

City of Marathon, Florida

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2017

Prepared by the
Finance Department

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INTRODUCTORY SECTION



CITY OF MARATHON, FLORIDA

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

April 27, 2018

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, 2017.

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, 2017, 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, 2017, 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) Uniform Guidance 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.



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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 8,546 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 three years with a term limit of two 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.



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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 56 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 57. A budget-to-actual comparison for the capital infrastructure fund is included as other financial information on pages 72 and 73. 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 74 and 75.

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.

On September 10, 2017 The City was hit with a Category 4 hurricane, Irma. The City is in the process of disposing of the debris and is focusing on recovery of damaged infrastructure; however, the City of Marathon's economic outlook is strong. The tourism industry in the Florida Keys is both vibrant and has proven to be extremely resilient. The City experienced increased revenues due to increased building permits and ad-valorem tax increases. The City is experiencing growth in the commercial and residential sector with new; resorts, restaurants, businesses and residences coming online. In December 2017, the area's unemployment rate was 3.4%, compared with the statewide rate of 3.9%.

Long-term Financial Planning and Relevant Financial Policies

The City has a 5-Year Capital Plan and prioritizes needs based on its expected available resources. This effort identifies capital purchases that will be needed to continue its critical core public safety services, as well as other departmental needs.



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The City has limited its borrowing to prudent levels that are able to be satisfied with existing revenue and cash flow projections. In order to minimize our debt issuance (and related costs) to when it is absolutely necessary, the City as a pay-as-you-go financing policy for CIP projects which include:

- Projects having a small dollar value
- Projects which can be broken into phases with a portion completed each year without impairing the overall effectiveness of the project
- Projects which are of a recurring nature
- Projects where the assets acquired will have relatively short useful lives.

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

On September 10, 2017 The City of Marathon was hit with a Category 4 hurricane. Hurricane Irma caused severe damage to City infrastructure, commercial and residential properties. Over 400 homes destroyed, placing a greater strain on affordable housing. The City obtained a line of credit to help cash flow recovery efforts while reimbursement from the State and Federal government are sought. The City has begun the process of recovery and is using this time to focus on the redevelopment and mitigation of older amenities and plans to focus on creating sufficient modern accommodations to make Marathon the family fun destination of the Florida Keys.

Once infrastructure recovery efforts are substantially complete the City will continue to pursue its long-term goals as outlined in the Five Year Capital Improvement Plan. The City continues to devote resources to affordable housing, transportation and traffic concerns. The City also has various bridge repair, culvert and canal restoration efforts underway. Other major projects currently included in the Five Year Capital Improvement Plan are:

- The development of a community center
- Improvements at City parks and beaches
- 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, 2016. This was the fourteenth 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.



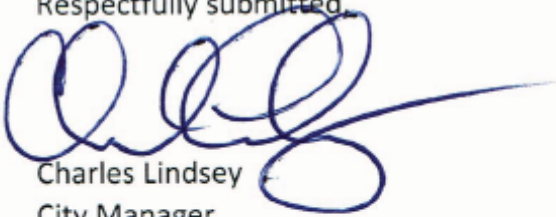
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A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2017 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the 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.

Respectfully submitted,



Charles Lindsey
City Manager



Jennifer Johnson
Finance Director

CITY OF MARATHON, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

CITY COUNCIL

Dr. Dan Zieg, Mayor
Michelle Coldiron, Vice-Mayor

John Bartus, Councilmember
Steven Cook, Councilmember
Mark Senmartin, Councilmember

CITY MANAGER

Charles Lindsey

CITY CLERK

Diane Clavier

CITY ATTORNEY

David Migut

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**

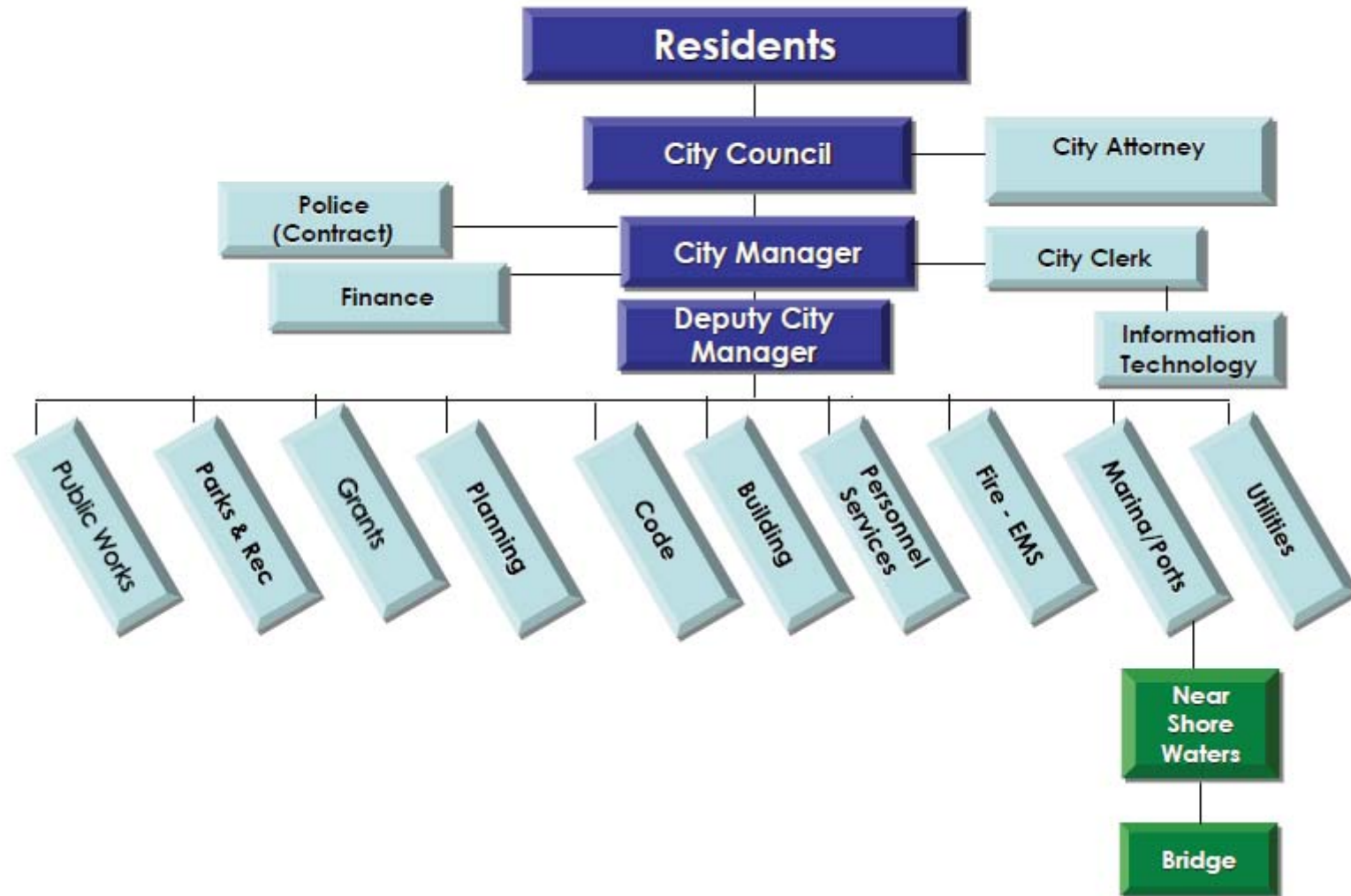
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Marathon FY17 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, 2017, 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.

CPA's + Trusted Advisors

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, 2017 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 schedules related to pensions and other post-employment benefits on pages 4 through 15 and pages 59 through 69, 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 state financial assistance is presented for purposes of additional analysis as required by *Chapter 10.550, Rules of the Florida Auditor General*, and is also not a required part of the basic financial statements.

The budgetary comparison information, other financial information and the schedule of expenditures of state financial assistance is 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 state financial assistance 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 April 27, 2018, 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
April 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2017. 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 \$ 112,597,748 (net position), as compared with \$ 109,652,148 for the previous year. Of this amount, \$ 18,278,686 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$ 22,506,115 for the previous year.
- The City's total net position increased by \$ 2,945,600 or 2.69% during the current fiscal year. Included in the total net position is governmental net position that decreased by \$ 1,219,353 and business-type activities net position that increased by \$ 4,164,953.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 11,053,919, a decrease of \$ 1,169,692 in comparison with the prior year. \$ 3,690,416 (33.39%), 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 decreased by \$ 4,587,862 (6.48%) during the current fiscal year due to annual payments.

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).

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.

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 70 and 71 of this report.

The City of Marathon adopted an annual appropriated budget for its General Fund, four 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 56). A budgetary comparison schedule has also been provided for the major special revenue fund, which is the Street Maintenance Fund (page 57) and the Capital Infrastructure Fund, which is a capital project fund (pages 72 and 73).

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 55 of this report.

Other Information

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

Required supplementary information can be found on pages 56 through 69 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 70 through 75 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 \$ 112,597,748 at the close of the most recent fiscal year, compared to net position of \$ 109,652,148 the prior year.

City of Marathon's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 15,190,901	\$ 14,478,085	\$ 12,188,385	\$ 12,971,336	\$ 27,379,286	\$ 27,449,421
Capital assets (net)	38,643,522	39,302,555	118,166,284	115,321,938	156,809,806	154,624,493
Total assets	53,834,423	53,780,640	130,354,669	128,293,274	184,189,092	182,073,914
Deferred outflows of resources	820,746	902,037	-	-	820,746	902,037
Current and other liabilities	3,262,255	1,391,044	6,385,434	4,563,870	9,647,689	5,954,914
Long term liabilities	7,364,484	8,138,047	55,081,582	59,006,704	62,446,066	67,144,751
Total liabilities	10,626,739	9,529,091	61,467,016	63,570,574	72,093,755	73,099,665
Deferred inflows of resources	318,335	224,138	-	-	318,335	224,138
Net position:						
Net investment in capital assets	31,363,522	31,282,555	59,193,929	52,501,721	90,557,451	83,784,276
Restricted	3,761,611	3,361,757	-	-	3,761,611	3,361,757
Unrestricted	8,584,962	10,285,136	9,693,724	12,220,979	18,278,686	22,506,115
Total net position	\$ 43,710,095	\$ 44,929,448	\$ 68,887,653	\$ 64,722,700	\$ 112,597,748	\$ 109,652,148

The largest portion of the City's net position (80.43%) 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 8.08% 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.

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An additional portion of the City's net position, \$ 3,761,611 (3.34%), represents resources that are subject to external restrictions on how they may be used. This represents an increase of 11.89% from the previous year's balance of \$ 3,361,757. The remaining balance of unrestricted net position \$ 18,278,686 (16.23%) may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Position

Governmental activities and business-type activities increased the City's net position by \$ 2,945,600 from the previous fiscal year. The relevant revenue and expense 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:

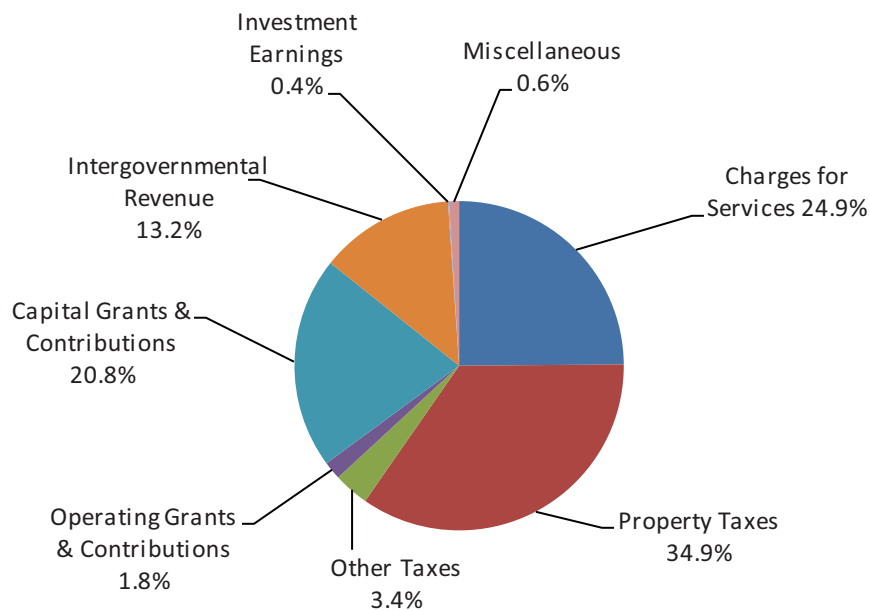
City of Marathon's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,730,889	\$ 3,845,139	\$ 7,396,117	\$ 7,250,782	\$ 11,127,006	\$ 11,095,921
Operating grants and contributions	260,009	371,539	-	-	260,009	371,539
Capital grants and contributions	3,119,967	3,351,896	8,276,373	9,034,879	11,396,340	12,386,775
General revenues:						
Property taxes	5,236,773	4,470,917	-	-	5,236,773	4,470,917
Other taxes	515,229	529,641	-	-	515,229	529,641
Intergovernmental revenues	1,984,812	1,926,237	-	-	1,984,812	1,926,237
Investment earnings	67,555	17,610	52,561	30,543	120,116	48,153
Gain on sale of capital assets	59,468	-	-	-	59,468	-
Miscellaneous	35,584	186,758	-	1,184,385	35,584	1,371,143
Total revenues	15,010,286	14,699,737	15,725,051	17,500,589	30,735,337	32,200,326
Expenses:						
General government	5,299,558	2,847,773	-	-	5,299,558	2,847,773
Public safety	5,633,501	5,202,572	-	-	5,633,501	5,202,572
Community services	3,420,249	3,109,362	-	-	3,420,249	3,109,362
Community development	1,387,809	1,408,043	-	-	1,387,809	1,408,043
Interest on long-term debt	202,657	221,828	-	-	202,657	221,828
Marina	-	-	1,162,725	796,108	1,162,725	796,108
Wastewater	-	-	9,410,154	9,929,090	9,410,154	9,929,090
Stormwater	-	-	1,273,084	1,226,693	1,273,084	1,226,693
Total expenses	15,943,774	12,789,578	11,845,963	11,951,891	27,789,737	24,741,469
Increase in net position before transfers	(933,488)	1,910,159	3,879,088	5,548,698	2,945,600	7,458,857
Transfers	(285,865)	(332,943)	285,865	332,943	-	-
Increase/(Decrease) in net position	(1,219,353)	1,577,216	4,164,953	5,881,641	2,945,600	7,458,857
Net position-beginning	44,929,448	43,352,232	64,722,700	58,841,059	109,652,148	102,193,291
Net position-ending	\$ 43,710,095	\$ 44,929,448	\$ 68,887,653	\$ 64,722,700	\$ 112,597,748	\$ 109,652,148

Governmental activities decreased the City of Marathon's net position by \$ 1,219,353 as compared to an increase in net position of \$ 1,577,216 in the prior fiscal year.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 47.37% of the governmental activities total revenues. Property taxes, which represent 34.89% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.

Revenue Sources - Governmental Activities



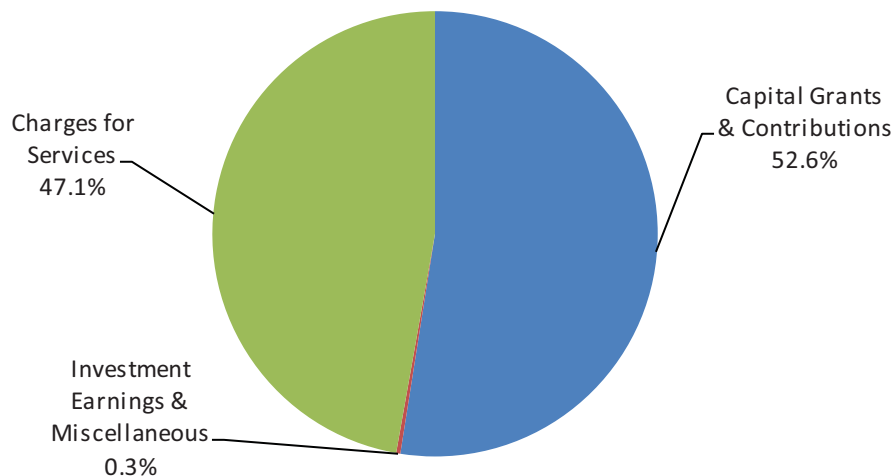
Business-Type Activities

Business-type activities increased the City of Marathon's net position by \$ 4,164,953.

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

- In total, the City's business-type activities reflected an operating loss of \$ 2,560,010. This is primarily due to the Wastewater and Stormwater's operating loss of \$ 2,640,506. The operating loss is primarily due to the provision for depreciation of \$ 4,300,217.
- The Marina Fund's operating income of \$ 80,496 is down \$ 86,740 from its operating income from the previous year of \$ 167,236.

Capital grants and contributions represent 52.63% of the total business-type revenues.



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 \$ 11,053,919 a decrease of \$ 1,169,692 in comparison with the prior year. \$ 3,690,416 (33.39%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance: \$ 54,634 is restricted for police education, \$ 201,263 is restricted for firefighter pension, \$ 1,819,289 is restricted for street maintenance projects, \$ 1,686,425 is restricted for capital projects, \$ 144,042 is *nonspendable fund balance* for prepaid items, \$ 3,457,850 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.

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 \$ 3,690,416 while total fund balance was \$ 4,090,355. 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 29.08% of total General Fund expenditures, while total fund balance represents 32.23% of that same amount.

The fund balance of the City of Marathon's General Fund decreased by \$ 1,229,290 during the current fiscal year. Total General Fund revenues increased 6% while expenditures increased 27%.

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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:

	2017 Amount	Percentage of Total	2016 Amount	Percentage of Total	Increase (Decrease) From 2016	Percentage of Increase (Decrease)
Revenues:						
Property taxes	\$ 5,236,773	49%	\$ 4,470,917	44%	\$ 765,856	17%
Intergovernmental	2,136,109	20%	2,182,435	22%	(46,326)	-2%
Licenses and permits	1,506,456	14%	1,553,338	15%	(46,882)	-3%
Charges for services	1,040,201	10%	1,057,363	10%	(17,162)	-2%
Fines and forfeitures	232,565	2%	288,331	3%	(55,766)	-19%
Communication services taxes	515,229	5%	529,641	5%	(14,412)	-3%
Interest	30,618	0%	7,065	0%	23,553	333%
Miscellaneous	36,278	0%	40,139	0%	(3,861)	-10%
Total revenues	\$ 10,734,229	100%	\$ 10,129,229	100%	\$ 605,000	6%

- Property tax revenues increased 17% due to an increase in the millage rate over the roll-back rate of 15.79%
- Fines and forfeitures decreased by \$ 55,766, or 19% due to a reduced amount of code enforcement fines.
- Licenses and permits decreased by \$ 46,882 or 3%, due to a decrease in building permit fees.
- Intergovernmental revenues decreased by \$ 46,326 or 3% due to a decrease in grant revenues.

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

	2017 Amount	Percentage of Total	2016 Amount	Percentage of Total	Increase (Decrease) From 2016	Percentage of Increase (Decrease)
Expenditures:						
City Council	\$ 534,244	4%	\$ 527,502	5%	\$ 6,742	1%
Administration	1,798,307	14%	1,761,886	18%	36,421	2%
Legal	283,861	2%	222,843	2%	61,018	27%
Police services	1,653,731	13%	1,422,933	14%	230,798	16%
Fire/EMS	3,394,522	27%	3,223,053	32%	171,469	5%
Public works	406,584	3%	318,307	3%	88,277	28%
Parks and recreation	1,148,303	9%	1,109,335	11%	38,968	4%
Bridge and near shore waters	22,592	1%	75,385	1%	(52,793)	-70%
Non departmental	2,185,068	17%	-	0%	2,185,068	100%
Community development	1,263,455	10%	1,314,896	13%	(51,441)	-4%
Total expenditures	\$ 12,690,667	100%	\$ 9,976,140	100%	\$ 2,714,527	27%

- Non-departmental expenditures increased by \$ 2,185,068 due to Hurricane Irma debris and life, health and safety protection costs incurred during September of 2017.
- Police service expenditures increased by \$ 230,798 or 16% due to contractual increases.

Other governmental funds: Significant items pertaining to other governmental funds are as follows:

- The Street Maintenance Fund increased its fund balance by \$ 62,217 due to decreased capital outlay activities.
- The Capital Infrastructure Fund decreased its fund balance by \$ 174,260 due to the planned use of reserves to replace a large fire apparatus.

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 have been online and operating since the end of fiscal year 2013. This activity resulted in an increase in the Wastewater and Stormwater Utility Fund net position of \$ 4,396,445.

Marina Fund

- The activities at the City's marina resulted in a decrease of net position of \$ 231,492.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase of \$ 468,011 in total budgeted revenues, and an increase of \$ 2,609,608 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:

- Revenues were increased for unanticipated increases in building permit fees (\$ 150,000), vacation rental license fees (\$ 90,000) and fire inspection fees (\$ 60,000).
- Revenues and expenditures were both increased by \$ 143,011 for Fire Insurance Premium tax funding that is passed through to the Fire Fighter's Pension Plan.
- Non-department expenditures were increased by \$ 2,466,597 for unanticipated Hurricane Irma expenses primarily related to; debris removal and the protection of life, health and safety.

Actual expenditures were \$ 1,427,513 below the final budgeted amounts. The significant variances can be summarized as follows:

- General Government (\$ 526,223), Community Services (\$ 165,681), and Community Development (\$ 576,261) under budget, due to operating costs being less than projected.

Resources available for appropriations were \$ 171,944 under the budgeted amount. The significant variances can be summarized as follows:

- Charges for services was \$ 140,449 under budget due to collections being less than anticipated.
- Intergovernmental revenues were \$ 81,494 under budget due to a decrease in anticipated grant activities.

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, 2017, amounts to \$ 156,809,806 (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 increase in the City's investment in capital assets for the current fiscal year was \$ 2,185,313 as compared to the \$ 1,337,251 net increase in the prior year.

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

Governmental Activities:

- Construction in progress increased \$ 807,189, of which, \$ 554,294 was for the replacement of a piece of fire apparatus (pumper) that was paid for, but not received, as of September 30, 2017.
- Improvements other than buildings increased by \$ 572,955, and by \$ 415,057 from transfers in from construction in progress. These increases are comprised of the following; the completion of new City road, Avenue L, of which, \$ 268,898 was in construction in progress during the previous fiscal year, 89th Street culvert project, completion of a phase of fire hydrant installations, and the landscaping project at the north end of the City entrance.
- Governmental Activities had disposals of \$ 1,985,120 which were comprised of Hurricane Irma damages; primarily to landscaping, signage and vehicles.

Business Activities:

- The Marina's assets increased by \$ 70,227. The significant additions include; the replacement of an ice machine, and the replacement of 19 seawall pilings. Marina asset disposals of \$ 668,030 were primarily comprised of dock damages, and furniture and equipment damages incurred during Hurricane Irma.
- The Utility's assets increased by \$ 8,668,142. The significant additions include; construction in progress increases of \$ 6,243,670 primarily comprised of; the new 104th facility, filtration expansion projects, and force main and collection system extensions. \$629,683 increase in vehicles was primarily due to the purchase of a new vac con. Improvements other than buildings increased by \$ 444,818 for new purchases and \$979,964 due to transfers in from construction in progress largely comprised of; the MBR membrane replacement, and the Avenue L new service connection project.

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	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets, net of depreciation:						
Land	\$ 9,141,511	\$ 9,141,511	\$ 2,806,522	\$ 2,806,522	\$ 11,948,033	\$ 11,948,033
Intangibles	3,822	3,822	1,615,836	1,619,925	1,619,658	1,623,747
Construction in progress	914,442	528,951	7,087,182	1,860,466	8,001,624	2,389,417
Buildings	16,046,344	16,644,078	24,264,390	26,321,014	40,310,734	42,965,092
Leasehold improvements	-	21,875	-	-	-	21,875
Improvement other than buildings	10,015,265	10,042,810	80,051,741	81,039,895	90,067,006	91,082,705
Land improvements	-	-	130,333	127,746	130,333	127,746
Fire equipment and vehicles	1,691,177	2,020,214	1,044,465	674,960	2,735,642	2,695,174
Furniture and equipment	830,961	899,294	1,165,815	871,410	1,996,776	1,770,704
Total	<u>\$ 38,643,522</u>	<u>\$ 39,302,555</u>	<u>\$ 118,166,284</u>	<u>\$ 115,321,938</u>	<u>\$ 156,809,806</u>	<u>\$ 154,624,493</u>

Additional information on the City's capital assets can be found in Note 6 on pages 38 through 40 of this report.

Long-term liabilities: At the end of the current fiscal year, the City of Marathon had governmental activities improvement revenue bond debt outstanding of \$ 7,280,000. 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 \$ 58,972,355. 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	
	2017	2016	2017	2016	2017	2016
Long-term liabilities:						
Improvement Revenue Bonds	\$ 7,280,000	\$ 8,020,000	\$ -	\$ -	\$ 7,280,000	\$ 8,020,000
State Revolving Fund Loan	-	-	58,972,355	62,820,217	58,972,355	62,820,217
Wastewater System Revenue Bonds	-	-	-	-	-	-
Compensated absences	176,677	139,297	54,030	38,165	230,707	177,462
Net pension liability	186,865	321,734	-	-	186,865	321,734
Other post-employment benefit obligation	473,610	410,946	-	-	473,610	410,946
Total	<u>\$ 8,117,152</u>	<u>\$ 8,891,977</u>	<u>\$ 59,026,385</u>	<u>\$ 62,858,382</u>	<u>\$ 67,143,537</u>	<u>\$ 71,750,359</u>

The City of Marathon's total long-term liabilities decreased by \$ 4,606,822 (6.42%) during the current fiscal year.

Additional information on the City of Marathon's long-term debt can be found in Note 7 on pages 40 through 41 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Monroe County was 3.4% in November of 2017, which is a slight increase from a rate of 3.2% a year ago. The rate still compares favorably to the state's average unemployment rate of 3.9%.

An increase in property values resulted in a roll-back rate, which is the tax rate that would bring in the same amount of money from the previous year, of 2.3171. For fiscal year 2018, the City adopted a final millage rate of 2.5900 mills which is 11.78% above the roll-back rate, as compared to 2.5000 mills in fiscal year 2017.

During fiscal year 2018, the City will be working on the following programs/projects:

- Hurricane Irma Recovery Projects
 - City Parks & Beaches
 - City Marina Building and Docks
 - Streets, bridges and culverts
- Canal Restoration and Stormwater Projects
- Wastewater Service Area 5 tank replacement project
- Wastewater Service Area 6 dewatering project

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, 2017

	Governmental Activities	Business- type Activities	Total
Assets:			
Cash and cash equivalents	\$ 12,340,233	\$ 8,682,888	\$ 21,023,121
Investments	43,492	-	43,492
Receivables, net	592,995	594,991	1,187,986
Due from other governments	442,744	2,910,506	3,353,250
Prepaid items	144,042	-	144,042
Net pension asset	1,627,395	-	1,627,395
Capital assets not being depreciated	10,059,775	11,507,448	21,567,223
Capital assets, being depreciated	28,583,747	106,658,836	135,242,583
Total assets	53,834,423	130,354,669	184,189,092
Deferred Outflows of Resources:			
Deferred outflows related to pension	814,577	-	814,577
Deferred charge on refunding	6,169	-	6,169
Total deferred outflows of resources	820,746	-	820,746
Liabilities:			
Accounts payable and accrued liabilities	2,467,480	2,440,631	4,908,111
Due to other governments	42,107	-	42,107
Noncurrent liabilities:			
Due within one year	752,668	3,944,803	4,697,471
Due in more than one year	7,364,484	55,081,582	62,446,066
Total liabilities	10,626,739	61,467,016	72,093,755
Deferred Inflows of Resources:			
Deferred inflows related to pension	318,335	-	318,335
Commitments and Contingencies (Note 8)	-	-	-
Net Position:			
Net investment in capital assets	31,363,522	59,193,929	90,557,451
Restricted for:			
Capital projects	1,686,425	-	1,686,425
Street maintenance	1,819,289	-	1,819,289
Police education	54,634	-	54,634
Firefighter pension	201,263	-	201,263
Unrestricted	8,584,962	9,693,724	18,278,686
Total net position	\$ 43,710,095	\$ 68,887,653	\$ 112,597,748

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities:							
General government	\$ 5,299,558	\$ 392,114	\$ -	\$ -	\$ (4,907,444)	\$ -	\$ (4,907,444)
Public safety	5,633,501	1,354,094	143,011	-	(4,136,396)	-	(4,136,396)
Community services	3,420,249	746,571	116,998	3,057,801	501,121	-	501,121
Community development	1,387,809	1,238,110	-	62,166	(87,533)	-	(87,533)
Interest and other debt service costs	202,657	-	-	-	(202,657)	-	(202,657)
Total governmental activities	15,943,774	3,730,889	260,009	3,119,967	(8,832,909)	-	(8,832,909)
Business-type activities:							
Wastewater	9,410,154	6,463,033	-	7,220,080	-	4,272,959	4,272,959
Stormwater	1,273,084	-	-	1,015,045	-	(258,039)	(258,039)
Marina	1,162,725	933,084	-	41,248	-	(188,393)	(188,393)
Total business-type activities	11,845,963	7,396,117	-	8,276,373	-	3,826,527	3,826,527
Total	\$ 27,789,737	\$ 11,127,006	\$ 260,009	\$ 11,396,340	(8,832,909)	3,826,527	(5,006,382)
General revenues:							
Property taxes					5,236,773	-	5,236,773
Communications services tax					515,229	-	515,229
Unrestricted intergovernmental revenue					1,984,812	-	1,984,812
Unrestricted investment earnings					67,555	52,561	120,116
Gain on sale of capital assets					59,468	-	59,468
Miscellaneous					35,584	-	35,584
Transfers					(285,865)	285,865	-
Total general revenues					7,613,556	338,426	7,951,982
Change in net position					(1,219,353)	4,164,953	2,945,600
Net position, beginning					44,929,448	64,722,700	109,652,148
Net position, ending					\$ 43,710,095	\$ 68,887,653	\$ 112,597,748

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

City of Marathon, Florida
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Street Maintenance Fund	Capital Infrastructure Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 5,717,669	\$ 1,800,139	\$ 2,950,506	\$ 1,871,919	\$ 12,340,233
Investments	28,443	13,185	1,864	-	43,492
Receivables, net	342,995	-	-	250,000	592,995
Due from other governments	190,182	42,517	210,045	-	442,744
Prepaid items	144,042	-	-	-	144,042
Total assets	<u>\$ 6,423,331</u>	<u>\$ 1,855,841</u>	<u>\$ 3,162,415</u>	<u>\$ 2,121,919</u>	<u>\$ 13,563,506</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,292,199	\$ 36,552	\$ 138,729	\$ -	\$ 2,467,480
Due to other governments	40,777	-	-	1,330	42,107
Total liabilities	<u>2,332,976</u>	<u>36,552</u>	<u>138,729</u>	<u>1,330</u>	<u>2,509,587</u>
Commitments and Contingencies (Note 8)					
	-	-	-	-	-
Fund balances:					
Nonspendable:					
Prepaid items	144,042	-	-	-	144,042
Restricted for:					
Capital projects	-	-	1,686,425	-	1,686,425
Street maintenance	-	1,819,289	-	-	1,819,289
Police education	54,634	-	-	-	54,634
Firefighter pension	201,263	-	-	-	201,263
Committed to:					
Vehicle replacement	-	-	1,337,261	-	1,337,261
Infrastructure improvements	-	-	-	928,273	928,273
Affordable housing	-	-	-	1,098,955	1,098,955
Restoration projects	-	-	-	93,361	93,361
Unassigned	3,690,416	-	-	-	3,690,416
Total fund balances	<u>4,090,355</u>	<u>1,819,289</u>	<u>3,023,686</u>	<u>2,120,589</u>	<u>11,053,919</u>
Total liabilities and fund balances	<u>\$ 6,423,331</u>	<u>\$ 1,855,841</u>	<u>\$ 3,162,415</u>	<u>\$ 2,121,919</u>	<u>\$ 13,563,506</u>

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

City of Marathon, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2017

Fund Balances - Total Governmental Funds
\$ 11,053,919

Amounts Reported for Governmental Activities in the
 Statement of Net Position are Different Because:

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

Governmental capital assets	53,494,222
Less accumulated depreciation	(14,850,700)

The net pension asset and related deferred inflows
 and outflows are not an available resource and,
 therefore, are not reported in the funds.

Net pension asset	1,627,395
Deferred outflows related to pension	814,577
Deferred inflows related to pension	(318,335)

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

Deferred charge on refunding	6,169
Net pension liability	(186,865)
Net OPEB obligation	(473,610)
Compensated absences payable	(176,677)
Governmental revenue bonds payable	(7,280,000)

Net Position of Governmental Activities	\$ 43,710,095
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The accompanying notes to the financial statements are an integral part of these statements.

City of Marathon, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Street Maintenance Fund	Capital Infrastructure Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 5,236,773	\$ -	\$ -	\$ -	\$ 5,236,773
Intergovernmental	2,136,109	637,985	3,048,727	-	5,822,821
Licenses and permits	1,506,456	-	-	-	1,506,456
Charges for services	1,040,201	-	-	-	1,040,201
Fines and forfeitures	232,565	-	-	-	232,565
Communications services tax	515,229	-	-	-	515,229
Impact fees	-	-	-	489,340	489,340
Interest	30,618	9,338	16,755	10,844	67,555
Miscellaneous	36,278	-	3,600	-	39,878
Total revenues	10,734,229	647,323	3,069,082	500,184	14,950,818
Expenditures:					
Current:					
General government	4,778,448	-	-	-	4,778,448
Public safety	5,015,503	-	-	-	5,015,503
Community services	1,567,774	538,776	-	226,235	2,332,785
Community development	1,263,455	-	-	-	1,263,455
Capital outlay	65,487	37,192	1,532,505	-	1,635,184
Debt service:					
Principal	-	-	-	740,000	740,000
Interest and fiscal charges	-	-	-	199,571	199,571
Total expenditures	12,690,667	575,968	1,532,505	1,165,806	15,964,946
Excess (deficiency) of revenues over expenditures	(1,956,438)	71,355	1,536,577	(665,622)	(1,014,128)
Other Financing Sources (Uses)					
Insurance proceeds	128,491	1,810	-	-	130,301
Transfers in	598,657	12,326	177,391	939,571	1,727,945
Transfers out	-	(23,274)	(1,888,228)	(102,308)	(2,013,810)
Total other financing sources (uses)	727,148	(9,138)	(1,710,837)	837,263	(155,564)
Net change in fund balances	(1,229,290)	62,217	(174,260)	171,641	(1,169,692)
Fund Balances, beginning	5,319,645	1,757,072	3,197,946	1,948,948	12,223,611
Fund Balances, ending	\$ 4,090,355	\$ 1,819,289	\$ 3,023,686	\$ 2,120,589	\$ 11,053,919

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (1,169,692)

Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives:

Expenditures for capital assets	1,635,324
Less current year provision for depreciation	(2,049,350)

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

Net book value of disposed assets	(245,007)
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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	740,000
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Certain items reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the governmental funds:

Provision for amortization of deferred charge on refunding	(3,086)
Change in net pension asset	10,035
Change in net pension liability	134,869
Change in deferred outflows related to pension	(78,205)
Change in deferred inflows related to pension	(94,197)
Change in net OPEB obligation	(62,664)
Change in compensated absences payable	(37,380)

Change in Net Position of Governmental Activities \$ (1,219,353)

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, 2017

	Business-Type Activities		
	Enterprise Funds		
	Major Fund	Nonmajor	Total
	Wastewater and	Fund	Enterprise
	Stormwater Fund	Marina Fund	Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,325,608	\$ 1,357,280	\$ 8,682,888
Receivables, net	594,991	-	594,991
Due from other governments	2,903,436	7,070	2,910,506
Total current assets	10,824,035	1,364,350	12,188,385
Noncurrent assets:			
Capital assets not being depreciated	11,507,448	-	11,507,448
Capital assets, net of accumulated depreciation	105,475,386	1,183,450	106,658,836
Total noncurrent assets	116,982,834	1,183,450	118,166,284
Total assets	127,806,869	2,547,800	130,354,669
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	2,399,599	41,032	2,440,631
Current portion of loans payable	3,939,400	-	3,939,400
Current portion of compensated absences	4,117	1,286	5,403
Total current liabilities	6,343,116	42,318	6,385,434
Noncurrent liabilities:			
Compensated absences, net of current portion	37,052	11,575	48,627
Loans payable	55,032,955	-	55,032,955
Total noncurrent liabilities	55,070,007	11,575	55,081,582
Total liabilities	61,413,123	53,893	61,467,016
Net Position:			
Net investment in capital assets	58,010,479	1,183,450	59,193,929
Unrestricted	8,383,267	1,310,457	9,693,724
Total net position	\$ 66,393,746	\$ 2,493,907	\$ 68,887,653

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, 2017

	Business-Type Activities Enterprise Funds		
	Major Fund Wastewater and Stormwater Fund	Nonmajor Fund Marina Fund	Total Enterprise Funds
Operating Revenues:			
Charges for services	\$ 6,463,033	\$ 933,084	\$ 7,396,117
Total operating revenues	6,463,033	933,084	7,396,117
Operating Expenses:			
Personnel costs	1,688,606	461,510	2,150,116
Operating expenses	3,114,716	256,933	3,371,649
Provision for depreciation	4,300,217	134,145	4,434,362
Total operating expenses	9,103,539	852,588	9,956,127
Operating income (loss)	(2,640,506)	80,496	(2,560,010)
Nonoperating Revenues (Expenses):			
Loss on disposal of property	(122,178)	(310,137)	(432,315)
Interest income	44,998	7,563	52,561
Interest expense	(1,457,521)	-	(1,457,521)
Total nonoperating revenues (expenses)	(1,534,701)	(302,574)	(1,837,275)
Income (loss) before capital contributions	(4,175,207)	(222,078)	(4,397,285)
Capital Contributions:			
Special assessments	4,859,730	-	4,859,730
Grants	3,375,395	41,248	3,416,643
Total capital contributions	8,235,125	41,248	8,276,373
Income before transfers	4,059,918	(180,830)	3,879,088
Transfers:			
Transfers in	650,000	-	650,000
Transfers out	(313,473)	(50,662)	(364,135)
Total transfers	336,527	(50,662)	285,865
Change in net position	4,396,445	(231,492)	4,164,953
Net Position, beginning	61,997,301	2,725,399	64,722,700
Net Position, ending	\$ 66,393,746	\$ 2,493,907	\$ 68,887,653

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, 2017

	Business-Type Activities		
	Enterprise Funds		
	Major Fund	Nonmajor	Total
	Wastewater and	Fund	Enterprise
	Stormwater	Marina	Funds
	Fund	Fund	
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 6,401,249	\$ 933,084	\$ 7,334,333
Payments to employees	(1,612,507)	(440,306)	(2,052,813)
Payments to suppliers	(1,773,552)	(249,946)	(2,023,498)
Net cash provided by operating activities	3,015,190	242,832	3,258,022
Cash Flows from Non-Capital Financing Activities:			
Transfers to other funds	(313,473)	(50,662)	(364,135)
Net cash used in non-capital and related financing activities	(313,473)	(50,662)	(364,135)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(7,363,719)	(70,227)	(7,433,946)
Proceeds from sale of capital assets	93,289	-	93,289
Proceeds from capital grants *	3,580,988	44,737	3,625,725
Proceeds from capital assessments	4,860,399	-	4,860,399
Transfers from other funds	650,000	-	650,000
Repayments of capital debt	(3,847,862)	-	(3,847,862)
Interest paid	(1,468,952)	-	(1,468,952)
Net cash used in capital and related financing activities	(3,495,857)	(25,490)	(3,521,347)
Cash Flows from Investing Activities:			
Interest received	44,998	7,563	52,561
Net cash provided by investing activities	44,998	7,563	52,561
Net increase (decrease) in cash and cash equivalents	(749,142)	174,243	(574,899)
Cash and Cash Equivalents, beginning	8,074,750	1,183,037	9,257,787
Cash and Cash Equivalents, ending	\$ 7,325,608	\$ 1,357,280	\$ 8,682,888

* Capital grants for the year ended September 30, 2017 are all associated with cash transactions.

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

City of Marathon, Florida
Statement of Cash Flows
Proprietary Funds
(continued)
For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Funds		
	Major Fund Wastewater and Stormwater Fund	Nonmajor Fund Marina Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (2,640,506)	\$ 80,496	\$ (2,560,010)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Provision for depreciation	4,300,217	134,145	4,434,362
(Increase) decrease in:			
Receivables	(147,282)	-	(147,282)
Prepays	54,296	5,789	60,085
Due from other governments	85,498	-	85,498
Increase (decrease) in:			
Accounts payable and accrued liabilities	1,350,598	18,906	1,369,504
Compensated absences	12,369	3,496	15,865
Total adjustments	5,655,696	162,336	5,818,032
Net cash provided by operating activities	\$ 3,015,190	\$ 242,832	\$ 3,258,022

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, 2017

Assets:

Cash	\$ <u>32,085</u>
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Investments:

Bond funds	3,112,289
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Equity funds	<u>4,876,991</u>
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Total investments	<u>7,989,280</u>
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Receivables:

City (including State)	<u>84,644</u>
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Total assets	<u>8,106,009</u>
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Liabilities:

Reserve for additional benefits	<u>165,909</u>
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Net Position:

Net position restricted for pensions	\$ <u><u>7,940,100</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

City of Marathon, Florida
Statement of Changes in Fiduciary Net Position
Firefighters' Pension Trust Fund
For the Year Ended September 30, 2017

Additions:

Contributions:	
Plan members	\$ 107,272
City (including State)	<u>366,697</u>
Total contributions	<u>473,969</u>
Investment income:	
Net appreciation in fair value of investments	<u>923,540</u>
Total additions	<u>1,397,509</u>

Deductions:

Distributions	38,480
Administrative expenses	<u>31,860</u>
Total deductions	<u>70,340</u>

Change in net position	1,327,169
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Net Position, beginning	<u>6,612,931</u>
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Net Position, ending	<u><u>\$ 7,940,100</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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 the 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Buildings 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

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid items: 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

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 has two items that qualify for reporting in this category. One 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. The other item is the deferred outflows related to the pension liability (asset) and is discussed further in Note 10.

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 has one item that qualifies for reporting in this category. The item is the deferred inflows related to the net pension liability (asset) and is discussed further in Note 10.

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.

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 other financing sources. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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 consists of all net position that does 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 \$ 1,983,960 is established for EMS receivables based on historical collection rates.

Date of management review: Subsequent events were evaluated through April 27, 2018, which is the date the financial statements were available to be issued.

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 - City: 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.

Note 2 - Deposits and Investments (continued)

As of September 30, 2017, the City had the following investments:

	Fair Value	Investment Maturities (In Years)
Florida PRIME	\$ 43,492	Less than 1

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 51 days.

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 (the "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, 2017, the City's Firefighters' Pension Plan has the following required disclosures:

<u>Credit Risk:</u>	<u>Fitch Rating</u>	<u>Amount</u>
<u>Fixed Income Funds:</u>		
FMIvT Broad Market High Quality Bond Fund	AAf/S4	\$ 1,259,354
FMIvT Core Plus Fixed Income Fund	Not rated	1,852,935
<u>Equity Portfolios:</u>		
FMIvT High Quality Growth Equity Portfolio	Not rated	641,709
FMIvT Diversified Value Portfolio	Not rated	633,688
FMIvT Russell 1000 Enhanced Index Portfolio	Not rated	1,868,978
FMIvT Diversified Small to Mid Cap Equity Portfolio	Not rated	882,351
FMIvT International Equity Portfolio	Not rated	850,265
		\$ 7,989,280
<u>Interest Rate Risk (In Years):</u>		
<u>Fixed Income Funds:</u>		
	<u>Duration</u>	<u>WAM</u>
FMIvT Broad Market High Quality Bond Fund	4.74	6.10
FMIvT Core Plus Fixed Income Fund	2.24	7.4

Note 2 - Deposits and Investments (continued)

Fair Value Hierarchy: GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy disclosure framework which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Various inputs are used in determining the fair value of investments. These inputs are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 - investments reflect unadjusted quoted prices in active markets for identical assets.
- Level 2 - investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fair values of investments held by the City's Firefighters' Pension Plan are classified at September 30, 2017 as follows:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
Florida Municipal Investment Trust Funds	\$ 7,989,280	\$ -	\$ 6,136,345	\$ 1,852,935	\$ -

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in 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, 2017, there were no significant delinquent taxes.

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2017

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:

	<u>General</u>	<u>Street Maintenance</u>	<u>Capital Infrastructure</u>	<u>Affordable Housing</u>
Customers billed	\$ 2,183,517	\$ -	\$ -	\$ -
Intergovernmental	190,182	42,517	210,045	-
Loans	-	-	-	250,000
Miscellaneous	<u>149,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross receivables	2,523,385	42,517	210,045	250,000
Less allowance for uncollectibles	<u>(1,990,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 533,177</u>	<u>\$ 42,517</u>	<u>\$ 210,045</u>	<u>\$ 250,000</u>

	<u>Wastewater/ Stormwater</u>	<u>Marina</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ 578,610	\$ -	\$ -	\$ 2,762,127
Intergovernmental	2,903,436	7,070	-	3,353,250
Loans	-	-	-	250,000
Miscellaneous	16,381	-	-	166,067
Contributions	<u>-</u>	<u>-</u>	<u>84,644</u>	<u>84,644</u>
Gross receivables	3,498,427	7,070	84,644	6,616,088
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,990,208)</u>
Net receivables	<u>\$ 3,498,427</u>	<u>\$ 7,070</u>	<u>\$ 84,644</u>	<u>\$ 4,625,880</u>

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

	<u>General</u>	<u>Street Maintenance</u>	<u>Capital Infrastructure</u>	<u>Wastewater/ Stormwater</u>	<u>Marina (Nonmajor Fund)</u>	<u>Total</u>
Vendors	\$ 1,863,764	\$ 13,450	\$ 85,341	\$ 1,698,748	\$ 11,036	\$ 3,672,339
Payroll liabilities	428,435	23,102	-	110,924	29,996	592,457
Retainage	-	-	53,388	416,533	-	469,921
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,394</u>	<u>-</u>	<u>173,394</u>
Total	<u>\$ 2,292,199</u>	<u>\$ 36,552</u>	<u>\$ 138,729</u>	<u>\$ 2,399,599</u>	<u>\$ 41,032</u>	<u>\$ 4,908,111</u>

Note 5 - Interfund Balances and Transfers

The composition of interfund transfers is as follows:

Transfer Out	Transfer In					Total
	General Fund	Street Maintenance Fund	Capital Infrastructure Fund	Non-Major Governmental Funds	Wastewater/Stormwater Fund	
Capital Infrastructure Fund	\$ 298,657	\$ -	\$ -	\$ 939,571	\$ 650,000	\$ 1,888,228
Street Maintenance Fund	-	-	23,274	-	-	23,274
Nonmajor Governmental Funds	-	12,326	89,982	-	-	102,308
Marina Fund	50,000	-	662	-	-	50,662
Wastewater/Stormwater Fund	250,000	-	63,473	-	-	313,473
Total	<u>\$ 598,657</u>	<u>\$ 12,326</u>	<u>\$ 177,391</u>	<u>\$ 939,571</u>	<u>\$ 650,000</u>	<u>\$ 2,377,945</u>

A transfer of \$ 298,657 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 for canal restoration project funding.

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

Transfers totaling \$ 87,409 were made from the Street Maintenance, 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.

A transfer of \$ 12,326 was made from the Impact Fee fund to the Street Maintenance Fund in order to use impact fees for their specified capital purpose.

Transfers totaling \$ 89,982 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 debt service.

A transfer of \$ 939,571 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, 2017

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,141,511	\$ -	\$ -	\$ -	\$ 9,141,511
Intangibles	3,822	-	-	-	3,822
Construction-in-progress	<u>528,951</u>	<u>807,189</u>	<u>6,641</u>	<u>(415,057)</u>	<u>914,442</u>
Total capital assets not being depreciated	<u>9,674,284</u>	<u>807,189</u>	<u>6,641</u>	<u>(415,057)</u>	<u>10,059,775</u>
Capital assets being depreciated:					
Buildings and structures	20,309,589	1,580	112,679	8,980	20,207,470
Leasehold Improvements	67,215	-	58,235	(8,980)	-
Improvements other than buildings	17,302,419	572,955	1,156,919	415,057	17,133,512
Fire equipment and vehicles	4,007,544	116,923	270,897	-	3,853,570
Furniture and equipment	2,482,008	136,677	386,390	-	2,232,295
Intangibles	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>
Total capital assets being depreciated	<u>44,176,375</u>	<u>828,135</u>	<u>1,985,120</u>	<u>415,057</u>	<u>43,434,447</u>
Total capital assets	<u>53,850,659</u>	<u>1,635,324</u>	<u>1,991,761</u>	<u>-</u>	<u>53,494,222</u>
Less accumulated depreciation:					
Buildings and structures	3,665,511	606,324	112,679	1,970	4,161,126
Leasehold Improvements	45,340	-	43,370	(1,970)	-
Improvements other than buildings	7,259,609	866,067	1,007,429	-	7,118,247
Fire equipment and vehicles	1,987,330	374,201	199,138	-	2,162,393
Furniture and equipment	1,582,714	202,758	384,138	-	1,401,334
Intangibles	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>
Total accumulated depreciation	<u>14,548,104</u>	<u>2,049,350</u>	<u>1,746,754</u>	<u>-</u>	<u>14,850,700</u>
Total capital assets being depreciated, net	<u>29,628,271</u>	<u>(1,221,215)</u>	<u>238,366</u>	<u>415,057</u>	<u>28,583,747</u>
Governmental activities, capital assets, net	<u>\$ 39,302,555</u>	<u>\$ (414,026)</u>	<u>\$ 245,007</u>	<u>\$ -</u>	<u>\$ 38,643,522</u>

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2017

Note 6 - Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 2,806,522	\$ -	\$ -	\$ -	\$ 2,806,522
Intangibles	1,613,744	-	-	-	1,613,744
Construction-in-progress	1,860,466	6,243,670	36,990	(979,964)	7,087,182
Total capital assets not being depreciated	6,280,732	6,243,670	36,990	(979,964)	11,507,448
Capital assets being depreciated:					
Buildings	36,134,360	-	500,399	-	35,633,961
Improvements other than buildings	93,584,518	444,818	28,054	979,964	94,981,246
Land improvements	251,299	-	-	-	251,299
Intangibles	57,047	-	37,078	-	19,969
Equipment	1,437,885	486,141	159,029	-	1,764,997
Vehicles	1,013,571	629,683	356,572	-	1,286,682
Total capital assets being depreciated	132,478,680	1,560,642	1,081,132	979,964	133,938,154
Total capital assets	138,759,412	7,804,312	1,118,122	-	145,445,602
Less accumulated depreciation:					
Buildings	9,813,346	1,772,804	216,579	-	11,369,571
Improvements other than buildings	12,544,623	2,385,325	443	-	14,929,505
Land improvements	123,553	24,199	26,786	-	120,966
Intangibles	50,866	4,089	37,078	-	17,877
Equipment	566,475	158,908	126,201	-	599,182
Vehicles	338,611	89,037	185,431	-	242,217
Total accumulated depreciation	23,437,474	4,434,362	592,518	-	27,279,318
Total capital assets, being depreciated, net	109,041,206	(2,873,720)	488,614	979,964	106,658,836
Business activities capital assets, net	\$ 115,321,938	\$ 3,369,950	\$ 525,604	\$ -	\$ 118,166,284

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

Governmental activities:	
General government	\$ 460,715
Public safety	561,235
Community services	933,578
Community development	93,822
Total provision for depreciation - governmental activities	\$ 2,049,350

Note 6 - Capital Assets (continued)

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

Business-type activities:	
Enterprise - Wastewater/Stormwater	\$ 4,300,217
Enterprise - Marina	<u>134,145</u>
Total provision for depreciation - business-type activities	<u>\$ 4,434,362</u>

Note 7 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Governmental activities:					
Bonds payable:					
Series 2013A	\$ 7,865,000	\$ -	\$ 685,000	\$ 7,180,000	\$ 680,000
Series 2013B	155,000	-	55,000	100,000	55,000
Compensated absences payable	139,297	65,858	28,478	176,677	17,668
Net pension liability	321,734	-	134,869	186,865	-
Other post-employment benefit obligation	<u>410,946</u>	<u>62,664</u>	<u>-</u>	<u>473,610</u>	<u>-</u>
Governmental activities, long-term debt	<u>\$ 8,891,977</u>	<u>\$ 128,522</u>	<u>\$ 903,347</u>	<u>\$ 8,117,152</u>	<u>\$ 752,668</u>

Public Improvement Refunding Revenue Bonds, Series 2013A and 2013B: During fiscal year 2014, 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
2018	\$ 735,000	\$ 180,990	\$ 915,990
2019	685,000	162,436	847,436
2020	605,000	146,011	751,011
2021	620,000	130,180	750,180
2022	640,000	113,960	753,960
2023-2027	3,625,000	310,832	3,935,832
2028	<u>370,000</u>	<u>2,396</u>	<u>372,396</u>
	<u>\$ 7,280,000</u>	<u>\$ 1,046,805</u>	<u>\$ 8,326,805</u>

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2017

Note 7 - Long-Term Liabilities (continued)

The following is a summary of changes in long-term liabilities of the City's business-type activities for the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Business-type activities:					
Bonds payable:					
State Revolving Fund Loan Program	\$ 62,820,217	\$ -	\$ 3,847,862	\$ 58,972,355	\$ 3,939,400
Compensated absences payable	38,165	26,629	10,764	54,030	5,403
Business-type activities, long-term debt	<u>\$ 62,858,382</u>	<u>\$ 26,629</u>	<u>\$ 3,858,626</u>	<u>\$ 59,026,385</u>	<u>\$ 3,944,803</u>

State Revolving Fund Loans: As of September 30, 2017, the City has entered into four 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, 2017, the City has borrowed a total of \$ 58,972,355 under these agreements and repayments have begun on all loan agreements which have outstanding balances. The breakdown as of September 30, 2017 of the total amounts authorized, the fixed weighted average interest rates, the estimated semi-annual payment amount and the amounts drawn to date on each loan is as follows:

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Semi-Annual Payment Amount	Total Obligation September 30, 2017
WW 63702P	\$ 31,308,211	2.25-2.54%	\$ 1,010,699	\$ 20,965,863
WW 637060	21,541,520	2.08-2.73%	710,253	17,238,027
WW 637090	10,373,801	2.02-2.66%	330,170	7,460,026
WW 637020	<u>17,131,172</u>	2.08%	<u>607,285</u>	<u>13,308,439</u>
Total	<u>\$ 80,354,704</u>		<u>\$ 2,658,407</u>	<u>\$ 58,972,355</u>

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

September 30,	Principal	Interest	Total
2018	\$ 3,939,400	\$ 1,377,413	\$ 5,316,813
2019	4,033,135	1,283,677	5,316,812
2020	4,129,121	1,187,692	5,316,813
2021	4,227,412	1,089,400	5,316,812
2022	4,328,064	988,749	5,316,813
2023-2027	23,236,800	3,347,264	26,584,064
2028-2032	<u>15,078,423</u>	<u>704,260</u>	<u>15,782,683</u>
	<u>\$ 58,972,355</u>	<u>\$ 9,978,455</u>	<u>\$ 68,950,810</u>

Note 8 - Commitments and Contingencies

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

Litigation: The City is a defendant in various lawsuits including personal injury, property damage, and other miscellaneous claims. For one of these cases, there is a reasonable possibility that a loss has been incurred. The City estimates its possible exposure could be between \$ 1,000,000 and \$ 2,000,000. Due to the uncertainty of the outcome, no liability has been recorded in the financial statements for this case. The remainder of the legal proceedings are incidental to the City's operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the City.

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

Construction commitment: At September 30, 2017 the City had the following outstanding construction commitments:

Project	Total Project Authorization	Expended at September 30, 2017	Contracts and Retainage Payable	Balance to Complete
Marathon Utility Building	\$ 2,418,145	\$ 2,071,218	\$ 177,321	\$ 169,606
Marathon Area 3 & 4 Wastewater Treatment Plant upgrades	3,039,614	2,327,743	275,431	436,440
	<u>\$ 5,457,759</u>	<u>\$ 4,398,961</u>	<u>\$ 452,752</u>	<u>\$ 606,046</u>

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 2018. Pursuant to the agreement, the Sheriff will provide law enforcement coverage within the City. Services for the fiscal year ending September 30, 2018 are budgeted to be approximately \$ 1,711,500. Costs for police services for the year ended September 30, 2017 were approximately \$ 1,653,700.

Collective Bargaining Agreement: The City Council approved a new collective bargaining agreement subsequent to year end between the City and the professional firefighters of Marathon, International Association of Firefighters Local 4396. The agreement is effective through September 30, 2020 (and shall be renewed on an annual basis thereafter, unless either party provides the other written notice of its intent to terminate or modify the agreement not less than ninety days prior to expiration date).

Note 8 - Commitments and Contingencies (continued)

Agreement to Provide Fire Rescue and Emergency Medical Services: The City previously entered into an interlocal agreement for the provision of fire rescue and emergency medical services to Key Colony Beach ("KCB") by the City's own fire rescue department through September 30, 2018. Charges for these services for the fiscal year ended September 30, 2018 are budgeted to be \$ 550,000. Fees received for these services for the year ended September 30, 2017 were \$ 500,000 from ad valorem revenue and \$ 25,000 from KCB's discretionary sales tax revenues.

Note 9 - Defined Contribution Plans

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). 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. Amendments to the Plan must be authorized by the City Council.

The City also has a deferred compensation pension plan created in accordance with the Internal Revenue Service Code Section 457(b). The City Manager and City Attorney receive an automatic 10% contribution with no match requirement.

The 401(a) and 457(b) plans mentioned above are administered by ICMA Retirement Corporation. The City provided contributions to these plans for the year ended September 30, 2017 of approximately \$ 239,500.

The elected officials of the City have the option of participating in the Florida Retirement System Investment Plan ("Investment Plan") which is a defined contribution plan or the Florida Retirement System Pension Plan ("Pension Plan") which is a defined benefit plan (Note 10). The Investment Plan is qualified under Section 401 (a) of the Internal Service Code. The employer and employee contributions for the Investment Plan are defined by law. Employees are required to contribute 3% of their salary. The amount contributed by the City is the same whether the elected official participates in the Investment Plan or the Pension Plan (Note 10). The City contributed \$ 2,691 to the Investment Plan for the year ended September 30, 2017.

Note 10 - Employee Pension Plans

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 Plan 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.

Note 10 - Employee Pension Plans (continued)

The Board of Trustees is comprised of the following five members: two of the members shall be legal residents of the City and are appointed by the City Council; two of the members shall be full-time firefighters of the City elected by a majority of the active firefighters who are members of the Plan; and the fifth member of the Board shall be chosen by a majority of the previous four Board members. The name of the fifth Board member is then submitted to City Council who appoints such person to the Board.

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.

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, 2017:

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 investments that represent 5.00% or more, at September 30, 2017, that met the criteria for disclosure.

Rate of return: For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

Note 10 - Employee Pension Plans (continued)

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, 2017.

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.

At October 1, 2016, the following employees were covered by the pension benefits:

Inactive employees or beneficiaries currently receiving benefit	-
Inactive employees entitled to but not receiving benefit	10
Active plan members	<u>25</u>
Total members	<u><u>35</u></u>

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, 2017.

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

The 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, 2017, \$ 201,263 has been set aside in the General Fund.

Note 10 - Employee Pension Plans (continued)

The required contribution including interest to the Plan as determined by the actuarial valuation was \$ 366,697 for the year ended September 30, 2017. Contributions from the State totaled \$ 143,010 plus City contributions of \$ 223,687. State contributions are recognized as both revenue and expenditure during the period in the General Fund.

Net Pension Liability (Asset) of the City: The City's net pension liability (asset) was measured at September 30, 2016 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2015 rolled forward to September 30, 2016.

The components of the net position (asset) liability of the City at September 30, 2017, were as follows:

	Firefighters' Pension Plan
Total pension liability	\$ 4,985,536
Plan fiduciary net position	<u>6,612,931</u>
City's net pension (asset) liability	<u>\$ (1,627,395)</u>
Plan fiduciary net position as a percentage of total pension liability	132.64%

Actuarial assumptions. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class 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%

Note 10 - Employee Pension Plans (continued)

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.

Changes in net pension liability (asset).

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2015	\$ 4,179,062	\$ 5,796,422	\$ (1,617,360)
Changes for the year:			
Service cost	465,383	-	465,383
Interest cost	346,447	-	346,447
Contributions - employer	-	157,589	(157,589)
Contributions - employee	-	79,045	(79,045)
Contributions - nonemployer contributing member	-	163,986	(163,986)
Differences between expected and actual experience	44,937	-	44,937
Net increase (decrease) in fair value of investments	-	490,850	(490,850)
Benefit payments, including refunds of member contributions	(50,293)	(50,293)	-
Administrative expenses	-	(24,668)	24,668
Net Changes	806,474	816,509	(10,035)
Balances at September 30, 2016, measurement date	\$ 4,985,536	\$ 6,612,931	\$ (1,627,395)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 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)	\$ (804,263)	\$ (1,627,395)	\$ (2,333,883)

Note 10 - Employee Pension Plans (continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions: For the year ended September 30, 2017, the City recognized pension expense of \$ 363,227 for this Plan. At September 30, 2017 the City reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to year end	\$ 366,697	\$ -
Differences between expected and actual experience	40,852	(156,466)
Net difference between projected and actual earning on pension plan investments	<u>255,551</u>	<u>(59,370)</u>
Total	<u>\$ 663,100</u>	<u>\$ (215,836)</u>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending September 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2018	\$ 52,718
2019	\$ 52,717
2020	\$ 64,842
2021	\$ (20,344)
2022	\$ (11,562)
Thereafter	\$ (57,804)

Florida Retirement System

General Information: As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System ("FRS") provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

Note 10 - Employee Pension Plans (continued)

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (877) 377-1737 or by visiting the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description: The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided: Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Elected Officers' class members who retire at or after age 62 with at least six years of creditable service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% times the years of service times their final average compensation based on the five highest years of salary for each year of creditable service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of creditable service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Elected Officers' class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before August 1, 2011, the annual cost of living adjustment ("COLA") is three percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions: Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were 42.47% and 45.50% for the Elected Officers' class. These employer contribution rates include 1.66% to the HIS Plan subsidy for the periods October 1, 2016 through September 30, 2017.

HIS Plan

Plan Description: The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Note 10 - Employee Pension Plans (continued)

Benefits Provided: For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2017, the City reported a liability of \$ 171,266 for its proportionate share of the Pension Plan's net pension liability and \$ 15,599 for the HIS Plan's net pension liability for a total pension liability of \$ 186,865. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. At June 30, 2017, the City's proportion was .00579004 percent for the Pension Plan and .000145883 percent for the HIS Plan, which was an increase of .001144711 percent and .000280525 percent respectively, from the proportionate share measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense (income) of \$ 41,627 for the Pension Plan and \$ (781) for the HIS Plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources		
	Pension Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 15,718	\$ -	\$ 15,718
Changes of assumptions	57,557	2,193	59,750
Net difference between projected and actual earnings on pension plan investments	-	9	9
Changes in proportion and differences between City contributions and proportionate share of contributions	74,026	304	74,330
City contributions subsequent to the measurement date	1,595	75	1,670
Total	\$ 148,896	\$ 2,581	\$ 151,477

Note 10 - Employee Pension Plans (continued)

Description	Deferred Inflows of Resources		
	Pension Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 949	\$ 32	\$ 981
Changes of assumptions	-	1,349	1,349
Net difference between projected and actual earnings on pension plan investments	4,244	-	4,244
Changes in proportion and differences between City contributions and proportionate share of contributions	83,364	12,561	95,925
Total	\$ 88,557	\$ 13,942	\$ 102,499

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending September 30, 2018. The amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Plan will be recognized in pension expense as follows:

Year Ended September 30,	Pension Plan	HIS Plan	Total
2018	\$ 21,988	\$ (1,712)	\$ 20,276
2019	\$ 36,722	\$ (1,714)	\$ 35,008
2020	\$ 14,596	\$ (1,715)	\$ 12,881
2021	\$ (10,216)	\$ (1,854)	\$ (12,070)
2022	\$ (3,139)	\$ (1,982)	\$ (5,121)
Thereafter	\$ (1,207)	\$ (2,459)	\$ (3,666)

Actuarial Assumptions: The Florida Retirement System Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of both pension plans pursuant to section 216.136 (10), Florida Statutes. The Pension Plan's valuation is performed annually. The HIS Plan has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the Pension Plan. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pension Plan	HIS Plan
Inflation	2.60%	2.60%
Salary increases	3.25%, average, including inflation	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation	N/A
Actuarial cost method	Individual entry age	Individual entry age
Mortality table	Generational RP-2000 with Project Scale BB tables	Generational RP-2000 with Project Scale BB tables

Note 10 - Employee Pension Plans (continued)

Long-term Expected Rate of Return: The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
Assumed Inflation - Mean			2.6%	1.9%

(1) As outlined in the Pension Plan's investment policy

Discount Rate: The discount rate used to measure the total pension liability was 7.10% for the Pension Plan. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability was 3.58% for the HIS Plan. In general, the discount rate for calculating the HIS Plan's total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 3.58% was used to determine the total pension liability. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following table presents the sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis, below, shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability for Pension Plan	\$ 309,980	\$ 171,266	\$ 56,101

Note 10 - Employee Pension Plans (continued)

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability for HIS Plan	\$ 17,800	\$ 15,599	\$ 13,765

Aggregate amounts for all plans:

	Firefighters' Pension Plan	FRS Pension Plan	FRS HIS Plan	Total
Net pension asset	\$ 1,627,395	\$ -	\$ -	\$ 1,627,395
Net pension liability	\$ -	\$ 171,266	\$ 15,599	\$ 186,865
Deferred outflows of resources	\$ 663,100	\$ 148,896	\$ 2,581	\$ 814,577
Deferred inflows of resources	\$ 215,836	\$ 88,557	\$ 13,942	\$ 318,335
Pension expense (income)	\$ 363,227	\$ 41,627	\$ (781)	\$ 404,073

Note 11 - 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, 2014 (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.

Note 11 - Other Post-Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation: The end of the year net OPEB obligation is determined as follows:

Annual required contribution	\$	71,411
Interest on net OPEB obligation		16,438
Adjustment to annual required contribution		(23,304)
Annual OPEB cost		64,545
Expected benefit payments		(1,881)
Net OPEB obligation, October 1, 2016		410,946
Net OPEB obligation, September 30, 2017	\$	473,610

The government's annual OPEB cost, percentage of OPEB cost contributed, and net post-employment benefit obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
9/30/2015	\$ 47,248	0.0%	\$ 358,647
9/30/2016	\$ 54,765	4.5%	\$ 410,946
9/30/2017	\$ 64,545	2.9%	\$ 473,610

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, 2016	\$ -	\$ 409,775	\$ 409,775	0.0%	\$ 3,336,948	12.3%

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.

Note 11 - Other Post-Employment Health Care Benefits (continued)

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

Measurement date	October 1, 2016
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	8.50% for 2016/17 graded to 5.00% for 2023/24

Note 12 - Subsequent Event

In December 2017 the City entered into an agreement with a bank for a \$ 10,000,000 revolving line of credit maturing in June 2019, including a fixed interest rate of 2.40%. The proceeds are to be used to finance the costs and expenses associated with the cleanup and reconstruction efforts as needed related to the aftermath of Hurricane Irma, including but not limited to debris removal. Debt service on the agreement will be secured by reimbursement proceeds from the Federal Emergency Management Agency (FEMA). As of the date of this report, the outstanding balance on this line of credit is \$ 50,001.

REQUIRED SUPPLEMENTARY INFORMATION

City of Marathon, Florida
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 5,253,822	\$ 5,253,822	\$ 5,236,773	\$ (17,049)
Intergovernmental	2,074,592	2,217,603	2,136,109	(81,494)
Licenses and permits	1,180,410	1,480,410	1,506,456	26,046
Charges for services	1,180,650	1,180,650	1,040,201	(140,449)
Fines and forfeitures	208,250	233,250	232,565	(685)
Communications services taxes	498,638	498,638	515,229	16,591
Interest	7,200	7,200	30,618	23,418
Miscellaneous	34,600	34,600	36,278	1,678
Total revenues	<u>10,438,162</u>	<u>10,906,173</u>	<u>10,734,229</u>	<u>(171,944)</u>
Expenditures:				
Current:				
General government:				
Elected officials	573,702	573,702	534,244	39,458
Administration	1,995,459	1,995,459	1,798,307	197,152
Non departmental	-	2,466,597	2,185,068	281,529
Legal	291,945	291,945	283,861	8,084
Total general government	<u>2,861,106</u>	<u>5,327,703</u>	<u>4,801,480</u>	<u>526,223</u>
Public safety:				
Police	1,653,731	1,653,731	1,653,731	-
Fire/EMS	3,410,859	3,553,870	3,394,522	159,348
Total public safety	<u>5,064,590</u>	<u>5,207,601</u>	<u>5,048,253</u>	<u>159,348</u>
Community services:				
Public works	416,253	416,253	406,584	9,669
Parks and recreation	1,298,089	1,298,089	1,148,303	149,786
Bridges	28,818	28,818	22,592	6,226
Total community services	<u>1,743,160</u>	<u>1,743,160</u>	<u>1,577,479</u>	<u>165,681</u>
Community development	<u>1,839,716</u>	<u>1,839,716</u>	<u>1,263,455</u>	<u>576,261</u>
Total expenditures	<u>11,508,572</u>	<u>14,118,180</u>	<u>12,690,667</u>	<u>1,427,513</u>
Excess (deficiency) of revenues over expenditures	<u>(1,070,410)</u>	<u>(3,212,007)</u>	<u>(1,956,438)</u>	<u>1,255,569</u>
Other Financing Sources (Uses):				
Insurance proceeds	-	-	128,491	128,491
Transfers in	606,654	606,654	598,657	(7,997)
Appropriation of prior year's fund balance	463,756	2,605,353	-	(2,605,353)
Total other financing sources (uses)	<u>1,070,410</u>	<u>3,212,007</u>	<u>727,148</u>	<u>(2,484,859)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(1,229,290)</u>	\$ <u>(1,229,290)</u>

City of Marathon, Florida
Budgetary Comparison Schedule
Street Maintenance Fund
For the Year Ended September 30, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 710,712	\$ 637,985	\$ (72,727)
Interest	2,000	9,338	7,338
Miscellaneous	-	-	-
	<u>712,712</u>	<u>647,323</u>	<u>(65,389)</u>
Total revenues			
Expenditures:			
Current:			
Community services	704,254	538,776	165,478
Capital outlay	<u>1,319,678</u>	<u>37,192</u>	<u>1,282,486</u>
Total expenditures	<u>2,023,932</u>	<u>575,968</u>	<u>1,447,964</u>
Excess (deficiency) of revenues over expenditures	<u>(1,311,220)</u>	<u>71,355</u>	<u>1,382,575</u>
Other Financing Sources (Uses):			
Insurance proceeds	-	1,810	1,810
Transfers in	132,500	12,326	(120,174)
Transfers out	(123,274)	(23,274)	100,000
Appropriation of prior year's fund balance	<u>1,301,994</u>	<u>-</u>	<u>(1,301,994)</u>
Total other financing sources (uses)	<u>1,311,220</u>	<u>(9,138)</u>	<u>(1,320,358)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>62,217</u>	\$ <u>62,217</u>

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, Affordable Housing Fund and the Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Annually, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1st, the budget is legally enacted through passage of a resolution.
- d. The City Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated.
- e. The City Manager is authorized to transfer budget amounts within the departments within any fund. However, any revisions that alter the total appropriations of any department must be approved by the City Council. Therefore, the legal level of control is at the department level.
- 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 account for unanticipated revenues and expenditures that took place during the fiscal year.
- 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 Changes in Net Position Liability (Asset) and Related Ratios
Firefighters' Pension Trust Fund

Fiscal Year: Measurement Date:	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014
Total pension liability				
Service cost	\$ 526,211	\$ 465,383	\$ 421,863	\$ 402,517
Interest	411,938	346,447	305,220	255,647
Differences between expected and actual experience	(558,330)	44,937	(187,760)	-
Changes of assumptions	124,828	-	-	-
Benefit payments, including refunds of member contributions	(38,480)	(50,293)	(16,003)	(17,052)
Net change in total pension liability	466,167	806,474	523,320	641,112
Total pension liability - beginning	4,985,536	4,179,062	3,655,742	3,014,630
Total pension liability - ending (a)	<u>\$ 5,451,703</u>	<u>\$ 4,985,536</u>	<u>\$ 4,179,062</u>	<u>\$ 3,655,742</u>
Plan fiduciary net position				
Contributions - employer	\$ 223,687	\$ 157,589	\$ 143,152	\$ 69,826
Contributions - member	107,272	79,045	79,753	58,208
Contributions - nonemployer contributing member	143,010	163,986	176,093	193,515
Net investment income	923,540	490,850	(10,345)	417,331
Benefit payments, including refunds of member contributions	(38,480)	(50,293)	(16,003)	(17,052)
Administrative expenses	(31,860)	(24,668)	(27,473)	(35,373)
Net change in plan fiduciary net position	1,327,169	816,509	345,177	686,455
Plan fiduciary net position - beginning	6,612,931	5,796,422	5,451,245	4,764,790
Plan fiduciary net position - ending (b)	<u>7,940,100</u>	<u>\$ 6,612,931</u>	<u>\$ 5,796,422</u>	<u>5,451,245</u>
City net pension liability (asset) - ending (a) - (b)	<u>\$ (2,488,397)</u>	<u>\$ (1,627,395)</u>	<u>\$ (1,617,360)</u>	<u>(1,795,503)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	145.64%	132.64%	138.70%	149.11%
Covered-employee payroll	\$ 1,602,399	\$ 1,502,540	\$ 1,358,418	\$ 1,347,342
City net pension liability (asset) as percentage of covered-employee payroll	(155.29%)	(108.31%)	(119.06%)	(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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 362,276	\$ 317,899	\$ 314,079	\$ 260,648	\$ 375,384	\$ 349,195	\$ 552,405	\$ 514,935	\$ 391,751	\$ 281,737
Contributions in relation to the actuarially determined contribution	<u>366,697</u>	<u>321,575</u>	<u>319,245</u>	<u>264,774</u>	<u>377,579</u>	<u>347,666</u>	<u>550,834</u>	<u>514,735</u>	<u>391,751</u>	<u>281,737</u>
Contribution deficiency (excess)	<u>\$ (4,421)</u>	<u>\$ (3,676)</u>	<u>\$ (5,166)</u>	<u>\$ (4,126)</u>	<u>\$ (2,195)</u>	<u>\$ 1,529</u>	<u>\$ 1,571</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,602,399	\$ 1,502,540	\$ 1,358,418	\$ 1,295,521	\$ 1,164,340	\$ 1,368,971	\$ 1,378,189	\$ * N/A	\$ 1,056,666	\$ * N/A
Contributions as a percentage of covered-employee payroll	22.88%	21.40%	23.50%	20.44%	32.43%	25.40%	39.97%	* N/A	37.07%	* N/A

Notes to Schedule

Valuation date: September 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method
Asset valuation method

Salary increases
Investment rate of return
Retirement rate
Mortality

Aggregate cost method
Actuarial value of assets is equal to expected market value adjusted by phase-in of the difference between the expected investment earnings and actual investment earnings at the rate of 20% per year
The result cannot be greater than 120% of market value or less than 80% of market value.
4.00%
7.5% including inflation and net of investment expenses
100% at normal retirement age
Healthy - Florida Retirement System special risk mortality projected with scale BB generationally
Disabled - Florida Retirement System disabled mortality projected with scale BB generationally

* N/A Not Available

City of Marathon, Florida
Required Supplementary Information
(Unaudited)
Schedule of Investment Returns
Firefighters' Pension Trust Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return (loss), net of investment expense	11.58	8.11%	(0.05%)	8.55%

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

City of Marathon, Florida
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.000579004%	0.001144711%	0.001241696%	0.000939789%
Proportionate share of the net pension liability	\$ 171,266	\$ 289,040	\$ 160,382	\$ 57,341
Covered-employee payroll **	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	-	-	-	-
Plan fiduciary net position as a percentage of total pension liability	88.89%	84.88%	92.00%	96.09%

* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

* * There is no covered payroll because the Elected Officials for these years have chosen to participate in the Florida Retirement System defined contribution plan.

City of Marathon, Florida
Schedule of Proportionate Share of Net Pension Liability
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.000145883%	0.000280525%	0.000296985%	0.000297528%
Proportionate share of the net pension liability	\$ 15,599	\$ 32,694	\$ 30,288	\$ 27,820
Covered-employee payroll**	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	-	-	-	-
Plan fiduciary net position as a percentage of total pension liability	1.64%	0.97%	0.50%	0.99%

* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

* * There is no covered payroll because the Elected Officials for these years have chosen to participate in the Florida Retirement System defined contribution plan.

City of Marathon, Florida
Schedule of Contributions
Florida Retirement System Pension Plan
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,299	\$ 23,654	\$ 29,956	\$ 22,979
Contributions in relation to the contractually required contribution	<u>10,299</u>	<u>23,654</u>	<u>29,956</u>	<u>22,979</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City of Marathon, Florida's covered employee payroll**	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	-	-	-	-

* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

* * There is no covered payroll because the Elected Officials for these years have chosen to participate in the Florida Retirement System defined contribution plan.

City of Marathon, Florida
Schedule of Contributions
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 523	\$ 1,221	\$ 1,225	\$ 1,074
Contributions in relation to the contractually required contribution	<u>523</u>	<u>1,221</u>	<u>1,225</u>	<u>1,074</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
City of Marathon, Florida's covered employee payroll**	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	-	-	-	-

* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

** There is no covered payroll because the Elected Officials for these years have chosen to participate in the Florida Retirement System defined contribution plan.

City of Marathon, Florida
Schedule of Investment Returns
Florida Retirement System Pension Plan
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted annual rate of return, net of investment expenses	13.59%	0.57%	3.77%	17.57%

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

City of Marathon, Florida
Schedule of Investment Returns
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted annual rate of return, net of investment expenses	13.59%	0.57%	3.77%	17.57%

* 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%
October 1, 2014	\$ -	\$ 264,498	\$ 264,498	0.0%	\$ 3,207,370	8.20%
October 1, 2015	\$ -	\$ 328,582	\$ 328,582	0.0%	\$ 3,271,517	10.00%
October 1, 2016	\$ -	\$ 409,775	\$ 409,775	0.0%	\$ 3,336,948	12.30%

City of Marathon, Florida
Required Supplementary Information
(Unaudited)
Schedule of Employer Contributions
Other Post-Employment Health Care Benefits
For the Last Five Years

Fiscal Year Ended	Annual Required Contribution	Estimated Contribution	Percentage of Annual Required Contribution Contributed
09/30/13	\$ 47,187	\$ 1,412	3.0%
09/30/14	\$ 54,340	\$ 1,408	2.6%
09/30/15	\$ 52,451	\$ -	0.0%
09/30/16	\$ 60,757	\$ 2,466	4.1%
09/30/17	\$ 71,411	\$ 1,881	2.6%

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.

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, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund	Debt Service Fund	
Assets:					
Cash and cash equivalents	\$ 929,603	\$ 848,955	\$ 93,361	\$ -	\$ 1,871,919
Receivables	-	250,000	-	-	250,000
Total assets	<u>\$ 929,603</u>	<u>\$ 1,098,955</u>	<u>\$ 93,361</u>	<u>\$ -</u>	<u>\$ 2,121,919</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other governments	\$ 1,330	-	-	-	1,330
Fund balances:					
Restricted for:					
Grant projects	-	-	-	-	-
Committed for:					
Infrastructure improvements	928,273	-	-	-	928,273
Affordable housing	-	1,098,955	-	-	1,098,955
Restoration projects	-	-	93,361	-	93,361
Total fund balances	<u>928,273</u>	<u>1,098,955</u>	<u>93,361</u>	<u>-</u>	<u>2,120,589</u>
Total liabilities and fund balances	<u>\$ 929,603</u>	<u>\$ 1,098,955</u>	<u>\$ 93,361</u>	<u>\$ -</u>	<u>\$ 2,121,919</u>

City of Marathon, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund		
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Impact fees	300,506	180,000	8,834	-	489,340
Interest	5,465	4,844	535	-	10,844
Total revenues	305,971	184,844	9,369	-	500,184
Expenditures:					
Current:					
Community services	-	214,235	12,000	-	226,235
Debt service:					
Principal	-	-	-	740,000	740,000
Interest and fiscal charges	-	-	-	199,571	199,571
Total expenditures	-	214,235	12,000	939,571	1,165,806
Excess (deficiency) of revenues over expenditures	305,971	(29,391)	(2,631)	(939,571)	(665,622)
Other Financing Sources (Uses):					
Transfers in	-	-	-	939,571	939,571
Transfers out	(102,308)	-	-	-	(102,308)
Total other financing sources (uses)	(102,308)	-	-	939,571	837,263
Net change in fund balances	203,663	(29,391)	(2,631)	-	171,641
Fund Balances, beginning	724,610	1,128,346	95,992	-	1,948,948
Fund Balances, ending	\$ 928,273	\$ 1,098,955	\$ 93,361	\$ -	\$ 2,120,589

BUDGETARY COMPARISON SCHEDULES

City of Marathon, Florida
Budgetary Comparison Schedule
Capital Infrastructure Fund
For the Year Ended September 30, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 4,072,588	\$ 3,048,727	\$ (1,023,861)
Interest	<u>4,000</u>	<u>6,494</u>	<u>2,494</u>
Total revenues	<u>4,076,588</u>	<u>3,055,221</u>	<u>(1,021,367)</u>
Expenditures:			
Capital outlay	<u>2,920,200</u>	<u>1,532,505</u>	<u>1,387,695</u>
Excess (deficiency) of revenues over expenditures	<u>1,156,388</u>	<u>1,522,716</u>	<u>366,328</u>
Other Financing Sources (Uses):			
Transfers in	767,000	677,858	(89,142)
Transfers out	(1,896,296)	(1,888,228)	8,068
Appropriation of prior year's fund balance	<u>(27,092)</u>	<u>-</u>	<u>27,092</u>
Total other financing sources (uses)	<u>(1,156,388)</u>	<u>(1,210,370)</u>	<u>(53,982)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>312,346</u></u>	\$ <u><u>312,346</u></u>

City of Marathon, Florida
Budgetary Comparison Schedule - Capital Infrastructure Fund
(Continued)
For the Year Ended September 30, 2017

**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 72 \$ 312,346

Amounts reported for budget to actual are different because:

The net change in fund balance in the City's Vehicle
Fund are reported in the Vehicle Replacement Fund
for budgetary Replacement 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 (486,606)

Net change in fund balance per the Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Capital Infrastructure Fund, Page 20 \$ (174,260)

City of Marathon, Florida
Budgetary Comparison Schedules -
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Impact Fees			Vehicle Replacement Fund			Restoration Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
Revenues:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impact fees	219,000	300,506	81,506	-	-	-	-	8,834	8,834
Miscellaneous	-	-	-	-	3,600	3,600	-	-	-
Interest	1,000	5,465	4,465	1,500	10,261	8,761	115	535	420
Total revenues	220,000	305,971	85,971	1,500	13,861	12,361	115	9,369	9,254
Expenditures:									
Current:									
Community services	-	-	-	-	-	-	50,000	12,000	38,000
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	50,000	12,000	38,000
Excess (deficiency) of revenues over expenditures	220,000	305,971	85,971	1,500	13,861	12,361	(49,885)	(2,631)	47,254
Other Financing Sources (Uses):									
Transfers in	-	-	-	86,372	87,409	1,037	-	-	-
Transfers out	(260,500)	(102,308)	158,192	(639,000)	(587,876)	51,124	-	-	-
Appropriation of prior year's fund balance	40,500	-	(40,500)	551,128	-	(551,128)	49,885	-	(49,885)
Total other financing sources (uses)	(220,000)	(102,308)	117,692	(1,500)	(500,467)	(498,967)	49,885	-	(49,885)
Net change in fund balances	\$ -	\$ 203,663	\$ 203,663	\$ -	\$ (486,606)	\$ (486,606)	\$ -	\$ (2,631)	\$ (2,631)

Debt Service Fund			Affordable Housing Fund		
Original and Final Budget	Actual	Variance	Final Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	180,000	180,000
-	-	-	-	-	-
-	-	-	1,100	4,844	3,744
-	-	-	1,100	184,844	183,744
-	-	-	201,000	214,235	13,235
740,000	740,000	-	-	-	-
199,642	199,571	71	-	-	-
939,642	939,571	71	201,000	214,235	13,235
(939,642)	(939,571)	71	(199,900)	(29,391)	170,509
939,642	939,571	(71)	-	-	-
-	-	-	-	-	-
-	-	-	199,900	-	(199,900)
939,642	939,571	(71)	199,900	-	(199,900)
\$ -	\$ -	\$ -	\$ -	\$ (29,391)	\$ (29,391)

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.

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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)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:				
Net investment in capital assets	\$ 20,098,109	\$ 24,381,462	\$ 26,154,207	\$ 27,231,548
Restricted	8,026,767	4,194,245	3,374,364	3,896,716
Unrestricted	<u>7,012,204</u>	<u>6,654,654</u>	<u>5,705,740</u>	<u>3,986,495</u>
Total governmental activities net position	<u>35,137,080</u>	<u>35,230,361</u>	<u>35,234,311</u>	<u>35,114,759</u>
Business-type activities:				
Net investment in capital assets	18,060,264	29,001,944	50,378,894	43,132,708
Restricted	-	-	-	-
Unrestricted (deficit)	<u>(4,279,528)</u>	<u>1,813,152</u>	<u>(149,168)</u>	<u>12,249,548</u>
Total business-type activities net position	<u>13,780,736</u>	<u>30,815,096</u>	<u>50,229,726</u>	<u>55,382,256</u>
Total government:				
Net investment in capital assets	38,158,373	53,383,406	76,533,101	70,364,256
Restricted	8,026,767	4,194,245	3,374,364	3,896,716
Unrestricted	<u>2,732,676</u>	<u>8,467,806</u>	<u>5,556,572</u>	<u>16,236,043</u>
Total government net position	<u>\$ 48,917,816</u>	<u>\$ 66,045,457</u>	<u>\$ 85,464,037</u>	<u>\$ 90,497,015</u>

(1) Fiscal year 2014 unrestricted net assets have been restated due to the implementation of GASB 68.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 28,142,616	\$ 29,978,693	\$ 30,819,582	\$ 30,963,072	\$ 31,282,555	\$ 31,363,522
4,090,519	2,013,189	2,394,851	3,089,957	3,361,757	3,761,611
4,157,687	4,952,275	(1) 7,065,123	9,299,203	10,285,136	8,584,962
36,390,822	36,944,157	40,279,556	43,352,232	44,929,448	43,710,095
39,625,782	47,690,144	50,316,306	46,217,299	52,501,721	59,193,929
-	-	-	-	-	-
17,638,385	11,307,027	9,359,636	12,623,760	12,220,979	9,693,724
57,264,167	58,997,171	59,675,942	58,841,059	64,722,700	68,887,653
67,768,398	77,668,837	81,135,888	77,180,371	83,784,276	90,557,451
4,090,519	2,013,189	2,394,851	3,089,957	3,361,757	3,761,611
21,796,072	16,259,302	16,424,759	21,922,963	22,506,115	18,278,686
\$ 93,654,989	\$ 95,941,328	\$ 99,955,498	\$ 102,193,291	\$ 109,652,148	\$ 112,597,748

City of Marathon, Florida
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	\$ 3,319,061	\$ 2,519,857	\$ 3,646,885	\$ 4,230,495
Public safety	4,069,335	4,363,860	4,580,076	4,524,285
Community services	2,041,301	3,343,066	2,577,772	2,850,714
Community development	1,395,694	1,091,795	941,914	860,053
Interest on long-term debt	361,961	330,414	298,339	266,465
Total governmental activities	<u>11,187,352</u>	<u>11,648,992</u>	<u>12,044,986</u>	<u>12,732,012</u>
Business-type activities:				
Wastewater	340,016	541,667	2,126,390	3,903,661
Marina	695,938	671,407	688,583	658,901
Stormwater	264,150	14,138	274,878	714,940
Total business-type activities	<u>1,300,104</u>	<u>1,227,212</u>	<u>3,089,851</u>	<u>5,277,502</u>
Total governmental expenses	<u>\$ 12,487,456</u>	<u>\$ 12,876,204</u>	<u>\$ 15,134,837</u>	<u>\$ 18,009,514</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 155,111	\$ 155,056	\$ 173,716	\$ 195,765
Public safety	760,546	851,446	841,587	927,827
Community services	559,447	373,299	515,305	569,458
Community development	743,533	441,225	480,738	496,610
Operating grants and contributions	496,996	288,829	1,250,302	336,415
Capital grants and contributions	6,338,416	3,581,347	2,973,949	3,988,661
Total governmental activities program revenues	<u>9,054,049</u>	<u>5,691,202</u>	<u>6,235,597</u>	<u>6,514,736</u>
Business-type activities:				
Charges for services:				
Wastewater	-	524,084	1,015,725	2,266,214
Marina	615,247	638,575	671,330	643,428
Stormwater	-	-	-	-
Operating grants and contributions	55,646	93,172	52,421	16,921
Capital grants and contributions	5,202,199	16,213,258	20,000,850	6,754,484
Total business-type activities program revenues	<u>5,873,092</u>	<u>17,469,089</u>	<u>21,740,326</u>	<u>9,681,047</u>
Total program revenues	<u>\$ 14,927,141</u>	<u>\$ 23,160,291</u>	<u>\$ 27,975,923</u>	<u>\$ 16,195,783</u>
Net (Expense) Revenue:				
Governmental activities	\$ (2,133,303)	\$ (5,957,790)	\$ (5,809,389)	\$ (6,217,276)
Business-type activities	<u>4,572,988</u>	<u>16,241,877</u>	<u>18,650,475</u>	<u>4,403,545</u>
Total net (expense) revenue	<u>\$ 2,439,685</u>	<u>\$ 10,284,087</u>	<u>\$ 12,841,086</u>	<u>\$ (1,813,731)</u>

Continued on next page

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 2,596,950	\$ 2,751,456	\$ 2,718,127	\$ 2,609,926	\$ 2,847,773	\$ 5,299,558
4,260,491	4,623,980	4,713,469	4,883,718	5,202,572	5,633,501
2,477,396	2,673,198	2,943,294	2,894,577	3,109,362	3,420,249
894,343	887,239	875,734	1,060,108	1,408,043	1,387,809
234,371	202,629	282,779	241,217	221,828	202,657
10,463,551	11,138,502	11,533,403	11,689,546	12,789,578	15,943,774
6,502,017	8,772,782	9,594,935	12,010,623	9,929,090	9,410,154
645,935	748,329	710,071	724,738	1,226,693	1,162,725
1,098,948	1,278,604	1,369,870	1,485,414	796,108	1,273,084
8,246,900	10,799,715	11,674,876	14,220,775	11,951,891	11,845,963
\$ 18,710,451	\$ 21,938,217	\$ 23,208,279	\$ 25,910,321	\$ 24,741,469	\$ 27,789,737
\$ 182,481	\$ 188,528	\$ 194,134	\$ 259,699	\$ 335,352	\$ 392,114
987,852	1,103,270	912,737	1,206,398	1,309,008	1,354,094
614,280	597,760	659,677	793,186	790,447	746,571
521,441	810,639	866,310	1,214,500	1,410,332	1,238,110
282,495	486,147	480,670	574,785	371,539	260,009
3,494,595	2,726,468	3,801,181	3,308,682	3,351,896	3,119,967
6,083,144	5,912,812	6,914,709	7,357,250	7,568,574	7,110,865
4,164,443	5,875,927	5,989,281	6,166,141	6,346,446	6,463,033
650,698	695,901	828,357	851,989	904,336	933,084
-	-	-	-	-	-
92,292	135,379	41,873	-	-	-
4,926,863	5,546,634	5,145,621	6,106,989	9,034,879	8,276,373
9,834,296	12,253,841	12,005,132	13,125,119	16,285,661	15,672,490
\$ 15,917,440	\$ 18,166,653	\$ 18,919,841	\$ 20,482,369	\$ 23,854,235	\$ 22,783,355
\$ (4,380,407)	\$ (5,225,690)	\$ (4,618,694)	\$ (4,332,296)	\$ (5,221,004)	\$ (8,832,909)
1,587,396	1,454,126	330,256	(1,095,656)	4,333,770	3,826,527
\$ (2,793,011)	\$ (3,771,564)	\$ (4,288,438)	\$ (5,427,952)	\$ (887,234)	\$ (5,006,382)

City of Marathon, Florida
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(continued)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Revenues:				
Governmental activities:				
Taxes:				
Property taxes	\$ 4,258,748	\$ 4,079,688	\$ 3,746,062	\$ 3,580,301
Other taxes	626,113	590,167	591,504	562,218
State shared revenues	1,709,756	1,526,669	1,575,835	1,684,366
Investment earnings	539,492	341,774	194,189	103,927
Miscellaneous	220,516	43,328	170,699	473,615
Transfers	(507,756)	(530,555)	(464,950)	(306,703)
Reassignment of capital assets to business type activities	-	-	-	-
Total governmental activities	<u>6,846,869</u>	<u>6,051,071</u>	<u>5,813,339</u>	<u>6,097,724</u>
Business-type activities:				
Investment earnings	437,337	151,372	299,205	167,282
Miscellaneous	-	120,000	-	275,000
Loss on disposal of equipment	-	(9,444)	-	-
Transfers	507,756	530,555	464,950	306,703
Reassignment of capital assets from governmental activities	-	-	-	-
Total business-type activities	<u>945,093</u>	<u>792,483</u>	<u>764,155</u>	<u>748,985</u>
Total general revenues	<u>\$ 7,791,962</u>	<u>\$ 6,843,554</u>	<u>\$ 6,577,494</u>	<u>\$ 6,846,709</u>
Change in Net Position:				
Governmental activities	\$ 4,713,566	\$ 93,281	\$ 3,950	\$ (119,552)
Business-type activities	<u>5,518,081</u>	<u>17,034,360</u>	<u>19,414,630</u>	<u>5,152,530</u>
Total change in net position	<u>\$ 10,231,647</u>	<u>\$ 17,127,641</u>	<u>\$ 19,418,580</u>	<u>\$ 5,032,978</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 3,536,651	\$ 3,777,989	\$ 3,978,700	\$ 4,216,763	\$ 4,470,917	\$ 5,236,773
571,793	554,701	508,840	576,608	529,641	515,229
1,564,952	1,643,871	1,766,483	1,884,755	1,926,237	1,984,812
60,123	27,364	14,392	20,755	17,610	67,555
92,030	69,179	41,806	935,331	186,758	95,052
(169,079)	(294,079)	(315,265)	(90,406)	(332,943)	(285,865)
-	-	-	(138,834)	-	-
<u>5,656,470</u>	<u>5,779,025</u>	<u>5,994,956</u>	<u>7,543,806</u>	<u>6,798,220</u>	<u>7,613,556</u>
125,436	46,463	33,250	29,705	30,543	52,561
-	-	-	1,828	1,184,385	-
-	-	-	-	-	-
169,079	294,079	315,265	90,406	332,943	285,865
-	-	-	138,834	-	-
<u>294,515</u>	<u>340,542</u>	<u>348,515</u>	<u>260,773</u>	<u>1,547,871</u>	<u>338,426</u>
<u>\$ 5,950,985</u>	<u>\$ 6,119,567</u>	<u>\$ 6,343,471</u>	<u>\$ 7,804,579</u>	<u>\$ 8,346,091</u>	<u>\$ 7,951,982</u>
\$ 1,276,063	\$ 553,335	\$ 1,376,262	\$ 3,211,510	\$ 1,577,216	\$ (1,219,353)
<u>1,881,911</u>	<u>1,794,668</u>	<u>678,771</u>	<u>(834,883)</u>	<u>5,881,641</u>	<u>4,164,953</u>
<u>\$ 3,157,974</u>	<u>\$ 2,348,003</u>	<u>\$ 2,055,033</u>	<u>\$ 2,376,627</u>	<u>\$ 7,458,857</u>	<u>\$ 2,945,600</u>

City of Marathon, Florida
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:				
Nonspendable	\$ 47,092	\$ 48,145	\$ 110,418	\$ 131,006
Restricted	31,657	33,332	28,522	33,974
Committed	-	-	-	1,247,077
Assigned	-	-	-	431,980
Unassigned	<u>5,630,951</u>	<u>5,291,297</u>	<u>4,970,012</u>	<u>2,042,757</u>
Total general fund	<u>5,709,700</u>	<u>5,372,774</u>	<u>5,108,952</u>	<u>3,886,794</u>
Special revenue funds:				
Nonspendable	-	-	1,582	3,171
Restricted	-	-	-	3,859,571
Committed	<u>9,457,677</u>	<u>5,630,462</u>	<u>5,218,327</u>	<u>497,687</u>
Total special revenue funds	<u>9,457,677</u>	<u>5,630,462</u>	<u>5,219,909</u>	<u>4,360,429</u>
Total governmental funds	<u>\$ 15,167,377</u>	<u>\$ 11,003,236</u>	<u>\$ 10,328,861</u>	<u>\$ 8,247,223</u>

Note: The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011. Fiscal years 2006-2010 have been restated to conform to the new statement requirements.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 92,328	\$ 63,583	\$ 91,443	\$ 99,901	\$ 98,770	\$ 144,042
38,818	39,044	81,995	210,826	235,850	255,897
-	-	-	-	-	-
-	303,864	602,829	834,104	463,756	-
2,396,537	2,642,481	2,565,459	3,398,554	4,521,269	3,690,416
2,527,683	3,048,972	3,341,726	4,543,385	5,319,645	4,090,355
1,200	1,200	1,500	1,500	5,244	-
4,051,701	1,974,145	7,844,203	5,661,189	3,125,907	3,505,714
1,966,244	2,367,028	2,338,268	3,431,379	3,772,815	3,457,850
6,019,145	4,342,373	10,183,971	9,094,068	6,903,966	6,963,564
\$ 8,546,828	\$ 7,391,345	\$ 13,525,697	\$ 13,637,453	\$ 12,223,611	\$ 11,053,919

City of Marathon, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Ad valorem taxes	\$ 4,258,748	\$ 4,079,688	\$ 3,746,062	\$ 3,580,301
Communication services taxes	626,113	590,167	591,504	562,218
Impact fees	242,602	69,422	82,004	100,609
Licenses and permits	890,063	577,528	630,173	632,899
Intergovernmental revenue	8,817,885	5,518,964	6,119,922	6,429,133
Charges for services	649,084	814,226	811,580	897,555
Fines and forfeitures	164,172	88,277	94,318	122,385
Special assessments	-	-	21,944	12,461
Interest	539,492	341,774	194,189	103,927
Miscellaneous	320,219	60,282	183,368	477,675
Total revenues	<u>16,508,378</u>	<u>12,140,328</u>	<u>12,475,064</u>	<u>12,919,163</u>
Expenditures:				
Current:				
General government	2,796,344	2,472,219	2,485,113	4,749,262
Public safety	3,614,984	3,984,749	4,188,041	4,114,867
Community services	1,410,054	1,523,952	1,541,831	1,377,523
Community development	1,364,266	997,868	918,382	820,110
Capital outlay	1,663,704	5,723,971	2,914,127	2,655,130
Debt service:				
Principal	740,741	740,741	740,741	740,741
Interest and other fiscal charges	361,961	330,414	298,339	266,465
Total expenditures	<u>11,952,054</u>	<u>15,773,914</u>	<u>13,086,574</u>	<u>14,724,098</u>
Excess (deficiency) of revenues over expenditures	<u>4,556,324</u>	<u>(3,633,586)</u>	<u>(611,510)</u>	<u>(1,804,935)</u>
Other Financing Sources (Uses):				
Payment to refunded bond escrow agent	-	-	-	-
Sale of asset	-	-	402,085	30,000
Insurance proceeds	-	-	-	-
Transfers in	2,107,155	2,174,125	1,888,430	2,808,056
Transfers out	(2,614,911)	(2,704,680)	(2,353,380)	(3,114,759)
Bonds Issued	-	-	-	-
Total other financing sources (uses)	<u>(507,756)</u>	<u>(530,555)</u>	<u>(62,865)</u>	<u>(276,703)</u>
Net change in fund balances	<u>\$ 4,048,568</u>	<u>\$ (4,164,141)</u>	<u>\$ (674,375)</u>	<u>\$ (2,081,638)</u>
Debt service as a percentage of non-capital expenditures	10.72%	9.55%	10.11%	8.03%

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 3,536,651	\$ 3,777,989	\$ 3,978,700	\$ 4,216,763	\$ 4,470,917	\$ 5,236,773
571,793	554,701	508,840	576,608	529,641	515,229
123,585	124,806	205,288	1,222,462	470,614	489,340
689,191	927,451	966,452	1,347,116	1,553,338	1,506,456
5,612,220	5,267,575	6,494,328	5,763,603	6,055,246	5,822,821
959,924	1,067,452	840,115	1,026,971	1,057,363	1,040,201
81,959	157,311	169,149	274,429	288,331	232,565
12,427	12,308	-	-	-	-
60,123	27,364	14,392	20,755	17,610	67,555
92,030	68,959	66,308	520,255	98,410	39,878
11,739,903	11,985,916	13,243,572	14,968,962	14,541,470	14,950,818
2,442,659	2,568,096	2,579,453	2,412,107	2,482,091	4,778,448
3,984,275	4,155,331	4,257,930	4,438,161	4,645,986	5,015,503
1,512,165	1,619,088	1,644,411	1,930,436	2,069,478	2,332,785
845,333	825,021	825,034	954,675	1,314,896	1,263,455
1,511,676	2,736,415	2,479,661	4,023,290	4,131,176	1,635,184
740,740	740,740	785,000	770,000	760,000	740,000
234,371	202,629	279,693	238,131	218,742	199,571
11,271,219	12,847,320	12,851,182	14,766,800	15,622,369	15,964,946
468,684	(861,404)	392,390	202,162	(1,080,899)	(1,014,128)
-	-	(4,277,773)	-	-	-
-	-	-	-	-	130,301
-	-	-	-	-	1,727,945
1,693,313	1,734,247	1,772,648	2,107,961	2,127,866	(2,013,810)
(1,862,392)	(2,028,326)	(2,087,913)	(2,198,367)	(2,460,809)	-
-	-	10,335,000	-	-	-
(169,079)	(294,079)	5,741,962	(90,406)	(332,943)	(155,564)
\$ 299,605	\$ (1,155,483)	\$ 6,134,352	\$ 111,756	\$ (1,413,842)	\$ (1,169,692)
9.98%	9.27%	9.96%	9.40%	8.50%	6.56%

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)
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
2015	2014	\$ 1,799,745,030	\$ 62,433,310	\$ 1,862,178,340	2.3297	N/A	N/A
2016	2015	\$ 1,934,996,573	\$ 68,988,431	\$ 2,003,985,004	2.3000	N/A	N/A
2017	2016	\$ 2,068,261,975	\$ 75,795,496	\$ 2,144,057,471	2.5000	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 Department.

City of Marathon, Florida
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Tax Roll Year	City of Marathon			Overlapping Rates (1)					Total Direct and Overlapping Rates
		Operating Millage	Debt	Total	Monroe County	School Board	S. Florida Water Mgt District	FL Keys	Other	
			Service Millage	Direct Rate				Mosquito Control District		
2008	2007	1.4243	-	1.4243	2.2656	2.9460	0.2549	0.4175	0.3691	7.6774
2009	2008	1.5000	-	1.5000	2.6883	2.9220	0.2549	0.3798	0.3691	8.1141
2010	2009	1.6850	-	1.6850	3.0837	3.3870	0.2549	0.4262	0.3691	9.2059
2011	2010	1.8458	-	1.8458	3.3445	3.8235	0.2549	0.4596	0.3691	10.0974
2012	2011	1.9999	-	1.9999	3.3470	3.5650	0.1785	0.4836	0.2578	9.8318
2013	2012	2.1989	-	2.1989	3.1229	3.6600	0.1757	0.5171	0.2532	9.9278
2014	2013	2.2969	-	2.2969	3.1380	3.6810	0.1685	0.5069	0.2425	10.0338
2015	2014	2.3297	-	2.3297	3.1275	3.6260	0.1577	0.4824	0.2265	9.9498
2016	2015	2.3000	-	2.3000	2.9753	3.5500	0.1459	0.5019	0.2092	9.6823
2017	2016	2.5000	-	2.5000	2.8297	3.4840	0.1359	0.5831	0.1948	9.7275

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	2017		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
SH3 LTD	\$ 33,855,011	1	1.58%
BLUEGREEN VACATIONS MANAGEMENT INC.	31,740,529	2	1.48%
FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION INC	31,355,999	3	1.46%
MARATHON OCEAN HOUSING LLC	22,396,040	4	1.04%
SH MARATHON LTD	20,149,113	5	0.94%
MARATHON HOSPITALITY LLC	15,467,543	6	0.72%
MARLIN BAY YACHT CLUB LLC	12,686,258	7	0.59%
SUNSET POINT FARM LLC	12,645,818	8	0.59%
WATERS EDGE MARINA, LLC	10,955,611	9	0.51%
REPUBLIC MARATHON LLC	9,537,285	10	0.44%
	<u>\$ 200,789,207</u>		<u>9.35%</u>
Taxpayer	2008		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
BLUEGREEN RESORTS MANAGEMENT INC.	\$ 45,945,715	1	1.49%
FL KEYS ELETRIC CO-OP ASSN INC	28,877,990	2	0.94%
FELLING MICHAEL	24,614,576	3	0.80%
KEY COLONY BAY DEVELOPMENT LLC	22,496,209	4	0.73%
BOAT HOUSE ASSOCIATES, INC.	19,862,412	5	0.65%
KEYS MARINA SOMBRERO LLC	15,101,352	6	0.49%
SANDLER AT GREATHER MARATHON BAY LLC	12,717,646	7	0.41%
HOME DEPOT USA INC #6302	11,880,970	8	0.39%
KEYS MARINA MARATHON LLC	10,381,114	9	0.34%
SH MARATHON LDT (HOLIDAY INN/MARINA)	9,739,880	10	0.32%
	<u>\$ 201,617,864</u>		<u>6.56%</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
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%
2015	4,332,716	4,216,763	97.32%	-	4,216,763	97.32%
2016	4,636,703	4,470,917	96.42%	-	4,470,917	96.42%
2017	5,402,910	5,236,773	96.93%	-	5,236,773	96.93%

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

City of Marathon, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities		Total	Percent of Net Assessed Value (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds	State Revolving Fund Loan Program			
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
2015	-	8,780,000	-	-	70,108,929	78,888,929	4.24%	9,348
2016	-	8,020,000	-	-	62,820,217	70,840,217	3.53%	8,289
2017	-	7,280,000	-	-	58,972,355	66,252,355	3.09%	7,550

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, 2017

	Debt Outstanding	Applicable to City of Marathon	
		Percentage	Amount
Direct debt:			
City of Marathon	\$ 7,280,000	100.00%	\$ 7,280,000
Estimated overlapping debt:			
Monroe County, District School Board (1)	<u>41,160,000</u>	8.52%	(2) <u>3,506,832</u>
Total ad valorem tax supported debt	\$ <u><u>48,440,000</u></u>		\$ <u><u>10,786,832</u></u>
Ratios:			
Overall debt to 2016 taxable valuation			0.50%
Overall debt per capita			\$ 1,229

Notes:

(1) Monroe County School Board debt is as of June 30, 2016

(2) 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
2008	2,442,698	N/A	N/A	N/A	2,442,698	740,741	361,961	2.22
2009	2,209,299	5,543,422	644,084	(500,120)	7,384,965	740,741	719,025	5.06
2010	2,283,263	9,264,791	1,105,725	(1,144,076)	11,509,703	1,803,693	1,655,543	3.33
2011	2,448,373	5,268,340	2,266,214	(1,894,752)	8,088,175	2,717,333	1,936,248	1.74
2012	2,270,445	4,924,363	4,164,443	(2,901,151)	8,458,100	4,155,668	1,856,830	1.41
2013	2,410,693	5,546,634	5,875,927	(4,007,791)	9,825,463	4,905,134	2,202,143	1.38
2014	2,622,637	4,981,052	5,989,281	(5,100,009)	8,492,961	4,667,229	1,949,249	1.28
2015	2,822,655	5,277,288	6,166,141	(5,273,139)	8,992,945	3,239,045	3,363,662	1.36
2016	2,895,730	5,093,678	6,346,446	(5,673,930)	8,661,924	(1) 8,048,712	1,828,120	0.88
2017	2,986,561	4,859,730	6,463,033	(4,803,322)	9,506,002	4,587,862	1,657,092	1.52

Notes: (1) Debt service principal payments include the early payoff of five State Revolving Fund loans.

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>
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%
2015	8,439 (a)	4,916,938 (b)	59,213 (b)	3.3%
2016	8,546 (a)	5,125,472 (b)	60,697 (b)	3.2%
2017	8,775 (a)	5,658,436 (b)	64,849 (b)	3.4%

Sources:

- (1) Office of Economic and Demographic Research, FL Legislature.
- (2) United States Census Bureau for all of Monroe County and Bureau of Economic and Business Research, University of FL.
- (3) Florida Department of Labor, Agency for Workforce Innovation. Rates are for the entire County of Monroe.
- (a) & (b) Monroe County-specific data was not available. Monroe County 2005 actual data as a percent of State of Florida data was used as a base % and applied. 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 Ten Years Ago

Employer	2017		
	Employees	Rank	Percentage of Total City Employment
Monroe County	193	1	N/A
Fishermen's Hospital	180	2	N/A
Monroe County School Board	151	3	N/A
Home Depot USA	150	4	N/A
City of Marathon	97	5	N/A
Publix Supermarkets	93	6	N/A
Winn Dixie Supermarkets	93	7	N/A
Walgreens Co.	88	8	N/A
K-Mart Corporation	77	9	N/A
Office Depot	45	10	N/A

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

City of Marathon, Florida
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Employees	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	6	5	5	4	4	4	6	8	8	8
Public Safety	21	25	24	23	23	25	26	28	28	31
Community Development	17	15	11	10	10	11	13	13	14	16
Community Services	13	15	16	13	13	17	19	27	35	34
Marina	7	7	6	6	6	6	6	5	6	8
Total number of employees	64	67	62	56	56	63	70	81	91	97

Source: City of Marathon Finance Department

City of Marathon, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Police:										
Police personnel and officers	15	17	16	15	14	14	20	27	27	31
Police calls for service	20,273	20,533	25,801	43,898	37,974	40,026	37,028	45,057	45,769	35,822
Fire/EMS:										
Fire personnel	21	24	24	23	23	23	26	27	27	27
Fire / emergency calls answered	324	339	187	441	436	530	619	704	655	624
Emergency medical services calls	1,160	1,254	1,355	1,321	1,329	1,662	1,806	1,655	1,947	1,590
Community development:										
Building permits issued	1,588	1,569	1,561	2,238	3,204	3,863	3,019	3,241	3,654	2,819
Commercial fire occupancy inspections	446	478	452	452	454	538	533	551	715	731
Community services:										
Transportation:										
Public right of way maintenance (miles)	66	66	63	63	63	63	63	63	63	63
Culture and recreation:										
Registrations for camp	109	79	104	109	104	55	147	184	339	126
Registrations for athletic programs	1,629	1,414	1,169	1,345	1,268	1,222	1,539	2,392	3,354	3,758
Registrations for cultural programs	16,375	21,041	26,304	25,720	26,350	26,649	28,948	36,043	40,606	51,296
Registrations for private events in public park areas	147	99	376	195	238	234	449	436	438	402
Marina:										
Mooring balls	226	226	226	226	226	226	226	226	226	226
Boat slips	13	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: Water 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Number of general government buildings	-	-	-	-	-	-	-	-	1	1
Public safety:										
Police:										
Police stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets	66	66	66	66	66	66	63	63	63	63
Number of street lights	190	188	188	188	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	-	-	-	-	-	-	-	-	-	-
Picnic pavilions	18	18	18	18	18	24	27	27	27	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	3	3	3	3	3	3	4	4	4	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	125	134	154	154	154	170	181	181	181	200
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2018.

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 charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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
April 27, 2018

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

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

Report on Compliance for Each Major State Project

We have audited City of Marathon, Florida's (the "City") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2017. The City's major state projects 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 state statutes, regulations, and the terms and conditions of its state projects applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state projects 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 Chapter 10.550, *Rules of the Auditor General*. Those standards, and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

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 state projects for the year ended September 30, 2017.

CPA's + Trusted Advisors

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 each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General* 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 state project 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 state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those 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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 27, 2018

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, 2017, and have issued our report thereon dated April 27, 2018.

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; and the audit requirements of Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

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 State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 27, 2018, 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 and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to 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
April 27, 2018

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, 2017. 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, 2017.

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
April 27, 2018

City of Marathon, Florida
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2017

State Agency, Pass-through Entity State Project	CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
State Projects:				
Direct Programs:				
Florida Department of Environmental Protection				
Statewide Surface Water Restoration and Wastewater Projects	* 37.039	LP44041	2,877,395	-
Total Expenditures of State Financial Assistance			\$ 2,877,395	\$ -
* Denotes a major program				

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state grant activity of the City. The information in the Schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2- Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Chapter 10.550, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as applicable.

Note 3- Indirect Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate.

Note 4 - Contingency

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

City of Marathon, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

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 state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state project for City of Marathon, Florida expresses an unmodified opinion.
6. There are no findings relative to the major state project for City of Marathon, Florida reported in Part C of this schedule.
7. The programs/projects tested as a major program/projects are the following:

State Projects:

State CSFA No.

Florida Department of Environmental Protection
Statewide Surface Water Restoration and
Wastewater Projects

37.039

8. The threshold for distinguishing Type A and Type B projects was \$ 300,000 for major state projects, respectively.

B. Findings - Financial Statement Audit

No matters were reported.

C. Findings and Questioned Costs - Major State Financial Assistance Project Audits

No matters were reported.

D. Other Issues

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to state project.
2. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.
3. No management letter is required because there were no findings required to be reported in a separate management letter.