | 26,350 | 26,649 | 28,948 |
| Registrations for private events in public park areas | N/A | N/A | 110 | 147 | 99 | 376 | 195 | 238 | 234 | 449 |
| Marina: | | | | | | | | | | |
| Mooring balls | 64 | 64 | 226 | 226 | 226 | 226 | 226 | 226 | 226 | 226 |
| Boat slips | 5 | 13 | 13 | 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 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|------|------|------|------|------|------|
| 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 | 66 | 66 | 66 | 66 | 66 | 66 | 63 |
| Number of street lights | 190 | 190 | 190 | 190 | 188 | 188 | 188 | 188 | 188 | 188 |
| Number of traffic signals | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Culture and recreation: | | | | | | | | | | |
| Amphitheater | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Parks acreage | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| Beaches | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Community center | 1 | 1 | 1 | - | - | - | - | - | - | - |
| Picnic pavilions | 16 | 16 | 16 | 18 | 18 | 18 | 18 | 18 | 24 | 27 |
| In-line hockey rink | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Soccer fields | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Skate park | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Basketball courts | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| Tennis courts | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Baseball/softball fields | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Utility system: | | | | | | | | | | |
| Fire hydrants - City of Marathon | - | 53 | 101 | 125 | 134 | 154 | 154 | 154 | 170 | 185 |
| Solid waste: | | | | | | | | | | |
| Collection trucks | - | - | - | - | - | - | - | - | - | - |

Sources: Various City Departments

Note: The City of Marathon does not own any administrative buildings. The City leases office space for general government.

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

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marathon, Florida (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 24, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 24, 2015

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

Report on the Financial Statements

We have audited the financial statements of the City of Marathon, Florida (the "City"), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 24, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's 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 for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Marathon, Florida was established in 1999 under the provision of Chapter 99-427 of the laws of the State of Florida. The City does not have any component units.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida
March 24, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined City of Marathon, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Keefe McCullough

KEEFE MCCULLOUGH

Fort Lauderdale, Florida
March 24, 2015

CITY OF MARATHON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2014

| Federal Agency, Pass-through Entity Federal Program | CFDA Number | Contract/Grant Number | Expenditures | Transfers to Subrecipients |
|---|----------------|-----------------------|-------------------|-------------------------------|
| FEDERAL AGENCY NAME: | | | | |
| Indirect Programs: | | | | |
| U.S. 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 | 64,770 | - |
| U.S. Department of Homeland Security - Passed through State of Florida | | | | |
| Division of Emergency Management Disaster Grants - Public Assistance | 97.036 | 13-IS-3S-11-54-01-534 | 63,092 | - |
| U.S. Department of Commerce Passed through the Florida Department of Environmental Protection: | | | | |
| Coastal Zone Management Administration Awards | 11.419 | CM230 | 30,000 | - |
| Coastal Zone Management Administration Awards | 11.419 | CM248 | 30,000 | - |
| | | | <u>60,000</u> | |
| U.S. Department of Transportation - Passed through the Florida Department of Transportation: | | | | |
| Highway Planning and Construction | * | | | |
| Recreational Trails Program | 20.205 | AQX59 | 667,454 | - |
| | 20.219 | AQU74 | 3,000 | - |
| U.S. Department of Interiors, Fish and Wildlife Service Passed through the State of Florida Fish and Wildlife Conservation Commission | | | | |
| Sport Fish Restoration Program | 15.605 | No. 13264 | 44,550 | - |
| Passed through the Florida Department of Environmental Protection: | | | | |
| Clean Vessel Act Program | 15.616 | MV097 | 40,900 | - |
| | | | <u>40,900</u> | |
| Total Expenditures of Federal Awards | | | <u>\$ 943,766</u> | <u>\$ -</u> |

* Denotes a major program

CITY OF MARATHON, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the City and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

CITY OF MARATHON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
For the Year Ended September 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
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 program is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major Federal programs for City of Marathon, Florida expresses an unmodified opinion.
6. There are no findings relative to the major Federal program for City of Marathon, Florida reported in Part C of this schedule.
7. The programs tested as a major program is as follows:

Federal Program

Federal CFDA Number

U.S. Department of Transportation -
Highway Planning and Construction

20.205

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

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.