

**RESOLUTION NO. 02- 03-46**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, ACCEPTING THE AUDITED FINANCIAL REPORT FOR THE CITY OF MARATHON FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2001.**

**WHEREAS**, the City of Marathon previously authorized the preparation of the audited financial report for the fiscal year ended September 30, 2001; and

**WHEREAS**, said audited financial report has been prepared in accordance with generally accepted accounting principals; and

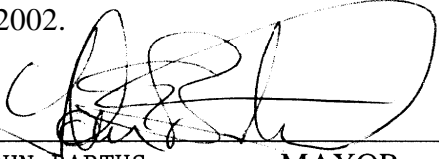
**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Marathon, Florida:

**Section 1.** The above recitals are true and correct and incorporated herein.

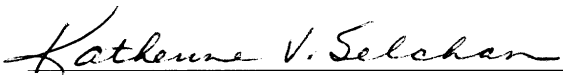
**Section 2.** That the audited financial report of the City of Marathon is hereby accepted by the City Council of the City of Marathon, Florida, for the fiscal year ended September 30, 2001

**Section 3.** This resolution shall take effect immediately upon its adoption.

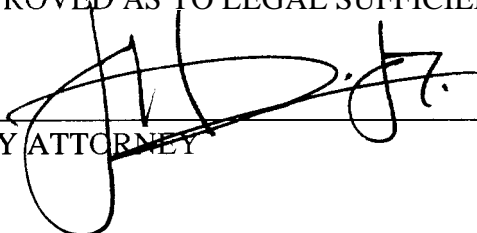
PASSED AND ADOPTED this 12th day of March, 2002.

  
\_\_\_\_\_  
JOHN BARTUS , MAYOR

ATTEST:

  
\_\_\_\_\_  
Katherine V. Selchan  
CITY CLERK

APPROVED AS TO LEGAL SUFFICIENCY:

  
\_\_\_\_\_  
CITY ATTORNEY

# *City of Marathon*



Audited Financial Report  
For the Fiscal Year Ended  
September 30, 2001

**CITY OF MARATHON, FLORIDA**

GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

**CITY OF MARATHON, FLORIDA**

CITY OFFICIALS

SEPTEMBER 30, 2001

**CITY COUNCIL**

Robert Miller, Mayor  
John Bartus, Vice Mayor

Franklin Greenman  
Jon Johnson  
Randy Mearns

**CITY MANAGER**

Moyer & Associates / Severn Trent Services

**CITY CLERK**

Moyer & Associates / Severn Trent Services

**CITY ATTORNEY**

Weiss, Serota & Helfman, P.A.

**FINANCE DIRECTOR**

Moyer & Associates/Severn Trent Services

**CITY AUDITORS**

Rachlin Cohen & Holtz LLP  
Certified Public Accountants & Consultants

# CITY OF MARATHON, FLORIDA

## TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  | 1           |
| GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS – OVERVIEW)   |             |
| Combined Balance Sheet – All Fund Types and Account Group   | 2           |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances –<br>All Governmental Fund Types  | 3           |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Budget and Actual – General and Special Revenue Funds  | 4           |
| Notes to General Purpose Financial Statements   | 5           |
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  |             |
| General Fund:   |             |
| Schedule of Revenues and Expenditures – Budget and Actual   | 12          |
| Special Revenue Funds:  |             |
| Combining Balance Sheet   | 14          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | 15          |
| Combining Statement of Revenues and Expenditures – Budget and Actual  | 16          |
| COMPLIANCE SECTION  |             |
| Report of Independent Certified Public Accountants on Compliance and on Internal Control over<br>Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with<br>Government <i>Auditing Standards</i> | 17          |
| Management Letter in Accordance with the Rules of the Auditor General of the State of Florida   | 18          |
| Schedule of Findings  | 20          |



Rachlin Cohen & Holtz LLP  
Certified Public Accountants & Consultants

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying general purpose financial statements of the City of Marathon, Florida (the City), as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government *Auditing* Standards, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Marathon, Florida, as of September 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government *Auditing* Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The combining and individual fund statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects, in relation to the general purpose financial statements taken as a whole.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
January 11, 2002

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**GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS – OVERVIEW)**

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# CITY OF MARATHON, FLORIDA

## COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUP

SEPTEMBER 30, 2001

|  | Governmental<br>Fund Types |                    | Account<br>Group           | Totals               |
|--|----------------------------|--------------------|----------------------------|----------------------|
|  | General                    | Special<br>Revenue | General<br>Fixed<br>Assets | (Memorandum<br>Only) |
| <u>ASSETS</u>                                |                            |                    |                            |                      |
| Assets:                                      |                            |                    |                            |                      |
| Cash   | \$ 2,014,551               | \$ 2,805,123       | \$ -                       | \$ 4,819,674         |
| Accounts receivable                          | 273,798                    | -                  | -                          | 273,798              |
| Due from other governments                   | 197,500                    | 197,280            | -                          | 394,780              |
| Due from other funds                         | 73,331                     | -                  | -                          | 73,331               |
| Prepaid costs                                | 71,000                     | -                  | -                          | 71,000               |
| Fixed assets                                 | -                          | -                  | 4,065,010                  | 4,065,010            |
| Total assets                                 | \$ 2,630,180               | \$ 3,002,403       | \$ 4,065,010               | \$ 9,697,593         |
| <u>LIABILITIES, EQUITY AND OTHER CREDITS</u> |                            |                    |                            |                      |
| Liabilities:                                 |                            |                    |                            |                      |
| Accounts payable and accrued liabilities     | \$ 938,628                 | \$ 192,751         | \$ -                       | \$ 1,131,379         |
| Due to other funds                           | -                          | 73,331             | -                          | 73,331               |
| Total liabilities                            | 938,628                    | 266,082            | -                          | 1,204,710            |
| Equity and other credits:                    |                            |                    |                            |                      |
| Investment in general fixed assets           | -                          | -                  | 4,065,010                  | 4,065,010            |
| Fund balance:                                |                            |                    |                            |                      |
| Resewed for:                                 |                            |                    |                            |                      |
| Prepaid costs                                | 71,000                     | -                  | -                          | 71,000               |
| Police education                             | 15,691                     | -                  | -                          | 15,691               |
| Emergencies                                  | 19,751                     | -                  | -                          | 19,751               |
| Street maintenance                           | -                          | 405,281            | -                          | 405,281              |
| Capital infrastructure                       | -                          | 2,331,040          | -                          | 2,331,040            |
| Unreserved, undesignated                     | 1,585,110                  | -                  | -                          | 1,585,110            |
| Total equity and other credits               | 1,691,552                  | 2,736,321          | 4,065,010                  | 8,492,883            |
| Total liabilities, equity and other credits  | \$ 2,630,180               | \$ 3,002,403       | \$ 4,065,010               | \$ 9,697,593         |



# CITY OF MARATHON, FLORIDA

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|                                      | <u>Governmental</u><br><u>Fund Types</u> |                           | Totals<br>(Memorandum<br><u>Only</u> ) |
|--------------------------------------|--|---------------------------|--|
|                                      | <u>General</u>                           | Special<br><u>Revenue</u> |  |
| <b>Revenues:</b>                     |  |                           |  |
| Property taxes                       | \$ 2,792,094                             | \$ -                      | \$ 2,792,094                           |
| Intergovernmental                    | 1,458,425                                | 2,346,256                 | 3,804,681                              |
| Licenses and permits                 | 376,290                                  | -                         | 376,290                                |
| Charges for services                 | 1,693,487                                | -                         | 1,693,487                              |
| Fines and forfeitures                | 170,134                                  | -                         | 170,134                                |
| Franchise fees                       | 148,678                                  | -                         | 148,678                                |
| Interest                             | 70,724                                   | 57,928                    | 128,652                                |
| Harbor Marina fees                   | 6,572                                    | -                         | 6,572                                  |
| Miscellaneous                        | 3,509                                    | -                         | 3,509                                  |
| Total revenues                       | 6,719,913                                | 2,404,184                 | 9,124,097                              |
| <b>Expenditures:</b>                 |  |                           |  |
| Current:                             |  |                           |  |
| General government                   | 1,135,943                                | -                         | 1,135,943                              |
| Public safety                        | 1,747,869                                | -                         | 1,747,869                              |
| Community services                   | 1,839,711                                | -                         | 1,839,711                              |
| Community development                | 640,133                                  | -                         | 640,133                                |
| Non-departmental                     | 25,830                                   | -                         | 25,830                                 |
| Capital outlay                       | 181,939                                  | 450,960                   | 632,899                                |
| Total expenditures                   | 5,571,425                                | 450,960                   | 6,022,385                              |
| Excess of revenues over expenditures | 1,148,488                                | 1,953,224                 | 3,101,712                              |
| Fund balances, beginning             | 543,064                                  | 783,097                   | 1,326,161                              |
| Fund balances, ending                | \$ 1,691,552                             | \$ 2,736,321              | \$ 4,427,873                           |

See notes to general purpose financial statements.

## CITY OF MARATHON, FLORIDA

### COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|   | <u>General</u>   |                     |  | <u>Special Revenue</u> |                     |  |
|---|------------------|---------------------|--|------------------------|---------------------|--|
|   | <u>Budget</u>    | <u>Actual</u>       | Variance<br>Favorable<br>(Unfavorable) | <u>Budget</u>          | <u>Actual</u>       | Variance<br>Favorable<br>(Unfavorable) |
| Revenues:   |                  |                     |  |                        |                     |  |
| Property taxes  | \$ 2,761,021     | \$ 2,792,094        | \$ 31,073                              | \$ -                   | \$ -                | \$ -                                   |
| Intergovernmental   | 1,413,118        | 1,458,425           | 45,307                                 | 2,336,405              | 2,346,256           | 9,851                                  |
| Licenses and permits  | 508,570          | 376,290             | (132,280)                              | -                      | -                   | -                                      |
| Charges for services  | 2,119,052        | 1,693,487           | (425,565)                              | -                      | -                   | -                                      |
| Fines and forfeitures   | 125,000          | 170,134             | 45,134                                 | -                      | -                   | -                                      |
| Franchise fees  | 339,301          | 148,678             | (190,623)                              | -                      | -                   | -                                      |
| Interest  | 75,000           | 70,724              | (4,276)                                | -                      | 57,928              | 57,928                                 |
| Harbor Marina fees  | -                | 6,572               | 6,572                                  | -                      | -                   | -                                      |
| Miscellaneous   | -                | 3,509               | 3,509                                  | -                      | -                   | -                                      |
| Total revenues  | <u>7,341,062</u> | <u>6,719,913</u>    | <u>(621,149)</u>                       | <u>2,336,405</u>       | <u>2,404,184</u>    | <u>67,779</u>                          |
| Expenditures:   |                  |                     |  |                        |                     |  |
| Current:  |                  |                     |  |                        |                     |  |
| General government  | 1,099,072        | 1,135,943           | (36,871)                               | -                      | -                   |  |
| Public safety   | 2,297,264        | 1,747,869           | 549,395                                | -                      | -                   |  |
| Community services  | 2,766,650        | 1,839,711           | 926,939                                | -                      | -                   |  |
| Community development   | 785,800          | 640,133             | 145,667                                | -                      | -                   |  |
| Non-departmental  | 445,000          | 25,830              | 419,170                                | -                      | -                   |  |
| Capital outlay  | 8,000            | 181,939             | (173,939)                              | 204,894                | 450,960             | (246,066)                              |
| Debt service  | -                | -                   | -                                      | 1,490,295              | -                   | 1,490,295                              |
| Total expenditures  | <u>7,401,786</u> | <u>5,571,425</u>    | <u>1,830,361</u>                       | <u>1,695,189</u>       | <u>450,960</u>      | <u>1,244,229</u>                       |
| Excess (deficiency) of revenues over expenditures                   | (60,724)         | 1,148,488           | 1,209,212                              | 641,216                | 1,953,224           | 1,312,008                              |
| Other financing sources:  |                  |                     |  |                        |                     |  |
| Appropriation of prior years' fund balance                          | 60,724           |                     |  |                        |                     |  |
| Excess of revenues and other financing sources<br>over expenditures | <u>\$ -</u>      | <u>1,148,488</u>    | <u>\$ 1,209,212</u>                    | <u>\$ 641,216</u>      | <u>1,953,224</u>    | <u>\$ 1,312,008</u>                    |
| Fund balances, beginning  |                  | 543,064             |  |                        | 783,097             |  |
| Fund balances, ending   |                  | <u>\$ 1,691,552</u> |  |                        | <u>\$ 2,736,321</u> |  |

See notes to general purpose financial statements.

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**NOTES TO GENERAL PURPOSE  
FINANCIAL STATEMENTS**

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# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Marathon, Florida (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. The City's major operations include general government and community development.

The general purpose 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 to assist the reader in interpreting the general purpose financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying general purpose financial statements.

#### **1. Financial Reporting Entity**

The financial statements were prepared in accordance with GASB Statement No. 14, *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 described above.

#### **2. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City has the following fund types and account group:

##### *Governmental Fund Types*

*Governmental fund types* are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Property taxes, franchise taxes, licenses and permits, intergovernmental revenues, charges for services and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cost reimbursement type grant revenues are considered earned and are accrued simultaneously with the grant expenditures unless such expenditures are prohibited by the grant agreements.

The *general fund* is the City's primary operating fund and its only governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes. The City maintains two special revenue funds; the Capital Infrastructure Fund and the Street Maintenance Fund.

##### *Account Group*

The *general fixed assets account group* is used to account for fixed assets of the general government.

#### 3. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits include cash on hand and a money market account.

# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Deposits and Investments (Continued)

City administration is authorized to invest in those instruments authorized by the Florida Statutes. Investments, which consist of funds held with the State Board of Administration Investment Pool, are reported at its fair value of its position in the pool, which is the same as the value of the pool shares.

#### 4. Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

#### 5. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost. Donated fixed assets are recorded at their estimated fair 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 asset lives are not capitalized. Public domain (infrastructure) general fixed assets consisting of streets, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

#### 6. Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the general fund and the two special revenue funds on a basis consistent with generally accepted accounting principles. The City follows these procedures in establishing the budgetary data reflected in the general purpose financial statements.

- a. Annually, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. 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 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- d. The City Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2001, there were no supplemental appropriations.

# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 6. Budgets and Budgetary Accounting (Continued)

- e. The City Manager is authorized to transfer budget amounts between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the legal level of control is at the fund level.
- f. Formal budgetary integration is employed as a management control device during the year for all budget funds.
- g. Budgeted amounts are as originally adopted. There were no budget amendments during the year.
- h. Appropriations which are neither expended nor specifically designated to be carried over lapse at the end of the fiscal year.

#### 7. Interfund Receivables/Payables

Transactions between funds in-transit at the end of the fiscal year are reported as due to/from other funds.

#### 8. Reserves

Fund balances are reserved to indicate that a portion of fund equity is not available for appropriation or are legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Unreserved, undesignated fund balance of the general fund is the portion of fund equity available for any lawful use. Fund balance of the special revenue funds are restricted for the intended use of the fund, and are identified as such.

#### 9. 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.

#### 10. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States. Interfund eliminations have not been made in the aggregation of this data.

# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS

#### *Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits which consist of cash on hand 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. The City's deposits at September 30, 2001 are insured or collateralized with securities held by the entity or by its agent in the entity's name.

#### *Investments*

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus 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 interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

At year end, the City's investments which consisted of funds held in an investment pool were classified as follows:

Investments not subject to risk categorization:

|                 |  |  |                    |
|-----------------|--|--|--------------------|
| Investment Pool |  |  | <u>\$4,706,027</u> |
|-----------------|--|--|--------------------|

Per combined balance sheet:

|                           |                    |  |  |
|---------------------------|--------------------|--|--|
| Cash and cash equivalents | <u>\$4,819,674</u> |  |  |
|---------------------------|--------------------|--|--|

By category:

|             |                    |
|-------------|--------------------|
| Deposits    | \$ 113,647         |
| Investments | <u>4,706,027</u>   |
|             | <u>\$4,819,674</u> |



# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### 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 1. 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 period 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, 2001, there were no significant delinquent taxes.

### NOTE 4. FIXED ASSETS

Changes in general fixed assets for the year ended September 30, 2001 is as follows:

|                                   | Balance<br>September 30,<br><u>2000</u> | <u>Additions</u>   | <u>Deletions</u> | Balance<br>September 30,<br><u>2001</u> |
|-----------------------------------|---|--------------------|------------------|---|
| Buildings                         | \$ -                                    | \$2,531,549        | \$ -             | \$2,531,549                             |
| Leasehold improvements            |   | 46,632             |                  | 46,632                                  |
| Furniture and equipment           | 3,516                                   | 105,091            |                  | 108,607                                 |
| Vehicles                          |   | 1,310,000          |                  | 1,310,000                               |
| Improvements other than buildings |   | 34,222             |                  | 34,222                                  |
| Construction in progress          |   | <u>34,000</u>      | <u>-</u>         | <u>34,000</u>                           |
|                                   | <u>\$3,516</u>                          | <u>\$4,061,494</u> | <u>\$ -</u>      | <u>\$4,065,010</u>                      |

Depreciation is not required and has not been provided on general fixed assets.

### NOTE 5. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENT

#### *Contracts/Agreements*

The City contracts for all City services. These operations are still managed and controlled by the City and the contract agents must meet standards and goals as provided for in the contractor agreement. The City may terminate any of its service agreements at its discretion, either with or without cause, with written notice.

# CITY OF MARATHON, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 5. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENT (Continued)

#### *Risk Management*

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

#### *Litigation*

The City is involved in minor legal proceedings incidental to its 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*

Grant programs in which the City participates were audited in accordance with the provision of regulatory requirements and grantor agencies. Pursuant to those provisions, certain programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, government agencies may subject grant programs to additional compliance tests that may result in disallowed costs. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the financial condition of the City.

#### *Solid Waste Services Contingency*

Pending completed negotiations between the City, Monroe County and Marathon Garbage Service, certain revenues will be recognized and certain expenses will be incurred, with a net positive result to the City. Since such negotiations are still in the initial stages and actual amounts were uncertain at the time of preparation of the financial statements, the effect of these transactions are not presented in the accompanying financial statements. The City reasonably expects these negotiations will be completed to the mutual satisfaction of all parties involved. In the event that this does not occur, the City has an alternative course of action so that service will not be interrupted for the City and its residents.

### NOTE 6. DEFINED CONTRIBUTION PLANS

The City as a single-employer contributes to the City of Marathon Money Purchase Plan, which is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). Under the Plan, which is available to City public safety employees, the City contributes 10-15%. The employees are not required to make contributions at the present time. Employer contributions for the fiscal year ended September 30, 2001 were approximately \$3,000. Amendments to the Plan must be authorized by the City Council.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **GENERAL FUND**

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The general fund is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in another fund.

# CITY OF MARATHON, FLORIDA

## GENERAL FUND

### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|                              | <u>Budget</u>       | <u>Actual</u>       | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------|---------------------|---------------------|--|
| Revenues:                    |                     |                     |  |
| Property taxes               | \$ 2,761,021        | \$ 2,792,094        | \$ 31,073                              |
| Intergovernmental:           |                     |                     |  |
| Half-cent sales tax          | 1,166,384           | 1,157,820           | (8,564)                                |
| Sales tax                    | 205,499             | 191,968             | (13,531)                               |
| Grants                       | 40,000              | 107,553             | 67,553                                 |
| Fuel tax                     | 1,235               | 1,084               | (151)                                  |
| Total intergovernmental      | <u>1,413,118</u>    | <u>1,458,425</u>    | <u>45,307</u>                          |
| Licenses and permits:        |                     |                     |  |
| County occupational licenses | 7,324               | 44,526              | 37,202                                 |
| City occupational licenses   | 50,000              | -                   | (50,000)                               |
| Planning and zoning          | 240,000             | 38,253              | (201,747)                              |
| Building permit fees         | 196,800             | 275,937             | 79,137                                 |
| Alcoholic beverage license   | 14,446              | 17,574              | 3,128                                  |
| Total licenses and permits   | <u>508,570</u>      | <u>376,290</u>      | <u>(132,280)</u>                       |
| Charges for services         | <u>2,119,052</u>    | <u>1,693,487</u>    | <u>(425,565)</u>                       |
| Fines and forfeitures        | <u>125,000</u>      | <u>170,134</u>      | <u>45,134</u>                          |
| Franchise fees               | <u>339,301</u>      | <u>148,678</u>      | <u>(190,623)</u>                       |
| Interest                     | <u>75,000</u>       | <u>70,724</u>       | <u>(4,276)</u>                         |
| Harbor Marina fees           | <u>-</u>            | <u>6,572</u>        | <u>6,572</u>                           |
| Miscellaneous                | <u>-</u>            | <u>3,509</u>        | <u>3,509</u>                           |
| Total revenues               | <u>\$ 7,341,062</u> | <u>\$ 6,719,913</u> | <u>\$ (621,149)</u>                    |

(Continued)

# CITY OF MARATHON, FLORIDA

## GENERAL FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|                          | <u>Budget</u>       | <u>Actual</u>       | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--------------------------|---------------------|---------------------|---|
| Expenditures:            |                     |                     |   |
| General government:      |                     |                     |   |
| City Council             | \$ 28,000           | \$ 38,684           | \$ (10,684)                                   |
| Administration           | 711,072             | 697,750             | 13,322  |
| Legal                    | 360,000             | 399,509             | (39,509)                                      |
| Total general government | <u>1,099,072</u>    | <u>1,135,943</u>    | <u>(36,871)</u>                               |
| Public safety:           |                     |                     |   |
| Police                   | 1,018,319           | 947,319             | 71,000  |
| Fire/EMS                 | 1,278,945           | 800,550             | 478,395                                       |
|                          | <u>2,297,264</u>    | <u>1,747,869</u>    | <u>549,395</u>                                |
| Community services:      |                     |                     |   |
| Public works             | 462,375             | 115,410             | 346,965                                       |
| Sanitation               | 1,833,472           | 1,534,194           | 299,278                                       |
| Parks and recreation     | 470,803             | 190,107             | 280,696                                       |
|                          | <u>2,766,650</u>    | <u>1,839,711</u>    | <u>926,939</u>                                |
| Community development    | <u>785,800</u>      | <u>640,133</u>      | <u>145,667</u>                                |
| Non-departmental         | <u>445,000</u>      | <u>25,830</u>       | <u>419,170</u>                                |
| Capital outlay           | <u>8,000</u>        | <u>181,939</u>      | <u>(173,939)</u>                              |
| Total expenditures       | <u>\$ 7,401,786</u> | <u>\$ 5,571,425</u> | <u>\$ 1,830,361</u>                           |

## SPECIAL REVENUE FUNDS

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

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**Capital Infrastructure Fund** – This fund is used to account for revenues derived from local government infrastructure surtax levied in the County. Funds can only be expended to finance, plan and construct infrastructure and to acquire land for public recreation or conservation or protection of natural resources.

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

# CITY OF MARATHON, FLORIDA

## SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

SEPTEMBER 30, 2001

|  | Capital<br><u>Infrastructure</u> | Street<br><u>Maintenance</u> | <u>Total</u>        |
|--|----------------------------------|------------------------------|---------------------|
| <u>ASSETS</u>                            |                                  |                              |                     |
| Cash                                     | \$ 2,336,616                     | \$ 468,507                   | \$ 2,805,123        |
| Due from other governments               | 147,095                          | 50,185                       | 197,280             |
| Total assets                             | <u>\$ 2,483,711</u>              | <u>\$ 518,692</u>            | <u>\$ 3,002,403</u> |
| <br><u>LIABILITIES AND FUND BALANCES</u> |                                  |                              |                     |
| Liabilities:                             |                                  |                              |                     |
| Accounts payable and accrued liabilities | \$ 124,726                       | \$ 68,025                    | \$ 192,751          |
| Due to other funds                       | 27,945                           | 45,386                       | 73,331              |
| Total liabilities                        | <u>152,671</u>                   | <u>113,411</u>               | <u>266,082</u>      |
| <br>Fund Balances:                       |                                  |                              |                     |
| Reserved for street maintenance          | -                                | 405,281                      | 405,281             |
| Reserved for capital infrastructure      | 2,331,040                        | -                            | 2,331,040           |
| Total fund balances                      | <u>2,331,040</u>                 | <u>405,281</u>               | <u>2,736,321</u>    |
| Total liabilities and fund balances      | <u>\$ 2,483,711</u>              | <u>\$ 518,692</u>            | <u>\$ 3,002,403</u> |



# CITY OF MARATHON, FLORIDA

## SPECIAL REVENUE FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|                                      | <u>Capital</u><br><u>Infrastructure</u> | <u>Street</u><br><u>Maintenance</u> | <u>Total</u>        |
|--------------------------------------|---|-------------------------------------|---------------------|
| Revenues:                            |   |                                     |                     |
| Intergovernmental                    | \$ 2,006,064                            | \$ 340,192                          | \$ 2,346,256        |
| Interest                             | <u>45,439</u>                           | <u>12,489</u>                       | <u>57,928</u>       |
| Total revenues                       | 2,051,503                               | 352,681                             | 2,404,184           |
| Expenditures:                        |   |                                     |                     |
| Capital outlay                       | <u>354,398</u>                          | <u>96,562</u>                       | <u>450,960</u>      |
| Excess of revenues over expenditures | 1,697,105                               | 256,119                             | 1,953,224           |
| Fund balances, beginning             | <u>633,935</u>                          | <u>149,162</u>                      | <u>783,097</u>      |
| Fund balances, ending                | <u>\$ 2,331,040</u>                     | <u>\$ 405,281</u>                   | <u>\$ 2,736,321</u> |

# CITY OF MARATHON, FLORIDA

## SPECIAL REVENUE FUNDS

### COMBINING STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FISCAL YEAR ENDED SEPTEMBER 30, 2001

|                                      | <u>Capital Infrastructure</u> |                     |   | <u>Street Maintenance</u> |                   |   | <u>Total</u>      |                     | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--------------------------------------|-------------------------------|---------------------|---|---------------------------|-------------------|---|-------------------|---------------------|---|
|                                      | <u>Budget</u>                 | <u>Actual</u>       | Variance<br>Favorable<br><u>(Unfavorable)</u> | <u>Budget</u>             | <u>Actual</u>     | Variance<br>Favorable<br><u>(Unfavorable)</u> | <u>Budget</u>     | <u>Actual</u>       |   |
| <b>Revenues:</b>                     |                               |                     |   |                           |                   |   |                   |                     |   |
| Intergovernmental                    | \$ 2,000,119                  | \$ 2,006,064        | \$ 5,945                                      | \$ 336,286                | \$ 340,192        | \$ 3,906                                      | \$ 2,336,405      | \$ 2,346,256        | \$ 9,851                                      |
| Interest                             | -                             | 45,439              | 45,439  | -                         | 12,489            | 12,489  | -                 | 57,928              | 57,928  |
| Total revenues                       | <u>2,000,119</u>              | <u>2,051,503</u>    | <u>51,384</u>                                 | <u>336,286</u>            | <u>352,681</u>    | <u>16,395</u>                                 | <u>2,336,405</u>  | <u>2,404,184</u>    | <u>67,779</u>                                 |
| <b>Expenditures:</b>                 |                               |                     |   |                           |                   |   |                   |                     |   |
| Capital outlay                       | -                             | 354,398             | (354,398)                                     | 204,894                   | 96,562            | 108,332                                       | 204,894           | 450,960             | (246,066)                                     |
| Debt service                         | <u>1,490,295</u>              | <u>-</u>            | <u>1,490,295</u>                              | <u>-</u>                  | <u>-</u>          | <u>-</u>                                      | <u>1,490,295</u>  | <u>-</u>            | <u>1,490,295</u>                              |
| Total expenditures                   | <u>1,490,295</u>              | <u>354,398</u>      | <u>1,135,897</u>                              | <u>204,894</u>            | <u>96,562</u>     | <u>108,332</u>                                | <u>1,695,189</u>  | <u>450,960</u>      | <u>1,244,229</u>                              |
| Excess of revenues over expenditures | <u>\$ 509,824</u>             | <u>\$ 1,697,105</u> | <u>\$ 1,187,281</u>                           | <u>\$ 131,392</u>         | <u>\$ 256,119</u> | <u>\$ 124,727</u>                             | <u>\$ 641,216</u> | <u>\$ 1,953,224</u> | <u>\$ 1,312,008</u>                           |

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**COMPLIANCE SECTION**

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Rachlin Cohen & Holtz LLP  
Certified Public Accountants & Consultants

**Report of Independent Certified Public Accountants on  
Compliance and on Internal Control Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the general purpose financial statements of the City of Marathon, Florida (the City) as of and for the year ended September 30, 2001, and have issued our report thereon dated January 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters that we have reported to management in the accompanying schedule of findings.

This report is intended solely for the information and use of the Mayor, City Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
January 11, 2002

-17-

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Rachlin Cohen & Holtz LLP  
Certified Public Accountant; & Consultants

**Management Letter in Accordance with the Rules of the Auditor General of the State of Florida**

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

We have audited the general purpose financial statements of the City of Marathon, Florida (the City) as of and for the year ended September 30, 2001, and have issued a report thereon dated January 11, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated January 11, 2002, should be considered in conjunction with this management letter.

In connection with our audit of the general purpose financial statements of the City for the year ended September 30, 2001, we report the following in accordance with Chapter 10.550 Rules of the Auditor General *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit report.
2. The City, during fiscal year 2001, was not in a state of financial emergency as defined by Florida Statute, Section 218.503 (1). There were no deficit fund balances for two consecutive years.
3. Recommendations to improve the City's accounting procedures and internal controls are accompanying this report in the schedule of findings.
4. Recommendations made in the preceding annual financial audit have been addressed.
5. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
6. During the course of our audit, nothing came to our attention that caused us to believe that the City:
  - a. Was in violation of any laws, rules or regulations or contractual provisions.
  - b. Made any illegal or improper expenditures.



Honorable Mayor and Members of the City Council

Page Two

- c. Had improper or inadequate accounting procedures.
  - d. Failed to record financial transactions.
  - e. Had other inaccuracies, shortages, defalcations or instances of fraud.
7. The annual financial report for the year ended September 30, 2001 has been filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial report for the fiscal year ended September 30, 2001.
  8. The City was incorporated pursuant to Chapter 99-427, Laws of Florida.
  9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings regarding deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, City Council, management, the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Rachlin Cohen Holtzman LLP*

Miami, Florida  
January 11, 2002

# CITY OF MARATHON, FLORIDA

## SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

### CURRENT COMMENTS AND RECOMMENDATIONS

#### *1. Written Agreement*

The City entered into an oral agreement with an independent sanitation company to collect solid waste for commercial and residential customers. As a result, the City is currently in dispute with the sanitation service company over amounts due from and the amounts due to the Company for services that were provided. The risk related to this matter is that the City may not receive all the revenue it believes it is owed and/or the City may incur expenditures in excess of what was anticipated.

#### *Recommendation*

We recommend that the City execute all agreements in writing. Written contracts provide evidence of business transaction terms, including, but not limited to, the services to be provided by each party, fees to be paid, responsibilities, length of service, etc.

#### *Management Response*

Management is aware of the above situation and intends to enter into a written contract with either the current sanitation company or an alternative vendor.

#### *2. New Pronouncement*

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. These new requirements were developed to make annual financial reports more comprehensive and easier to understand and use. The new reporting model will include government-wide financial statements, as well as fund financial statements, as well as management's discussion and analysis section. Implementation will be required for fiscal year ending September 30, 2004. However, many of the reporting requirements need to be addressed several years before the required implementation date.

#### *Recommendation*

We recommend that the City review the new requirements and plan accordingly.

#### *Management Response*

Management is aware of this new standard and has begun to address the new reporting requirements