

City of Marathon, Florida

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2016

Prepared by the
Finance Department

City of Marathon, Florida

Table of Contents

Introductory Section (Unaudited):

Letter of Transmittal	i-v
List of Principal Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	viii

Financial Section:

Independent Auditor's Report	1-3
Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Statement of Fiduciary Net Position - Firefighters' Pension Trust Fund	26
Statement of Changes in Fiduciary Net Position - Firefighters' Pension Trust Fund	27
Notes to Basic Financial Statements	28-56

City of Marathon, Florida

Table of Contents (continued)

Required Supplementary Information:

Budgetary Comparison Schedule - General Fund	57
Budgetary Comparison Schedule - Street Maintenance Fund	58
Note to Budgetary Comparison Schedules	59
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Firefighters' Pension Trust Fund (Unaudited)	60
Schedule of Contributions - Firefighters' Pension Trust Fund (Unaudited)	61
Schedule of Investment Returns - Firefighters' Pension Trust Fund (Unaudited)	62
Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System Pension Plan (Unaudited)	63
Schedule of Proportionate Share of Net Pension Liability - Retiree Health Insurance Subsidy Program (Unaudited)	64
Schedule of Contributions - Florida Retirement System Pension Plan (Unaudited)	65
Schedule of Contributions - Retiree Health Insurance Subsidy Program (Unaudited)	66
Schedule of Investment Returns - Florida Retirement System Pension Plan (Unaudited)	67
Schedule of Investment Returns - Retiree Health Insurance Subsidy Program (Unaudited)	68
Schedule of Funding Progress - Other Post-Employment Health Care Benefits (Unaudited)	69
Schedule of Employer Contributions - Other Post-Employment Health Care Benefits (Unaudited)	70

Other Financial Information:

Combining and Individual Fund Financial Statements and Schedules:

Combining Balance Sheet - Nonmajor Governmental Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72
Budgetary Comparison Schedules:	
Budgetary Comparison Schedule - Capital Infrastructure Fund	73-74
Budgetary Comparison Schedules - Nonmajor Governmental Funds	75-76

City of Marathon, Florida

**Table of Contents
(continued)**

Statistical Section (Unaudited):

Net Position by Component	77-78
Changes in Net Position	79-82
Fund Balances of Governmental Funds	83-84
Changes in Fund Balances of Governmental Funds	85-86
Net Assessed Value and Estimated Actual Value of Taxable Property	87
Property Tax Rates - Direct and Overlapping Governments	88
Principal Property Taxpayers	89
Property Tax Levies and Collections	90
Ratios of Outstanding Debt by Type	91
Computation of Direct and Estimated Overlapping Governmental Activities Debt	92
Pledged Revenue Coverage	93
Demographic and Economic Statistics	94
Principal Employers	95
Full-Time Equivalent City Government Employees by Function	96
Operating Indicators by Function/Program	97
Capital Asset Statistics by Function/Program	98

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 <i>Government Auditing Standards</i>	99-100
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project on Internal Control over Compliance Required by The Uniform Guidance and Chapter 10.550, <i>Rules of the Auditor General</i>	101-102
Independent Auditor's Report to City Management	103-104
Independent Auditor's Report on Compliance with Section 218.415, Florida Statutes	105

City of Marathon, Florida

**Table of Contents
(continued)**

Schedule of Expenditures of Federal Awards and State Financial Assistance	106-107
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	108
Schedule of Findings and Questioned Costs	109-110

INTRODUCTORY SECTION



CITY OF MARATHON, FLORIDA

9805 Overseas Highway, Marathon, Florida 33050

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

March 22, 2017

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, 2016.

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, 2016, 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, 2016, 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.

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.

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 57 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 58. A budget-to-actual comparison for the capital infrastructure fund is included as other financial information on pages 73 and 74. 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 75 and 76.

Factors Affecting Financial Condition

Local Economy

The Florida Keys are often referred to as the "American Caribbean" and Marathon is known as "The Heart of the Keys." Marathon's ideal location between Key Largo and Key West makes it a desirable place in which to live and work. Tourism is an important economic engine. The local environment offers excellent sport fishing and recreational diving opportunities. The tropical climate, in addition to the recreational water activities, makes the City a major tourist destination as well as a desirable retirement and second home location. The Florida Keys have continually ranked among the top tourist destinations in the Country. In addition to tourism, commercial seafood harvesting is a significant aspect of the local economy as the Florida Keys are one of the largest providers of seafood products in the country, serving both national and international markets.

The City of Marathon's economic outlook is strong. The tourism industry in the Florida Keys is both vibrant and extremely resilient. Additionally, the City's work on the wastewater and stormwater utility projects pumped millions of dollars into the local economy over the last several years. The City has experienced increased revenues due to increased building permits and the required hookup to the City's wastewater utility system. The City is experiencing growth in the commercial and residential sector with new restaurants, businesses and single family residences coming online. In November 2016, the area's unemployment rate was 3.2%, compared with the statewide rate of 4.9%.

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.

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 has 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

The Florida Legislature previously identified the Florida Keys as an area of critical state concern due in part to pollution and questionable water quality resulting from the absence of adequate wastewater treatment throughout the Florida Keys. Over the past several years the City has devoted significant amounts of time, energy and resources to the construction of a City wide wastewater collection and advanced treatment utility. Numerous improvements were made to various stormwater systems throughout the City as well. The purpose of the stormwater system is to reduce flooding in the public right of way and reduce discharges through surface runoff and through existing stormwater outfalls by collecting and treating stormwater. The City is particularly proud of its accomplishments in improving the near shore water quality of the surrounding waters through the timely completion of these projects. With the completion of these necessary infrastructure projects, the City has now began the process of redevelopment of older amenities and plans to focus on creating sufficient modern accommodations to make Marathon the family fun destination of the Florida Keys.

The City continues to pursue its long-term goals as outlined in the Five Year Capital Improvement Plan adopted annually by the City Council and the City's Planning Commission. The City also continues to devote resources to transportation and traffic issues and concerns. The City has completed construction on the new City Hall facility and has started construction on the utilities maintenance facility. The City has also included various bridge repair, roadway and intersection improvements and roadway beautification efforts. Other major projects currently included in the Five Year Capital Improvement Plan are:

- The development of a community center
- 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, 2015. This was the thirteenth consecutive year that the City of Marathon achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2016 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, 2016

CITY COUNCIL

Mark Senmartin, Mayor
Bill Kelly, Vice-Mayor

John Bartus, Councilmember
Michelle Coldiron, Councilmember
Dr. Dan Zieg, 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
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for Excellence
in Financial
Reporting**

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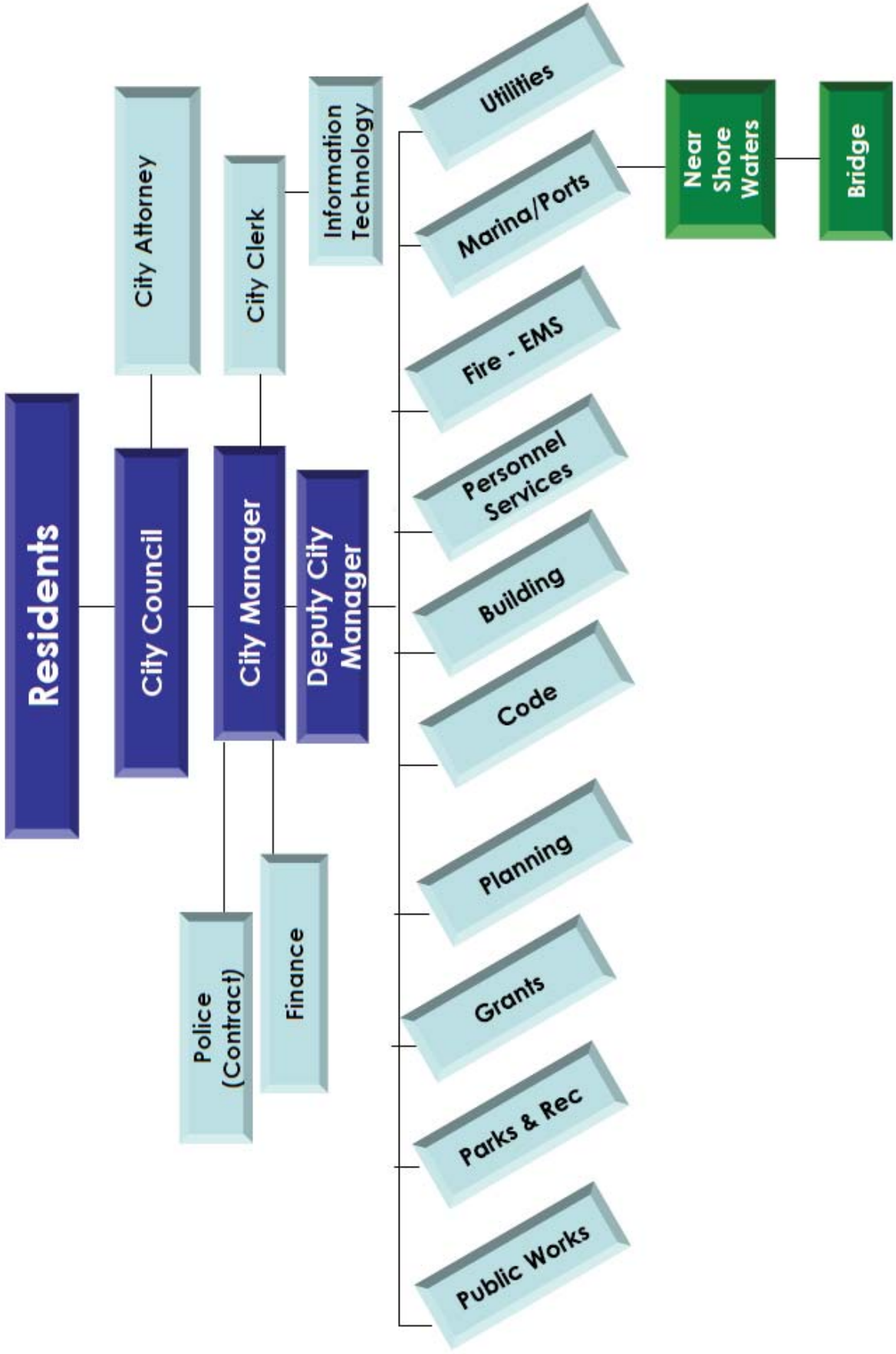
**City of Marathon
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Marathon FY16 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016 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.

As discussed in Note 11, the Florida Retirement System's consulting actuary noted that the reduced investment return assumption adopted by the Florida Retirement System Actuarial Assumption Conference conflicts with the actuary's judgement of reasonable assumption as defined by Actuarial Standard of Practice No.27. Our opinion is not modified with respect to this matter

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 60 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary comparison information, other financial information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Chapter 10.550 State of Florida Rules of the 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 federal awards and 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 federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Marathon, Florida

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida
March 22, 2017

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, 2016. 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 \$ 109,652,148 (net position), as compared with \$ 102,193,291 for the previous year. Of this amount, \$ 22,506,115 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors as compared with \$ 21,922,963 for the previous year.
- The City's total net position increased by \$ 7,458,857 or 7.29% during the current fiscal year. Included in the total net position is governmental net position that increased by \$ 1,577,216 and business-type activities net position that increased by \$ 5,881,641.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 12,223,611, a decrease of \$ 1,413,842 in comparison with the prior year. \$ 4,521,269 (36.99%), 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 \$ 8,048,712 (10.20%) during the current fiscal year due to annual payments, and the early payoff of five of the nine State Revolving Fund Loans (SRF) of the Wastewater and Stormwater Utility Enterprise Fund.

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 71 and 72 of this report.

The City of Marathon adopted an annual appropriated budget for its General Fund, five 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 57). A budgetary comparison schedule has also been provided for the major special revenue fund, which is the Street Maintenance Fund (page 58) and the Capital Infrastructure Fund, which is a capital project fund (pages 73 and 74).

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 56 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 57 through 70 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 71 through 76 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 \$ 109,652,148 at the close of the most recent fiscal year, compared to net position of \$ 102,193,291 the prior year.

City of Marathon's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 14,478,085	\$ 16,522,728	\$ 12,971,336	\$ 13,601,577	\$ 27,449,421	\$ 30,124,305
Capital assets (net)	39,302,555	36,961,014	115,321,938	116,326,228	154,624,493	153,287,242
Total assets	53,780,640	53,483,742	128,293,274	129,927,805	182,073,914	183,411,547
Deferred outflows of resources	902,037	501,579	-	-	902,037	501,579
Current and other liabilities	1,391,044	2,052,779	4,563,870	4,901,336	5,954,914	6,954,115
Long term liabilities	8,138,047	8,489,679	59,006,704	66,185,410	67,144,751	74,675,089
Total liabilities	9,529,091	10,542,458	63,570,574	71,086,746	73,099,665	81,629,204
Deferred inflows of resources	224,138	90,631	-	-	224,138	90,631
Net position:						
Net investment in capital assets	31,282,555	30,963,072	52,501,721	46,217,299	83,784,276	77,180,371
Restricted	3,361,757	3,089,957	-	-	3,361,757	3,089,957
Unrestricted	10,285,136	9,299,203	12,220,979	12,623,760	22,506,115	21,922,963
Total net position	\$ 44,929,448	\$ 43,352,232	\$ 64,722,700	\$ 58,841,059	\$ 109,652,148	\$ 102,193,291

The largest portion of the City's net position (76.41%) 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 an 8.56% 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.

**City of Marathon, Florida
Management's Discussion and Analysis
September 30, 2016**

An additional portion of the City's net position, \$ 3,361,757 (3.07%), represents resources that are subject to external restrictions on how they may be used. This represents an increase of 8.80% from the previous year's balance of \$ 3,089,957. The remaining balance of unrestricted net position \$ 22,506,115 (20.52%) 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 \$ 7,458,857 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:

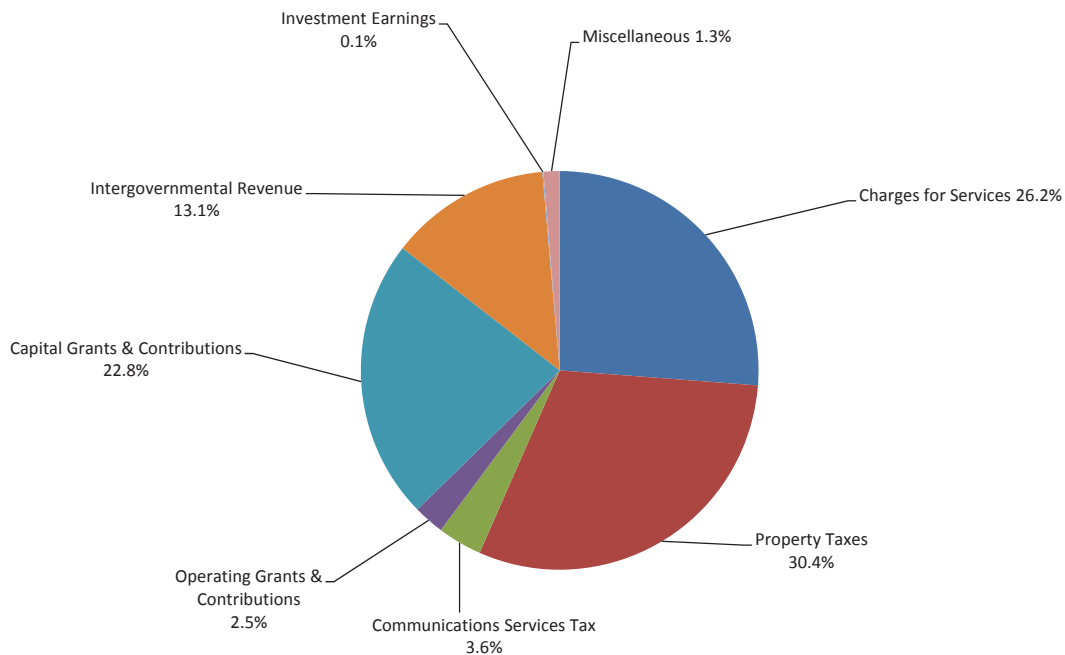
City of Marathon's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,845,139	\$ 3,473,783	\$ 7,250,782	\$ 7,018,130	\$ 11,095,921	\$ 10,491,913
Operating grants and contributions	371,539	574,785	-	-	371,539	574,785
Capital grants and contributions	3,351,896	3,308,682	9,034,879	6,106,989	12,386,775	9,415,671
General revenues:						
Property taxes	4,470,917	4,216,763	-	-	4,470,917	4,216,763
Other taxes	529,641	576,608	-	-	529,641	576,608
Intergovernmental revenues	1,926,237	1,884,755	-	-	1,926,237	1,884,755
Investment earnings	17,610	20,755	30,543	29,705	48,153	50,460
Miscellaneous	186,758	935,331	1,184,385	1,828	1,371,143	937,159
Total revenues	14,699,737	14,991,462	17,500,589	13,156,652	32,200,326	28,148,114
Expenses:						
General government	2,847,773	2,609,926	-	-	2,847,773	2,609,926
Public safety	5,202,572	4,883,718	-	-	5,202,572	4,883,718
Community services	3,109,362	2,894,577	-	-	3,109,362	2,894,577
Community development	1,408,043	1,060,108	-	-	1,408,043	1,060,108
Interest on long-term debt	221,828	241,217	-	-	221,828	241,217
Marina	-	-	796,108	724,738	796,108	724,738
Wastewater	-	-	9,929,090	12,010,623	9,929,090	12,010,623
Stormwater	-	-	1,226,693	1,485,414	1,226,693	1,485,414
Total expenses	12,789,578	11,689,546	11,951,891	14,220,775	24,741,469	25,910,321
Increase in net position before transfers and reassignment	1,910,159	3,301,916	5,548,698	(1,064,123)	7,458,857	2,237,793
Reassignment of capital assets	-	(138,834)	-	138,834	-	-
Transfers	(332,943)	(90,406)	332,943	90,406	-	-
Increase in net position	1,577,216	3,072,676	5,881,641	(834,883)	7,458,857	2,237,793
Net position-beginning	43,352,232	40,279,556	58,841,059	59,675,942	102,193,291	99,955,498
Net position-ending	\$ 44,929,448	\$ 43,352,232	\$ 64,722,700	\$ 58,841,059	\$ 109,652,148	\$ 102,193,291

Governmental activities increased the City of Marathon's net position by \$ 1,577,216 as compared to an increase in net position of \$ 3,072,676 in the prior fiscal year.

Program revenues, comprised of charges for services as well as operating and capital grants, and contributions represent 51.49% of the governmental activities total revenues. Property taxes, which represent 30.4% 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



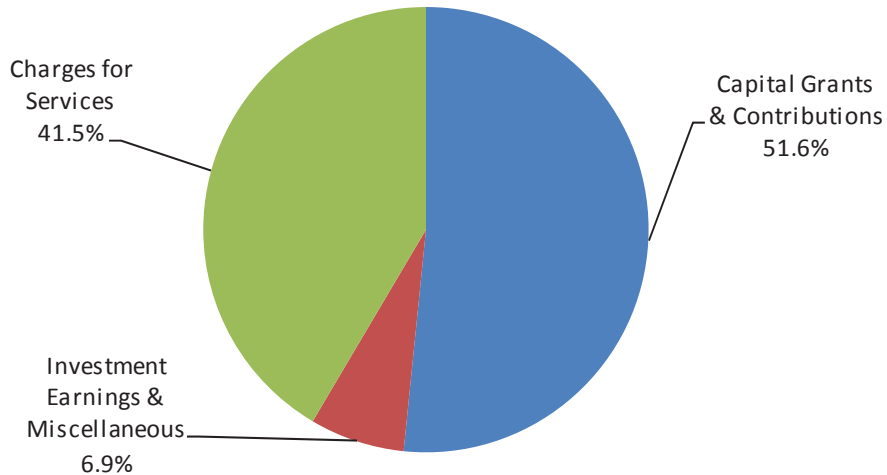
Business-Type Activities

Business-type activities increased the City of Marathon's net position by \$ 5,881,641.

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

- In total, the City's business-type activities reflected an operating loss of \$ 2,855,916. This is primarily due to the Wastewater and Stormwater's operating loss of \$ 3,023,152. The operating loss is primarily due to the provision for depreciation of \$ 4,177,557.
- The Marina Fund's operating income of \$ 167,236 is up \$ 14,049 from its operating income from the previous year of \$ 153,187.

Capital grants and contributions represent 51.6% 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 \$ 12,223,611 a decrease of \$ 1,413,842 in comparison with the prior year. \$ 4,521,269 (36.99%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance: \$ 49,979 is restricted for police education, \$ 185,871 is restricted for firefighter pension, \$ 1,751,828 is restricted for street maintenance projects, \$ 1,374,079 is restricted for capital projects, \$ 104,014 is *nonspendable fund balance* for prepaid items, \$ 3,772,815 is *committed fund balance* to indicate that it is not available for new spending because it is already committed for a variety of restricted purposes and \$ 463,756 is assigned to subsequent year's budget.

General Fund: The General Fund is the main operating fund of the City of Marathon. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 4,521,269 while total fund balance was \$ 5,319,645. 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 45.32% of total General Fund expenditures, while total fund balance represents 53.32% of that same amount.

The fund balance of the City of Marathon's General Fund increased by \$ 776,260 during the current fiscal year. Total General Fund revenues increased 3% while expenditures increased 8%.

**City of Marathon, Florida
Management's Discussion and Analysis
September 30, 2016**

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:

	2016 Amount	Percentage of Total	2015 Amount	Percentage of Total	Increase (Decrease) From 2015	Percentage of Increase (Decrease)
Revenues:						
Property taxes	\$ 4,470,917	44%	\$ 4,216,763	43%	\$ 254,154	6%
Intergovernmental	2,182,435	22%	2,105,094	21%	77,341	4%
Licenses and permits	1,553,338	15%	1,347,116	14%	206,222	15%
Charges for services	1,057,363	10%	1,026,971	10%	30,392	3%
Fines and forfeitures	288,331	3%	274,429	3%	13,902	5%
Communication services taxes	529,641	5%	576,608	6%	(46,967)	-8%
Interest	7,065	0%	7,177	0%	(112)	-2%
Miscellaneous	40,139	0%	296,520	3%	(256,381)	-86%
Total revenues	\$ 10,129,229	100%	\$ 9,850,678	100%	\$ 278,551	3%

- Miscellaneous revenues decreased 86% due to a one time settlement received in fiscal year 2015 from BP entities related to the Deepwater Horizon Incident.
- License and permit fees increased 15% due to a change in the fee structure charged for fire inspections, and an increase in building permit fee activities.
- Property tax revenues increased 6% due to an increase in the millage rate over the roll-back rate of 5.44%

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

	2016 Amount	Percentage of Total	2015 Amount	Percentage of Total	Increase (Decrease) From 2015	Percentage of Increase (Decrease)
Expenditures:						
City Council	\$ 527,502	5%	\$ 609,888	7%	\$ (82,386)	-14%
Administration	1,761,886	18%	1,440,815	16%	321,071	22%
Legal	222,843	2%	361,404	4%	(138,561)	-38%
Police services	1,422,933	14%	1,368,657	15%	54,276	4%
Fire/EMS	3,223,053	32%	3,069,504	33%	153,549	5%
Public works	318,307	3%	300,445	3%	17,862	6%
Parks and recreation	1,109,335	11%	1,091,154	12%	18,181	2%
Bridge and near shore waters	75,385	1%	34,743	0%	40,642	117%
Community development	1,314,896	13%	954,675	10%	360,221	38%
Total expenditures	\$ 9,976,140	100%	\$ 9,231,285	100%	\$ 744,855	8%

- Administration expenditures increased \$ 321,071 or 22% due to increased personnel costs and information technology upgrades.
- Bridge and near shore water expenditures increased 117% due to an ongoing canal restoration project that began during the fiscal year.
- Community Development expenditures increased 38% due to increased personnel in the Code, Building and Planning Departments.

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

- The Street Maintenance Fund increased its fund balance by \$ 162,430 due to an increase in intergovernmental revenues from capital grant activities.
- The Capital Infrastructure Fund decreased its fund balance by \$ 2,253,802 due to the completion of the City Hall project that was bonded in Fiscal Year 2014.

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 \$ 5,732,569.

Marina Fund

- The activities at the City's marina resulted in a change of net position of \$ 149,072.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase of \$ 475,897 in total budgeted revenues, and a decrease of \$ 273,692 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:

- \$ 350,000 increase in building permit fee revenues due to an unanticipated increase in building permitting activities.
- \$ 163,986 increase in fire insurance premium tax revenues for State contribution pass through to the Firefighters Chapter 175 defined benefit pension plan. The Fire & EMS budgeted expenditures were also increased by \$ 163,986 for the increased retirement expense.
- \$ 160,000 increase in code enforcement fine revenue due to unanticipated settlement of code cases, of which, many are related to noncompliance with connecting to the City's centralized wastewater system.
- \$ 114,000 increase in fire inspection fees due to a change in the fee structure, and additional vacation rental and commercial fire occupancy permit inspections.
- \$ 163,000 decrease in intergovernmental revenues for grants and state tax sharing being less than originally anticipated.
- \$ 103,000 decrease in miscellaneous revenues for contributions that were not received during the year.
- \$ 263,678 decrease in the City Council's budget for capital projects to be directed by Council that did not occur.

- \$ 104,000 decrease in the Planning Department budget for the mangrove trimming project activities being less than originally projected.
- \$ 100,000 decrease in the Nearshore Waters Management budget for the delay in the canal restoration project.

Actual expenditures were \$ 958,158 below the final budgeted amounts. The significant variances can be summarized as follows:

- Public safety was \$ 333,883 under budget due to the Police Department coming in \$ 172,115 under budget due to an unanticipated refund of unused fees from the County Sheriff's Department, the contracted police for the City. Fire and Emergency Medical Services were \$ 161,768 under budget due to decreased operating expenditures.
- General government was \$ 302,044 and Community's Services was \$ 174,367 under budget due to operating costs being less than projected.

Resources available for appropriations were \$ 31,141 over the budgeted amount. The significant variances can be summarized as follows:

- Intergovernmental revenues were \$ 59,721 over budget due to grant revenues coming in higher than expected.
- Property tax revenues were \$ 28,185 under budget due to collections being less than anticipated.

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, 2016, amounts to \$ 154,624,493 (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 \$ 1,337,251 as compared to the \$ 2,006,325 net decrease in the prior year.

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

Governmental Activities:

- The completion of the City Hall project increased buildings by \$ 5,962,331, of which \$ 3,418,046 was previously in construction-in-progress.
- Improvements other than buildings increased \$ 563,200, of which \$ 313,807 was previously in construction-in-progress. This increase is mainly due to the completion of the Coco Plum pedestrian bridge and Coco Plum trail projects.
- Construction-in-progress increased \$ 459,459 due to the Avenue L project (new City Street), and the ongoing fire hydrant project.
- Fire Equipment and vehicles increased \$ 366,244, and the significant items purchased include; new self-contained breathing apparatus for the entire department, and a new compressor.

**City of Marathon, Florida
Management's Discussion and Analysis
September 30, 2016**

- Land increased \$ 158,267 for a property that the City foreclosed on to settle an outstanding Code case.

Business Activities:

- Construction-in-progress increased \$ 1,726,525 due to ongoing wastewater improvements.
- \$ 1,455,981 increase in improvements other than buildings, of which \$ 189,582 was previously in construction-in-progress. The significant additions include; the Marriott lift station and force main project, Sombrero Beach Road vac main, and several new service connections.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital assets, net of depreciation:						
Land	\$ 9,141,511	\$ 8,983,244	\$ 2,806,522	\$ 2,806,522	\$ 11,948,033	\$ 11,789,766
Intangibles	3,822	3,822	1,619,925	1,625,131	1,623,747	1,628,953
Construction in progress	528,951	3,831,415	1,860,466	360,318	2,389,417	4,191,733
Buildings	16,644,078	11,149,608	26,321,014	28,077,650	42,965,092	39,227,258
Leasehold improvements	21,875	25,236	-	-	21,875	25,236
Improvement other than buildings	10,042,810	10,379,769	81,039,895	82,083,637	91,082,705	92,463,406
Land improvements	-	-	127,746	149,232	127,746	149,232
Fire equipment and vehicles	2,020,214	2,017,035	674,960	432,830	2,695,174	2,449,865
Furniture and equipment	899,294	570,885	871,410	790,908	1,770,704	1,361,793
Total	\$ 39,302,555	\$ 36,961,014	\$ 115,321,938	\$ 116,326,228	\$ 154,624,493	\$ 153,287,242

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 \$ 8,020,000. 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 \$ 62,820,217. 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	
	2016	2015	2016	2015	2016	2015
Long-term liabilities:						
Improvement Revenue Bonds	\$ 8,020,000	\$ 8,780,000	\$ -	\$ -	\$ 8,020,000	\$ 8,780,000
State Revolving Fund Loan Wastewater System	-	-	62,820,217	70,108,929	62,820,217	70,108,929
Revenue Bonds	-	-	-	-	-	-
Compensated absences	139,297	123,369	38,165	21,835	177,462	145,204
Net pension liability	321,734	190,670	-	-	321,734	190,670
Other post-employment benefit obligation	410,946	358,647	-	-	410,946	358,647
Total	\$ 8,891,977	\$ 9,452,686	\$ 62,858,382	\$ 70,130,764	\$ 71,750,359	\$ 79,583,450

The City of Marathon's total long-term liabilities decreased by \$ 7,833,091 (9.84%) during the current fiscal year, primarily due to the early payoff of five of the nine State Revolving Fund Loans in the Wastewater and Stormwater Utility Enterprise Fund.

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 3.2% in November of 2016, which is a slight decrease from a rate of 3.3% a year ago. The rate still compares favorably to the state's average unemployment rate of 4.9%.

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 2.1590. For fiscal year 2017, the City adopted a final millage rate of 2.5 mills which is 15.79% above the roll-back rate, as compared to 2.3 mills in fiscal year 2016.

During fiscal year 2017, the City will be working on the following programs/projects:

- Construction of a Utilities & Street Maintenance Facility at 104th St.
- Various beach and park improvements
- Various street and bridge improvements
- Continued implementation of the Fire Safety Program (Fire Hydrant Installations)

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, 2016

	Governmental Activities	Business- type Activities	Total
Assets:			
Cash and cash equivalents	\$ 11,552,393	\$ 9,257,787	\$ 20,810,180
Investments	43,025	-	43,025
Receivables, net	432,369	447,709	880,078
Due from other governments	728,924	3,205,755	3,934,679
Prepaid items	104,014	60,085	164,099
Net pension asset	1,617,360	-	1,617,360
Capital assets not being depreciated	9,674,284	6,280,732	15,955,016
Capital assets, being depreciated	29,628,271	109,041,206	138,669,477
Total assets	<u>53,780,640</u>	<u>128,293,274</u>	<u>182,073,914</u>
Deferred Outflows of Resources:			
Deferred outflows related to pension	892,782	-	892,782
Deferred charge on refunding	9,255	-	9,255
Total deferred outflows of resources	<u>902,037</u>	<u>-</u>	<u>902,037</u>
Liabilities:			
Accounts payable and accrued liabilities	598,478	712,192	1,310,670
Due to other governments	38,636	-	38,636
Noncurrent liabilities:			
Due within one year	753,930	3,851,678	4,605,608
Due in more than one year	8,138,047	59,006,704	67,144,751
Total liabilities	<u>9,529,091</u>	<u>63,570,574</u>	<u>73,099,665</u>
Deferred Inflows of Resources:			
Deferred inflows related to pension	224,138	-	224,138
Commitments and Contingencies (Note 8)			
	-	-	-
Net Position:			
Net investment in capital assets	31,282,555	52,501,721	83,784,276
Restricted for:			
Capital projects	1,374,079	-	1,374,079
Street maintenance	1,751,828	-	1,751,828
Police education	49,979	-	49,979
Firefighter pension	185,871	-	185,871
Unrestricted	10,285,136	12,220,979	22,506,115
Total net position	<u>\$ 44,929,448</u>	<u>\$ 64,722,700</u>	<u>\$ 109,652,148</u>

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

**City of Marathon, Florida
Statement of Activities
For the Year Ended September 30, 2016**

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	\$ 2,847,773	\$ 335,352	\$ -	\$ -	(2,512,421)	\$ -	(2,512,421)
Public safety	5,202,572	1,309,008	163,986	18,688	(3,710,890)	-	(3,710,890)
Community services	3,109,362	790,447	167,053	3,269,015	1,117,153	-	1,117,153
Community development	1,408,043	1,410,332	40,500	64,193	106,982	-	106,982
Interest and other debt service costs	221,828	-	-	-	(221,828)	-	(221,828)
Total governmental activities	12,789,578	3,845,139	371,539	3,351,896	(5,221,004)	-	(5,221,004)
Business-type activities:							
Wastewater	9,929,090	6,346,446	-	7,932,381	-	4,349,737	4,349,737
Stormwater	1,226,693	-	-	1,012,417	-	(214,276)	(214,276)
Marina	796,108	904,336	-	90,081	-	198,309	198,309
Total business-type activities	11,951,891	7,250,782	-	9,034,879	-	4,333,770	4,333,770
Total	\$ 24,741,469	\$ 11,095,921	\$ 371,539	\$ 12,386,775	(5,221,004)	4,333,770	(887,234)
General revenues:							
Property taxes					4,470,917	-	4,470,917
Communications services tax					529,641	-	529,641
Unrestricted intergovernmental revenue					1,926,237	-	1,926,237
Unrestricted investment earnings					17,610	30,543	48,153
Miscellaneous					186,758	1,184,385	1,371,143
Transfers					(332,943)	332,943	-
Total general revenues					6,798,220	1,547,871	8,346,091
Change in net position					1,577,216	5,881,641	7,458,857
Net position, beginning					43,352,232	58,841,059	102,193,291
Net position, ending					44,929,448	64,722,700	109,652,148

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

City of Marathon, Florida
Balance Sheet
Governmental Funds
September 30, 2016

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Capital Infrastructure Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 4,959,468	\$ 1,705,970	\$ 3,115,347	\$ 1,771,608	\$ 11,552,393
Investments	28,138	13,043	1,844	-	43,025
Receivables, net	252,369	-	-	180,000	432,369
Due from other governments	374,901	131,909	222,114	-	728,924
Prepaid items	98,770	5,244	-	-	104,014
Total assets	<u>\$ 5,713,646</u>	<u>\$ 1,856,166</u>	<u>\$ 3,339,305</u>	<u>\$ 1,951,608</u>	<u>\$ 12,860,725</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 358,025	\$ 99,094	\$ 141,359	\$ -	\$ 598,478
Due to other governments	35,976	-	-	2,660	38,636
Total liabilities	<u>394,001</u>	<u>99,094</u>	<u>141,359</u>	<u>2,660</u>	<u>637,114</u>
Commitments and Contingencies (Note 8)					
	-	-	-	-	-
Fund balances:					
Nonspendable:					
Prepaid items	98,770	5,244	-	-	104,014
Restricted for:					
Capital projects	-	-	1,374,079	-	1,374,079
Street maintenance	-	1,751,828	-	-	1,751,828
Police education	49,979	-	-	-	49,979
Firefighter pension	185,871	-	-	-	185,871
Grant projects	-	-	-	-	-
Committed to:					
Vehicle replacement	-	-	1,823,867	-	1,823,867
Grant matching	-	-	-	-	-
Infrastructure improvements	-	-	-	724,610	724,610
Affordable housing	-	-	-	1,128,346	1,128,346
Restoration projects	-	-	-	95,992	95,992
Assigned to:					
Subsequent year's budget	463,756	-	-	-	463,756
Unassigned	4,521,269	-	-	-	4,521,269
Total fund balances	<u>5,319,645</u>	<u>1,757,072</u>	<u>3,197,946</u>	<u>1,948,948</u>	<u>12,223,611</u>
Total liabilities and fund balances	<u>\$ 5,713,646</u>	<u>\$ 1,856,166</u>	<u>\$ 3,339,305</u>	<u>\$ 1,951,608</u>	<u>\$ 12,860,725</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, 2016

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

Total fund balances of governmental funds in the balance sheet, page 18	\$ 12,223,611
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	53,850,659
Less accumulated depreciation	(14,548,104)
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	1,617,360
Deferred outflows related to pension	892,782
Deferred inflows related to pension	(224,138)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Deferred charge on refunding	9,255
Net pension liability	(321,734)
Net OPEB obligation	(410,946)
Compensated absences payable	(139,297)
Governmental revenue bonds payable	<u>(8,020,000)</u>
Net Position of Governmental Activities, Page 16	\$ <u><u>44,929,448</u></u>

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

City of Marathon, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2016

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Capital Infrastructure Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 4,470,917	\$ -	\$ -	\$ -	\$ 4,470,917
Intergovernmental	2,182,435	859,490	3,005,823	7,498	6,055,246
Licenses and permits	1,553,338	-	-	-	1,553,338
Charges for services	1,057,363	-	-	-	1,057,363
Fines and forfeitures	288,331	-	-	-	288,331
Communications services tax	529,641	-	-	-	529,641
Impact fees	-	-	-	470,614	470,614
Interest	7,065	2,026	5,805	2,714	17,610
Miscellaneous	40,139	1,590	56,681	-	98,410
	<u>10,129,229</u>	<u>863,106</u>	<u>3,068,309</u>	<u>480,826</u>	<u>14,541,470</u>
Expenditures:					
Current:					
General government	2,482,091	-	-	-	2,482,091
Public safety	4,645,986	-	-	-	4,645,986
Community services	1,487,179	492,734	-	89,565	2,069,478
Community development	1,314,896	-	-	-	1,314,896
Capital outlay	45,988	452,935	3,632,253	-	4,131,176
Debt service:					
Principal	-	-	-	760,000	760,000
Interest and fiscal charges	-	-	-	218,742	218,742
	<u>9,976,140</u>	<u>945,669</u>	<u>3,632,253</u>	<u>1,068,307</u>	<u>15,622,369</u>
Excess (deficiency) of revenues over expenditures	<u>153,089</u>	<u>(82,563)</u>	<u>(563,944)</u>	<u>(587,481)</u>	<u>(1,080,899)</u>
Other Financing Sources (Uses)					
Transfers in	623,171	263,898	262,055	978,742	2,127,866
Transfers out	-	(18,905)	(1,951,913)	(489,991)	(2,460,809)
	<u>623,171</u>	<u>244,993</u>	<u>(1,689,858)</u>	<u>488,751</u>	<u>(332,943)</u>
Net change in fund balances	776,260	162,430	(2,253,802)	(98,730)	(1,413,842)
Fund Balances, beginning	<u>4,543,385</u>	<u>1,594,642</u>	<u>5,451,748</u>	<u>2,047,678</u>	<u>13,637,453</u>
Fund Balances, ending	<u>\$ 5,319,645</u>	<u>\$ 1,757,072</u>	<u>\$ 3,197,946</u>	<u>\$ 1,948,948</u>	<u>\$ 12,223,611</u>

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

City of Marathon, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

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

Net change in fund balances - total governmental funds, page 20 \$ (1,413,842)

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:

Property received in lieu of fines and penalties	158,267
Expenditures for capital assets	4,107,381
Less current year provision for depreciation	(1,904,318)

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:

Disposal of capital assets	(19,789)
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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	760,000
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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	(178,143)
Change in net pension liability	(131,064)
Change in deferred outflows related to pension	403,544
Change in deferred inflows related to pension	(133,507)
Change in net OPEB obligation	(52,299)
Change in compensated absences payable	(15,928)

Change in Net Position of Governmental Activities, Page 17 **\$ 1,577,216**

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, 2016

	Business-Type Activities		
	Enterprise Funds		
	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Wastewater and</u>	<u>Fund</u>	<u>Enterprise</u>
	<u>Stormwater Fund</u>	<u>Marina</u>	<u>Funds</u>
		<u>Fund</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,074,750	\$ 1,183,037	\$ 9,257,787
Receivables, net	447,709	-	447,709
Prepays	54,296	5,789	60,085
Due from other governments	3,195,196	10,559	3,205,755
	<u>11,771,951</u>	<u>1,199,385</u>	<u>12,971,336</u>
Total current assets			
Noncurrent assets:			
Capital assets not being depreciated	6,280,732	-	6,280,732
Capital assets, net of accumulated depreciation	107,483,701	1,557,505	109,041,206
	<u>113,764,433</u>	<u>1,557,505</u>	<u>115,321,938</u>
Total noncurrent assets			
	<u>113,764,433</u>	<u>1,557,505</u>	<u>115,321,938</u>
Total assets	<u>125,536,384</u>	<u>2,756,890</u>	<u>128,293,274</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	690,066	22,126	712,192
Current portion of loans payable	3,847,861	-	3,847,861
Current portion of compensated absences	2,880	937	3,817
	<u>4,540,807</u>	<u>23,063</u>	<u>4,563,870</u>
Total current liabilities			
	<u>4,540,807</u>	<u>23,063</u>	<u>4,563,870</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	25,920	8,428	34,348
Loans payable	58,972,356	-	58,972,356
	<u>58,998,276</u>	<u>8,428</u>	<u>59,006,704</u>
Total noncurrent liabilities			
	<u>58,998,276</u>	<u>8,428</u>	<u>59,006,704</u>
Total liabilities	<u>63,539,083</u>	<u>31,491</u>	<u>63,570,574</u>
Net Position:			
Net investment in capital assets	50,944,216	1,557,505	52,501,721
Unrestricted	11,053,085	1,167,894	12,220,979
	<u>61,997,301</u>	<u>2,725,399</u>	<u>64,722,700</u>
Total net position	<u>\$ 61,997,301</u>	<u>\$ 2,725,399</u>	<u>\$ 64,722,700</u>

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

City of Marathon, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	<u>Major Fund</u> <u>Wastewater and</u> <u>Stormwater</u> <u>Fund</u>	<u>Nonmajor</u> <u>Fund</u> <u>Marina</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
Operating Revenues:			
Charges for services	\$ 6,346,446	\$ 904,336	\$ 7,250,782
Total operating revenues	<u>6,346,446</u>	<u>904,336</u>	<u>7,250,782</u>
Operating Expenses:			
Personnel costs	1,422,241	379,341	1,801,582
Operating expenses	3,769,800	224,546	3,994,346
Provision for depreciation	4,177,557	133,213	4,310,770
Total operating expenses	<u>9,369,598</u>	<u>737,100</u>	<u>10,106,698</u>
Operating income (loss)	<u>(3,023,152)</u>	<u>167,236</u>	<u>(2,855,916)</u>
Nonoperating Revenues (Expenses):			
Loss on disposal of property	(176,807)	(59,008)	(235,815)
Litigation settlement	1,184,385	-	1,184,385
Interest income	29,118	1,425	30,543
Interest expense	(1,609,378)	-	(1,609,378)
Total nonoperating revenues (expenses)	<u>(572,682)</u>	<u>(57,583)</u>	<u>(630,265)</u>
Income (loss) before capital contributions	<u>(3,595,834)</u>	<u>109,653</u>	<u>(3,486,181)</u>
Capital Contributions:			
Special assessments	5,093,678	-	5,093,678
Grants	3,851,120	90,081	3,941,201
Total capital contributions	<u>8,944,798</u>	<u>90,081</u>	<u>9,034,879</u>
Income before transfers	<u>5,348,964</u>	<u>199,734</u>	<u>5,548,698</u>
Transfers:			
Transfers in	688,687	-	688,687
Transfers out	(305,082)	(50,662)	(355,744)
Total transfers	<u>383,605</u>	<u>(50,662)</u>	<u>332,943</u>
Change in net position	5,732,569	149,072	5,881,641
Net Position, beginning	<u>56,264,732</u>	<u>2,576,327</u>	<u>58,841,059</u>
Net Position, ending	<u>\$ 61,997,301</u>	<u>\$ 2,725,399</u>	<u>\$ 64,722,700</u>

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

City of Marathon, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	<u>Major Fund</u> Wastewater and Stormwater Fund	<u>Nonmajor Fund</u> Marina Fund	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 6,149,585	\$ 904,336	\$ 7,053,921
Payments to employees	(1,389,646)	(374,000)	(1,763,646)
Payments to suppliers	(3,872,290)	(219,316)	(4,091,606)
Net cash provided by operating activities	<u>887,649</u>	<u>311,020</u>	<u>1,198,669</u>
Cash Flows from Non-Capital Financing Activities:			
Operating grant proceeds	-	43,845	43,845
Transfers to other funds	(305,082)	(50,662)	(355,744)
Net cash used in non-capital and related financing activities	<u>(305,082)</u>	<u>(6,817)</u>	<u>(311,899)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(3,619,781)	(74,374)	(3,694,155)
Proceeds from capital grants	879,517	45,450	924,967
Proceeds from capital assessments	5,092,566	-	5,092,566
Proceeds from litigation settlement	1,184,385	-	1,184,385
Transfers from other funds	688,687	-	688,687
Repayments of capital debt	(7,288,712)	-	(7,288,712)
Interest paid	(1,636,961)	-	(1,636,961)
Net cash used in capital and related financing activities	<u>(4,700,299)</u>	<u>(28,924)</u>	<u>(4,729,223)</u>
Cash Flows from Investing Activities:			
Interest received	29,118	1,425	30,543
Net cash provided by investing activities	<u>29,118</u>	<u>1,425</u>	<u>30,543</u>
Net increase (decrease) in cash and cash equivalents	(4,088,614)	276,704	(3,811,910)
Cash and Cash Equivalents, beginning	<u>12,163,364</u>	<u>906,333</u>	<u>13,069,697</u>
Cash and Cash Equivalents, ending	<u>\$ 8,074,750</u>	<u>\$ 1,183,037</u>	<u>\$ 9,257,787</u>

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

City of Marathon, Florida
Statement of Cash Flows
Proprietary Funds
(continued)
For the Year Ended September 30, 2016

	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)	\$ (3,023,152)	\$ 167,236	\$ (2,855,916)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Provision for depreciation	4,177,557	133,213	4,310,770
(Increase) decrease in:			
Receivables	(111,363)	-	(111,363)
Prepays	(10,518)	(789)	(11,307)
Due from other governments	(85,498)	-	(85,498)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(65,023)	10,176	(54,847)
Due to other governments	(9,500)		(9,500)
Compensated absences	15,146	1,184	16,330
Total adjustments	3,910,801	143,784	4,054,585
Net cash provided by operating activities	\$ 887,649	\$ 311,020	\$ 1,198,669

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, 2016

Assets:

Cash \$ 53,604

Investments:

Bond fund 2,640,017

Equity funds 4,006,930

Total investments 6,646,947

Receivables:

City (including State) 78,289

Total assets 6,778,840

Liabilities:

Reserve for additional benefits 165,909

Net Position:

Net position restricted for pensions \$ 6,612,931

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, 2016

Additions:

Contributions:		
Plan members	\$	79,045
City (including State)		<u>321,575</u>
Total contributions		<u>400,620</u>
Investment income (loss):		
Net appreciation in fair value of investments		<u>490,850</u>
Total additions		<u>891,470</u>

Deductions:

Distributions		50,293
Administrative expenses		<u>24,668</u>
Total deductions		<u>74,961</u>
Change in net position		816,509

Net Position, beginning 5,796,422

Net Position, ending \$ 6,612,931

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

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

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

Buildings 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 Notes 10 and 11.

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 Notes 10 and 11.

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 do not meet the definition of either of the other two components.

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

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

Allowance for doubtful accounts: The City's contracted service provider processes receivables associated with emergency medical services (EMS). An allowance account of \$ 1,781,666 is established for EMS receivables based on historical collection rates.

Date of management review: Subsequent events were evaluated through March 22, 2017, 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, 2016, the City had the following investments:

	Fair Value	Investment Maturities (In Years)
Florida PRIME	\$ <u>43,025</u>	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 50 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, 2016, 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	\$ 1,045,286
FMIVT Core Plus Fixed Income Fund	Not rated	1,594,731
<u>Equity Portfolios:</u>		
FMIVT High Quality Growth Portfolio	Not rated	509,242
FMIVT Large Cap Diversified Value Portfolio	Not rated	549,445
FMIVT Russell 1000 Enhanced Index Portfolio	Not rated	1,534,426
FMIVT Diversified Small Cap Equity Portfolio	Not rated	757,163
FMIVT International Equity Portfolio	Not rated	656,654
		\$ <u>6,646,947</u>

<u>Interest Rate Risk (In Years):</u>	<u>Duration</u>	<u>WAM</u>
<u>Fixed Income Funds:</u>		
FMIVT Broad Market High Quality Bond Fund	4.45	5.90
FMIVT Core Plus Fixed Income Fund	2.04	6.84

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 assets, 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, 2016 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	\$ 6,646,947	\$ -	\$ 5,052,216	\$ 1,594,731	\$ -

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, 2016, there were no significant delinquent taxes.

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2016

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	\$ 2,012,657	\$ -	\$ -	\$ -
Intergovernmental	374,901	131,909	222,114	-
Loans	-	-	-	180,000
Miscellaneous	<u>27,626</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross receivables	2,415,184	131,909	222,114	180,000
Less allowance for uncollectibles	<u>(1,787,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 627,270</u>	<u>\$ 131,909</u>	<u>\$ 222,114</u>	<u>\$ 180,000</u>

	<u>Wastewater/ Stormwater</u>	<u>Marina</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ 447,709	\$ -	\$ -	\$ 2,460,366
Intergovernmental	3,195,196	10,559	-	3,934,679
Loans	-	-	-	180,000
Miscellaneous	-	-	-	27,626
Contributions	<u>-</u>	<u>-</u>	<u>78,289</u>	<u>78,289</u>
Gross receivables	3,642,905	10,559	78,289	6,680,960
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,787,914)</u>
Net receivables	<u>\$ 3,642,905</u>	<u>\$ 10,559</u>	<u>\$ 78,289</u>	<u>\$ 4,893,046</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	\$ 167,238	\$ 61,736	\$ 81,121	\$ 405,877	\$ 9,838	\$ 725,810
Payroll liabilities	190,787	11,831	-	53,177	12,288	268,083
Retainage	-	25,527	60,238	46,187	-	131,952
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,825</u>	<u>-</u>	<u>184,825</u>
Total	<u>\$ 358,025</u>	<u>\$ 99,094</u>	<u>\$ 141,359</u>	<u>\$ 690,066</u>	<u>\$ 22,126</u>	<u>\$ 1,310,670</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	\$ 323,171	\$ -	\$ -	\$ 978,742	\$ 650,000	\$ 1,951,913
Street Maintenance Fund	-	-	18,905	-	-	18,905
Nonmajor Governmental Funds	-	263,898	187,406	-	38,687	489,991
Marina Fund	50,000	-	662	-	-	50,662
Wastewater/Stormwater Fund	<u>250,000</u>	<u>-</u>	<u>55,082</u>	<u>-</u>	<u>-</u>	<u>305,082</u>
Total	<u>\$ 623,171</u>	<u>\$ 263,898</u>	<u>\$ 262,055</u>	<u>\$ 978,742</u>	<u>\$ 688,687</u>	<u>\$ 2,816,553</u>

A transfer of \$ 323,171 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 \$ 74,649 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 \$ 38,687 was made from the CDBG Fund to the Wastewater/Stormwater Utility Enterprise Funds to return unused funds contributed from the Wastewater/Stormwater Utility Enterprise Funds.

A transfer of \$ 263,898 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 \$ 187,406 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 \$ 978,742 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, 2016

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2016 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	\$ 8,983,244	\$ 158,267	\$ -	\$ -	\$ 9,141,511
Intangibles	3,822	-	-	-	3,822
Construction-in-progress	<u>3,831,415</u>	<u>459,459</u>	<u>14,070</u>	<u>(3,747,853)</u>	<u>528,951</u>
Total capital assets not being depreciated	<u>12,818,481</u>	<u>617,726</u>	<u>14,070</u>	<u>(3,747,853)</u>	<u>9,674,284</u>
Capital assets being depreciated:					
Buildings and structures	14,347,258	2,544,285	-	3,418,046	20,309,589
Leasehold Improvements	67,215	-	-	-	67,215
Improvements other than buildings	16,739,219	249,393	-	313,807	17,302,419
Fire equipment and vehicles	3,840,365	350,244	199,065	16,000	4,007,544
Furniture and equipment	2,080,516	504,000	102,508	-	2,482,008
Intangibles	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>
Total capital assets being depreciated	<u>37,082,173</u>	<u>3,647,922</u>	<u>301,573</u>	<u>3,747,853</u>	<u>44,176,375</u>
Total capital assets	<u>49,900,654</u>	<u>4,265,648</u>	<u>315,643</u>	<u>-</u>	<u>53,850,659</u>
Less accumulated depreciation:					
Buildings and structures	3,197,650	467,861	-	-	3,665,511
Leasehold Improvements	41,979	3,361	-	-	45,340
Improvements other than buildings	6,359,450	900,159	-	-	7,259,609
Fire equipment and vehicles	1,823,330	357,908	193,908	-	1,987,330
Furniture and equipment	1,509,631	175,029	101,946	-	1,582,714
Intangibles	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>
Total accumulated depreciation	<u>12,939,640</u>	<u>1,904,318</u>	<u>295,854</u>	<u>-</u>	<u>14,548,104</u>
Total capital assets being depreciated, net	<u>24,142,533</u>	<u>1,743,604</u>	<u>5,719</u>	<u>3,747,853</u>	<u>29,628,271</u>
Governmental activities, capital assets, net	<u>\$ 36,961,014</u>	<u>\$ 2,361,330</u>	<u>\$ 19,789</u>	<u>\$ -</u>	<u>\$ 39,302,555</u>

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2016

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	<u>360,318</u>	<u>1,726,525</u>	<u>35,195</u>	<u>(191,182)</u>	<u>1,860,466</u>
Total capital assets not being depreciated	<u>4,780,584</u>	<u>1,726,525</u>	<u>35,195</u>	<u>(191,182)</u>	<u>6,280,732</u>
Capital assets being depreciated:					
Buildings	36,129,452	40,516	37,208	1,600	36,134,360
Improvements other than buildings	92,322,298	1,266,399	193,761	189,582	93,584,518
Land improvements	251,299	-	-	-	251,299
Intangibles	57,047	-	-	-	57,047
Equipment	1,235,751	202,134	-	-	1,437,885
Vehicles	<u>706,849</u>	<u>306,722</u>	<u>-</u>	<u>-</u>	<u>1,013,571</u>
Total capital assets being depreciated	<u>130,702,696</u>	<u>1,815,771</u>	<u>230,969</u>	<u>191,182</u>	<u>132,478,680</u>
Total capital assets	<u>135,483,280</u>	<u>3,542,296</u>	<u>266,164</u>	<u>-</u>	<u>138,759,412</u>
Less accumulated depreciation:					
Buildings	8,051,802	1,774,938	13,394	-	9,813,346
Improvements other than buildings	10,238,661	2,322,916	16,954	-	12,544,623
Land improvements	102,067	21,486	-	-	123,553
Intangibles	45,660	5,206	-	-	50,866
Equipment	444,843	121,632	-	-	566,475
Vehicles	<u>274,019</u>	<u>64,592</u>	<u>-</u>	<u>-</u>	<u>338,611</u>
Total accumulated depreciation	<u>19,157,052</u>	<u>4,310,770</u>	<u>30,348</u>	<u>-</u>	<u>23,437,474</u>
Total capital assets, being depreciated, net	<u>111,545,644</u>	<u>(2,494,999)</u>	<u>200,621</u>	<u>191,182</u>	<u>109,041,206</u>
Business activities capital assets, net	<u>\$ 116,326,228</u>	<u>\$ (768,474)</u>	<u>\$ 235,816</u>	<u>\$ -</u>	<u>\$ 115,321,938</u>

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

Governmental activities:	
General government	\$ 257,398
Public safety	545,660
Community services	1,015,083
Community development	<u>86,177</u>
Total provision for depreciation - governmental activities	<u>\$ 1,904,318</u>

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2016

Note 6 - Capital Assets (continued)

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

Business-type activities:	
Enterprise - Wastewater/Stormwater	\$ 4,177,557
Enterprise - Marina	<u>133,213</u>
 Total provision for depreciation - business-type activities	 \$ <u><u>4,310,770</u></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, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
Governmental activities:					
Bonds payable:					
Series 2013A	\$ 8,565,000	\$ -	\$ 700,000	\$ 7,865,000	\$ 685,000
Series 2013B	215,000	-	60,000	155,000	55,000
Compensated absences payable	123,369	61,538	45,610	139,297	13,930
Net pension liability	190,670	131,064	-	321,734	-
Other post-employment benefit obligation	<u>358,647</u>	<u>52,299</u>	<u>-</u>	<u>410,946</u>	<u>-</u>
 Governmental activities, long-term debt	 \$ <u><u>9,452,686</u></u>	 \$ <u><u>244,901</u></u>	 \$ <u><u>805,610</u></u>	 \$ <u><u>8,891,977</u></u>	 \$ <u><u>753,930</u></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
2017	\$ 740,000	\$ 199,642	\$ 939,642
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
2022-2026	3,355,000	398,536	3,753,536
2027-2028	<u>1,280,000</u>	<u>28,652</u>	<u>1,308,652</u>
	 \$ <u><u>8,020,000</u></u>	 \$ <u><u>1,246,447</u></u>	 \$ <u><u>9,266,447</u></u>

City of Marathon, Florida
Notes to Basic Financial Statements
September 30, 2016

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, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
Business-type activities:					
Bonds payable:					
State Revolving Fund					
Loan Program	\$ 70,108,929	\$ -	\$ 7,288,712	\$ 62,820,217	\$ 3,847,861
Compensated absences payable	21,835	19,146	2,816	38,165	3,817
Business-type activities, long-term debt	<u>\$ 70,130,764</u>	<u>\$ 19,146</u>	<u>\$ 7,291,528</u>	<u>\$ 62,858,382</u>	<u>\$ 3,851,678</u>

State Revolving Fund Loans: As of September 30, 2016, 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, 2016, the City has borrowed a total of \$ 62,820,217 under these agreements and repayments have begun on all loan agreements which have outstanding balances. The breakdown as of September 30, 2016 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, 2016
WW 63702P	\$ 31,308,211	2.25-2.54%	\$ 1,010,699	\$ 22,456,866
WW 637060	21,541,520	2.08-2.73%	710,253	18,216,863
WW 637090	10,373,801	2.02-2.66%	330,170	7,914,723
WW 637020	<u>17,131,172</u>	2.08%	<u>607,285</u>	<u>14,231,765</u>
Total	<u>\$ 80,354,704</u>		<u>\$ 2,658,407</u>	<u>\$ 62,820,217</u>

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

Year Ending September 30,	Principal	Interest	Total
2017	\$ 3,847,861	\$ 1,468,952	\$ 5,316,813
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
2022-2026	22,696,080	3,887,983	26,584,063
2027-2031	19,245,586	1,143,658	20,389,244
2032-2033	<u>701,622</u>	<u>8,632</u>	<u>710,254</u>
	<u>\$ 62,820,217</u>	<u>\$ 11,447,407</u>	<u>\$ 74,267,624</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, 2016 the City had the following outstanding construction commitments:

Project	Total Project Authorization	Expended at September 30, 2016	Contracts and Retainage Payable	Balance to Complete
Marathon Utility Building	\$ 1,994,484	\$ 110,050	\$ 26,005	\$ 1,858,429
Marathon Area 6 Force Main	588,082	12,487	112,391	463,204
	\$ 2,582,566	\$ 122,537	\$ 138,396	\$ 2,321,633

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, 2017 are budgeted to be approximately \$ 1,654,000. Costs for police services for the year ended September 30, 2016 were approximately \$ 1,422,900.

Collective Bargaining Agreement: The City Council previously approved a collective bargaining agreement between the City and the professional firefighters of Marathon, International Association of Firefighters Local 4396. The agreement is effective through September 30, 2017 (and shall be renewed on an annual basis thereafter, unless either party provides the other written notice of its intent to terminate or modify the agreement not less than ninety days prior to expiration date).

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, 2017. Charges for these services for the fiscal year ended September 30, 2017 are budgeted to be \$ 500,000. Fees received for these services for the year ended September 30, 2016 were \$ 500,000 and \$ 25,000 for capital outlay 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) which is administered by ICMA. Under the Plan, the City contributes 10% for employees hired prior to August 9, 2011 and 5% for those hired thereafter. Normal retirement is defined as age 59-1/2. The employees are not required to make contributions and are fully vested on their first day of employment. Employer contributions for the fiscal year ended September 30, 2016 were approximately \$ 214,500. Amendments to the Plan must be authorized by the City Council.

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 11). 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 11). The City contributed \$ 6,250 to the Investment Plan for the year ended September 30, 2016.

Note 10 - Firefighters' Pension Plan

Plan description: The City established The City of Marathon Firefighters' Pension Plan and Trust Fund (the Plan) as a Local Law Plan in accordance with Chapter 175, Florida Statutes on October 1, 2005 as per a City adopted ordinance. The Plan is a single-employer, defined benefit plan that covers all full-time firefighters. This replaces the previous Firefighters Pension Fund first created on December 9, 2003 and is treated as a newly created Plan from an actuarial standpoint. From a financial statement perspective, the ending net position of the old Plan became the beginning net position of the new Plan on October 1, 2005. The administrative duties for this 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.

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.

Note 10 - Firefighters' Pension Plan (continued)

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, 2016:

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, 2016, that met the criteria for disclosure.

Rate of return: For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.11% percent. 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 - Firefighters' Pension Plan (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, 2016.

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, 2015, the following employees were covered by the pension benefits:

Inactive employees or beneficiaries currently receiving benefit	-
Inactive employees entitled to but not receiving benefit	6
Active plan members	<u>25</u>
Total members	<u><u>31</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, 2016.

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, 2016, \$ 185,871 has been set aside in the General Fund.

Note 10 - Firefighters' Pension Plan (continued)

The required contribution including interest to the Plan as determined by the actuarial valuation was \$ 317,899 for the year ended September 30, 2016. Contributions from the State totaled \$ 163,986 plus City contributions of \$ 157,589. 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, 2015 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2014 rolled forward to September 30, 2015.

The components of the net position (asset) liability of the City at September 30, 2016, were as follows:

	Firefighters' Pension Plan
Total pension liability	\$ 4,179,062
Plan fiduciary net position	<u>5,796,422</u>
City's net pension (asset) liability	<u>\$ (1,617,360)</u>
Plan fiduciary net position as a percentage of total pension liability	138.70%

Actuarial assumptions. The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.59 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation
Mortality rates	1994 Group Annuity Reserve Table projected to 2002 using Scale AA.

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 - Firefighters' Pension Plan (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, 2014	\$ 3,655,742	\$ 5,451,245	\$ (1,795,503)
Changes for the year:			
Service cost	421,863	-	421,863
Interest cost	305,220	-	305,220
Contributions - employer	-	143,152	(143,152)
Contributions - employee	-	79,753	(79,753)
Contributions - nonemployer contributing member	-	176,093	(176,093)
Differences between expected and actual experience	(187,760)		(187,760)
Net increase (decrease) in fair value of investments		(10,345)	10,345
Benefit payments, including refunds of member contributions	(16,003)	(16,003)	-
Administrative expenses	-	(27,473)	27,473
Net Changes	<u>523,320</u>	<u>345,177</u>	<u>178,143</u>
Balances at September 30, 2015, measurement date	\$ <u>4,179,062</u>	\$ <u>5,796,422</u>	\$ <u>(1,617,360)</u>

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)	\$ (906,919)	\$ (1,617,360)	\$ (2,224,574)

Note 10 - Firefighters’ Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$ 316,646 for this Plan. At September 30, 2016 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	\$ 321,575	\$ -
Differences between expected and actual experience	-	(172,113)
Net difference between projected and actual earning on pension plan investments	<u>340,734</u>	<u>(36,367)</u>
Total	<u>\$ 662,309</u>	<u>\$ (208,480)</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>		
2017	\$	57,414
2018	\$	57,414
2019	\$	57,413
2020	\$	69,538
2021	\$	(15,647)
Thereafter	\$	(93,878)

Note 11 - Florida Retirement System

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”). 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. The elected officials of the City are eligible to participate in FRS.

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, by calling (877) 377-1737, or by visiting http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Note 11 - Florida Retirement System (continued)

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 credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited 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, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were 42.27% and 42.47%; for the Elected Officers' class. These employer contribution rates include 1.66% to the HIS Plan period October 1, 2015 through September 30, 2016.

The City's contributions to the Pension Plan totaled \$ 23,654 for the fiscal year ended September 30, 2016. There were no employee contributions during the fiscal year because the current Elected Officers have elected to participate in the FRS defined contribution plan (Note 9).

Note 11 - Florida Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported a liability of \$ 289,040 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. At June 30, 2016, the City’s proportion was .001144711 percent, which was a decrease of .00009699 percentage points from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$ 66,528. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,131	\$ (2,691)
Changes of assumptions	17,486	-
Net difference between projected and actual earnings on pension plan investments	74,713	-
Changes in proportion and differences between City contributions and proportionate share of contributions	102,961	(11,527)
City contributions subsequent to the measurement date	7,336	-
Total	\$ 224,627	\$ (14,218)

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. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2017	\$	42,178
2018	\$	42,178
2019	\$	71,306
2020	\$	42,238
2021	\$	4,588
Thereafter	\$	585

Note 11 - Florida Retirement System (continued)

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

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality assumptions were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to section 216.136(10), Florida Statutes. During presentations to the 2016 FRS Actuarial Assumption Conference, Aon Hewitt, the investment consultant for the State Board of Administration, and the consulting actuary both recommended reducing the investment return assumption. Based on their respective capital market outlook models, the 50th percentile average annual long-term future return rates ranged between 6.3 percent and 6.6 percent. When Aon Hewitt applied the State Board of Administration’s approach to assumption development, the investment return forecast was 7.0 percent. The consulting actuary notes the reduced investment return assumption adopted by the FRS Actuarial Assumption Conference conflicts with their judgment of a reasonable assumption as defined by the Actuarial Standards of Practice Number 27 (ASOP 27).

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			

Assumed Inflation - Mean	2.6%	1.9%
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(1) As outlined in the Pension Plan's investment policy

Note 11 - Florida Retirement System (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. 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 the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City’s proportion share of the net pension liability to changes in the discount rate - The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
City's proportionate share of the net pension liability (asset) for FRS	\$ 532,143	\$ 289,040	\$ 86,690

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.

Benefits Provided

For the fiscal year ended September 30, 2016, 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, 2016, 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.

The City’s contributions to the HIS Plan totaled \$ 1,221 for the fiscal year ended September 30, 2016.

Note 11 - Florida Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported a liability of \$ 32,694 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. At June 30, 2016, the City's proportionate share was .000280525 percent, which was a decrease of .00001646 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$ 2,446. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (74)
Changes of assumptions	5,131	
Net difference between projected and actual earnings on pension plan investments	17	-
Changes in proportion and differences between City contributions and proportionate share of contributions	399	(1,366)
City contributions subsequent to the measurement date	299	-
Total	\$ 5,846	\$ (1,440)

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. The amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,		
2017	\$	782
2018	\$	782
2019	\$	779
2020	\$	778
2021	\$	580
Thereafter	\$	406

Note 11 - Florida Retirement System (continued)

Actuarial Assumptions - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85%

Mortality assumptions were based on the Generational RP-2000 with Projection Scale BB tables.

Because the HIS Program 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 Program were based on certain results of the most recent experience study for the FRS Pension Plan. The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the 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 benefit is funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 2.85% 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 represents the City’s proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's proportionate share of the net pension liability	\$ 37,507	\$ 32,694	\$ 28,699

Note 12 - Other Post-Employment Health Care Benefits

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

Note 12 - Other Post-Employment Health Care Benefits (continued)

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, 2015 (date of the latest actuarial valuation) there are no participating retirees in the group health program.

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

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

Annual required contribution	\$ 60,757
Interest on net OPEB obligation	14,346
Adjustment to annual required contribution	<u>(20,338)</u>
Annual OPEB cost	54,765
Expected benefit payments	(2,466)
Net OPEB obligation, October 1, 2015	<u>358,647</u>
Net OPEB obligation, September 30, 2016	<u><u>\$ 410,946</u></u>

The government’s annual OPEB cost, percentage of OPEB cost contributed, and net post-employment benefit obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
9/30/2014	\$ 49,948	2.8%	\$ 311,399
9/30/2015	\$ 47,248	0.0%	\$ 358,647
9/30/2016	\$ 54,765	4.5%	\$ 410,946

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, 2015	\$ -	\$ 328,582	\$ 328,582	0.0%	\$ 3,271,517	10.0%

Note 12 - Other Post-Employment Health Care Benefits (continued)

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

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

Measurement date	October 1, 2015
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	9.00% for 2015/16 graded to 5.00% for 2023/24

REQUIRED SUPPLEMENTARY INFORMATION

City of Marathon, Florida
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 4,499,102	\$ 4,499,102	\$ 4,470,917	\$ (28,185)
Intergovernmental	2,121,728	2,122,714	2,182,435	59,721
Licenses and permits	957,100	1,531,100	1,553,338	22,238
Charges for services	1,221,926	1,100,837	1,057,363	(43,474)
Fines and forfeitures	118,800	278,800	288,331	9,531
Communications services taxes	564,435	529,435	529,641	206
Interest	4,500	4,500	7,065	2,565
Miscellaneous	134,600	31,600	40,139	8,539
	<u>9,622,191</u>	<u>10,098,088</u>	<u>10,129,229</u>	<u>31,141</u>
Total revenues				
Expenditures:				
Current:				
General government:				
Elected officials	845,200	581,522	527,502	54,020
Administration	1,969,196	1,949,196	1,761,886	187,310
Legal	283,557	283,557	222,843	60,714
	<u>3,097,953</u>	<u>2,814,275</u>	<u>2,512,231</u>	<u>302,044</u>
Total general government				
Public safety:				
Police	1,595,048	1,595,048	1,422,933	172,115
Fire/EMS	3,220,835	3,384,821	3,223,053	161,768
	<u>4,815,883</u>	<u>4,979,869</u>	<u>4,645,986</u>	<u>333,883</u>
Total public safety				
Community services:				
Public works	364,003	364,003	318,307	45,696
Parks and recreation	1,184,903	1,184,903	1,109,335	75,568
Bridges	228,488	128,488	75,385	53,103
	<u>1,777,394</u>	<u>1,677,394</u>	<u>1,503,027</u>	<u>174,367</u>
Total community services				
Community development	1,516,760	1,462,760	1,314,896	147,864
	<u>11,207,990</u>	<u>10,934,298</u>	<u>9,976,140</u>	<u>958,158</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(1,585,799)	(836,210)	153,089	989,299
Other Financing Sources (Uses):				
Transfers in	688,017	618,017	623,171	5,154
Appropriation of prior year's fund balance	897,782	218,193	-	(218,193)
	<u>1,585,799</u>	<u>836,210</u>	<u>623,171</u>	<u>(213,039)</u>
Total other financing sources (uses)				
Net change in fund balance	\$ -	\$ -	\$ 776,260	\$ 776,260

City of Marathon, Florida
Budgetary Comparison Schedule
Street Maintenance Fund
For the Year Ended September 30, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 701,892	\$ 859,490	\$ 157,598
Interest	2,000	2,026	26
Miscellaneous	-	1,590	1,590
	<u>703,892</u>	<u>863,106</u>	<u>159,214</u>
Total revenues			
Expenditures:			
Current:			
Community services	635,308	492,734	142,574
Capital outlay	920,002	452,935	467,067
	<u>1,555,310</u>	<u>945,669</u>	<u>609,641</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(851,418)</u>	<u>(82,563)</u>	<u>768,855</u>
Other Financing Sources (Uses):			
Transfers in	350,000	263,898	(86,102)
Transfers out	(18,905)	(18,905)	-
Appropriation of prior year's fund balance	520,323	-	(520,323)
	<u>851,418</u>	<u>244,993</u>	<u>(606,425)</u>
Total other financing sources (uses)			
Net change in fund balance	<u>\$ -</u>	<u>\$ 162,430</u>	<u>\$ 162,430</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
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 465,383	\$ 421,863	\$ 402,517
Interest	346,447	305,220	255,647
Differences between expected and actual experience	44,937	(187,760)	-
Benefit payments, including refunds of member contributions	<u>(50,293)</u>	<u>(16,003)</u>	<u>(17,052)</u>
Net change in total pension liability	806,474	523,320	641,112
Total pension liability - beginning	<u>4,179,062</u>	<u>3,655,742</u>	<u>3,014,630</u>
Total pension liability - ending (a)	<u>\$ 4,985,536</u>	<u>\$ 4,179,062</u>	<u>\$ 3,655,742</u>
Plan fiduciary net position			
Contributions - employer	\$ 157,589	\$ 143,152	\$ 69,826
Contributions - member	79,045	79,753	58,208
Contributions - nonemployer contributing member	163,986	176,093	193,515
Net investment income	490,850	(10,345)	417,331
Benefit payments, including refunds of member contributions	(50,293)	(16,003)	(17,052)
Administrative expenses	<u>(24,668)</u>	<u>(27,473)</u>	<u>(35,373)</u>
Net change in plan fiduciary net position	816,509	345,177	686,455
Plan fiduciary net position - beginning	<u>5,796,422</u>	<u>5,451,245</u>	<u>4,764,790</u>
Plan fiduciary net position (asset) - ending (b)	<u>\$ 6,612,931</u>	<u>\$ 5,796,422</u>	<u>\$ 5,451,245</u>
City net pension liability (asset) - ending (a) - (b)	<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)	132.64%	138.70%	149.11%
Covered-employee payroll	\$ 1,502,540	\$ 1,358,418	\$ 1,347,342
City net pension liability (asset) as percentage of covered-employee payroll	(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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 317,899	\$ 314,079	\$ 260,648	\$ 375,384	\$ 349,195	\$ 552,405	\$ 514,935	\$ 391,751	\$ 281,737	\$ 250,848
Contributions in relation to the actuarially determined contribution	321,575	319,245	264,774	377,579	347,666	550,834	514,735	391,751	281,737	250,848
Contribution deficiency (excess)	\$ (3,676)	\$ (5,166)	\$ (4,126)	\$ (2,195)	\$ 1,529	\$ 1,571	\$ 200	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 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	\$ 744,145
Contributions as a percentage of covered-employee payroll	21.40%	23.50%	20.44%	32.43%	25.40%	39.97%	* N/A	37.07%	* N/A	33.71%

Notes to Schedule

Valuation date: September 30, 2015

Methods and assumptions used to determine contribution rates:

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

* N/A Not Available

City of Marathon, Florida
Required Supplementary Information
(Unaudited)
Schedule of Investment Returns
Firefighters' Pension Trust Fund
For the Year Ending September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return (loss), net of investment expense	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>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.001144711%	0.001241696%	0.000939789%
Proportionate share of the net pension liability	\$ 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	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>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.000280525%	0.000296985%	0.000297528%
Proportionate share of the net pension liability	\$ 32,694	\$ 30,288	\$ 27,820
Covered-employee payroll	\$ 89,600	\$ 90,100	\$ 88,400
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.49%	33.62%	31.47%
Plan fiduciary net position as a percentage of total pension liability	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.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 23,654	\$ 29,956	\$ 22,979
Contributions in relation to the contractually required contribution	<u>23,654</u>	<u>29,956</u>	<u>22,979</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City of Marathon, Florida's covered employee payroll	\$ 89,600	\$ 90,100	\$ 88,400
Contributions as a percentage of covered payroll	26.40%	33.25%	25.99%

* 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.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,221	\$ 1,225	\$ 1,074
Contributions in relation to the contractually required contribution	<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>
City of Marathon, Florida's covered employee payroll	\$ 89,600	\$ 90,100	\$ 88,400
Contributions as a percentage of covered payroll	1.36%	1.36%	1.21%

* 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.

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

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Estimated Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
09/30/12	\$ 40,772	\$ -	0.0%
09/30/13	\$ 43,449	\$ 1,412	3.2%
09/30/14	\$ 49,948	\$ 1,408	2.8%
09/30/15	\$ 47,248	\$ -	0.0%
09/30/16	\$ 54,765	\$ 2,466	4.5%

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Affordable Housing Fund - This fund is used to purchase land or homes to be used for affordable housing. These funds are also available to provide down payment assistance to qualified homebuyers.

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

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

Debt Service Fund

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

**City of Marathon, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016**

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund	CDBG Fund		
Assets:						
Cash and cash equivalents	\$ 727,270	\$ 948,346	\$ 95,992	\$ -	\$ -	\$ 1,771,608
Receivables	-	180,000	-	-	-	180,000
Total assets	<u>\$ 727,270</u>	<u>\$ 1,128,346</u>	<u>\$ 95,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,608</u>
Liabilities and Fund Balances:						
Liabilities:						
Due to other governments	\$ 2,660	-	-	-	-	\$ 2,660
Total liabilities	<u>\$ 2,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,660</u>
Fund balances:						
Restricted for:						
Grant projects	\$ -	-	-	-	-	\$ -
Committed for:						
Infrastructure improvements	724,610	-	-	-	-	724,610
Affordable housing	-	1,128,346	-	-	-	1,128,346
Restoration projects	-	-	95,992	-	-	95,992
Total fund balances	<u>724,610</u>	<u>1,128,346</u>	<u>95,992</u>	<u>-</u>	<u>-</u>	<u>1,948,948</u>
Total liabilities and fund balances	<u>\$ 727,270</u>	<u>\$ 1,128,346</u>	<u>\$ 95,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,608</u>

City of Marathon, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Impact Fees Fund	Affordable Housing Fund	Restoration Fund	CDBG Fund		
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 7,498	\$ -	\$ 7,498
Impact fees	343,798	120,000	6,816	-	-	470,614
Interest	1,308	1,185	120	101	-	2,714
Total revenues	345,106	121,185	6,936	7,599	-	480,826
Expenditures:						
Current:						
Community services	-	876	-	88,689	-	89,565
Debt service:						
Principal	-	-	-	-	760,000	760,000
Interest and fiscal charges	-	-	-	-	218,742	218,742
Total expenditures	-	876	-	88,689	978,742	1,068,307
Excess (deficiency) of revenues over expenditures	345,106	120,309	6,936	(81,090)	(978,742)	(587,481)
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	978,742	978,742
Transfers out	(451,304)	-	-	(38,687)	-	(489,991)
Total other financing sources (uses)	(451,304)	-	-	(38,687)	978,742	488,751
Net change in fund balances	(106,198)	120,309	6,936	(119,777)	-	(98,730)
Fund Balances, beginning	830,808	1,008,037	89,056	119,777	-	2,047,678
Fund Balances, ending	\$ 724,610	\$ 1,128,346	\$ 95,992	\$ -	\$ -	\$ 1,948,948

BUDGETARY COMPARISON
SCHEDULES

City of Marathon, Florida
Budgetary Comparison Schedule
Capital Infrastructure Fund
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:				
Intergovernmental	\$ 3,691,566	\$ 3,041,466	\$ 3,005,823	\$ (35,643)
Interest	5,500	3,650	3,590	(60)
Miscellaneous	-	-	56,681	56,681
	<u>3,697,066</u>	<u>3,045,116</u>	<u>3,066,094</u>	<u>20,978</u>
Expenditures:				
Capital outlay	<u>4,850,714</u>	<u>3,781,244</u>	<u>3,632,253</u>	<u>148,991</u>
Excess (deficiency) of revenues over expenditures	<u>(1,153,648)</u>	<u>(736,128)</u>	<u>(566,159)</u>	<u>169,969</u>
Other Financing Sources (Uses):				
Transfers in	143,406	143,406	262,698	119,292
Transfers out	(2,335,578)	(2,265,578)	(2,270,730)	(5,152)
Appropriation of prior year's fund balance	<u>3,345,820</u>	<u>2,858,300</u>	<u>-</u>	<u>(2,858,300)</u>
Total other financing sources (uses)	<u>1,153,648</u>	<u>736,128</u>	<u>(2,008,032)</u>	<u>(2,744,160)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,574,191)</u>	<u>\$ (2,574,191)</u>

City of Marathon, Florida
Budgetary Comparison Schedule - Capital Infrastructure Fund
(Continued)
For the Year Ended September 30, 2016

**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 73 \$ (2,574,191)

Amounts reported for budget to actual are different because:

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

Net change in fund balance - Vehicle Replacement Fund 320,389

Net change in fund balance per the Statement of Revenues,
Expenditures, and Changes in Fund Balances - Capital Infrastructure
Fund, Page 20 \$ (2,253,802)

City of Marathon, Florida
Budgetary Comparison Schedules -
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	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	219,596	343,798	124,202	-	-	-	-	6,816	6,816
Interest	668	1,308	640	1,500	2,215	715	90	120	30
Total revenues	220,264	345,106	124,842	1,500	2,215	715	90	6,936	6,846
Expenditures:									
Current:									
Community services	-	-	-	-	-	-	25,000	-	25,000
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	25,000	-	25,000
Excess (deficiency) of revenues over expenditures	220,264	345,106	124,842	1,500	2,215	715	(24,910)	6,936	31,846
Other Financing Sources (Uses):									
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	393,466	393,466	-	-	-	-
Transfers out	(392,500)	(451,304)	(58,804)	(100,906)	(75,292)	25,614	-	-	-
Appropriation of prior year's fund balance	172,236	-	(172,236)	(294,060)	-	294,060	24,910	-	(24,910)
Total other financing sources (uses)	(220,264)	(451,304)	(231,040)	(1,500)	318,174	319,674	24,910	-	(24,910)
Net change in fund balances	\$ -	\$ (106,198)	\$ (106,198)	\$ -	\$ 320,389	\$ 320,389	\$ -	\$ 6,936	\$ 6,936

CDBG Fund			Debt Service Fund			Affordable Housing Fund		
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Final Budget	Actual	Variance
\$ 401,771	\$ 7,498	\$ (394,273)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	120,000	120,000	-
-	101	101	-	-	-	1,070	1,185	115
<u>401,771</u>	<u>7,599</u>	<u>(394,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,070</u>	<u>121,185</u>	<u>115</u>
525,999	88,689	437,310	-	-	-	875	876	1
-	-	-	760,000	760,000	-	-	-	-
-	-	-	218,742	218,742	-	-	-	-
<u>525,999</u>	<u>88,689</u>	<u>437,310</u>	<u>978,742</u>	<u>978,742</u>	<u>-</u>	<u>875</u>	<u>876</u>	<u>1</u>
<u>(124,228)</u>	<u>(81,090)</u>	<u>43,138</u>	<u>(978,742)</u>	<u>(978,742)</u>	<u>-</u>	<u>120,195</u>	<u>120,309</u>	<u>114</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	978,742	978,742	-	-	-	-
-	(38,687)	(38,687)	-	-	-	-	-	-
<u>124,228</u>	<u>-</u>	<u>(124,228)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,195)</u>	<u>-</u>	<u>120,195</u>
<u>124,228</u>	<u>(38,687)</u>	<u>(162,915)</u>	<u>978,742</u>	<u>978,742</u>	<u>-</u>	<u>(120,195)</u>	<u>-</u>	<u>120,195</u>
<u>\$ -</u>	<u>\$ (119,777)</u>	<u>\$ (119,777)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,309</u>	<u>\$ 120,309</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	77-86
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	87-90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	91-93
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	94-95
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	96-98

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 19,339,970	\$ 20,098,109	\$ 24,381,462	\$ 26,154,207
Restricted	4,733,068	8,026,767	4,194,245	3,374,364
Unrestricted	<u>6,350,476</u>	<u>7,012,204</u>	<u>6,654,654</u>	<u>5,705,740</u>
Total governmental activities net position	<u>30,423,514</u>	<u>35,137,080</u>	<u>35,230,361</u>	<u>35,234,311</u>
Business-type activities:				
Net investment in capital assets	9,528,390	18,060,264	29,001,944	50,378,894
Restricted	-	-	-	-
Unrestricted (deficit)	<u>(1,265,735)</u>	<u>(4,279,528)</u>	<u>1,813,152</u>	<u>(149,168)</u>
Total business-type activities net position	<u>8,262,655</u>	<u>13,780,736</u>	<u>30,815,096</u>	<u>50,229,726</u>
Total government:				
Net investment in capital assets	28,868,360	38,158,373	53,383,406	76,533,101
Restricted	4,733,068	8,026,767	4,194,245	3,374,364
Unrestricted	<u>5,084,741</u>	<u>2,732,676</u>	<u>8,467,806</u>	<u>5,556,572</u>
Total government net position	<u>\$ 38,686,169</u>	<u>\$ 48,917,816</u>	<u>\$ 66,045,457</u>	<u>\$ 85,464,037</u>

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 27,231,548	\$ 28,142,616	\$ 29,978,693	\$ 30,819,582	\$ 30,963,072	\$ 31,282,555
3,896,716	4,090,519	2,013,189	2,394,851	3,089,957	3,361,757
3,986,495	4,157,687	4,952,275	(1) 7,065,123	9,299,203	10,285,136
<u>35,114,759</u>	<u>36,390,822</u>	<u>36,944,157</u>	<u>40,279,556</u>	<u>43,352,232</u>	<u>44,929,448</u>
43,132,708	39,625,782	47,690,144	50,316,306	46,217,299	52,501,721
-	-	-	-	-	-
<u>12,249,548</u>	<u>17,638,385</u>	<u>11,307,027</u>	<u>9,359,636</u>	<u>12,623,760</u>	<u>12,220,979</u>
<u>55,382,256</u>	<u>57,264,167</u>	<u>58,997,171</u>	<u>59,675,942</u>	<u>58,841,059</u>	<u>64,722,700</u>
70,364,256	67,768,398	77,668,837	81,135,888	77,180,371	83,784,276
3,896,716	4,090,519	2,013,189	2,394,851	3,089,957	3,361,757
16,236,043	21,796,072	16,259,302	16,424,759	21,922,963	22,506,115
<u>\$ 90,497,015</u>	<u>\$ 93,654,989</u>	<u>\$ 95,941,328</u>	<u>\$ 99,955,498</u>	<u>\$ 102,193,291</u>	<u>\$ 109,652,148</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
EXPENSES:				
Governmental activities:				
General government	\$ 3,867,901	\$ 3,319,061	\$ 2,519,857	\$ 3,646,885
Public safety	3,645,846	4,069,335	4,363,860	4,580,076
Community services	2,050,244	2,041,301	3,343,066	2,577,772
Community development	1,576,341	1,395,694	1,091,795	941,914
Interest on long-term debt	390,607	361,961	330,414	298,339
Total governmental activities	<u>11,530,939</u>	<u>11,187,352</u>	<u>11,648,992</u>	<u>12,044,986</u>
Business-type activities:				
Wastewater	52,230	340,016	541,667	2,126,390
Marina	622,185	695,938	671,407	688,583
Stormwater	39,716	264,150	14,138	274,878
Total business-type activities	<u>714,131</u>	<u>1,300,104</u>	<u>1,227,212</u>	<u>3,089,851</u>
Total governmental expenses	<u>\$ 12,245,070</u>	<u>\$ 12,487,456</u>	<u>\$ 12,876,204</u>	<u>\$ 15,134,837</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
General government	\$ 1,391,936	\$ 155,111	\$ 155,056	\$ 173,716
Public safety	740,365	760,546	851,446	841,587
Community services	516,645	559,447	373,299	515,305
Community development	746,217	743,533	441,225	480,738
Operating grants and contributions	624,697	496,996	288,829	1,250,302
Capital grants and contributions	2,879,187	6,338,416	3,581,347	2,973,949
Total governmental activities program revenues	<u>6,899,047</u>	<u>9,054,049</u>	<u>5,691,202</u>	<u>6,235,597</u>
Business-type activities:				
Charges for services:				
Wastewater	-	-	524,084	1,015,725
Marina	457,657	615,247	638,575	671,330
Stormwater	-	-	-	-
Operating grants and contributions	53,595	55,646	93,172	52,421
Capital grants and contributions	2,627,827	5,202,199	16,213,258	20,000,850
Total business-type activities program revenues	<u>3,139,079</u>	<u>5,873,092</u>	<u>17,469,089</u>	<u>21,740,326</u>
Total program revenues	<u>\$ 10,038,126</u>	<u>\$ 14,927,141</u>	<u>\$ 23,160,291</u>	<u>\$ 27,975,923</u>
NET (EXPENSE) REVENUE:				
Governmental activities	\$ (4,631,892)	\$ (2,133,303)	\$ (5,957,790)	\$ (5,809,389)
Business-type activities	<u>2,424,948</u>	<u>4,572,988</u>	<u>16,241,877</u>	<u>18,650,475</u>
Total net (expense) revenue	<u>\$ (2,206,944)</u>	<u>\$ 2,439,685</u>	<u>\$ 10,284,087</u>	<u>\$ 12,841,086</u>

Continued on next page

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	4,230,495	\$ 2,596,950	\$ 2,751,456	\$ 2,718,127	\$ 2,609,926	\$ 2,847,773
	4,524,285	4,260,491	4,623,980	4,713,469	4,883,718	5,202,572
	2,850,714	2,477,396	2,673,198	2,943,294	2,894,577	3,109,362
	860,053	894,343	887,239	875,734	1,060,108	1,408,043
	266,465	234,371	202,629	282,779	241,217	221,828
	<u>12,732,012</u>	<u>10,463,551</u>	<u>11,138,502</u>	<u>11,533,403</u>	<u>11,689,546</u>	<u>12,789,578</u>
	3,903,661	6,502,017	8,772,782	9,594,935	12,010,623	9,929,090
	658,901	645,935	748,329	710,071	724,738	1,226,693
	714,940	1,098,948	1,278,604	1,369,870	1,485,414	796,108
	<u>5,277,502</u>	<u>8,246,900</u>	<u>10,799,715</u>	<u>11,674,876</u>	<u>14,220,775</u>	<u>11,951,891</u>
\$	<u>18,009,514</u>	<u>18,710,451</u>	<u>21,938,217</u>	<u>23,208,279</u>	<u>25,910,321</u>	<u>24,741,469</u>
\$	195,765	\$ 182,481	\$ 188,528	\$ 194,134	\$ 259,699	\$ 335,352
	927,827	987,852	1,103,270	912,737	1,206,398	1,309,008
	569,458	614,280	597,760	659,677	793,186	790,447
	496,610	521,441	810,639	866,310	1,214,500	1,410,332
	336,415	282,495	486,147	480,670	574,785	371,539
	3,988,661	3,494,595	2,726,468	3,801,181	3,308,682	3,351,896
	<u>6,514,736</u>	<u>6,083,144</u>	<u>5,912,812</u>	<u>6,914,709</u>	<u>7,357,250</u>	<u>7,568,574</u>
	2,266,214	4,164,443	5,875,927	5,989,281	6,166,141	6,346,446
	643,428	650,698	695,901	828,357	851,989	904,336
	-	-	-	-	-	-
	16,921	92,292	135,379	41,873	-	-
	6,754,484	4,926,863	5,546,634	5,145,621	6,106,989	9,034,879
	<u>9,681,047</u>	<u>9,834,296</u>	<u>12,253,841</u>	<u>12,005,132</u>	<u>13,125,119</u>	<u>16,285,661</u>
\$	<u>16,195,783</u>	<u>15,917,440</u>	<u>18,166,653</u>	<u>18,919,841</u>	<u>20,482,369</u>	<u>23,854,235</u>
\$	(6,217,276)	\$ (4,380,407)	\$ (5,225,690)	\$ (4,618,694)	\$ (4,332,296)	\$ (5,221,004)
	4,403,545	1,587,396	1,454,126	330,256	(1,095,656)	4,333,770
\$	<u>(1,813,731)</u>	<u>(2,793,011)</u>	<u>(3,771,564)</u>	<u>(4,288,438)</u>	<u>(5,427,952)</u>	<u>(887,234)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
GENERAL REVENUES:				
Governmental activities:				
Taxes:				
Property taxes	\$ 4,776,651	\$ 4,258,748	\$ 4,079,688	\$ 3,746,062
Other taxes	633,305	626,113	590,167	591,504
State shared revenues	367,701	1,709,756	1,526,669	1,575,835
Investment earnings	595,386	539,492	341,774	194,189
Miscellaneous	492,630	220,516	43,328	170,699
Transfers	(424,000)	(507,756)	(530,555)	(464,950)
Reassignment of capital assets to business type activities	-	-	-	-
Total governmental activities	<u>6,441,673</u>	<u>6,846,869</u>	<u>6,051,071</u>	<u>5,813,339</u>
Business-type activities:				
Investment earnings	106,412	437,337	151,372	299,205
Miscellaneous	-	-	120,000	-
Loss on disposal of equipment	-	-	(9,444)	-
Transfers	424,000	507,756	530,555	464,950
Reassignment of capital assets from governmental activities	-	-	-	-
Total business-type activities	<u>530,412</u>	<u>945,093</u>	<u>792,483</u>	<u>764,155</u>
Total general revenues	<u>\$ 6,972,085</u>	<u>\$ 7,791,962</u>	<u>\$ 6,843,554</u>	<u>\$ 6,577,494</u>
CHANGE IN NET POSITION:				
Governmental activities	\$ 1,809,781	\$ 4,713,566	\$ 93,281	\$ 3,950
Business-type activities	<u>2,955,360</u>	<u>5,518,081</u>	<u>17,034,360</u>	<u>19,414,630</u>
Total change in net position	<u>\$ 4,765,141</u>	<u>\$ 10,231,647</u>	<u>\$ 17,127,641</u>	<u>\$ 19,418,580</u>

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	3,580,301	\$ 3,536,651	\$ 3,777,989	\$ 3,978,700	\$ 4,216,763	\$ 4,470,917
	562,218	571,793	554,701	508,840	576,608	529,641
	1,684,366	1,564,952	1,643,871	1,766,483	1,884,755	1,926,237
	103,927	60,123	27,364	14,392	20,755	17,610
	473,615	92,030	69,179	41,806	935,331	186,758
	(306,703)	(169,079)	(294,079)	(315,265)	(90,406)	(332,943)
	-	-	-	-	(138,834)	-
	<u>6,097,724</u>	<u>5,656,470</u>	<u>5,779,025</u>	<u>5,994,956</u>	<u>7,404,972</u>	<u>6,798,220</u>
	167,282	125,436	46,463	33,250	29,705	30,543
	275,000	-	-	-	1,828	1,184,385
	-	-	-	-	-	-
	306,703	169,079	294,079	315,265	90,406	332,943
	-	-	-	-	138,834	-
	<u>748,985</u>	<u>294,515</u>	<u>340,542</u>	<u>348,515</u>	<u>260,773</u>	<u>1,547,871</u>
\$	<u>6,846,709</u>	<u>5,950,985</u>	<u>6,119,567</u>	<u>6,343,471</u>	<u>7,665,745</u>	<u>8,346,091</u>
\$	(119,552)	\$ 1,276,063	\$ 553,335	\$ 1,376,262	\$ 3,072,676	\$ 1,577,216
	<u>5,152,530</u>	<u>1,881,911</u>	<u>1,794,668</u>	<u>678,771</u>	<u>(834,883)</u>	<u>5,881,641</u>
\$	<u>5,032,978</u>	<u>3,157,974</u>	<u>2,348,003</u>	<u>2,055,033</u>	<u>2,237,793</u>	<u>7,458,857</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:				
Nonspendable	\$ 92,610	\$ 47,092	\$ 48,145	\$ 110,418
Restricted	45,241	31,657	33,332	28,522
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>5,266,938</u>	<u>5,630,951</u>	<u>5,291,297</u>	<u>4,970,012</u>
Total general fund	<u>5,404,789</u>	<u>5,709,700</u>	<u>5,372,774</u>	<u>5,108,952</u>
Special revenue funds:				
Nonspendable	-	-	-	1,582
Restricted	-	-	-	-
Committed	<u>5,714,020</u>	<u>9,457,677</u>	<u>5,630,462</u>	<u>5,218,327</u>
Total special revenue funds	<u>5,714,020</u>	<u>9,457,677</u>	<u>5,630,462</u>	<u>5,219,909</u>
Total governmental funds	<u>\$ 11,118,809</u>	<u>\$ 15,167,377</u>	<u>\$ 11,003,236</u>	<u>\$ 10,328,861</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						
2011	2012	2013	2014	2015	2016	
\$ 131,006	\$ 92,328	\$ 63,583	\$ 91,443	\$ 99,901	\$ 98,770	
33,974	38,818	39,044	81,995	210,826	235,850	
1,247,077	-	-	-	-	-	
431,980	-	303,864	602,829	834,104	463,756	
<u>2,042,757</u>	<u>2,396,537</u>	<u>2,642,481</u>	<u>2,565,459</u>	<u>3,398,554</u>	<u>4,521,269</u>	
<u>3,886,794</u>	<u>2,527,683</u>	<u>3,048,972</u>	<u>3,341,726</u>	<u>4,543,385</u>	<u>5,319,645</u>	
3,171	1,200	1,200	1,500	1,500	5,244	
3,859,571	4,051,701	1,974,145	7,844,203	5,661,189	3,125,907	
<u>497,687</u>	<u>1,966,244</u>	<u>2,367,028</u>	<u>2,338,268</u>	<u>3,431,379</u>	<u>3,772,815</u>	
<u>4,360,429</u>	<u>6,019,145</u>	<u>4,342,373</u>	<u>10,183,971</u>	<u>9,094,068</u>	<u>6,903,966</u>	
<u>\$ 8,247,223</u>	<u>\$ 8,546,828</u>	<u>\$ 7,391,345</u>	<u>\$ 13,525,697</u>	<u>\$ 13,637,453</u>	<u>\$ 12,223,611</u>	

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES:				
Ad valorem taxes	\$ 4,776,651	\$ 4,258,748	\$ 4,079,688	\$ 3,746,062
Communication services taxes	633,305	626,113	590,167	591,504
Impact fees	207,692	242,602	69,422	82,004
Licenses and permits	785,569	890,063	577,528	630,173
Intergovernmental revenue	5,488,148	8,817,885	5,518,964	6,119,922
Charges for services	642,998	649,084	814,226	811,580
Fines and forfeitures	142,341	164,172	88,277	94,318
Special assessments	-	-	-	21,944
Interest	595,386	539,492	341,774	194,189
Miscellaneous	392,927	320,219	60,282	183,368
	<u>13,665,017</u>	<u>16,508,378</u>	<u>12,140,328</u>	<u>12,475,064</u>
EXPENDITURES:				
Current:				
General government	2,822,349	2,796,344	2,472,219	2,485,113
Public safety	3,481,477	3,614,984	3,984,749	4,188,041
Community services	1,437,157	1,410,054	1,523,952	1,541,831
Community development	1,547,317	1,364,266	997,868	918,382
Capital outlay	7,205,686	1,663,704	5,723,971	2,914,127
Debt service:				
Principal	740,741	740,741	740,741	740,741
Interest and other fiscal charges	390,607	361,961	330,414	298,339
	<u>17,625,334</u>	<u>11,952,054</u>	<u>15,773,914</u>	<u>13,086,574</u>
Excess (deficiency) of revenues over expenditures	<u>(3,960,317)</u>	<u>4,556,324</u>	<u>(3,633,586)</u>	<u>(611,510)</u>
OTHER FINANCING SOURCES (USES):				
Payment to refunded bond escrow agent	-	-	-	-
Sale of asset	-	-	-	402,085
Transfers in	2,337,615	2,107,155	2,174,125	1,888,430
Transfers out	(2,761,615)	(2,614,911)	(2,704,680)	(2,353,380)
Bonds Issued	-	-	-	-
	<u>(424,000)</u>	<u>(507,756)</u>	<u>(530,555)</u>	<u>(62,865)</u>
Net change in fund balances	<u>\$ (4,384,317)</u>	<u>\$ 4,048,568</u>	<u>\$ (4,164,141)</u>	<u>\$ (674,375)</u>
Debt service as a percentage of non-capital expenditures	10.86%	10.72%	9.55%	10.11%

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	3,580,301	\$ 3,536,651	\$ 3,777,989	\$ 3,978,700	\$ 4,216,763	\$ 4,470,917
	562,218	571,793	554,701	508,840	576,608	529,641
	100,609	123,585	124,806	205,288	1,222,462	470,614
	632,899	689,191	927,451	966,452	1,347,116	1,553,338
	6,429,133	5,612,220	5,267,575	6,494,328	5,763,603	6,055,246
	897,555	959,924	1,067,452	840,115	1,026,971	1,057,363
	122,385	81,959	157,311	169,149	274,429	288,331
	12,461	12,427	12,308	-	-	-
	103,927	60,123	27,364	14,392	20,755	17,610
	477,675	92,030	68,959	66,308	520,255	98,410
	<u>12,919,163</u>	<u>11,739,903</u>	<u>11,985,916</u>	<u>13,243,572</u>	<u>14,968,962</u>	<u>14,541,470</u>
	4,749,262	2,442,659	2,568,096	2,579,453	2,412,107	2,482,091
	4,114,867	3,984,275	4,155,331	4,257,930	4,438,161	4,645,986
	1,377,523	1,512,165	1,619,088	1,644,411	1,930,436	2,069,478
	820,110	845,333	825,021	825,034	954,675	1,314,896
	2,655,130	1,511,676	2,736,415	2,479,661	4,023,290	4,131,176
	740,741	740,740	740,740	785,000	770,000	760,000
	266,465	234,371	202,629	279,693	238,131	218,742
	<u>14,724,098</u>	<u>11,271,219</u>	<u>12,847,320</u>	<u>12,851,182</u>	<u>14,766,800</u>	<u>15,622,369</u>
	<u>(1,804,935)</u>	<u>468,684</u>	<u>(861,404)</u>	<u>392,390</u>	<u>202,162</u>	<u>(1,080,899)</u>
	-	-	-	(4,277,773)	-	-
	30,000	-	-	-	-	-
	2,808,056	1,693,313	1,734,247	1,772,648	2,107,961	2,127,866
	(3,114,759)	(1,862,392)	(2,028,326)	(2,087,913)	(2,198,367)	(2,460,809)
	-	-	-	10,335,000	-	-
	<u>(276,703)</u>	<u>(169,079)</u>	<u>(294,079)</u>	<u>5,741,962</u>	<u>(90,406)</u>	<u>(332,943)</u>
\$	<u>(2,081,638)</u>	<u>\$ 299,605</u>	<u>\$ (1,155,483)</u>	<u>\$ 6,134,352</u>	<u>\$ 111,756</u>	<u>\$ (1,413,842)</u>
	8.03%	9.98%	9.27%	9.96%	9.40%	8.50%

**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)
2007	2006	\$ 2,693,641,765	\$ 81,397,661	\$ 2,775,039,426	1.7896	N/A	N/A
2008	2007	\$ 2,991,200,387	\$ 87,126,504	\$ 3,078,326,891	1.4243	N/A	N/A
2009	2008	\$ 2,756,096,830	\$ 78,188,977	\$ 2,834,285,807	1.5000	N/A	N/A
2010	2009	\$ 2,165,777,278	\$ 76,633,829	\$ 2,242,411,107	1.6850	N/A	N/A
2011	2010	\$ 1,909,523,812	\$ 74,754,478	\$ 1,984,278,290	1.8458	N/A	N/A
2012	2011	\$ 1,731,544,701	\$ 73,025,922	\$ 1,804,570,623	1.9999	N/A	N/A
2013	2012	\$ 1,692,111,205	\$ 70,358,735	\$ 1,762,469,940	2.1989	N/A	N/A
2014	2013	\$ 1,710,990,869	\$ 66,124,906	\$ 1,777,115,775	2.2969	N/A	N/A
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

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			Monroe County	School Board	Overlapping Rates (1)			Total Direct and Overlapping Rates
		Operating Millage	Debt Service Millage	Total Direct Rate			S. Florida Water Mgt District	Mosquito Control District	Other	
2007	2006	1.7896	-	1.7896	2.5609	3.0610	0.2840	0.5505	0.4130	8.6590
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

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	2016		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
SH3 LTD	\$ 32,831,590	1	1.63%
BLUEGREEN VACATIONS MANAGEMENT INC.	32,695,848	2	1.63%
FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION INC	32,490,167	3	1.62%
SH MARATHON LTD	20,913,711	4	1.04%
MARLIN BAY YACHT CLUB LLC	13,042,306	5	0.65%
WATERS EDGE MARINA, LLC	11,057,877	6	0.55%
FIRST FLORIDA KEYS PROPERTIES, INC.	9,362,291	7	0.47%
HOME DEPOT NO 6302	8,782,364	8	0.44%
1525 LLC	8,153,384	9	0.41%
SUNSET POINT FARM LLC	8,062,543	10	0.40%
	<u>\$ 177,392,081</u>		<u>8.84%</u>

Taxpayer	2007		
	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
KEYS MARINA SOMBRERO LLC	\$ 47,807,644	1	1.72%
BLUEGREEN RESORTS MANAGEMENT INC.	32,308,289	2	1.16%
FL KEYS ELECTRIC CO-OP ASSN INC	25,409,865	3	0.92%
FELLING MICHAEL	23,666,158	4	0.85%
KEY COLONY BAY DEVELOPMENT LLC	22,496,209	5	0.81%
KEYS MARINA MARATHON LLC	17,746,034	6	0.64%
FISHERMENS HOSPITAL INC.	15,404,154	7	0.56%
SANDLER AT GREATHER MARATHON BAY LLC	13,304,234	8	0.48%
HOME DEPOT USA INC #6302	11,801,017	9	0.43%
SH MARATHON LDT (HOLIDAY INN/MARINA)	11,274,507	10	0.41%
	<u>\$ 221,218,111</u>		<u>7.98%</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
2007	4,869,653	4,776,651	98.09%	-	4,776,651	98.09%
2008	4,303,947	4,259,597	98.97%	-	4,259,597	98.97%
2009	4,294,698	4,079,688	94.99%	-	4,079,688	94.99%
2010	3,861,476	3,746,062	97.01%	-	3,746,062	97.01%
2011	3,701,426	3,580,301	96.73%	-	3,580,301	96.73%
2012	3,662,967	3,536,651	96.55%	-	3,536,651	96.55%
2013	3,899,220	3,777,989	96.89%	-	3,777,989	96.89%
2014	4,103,407	3,978,700	96.96%	-	3,978,700	96.96%
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%

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			
2007	-	8,703,703	-	11,500,000	1,558,380		21,762,083	0.78%	2,093
2008	-	7,962,963	-	21,500,000	4,668,257		34,131,220	1.11%	3,380
2009	-	7,222,222	-	45,150,000	13,005,645		65,377,867	2.31%	6,350
2010	-	6,481,481	-	40,000,000	24,171,550		70,653,031	3.15%	8,515
2011	-	5,740,740	-	39,806,380	39,429,612		84,976,732	4.28%	10,218
2012	-	5,000,000	-	28,636,760	56,074,089		89,710,849	4.97%	10,728
2013	-	4,259,260	-	-	74,110,203		78,369,463	4.45%	9,309
2014	-	9,550,000	-	-	70,227,974		79,777,974	4.49%	9,469
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

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, 2016

	<u>Debt Outstanding</u>	<u>Applicable to City of Marathon</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Marathon	\$ 8,020,000	100.00%	\$ 8,020,000
Estimated overlapping debt:			
Monroe County, District School Board (1)	<u>53,777,000</u>	9.21%	(2) <u>4,951,658</u>
Total ad valorem tax supported debt	\$ <u><u>61,797,000</u></u>		\$ <u><u>12,971,658</u></u>
Ratios:			
Overall debt to 2015 taxable valuation			0.65%
Overall debt per capita			\$ 1,518

Notes:

- (1) Monroe County School Board debt is as of June 30, 2015
- (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		
2007	2,405,183	N/A	N/A	N/A	2,405,183	740,741	390,607	2.13		
2008	2,442,698	N/A	N/A	N/A	2,442,698	740,741	361,961	2.22		
2009	2,209,299	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	8,048,712	1,828,120	0.88		

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>
2007	10,396 (a)	4,003,510 (b)	50,436 (b)	3.0%
2008	10,097 (a)	4,015,108 (b)	50,436 (b)	5.5%
2009	10,295 (a)	4,184,821 (b)	52,690 (b)	7.4%
2010	8,297 (a)	4,232,833 (b)	52,982 (b)	8.6%
2011	8,316 (c)	4,309,305 (b)	53,644 (b)	6.4%
2012	8,362 (a)	4,454,852 (b)	55,150 (b)	4.5%
2013	8,419 (a)	4,630,157 (b)	56,392 (b)	3.8%
2014	8,425 (a)	4,711,642 (b)	57,406 (b)	3.2%
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%

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	2016		
	Employees	Rank	Percentage of Total City Employment
Monroe County	193	1	N/A
Monroe County School Board	151	2	N/A
Home Depot USA	150	3	N/A
Fishermen's Hospital	120	4	N/A
Walgreens Co.	88	5	N/A
Publix Supermarkets	93	6	N/A
Winn Dixie Supermarkets	93	7	N/A
City of Marathon	91	8	N/A
K-Mart Corporation	77	9	N/A
Office Depot	45	10	N/A

Employer	2007		
	Employees	Rank	Percentage of Total City Employment
Home Depot USA	150	1	N/A
Publix Supermarkets	120	2	N/A
K-Mart Corporation	77	3	N/A
City of Marathon	67	4	N/A
Fishermen's Hospital	50	5	N/A
Office Depot, Inc.	45	6	N/A
Walgreens Co.	43	7	N/A
D'Ascanio Anthony A. Qual	35	8	N/A
Dot Palm Landscaping	25	9	N/A
Gidance Clinic of the Middle Keys	21	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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	9	6	5	5	4	4	4	6	8	8
Public Safety	22	21	25	24	23	23	25	26	28	28
Community Development	16	17	15	11	10	10	11	13	13	14
Community Services	13	13	15	16	13	13	17	19	27	35
Marina	7	7	7	6	6	6	6	6	5	6
Total number of employees	67	64	67	62	56	56	63	70	81	91

Source: City of Marathon Finance Department

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Police:										
Police personnel and officers	17	15	17	16	15	14	14	20	27	27
Police calls for service	22,411	20,273	20,533	25,801	43,898	37,974	40,026	37,028	45,057	45,769
Fire/EMS:										
Fire personnel	22	21	24	24	23	23	23	26	27	27
Fire / emergency calls answered	527	324	339	187	441	436	530	619	704	655
Emergency medical services calls	1,249	1,160	1,254	1,355	1,321	1,329	1,662	1,806	1,655	1,947
Community development:										
Building permits issued	2,159	1,588	1,569	1,561	2,238	3,204	3,863	3,019	3,241	3,654
Commercial fire occupancy inspections	309	446	478	452	452	454	538	533	551	715
Community services:										
Transportation:										
Public right of way maintenance (miles)	64	66	66	63	63	63	63	63	63	63
Culture and recreation:										
Registrations for camp	125	109	79	104	109	104	55	147	184	339
Registrations for athletic programs	1,360	1,629	1,414	1,169	1,345	1,268	1,222	1,539	2,392	3,354
Registrations for cultural programs	12,227	16,375	21,041	26,304	25,720	26,350	26,649	28,948	36,043	40,606
Registrations for private events in public park areas	110	147	99	376	195	238	234	449	436	438
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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Number of general government buildings	-	-	-	-	-	-	-	-	-	1
Public safety:										
Police:										
Police stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets	64	66	66	66	66	66	66	63	63	63
Number of street lights	190	190	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	1	-	-	-	-	-	-	-	-	-
Picnic pavilions	16	18	18	18	18	18	24	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	4	3	3	3	3	3	3	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	101	125	134	154	154	154	170	181	181	181
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2017.

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
March 22, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND 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 Federal Program and State Project

We have audited City of Marathon, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and 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 federal programs and state projects for the year ended September 30, 2016. The City's major federal programs and 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance 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 federal program and/or 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 federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and 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 federal programs and state projects for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program and 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 federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 federal program and/or 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 federal program and/or 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 federal program and/or 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 the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 22, 2017

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, 2016, and have issued our report thereon dated March 22, 2017.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and 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*, Section 601 regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 22, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 22, 2017

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, 2016. 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, 2016.

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

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 22, 2017

**City of Marathon, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Fiscal Year Ended September 30, 2016**

Federal /State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
Federal Programs:				
Direct Programs:				
State Memorandum of Agreement Program for the Reimbursement of Technical Services	* 12.113	-	749,000	-
Indirect Programs:				
U.S. Department of Housing and Urban Development - Passed through State of Florida Department of Economic Opportunity: Community Development Block Grants	14.228	11DB-C5-11-54-02-H16	7,498	-
U.S. Department of Transportation - Passed through Florida Department of Transportation Highway Planning and Construction	20.205	AQU74	96,000	-
Passed through the Florida Department of Environmental Protection: Recreational Trails Program	20.219	T2B12	64,000	
U.S. Department of Agriculture- Passed through the Florida Department of Agriculture and Consumer Services: Cooperative Forestry Assistance	10.664	21536	15,000	-
U.S. Department of Interior, Fish and Wildlife Service Passed through the State of Florida Fish and Wildlife Conservation Commission Sport Fish Restoration Program	15.605	13264	45,450	
Passed through the Florida Department of Environmental Protection: Clean Vessel Act Program	15.616	MV181	44,631	-
Total Expenditures of Federal Awards			<u>\$ 1,021,579</u>	<u>\$ -</u>

City of Marathon, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Fiscal Year Ended September 30, 2016

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ 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 LP44040, LP44041, and S0926	3,120,808	-
Florida Department of Economic Opportunity Division of Community Development	40.038	P0143	40,500	-
Total Expenditures of State State Financial Assistance			\$ 3,161,308	\$ -

* Denotes a major program

City of Marathon, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended September 30, 2016

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the grant activity of the City and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2- Indirect Cost Rate

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

Note 3 - Contingency

The grant and contract revenue amounts received are 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 federal and state laws and other applicable regulations.

City of Marathon, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of City of Marathon, Florida.
2. No material weaknesses relating to the audit of the basic financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Marathon, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program and state project are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*.
5. The auditor’s report on compliance for the major federal program and state project for City of Marathon, Florida expresses an unmodified opinion.
6. There are no findings relative to the major federal program and 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:

Federal Program:	<u>Federal CFDA No.</u>
Department of Defense- State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113
State Projects:	<u>State CSFA No.</u>
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 \$ 750,000 for major federal programs and state projects, respectively.
9. City of Marathon, Florida was determined to be a low risk auditee pursuant to the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

City of Marathon, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AND 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 federal program and state project.
2. No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance and 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.