

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Key West, Florida  
Fiscal Year Ended  
September 30, 2018



*Cover: Courtesy of Jason Hoegle –  
City of Key West Information Technology Department*

# The City of Key West, Florida

## Comprehensive Annual Financial Report

For The Fiscal Year Ended

September 30, 2018

Prepared by:

Department of Finance

**City of Key West, Florida**  
**Table of Contents**

---

**Introductory Section:**

Letter of Transmittal	i-vi
Certificate of Achievement for Excellence in Financial Reporting - 2017	vii
List of Principal Officials	viii
Organizational Chart	ix
Vision and Mission Statements	x

**Financial Section:**

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13

**Basic Financial Statements:**

Government-Wide Financial Statements:

Statement of Net Position	14
Statement of Activities	15-16

Fund Financial Statements:

Balance Sheet - Governmental Funds	17-18
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	20-21
--	-------

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Development Office Fund - Special Revenue Fund	24
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Gas Tax Fund - Special Revenue Fund	25
--	----

Statement of Net Position - Proprietary Funds	26-29
---	-------

**City of Key West, Florida**  
**Table of Contents**  
**(continued)**

---

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	30-31
Statement of Cash Flows - Proprietary Funds	32-35
Statement of Net Position - Fiduciary Funds	36
Statement of Changes in Net Position - Fiduciary Funds	37
Notes to Financial Statements	38-87
<b>Required Supplementary Information:</b>	
Schedule of Changes in Total OPEB Liability and Related Ratios	88
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – General Employees’ Pension Trust Fund	89
Schedule of Changes in Net Position Liability (Asset) and Related Ratios – Police Officers’ and Firefighters’ Pension Trust Fund	90
Schedule of Contributions - General Employees’ Pension Trust Fund	91
Schedule of Contributions - Police Officers’ and Firefighters’ Pension Trust Fund	92
Schedule of Investment Returns - General Employees’ Pension Trust Fund	93
Schedule of Investment Returns - Police Officers’ and Firefighters’ Pension Trust Fund	94
<b>Combining and Individual Fund Statements and Schedules:</b>	
Nonmajor Governmental Funds Overview	95
Combining Balance Sheet - Nonmajor Governmental Funds	96-97
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	98-99
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Law Enforcement Trust Fund - Special Revenue Fund	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Fort Taylor Fund - Special Revenue Fund	101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Affordable Housing Escrow Fund - Special Revenue Fund	102
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Bahama Village Fund - Special Revenue Fund	103
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Navy Pier Payments Fund - Special Revenue Fund	104

**City of Key West, Florida**  
**Table of Contents**  
**(continued)**

---

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Caroline Street Fund - Special Revenue Fund	105
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Fund - Special Revenue Fund	106
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Transportation Alternative Fund - Special Revenue Fund	107
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Truman Waterfront Fund - Special Revenue Fund	108
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Infrastructure Surtax Fund – A Capital Project Fund	109
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	110
Fiduciary Funds Overview	111
Combining Statement of Net Position - Fiduciary Funds	112
Combining Statement of Changes in Net Position - Fiduciary Funds	113
<b>Statistical Section:</b>	
Overview and Sources	114
Table 1 - Net Position by Component	115
Table 2 - Changes in Net Position	116-119
Table 3 - Governmental Activities Tax Revenues by Source	120
Table 4 - Fund Balances of Governmental Funds	121
Table 5 - Changes in Fund Balances of Governmental Funds	122
Table 6 - General Governmental Expenditures	123
Table 7 - General Governmental Revenues	124
Table 8 - Property Tax Levies and Collections	125
Table 9 - Assessed and Estimated Value of Taxable Property	126
Table 10 - Property Tax Rates: Direct and Overlapping Governments	127
Table 11 - Principal Taxpayers	128
Table 12 - Ratios of Outstanding Debt by Type	129

**City of Key West, Florida**  
**Table of Contents**  
**(continued)**

---

Table 13 - Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	130
Table 14 - Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	131
Table 15 - Computation of Direct and Estimated Overlapping Governmental Activities Debt	132
Table 16 - Revenue Bond Coverage: Sanitary Sewer System Fund	133
Table 17 - Demographic Statistics	134
Table 18 - Principal Employers	135
Table 19 - Property Value and Construction	136
Table 20 - Operating Indicators by Function/Program	137
Table 21 - Capital Asset Statistics by Function/Program	138
Table 22 - Full-Time Equivalent City Employees by Function/Program	139

## **INTRODUCTORY SECTION**



THE CITY OF KEY WEST, FLORIDA

Post Office Box 1409

Key West, FL 33041-1409

[www.cityofkeywest-fl.gov](http://www.cityofkeywest-fl.gov)

March 28, 2019

Honorable Mayor,  
Members of the City Commission, and  
Citizens of Key West

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Key West, Florida, for the fiscal year ended September 30, 2018, is submitted herewith pursuant to the City Charter, Florida Statutes, and the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

Responsibility for both the accuracy of the presented data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City based upon a comprehensive framework of internal control that it has established for this purpose. We believe that the data, as presented, is accurate in all material respects, that the data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe McCullough and they have issued an unmodified opinion on the financial statements for the fiscal year ended September 30, 2018.

Generally accepted accounting principles (GAAP) require that management provides 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 Key West's MD&A can be found immediately following the report of the independent auditors.

## **Financial Reporting Entity**

This report includes all funds of the City. The City of Key West provides a full range of services outlined in the Florida Statutes or City Charter. These services include police, fire protection and emergency medical services, the construction and maintenance of roads and infrastructure, recreational activities, parking, planning, building and zoning. In addition to its general government activities, the City provides sewer, solid waste, stormwater, marina and mass transit services through enterprise funds.

The City has ultimate responsibility for the Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan. The Police Officers and Firefighters and General Employees Pension Plan activities are included in the financial statements as fiduciary funds.

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 518,000 annually in free sewer, solid waste and stormwater services, which constitutes a financial benefit/burden relationship. Given the overall materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

Keys Energy Services has not met the established criteria for inclusion in the reporting entity and is excluded from this report. Financial reports are available directly from that agency.

## **Profile of the Government**

Key West is an island city some 4 miles long by 1.5 miles wide. The island is located at the southern end of U. S. Highway 1, 153 miles southwest of Miami, Florida and 93 miles northwest of Havana, Cuba, at 24.5 degrees north of the equator. Key West is the county seat of Monroe County. The city occupies the entire island as well as a portion of neighboring Stock Island to the northeast. The principal industry is tourism, and the U. S. Navy and Coast Guard maintain a presence here as well.

The City's 2017 estimated permanent population was 25,208. In addition to the permanent population, the City is a world-renowned tourist destination and a popular location for second homes. The total number of people on Key West on an average day, including permanent residents, seasonal residents, the maritime population, overnight tourists, day-trippers, cruise ship visitors, commuters, and shoppers, is estimated to be over 50,000. This number would likely spike significantly during special events such as Fantasy Fest or New Year's Eve.

## **Overall Financial Condition**

As we began recovery from the September 2017 impacts of Hurricane Irma, the financial goal leading into 2018 was simple yet formidable – economic normalcy, quality of life for the residents and maximize recovery of eligible hurricane related expenses through Federal Emergency Management Agency (FEMA) and State grants.

The General Fund's unassigned fund balance at fiscal year ending 2018 fell below the minimum level as prescribed in the City's fund balance policy. The lingering tourism related impacts of Hurricane Irma during the first quarter of 2018 saw the expected collection declines in several General Fund revenue sources. Further driving down the General Fund unassigned fund balance were delays in reimbursement from federal and state organizations for storm related expenses; primarily in emergency protective measures as well as debris collection and hauling costs.

Fortunately, key revenue sources in the General Fund rebounded in the second half of the fiscal year as well as local businesses reporting more robust revenue numbers than those immediately following Hurricane Irma. With local indicators signaling a strengthening economy, financial activity was still slightly down from FYE 2017 activity. The City's three utility funds were marginally impacted by the storm with their financial vitals remaining strong. The Key West Bight and City Marina Funds likewise were able to financially "hold their own" throughout FY 2018 and tracked right at or slightly below budget.

The financial outlook for Fiscal Year 2019 should be viewed with "guarded optimism". Guarded from the standpoint that the FEMA reimbursement process is a journey rather than a sprint and the need to improve the City's General Fund reserve days is paramount. Optimistic from the standpoint that the national, state and local "economic needle" is pointed in the right direction – upward.

### **Financial Planning and Budgeting Controls**

The City maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.241 provisions embodied in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. These budgets are adopted on a generally accepted accounting principles basis, as applicable. This program is readopted annually based on changes in priority and funding. The City is not legally required to, and does not, adopt budgets for the Pension Funds.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the major category level; i.e., Personnel Services, Operating, Capital Outlay, Debt Service, Aid to Private Organizations, and Transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts expire at year-end but may be appropriated from carryforward amounts only if the amounts encumbered are material and the current year's budget is insufficient to absorb these commitments. Very few encumbrances are "rolled" forward into the next fiscal year. The exception would be encumbrances related to City Commission approved multiyear capital improvements and projects.

### **Relevant Financial Policies**

The City of Key West budgetary and financial policies provide the basic framework for the overall fiscal management of the City. The main policies consist of the revenue, cash management and investments, debt, and fund balance policies. These policies are used in the development of current activities and planning for future programs.

#### Revenue Policy

The City will attempt to maintain a diversified and stable revenue system to avoid reliance on any one revenue source and will attempt to minimize the dependence on property taxes. Charges for services are used to recover partial or full cost of providing services that benefit an individual or a specific user group. Additionally, it is the City's policy that new ongoing operating costs are funded with permanent, ongoing revenue sources. One-time operating costs are tied to one-time revenue sources to ensure fund balance integrity.

## Cash Management and Investments Policy

The City follows its adopted investment policy when handling public funds, except for Pension Funds. The intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the City to meet its obligations, and 3) maximize the return on assets with an acceptably low exposure to risk. The investment policy meets the requirements of Florida Statutes, section 218.415.

As of September 30, 2018, the City had the following investment types in order of liquidity: Bank Deposits, Florida Prime, Florida Fixed Income Trust (FIT), Federal Agency Discount Notes, Federally Sponsored Agency Notes, and U.S. Treasury Notes.

## Debt Policy

The City seeks to maintain the highest bond rating to minimize borrowing costs. Debt is issued when necessary to finance capital projects, but is never used for current operations. The City reviews and evaluates its existing obligations and future borrowing needs regularly.

## Fund Balances

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for its governmental activities. GASB Statement No. 54 establishes various classifications of fund balance based on a hierarchy which details constraints placed on the uses of resources by creditors, grantors, contributors, laws or regulations of other governments and those internally imposed. Fund balances classified as restricted are those with externally enforceable limitations in use. Fund balances classified as committed can only be used for specific purposes determined by formal action of the City Commission through an ordinance. Commitments can only be changed or lifted only by the City Commission through an ordinance. Assigned fund balances are amounts that the City intends to use for a specific purpose but are neither restricted nor committed. The intent to utilize these funds may be delegated to the City Manager, at the City Commission's discretion, through resolution. Unassigned fund balance can be viewed as the net resources available at the end of the year.

## **Major Initiatives and Long-Term Planning**

The new Key West City Hall at the Former Glynn R. Archer School was determined final and complete in 2018 and subsequently awarded LEED Platinum certification by the U.S. Green Building Council. Ongoing \$2M renovation of the adjacent former gymnasium will complete development of the City Hall campus.

Phase 1A of a two phased initiative, the Truman Waterfront Park development project, was completed in 2018. This \$17M phase included utility improvements, roadways and parking, sidewalks, landscaping, play areas and interactive water feature and a dedicated access to Fort Zachary Taylor State Park. Also completed was the \$4M Truman Waterfront Amphitheater and demolition of the former Navy Building 103 to provide additional green space at the park. Design of the \$4M Phase 1B component of the park including renovation to Building 1287 and a multi-purpose athletic field is complete. Phase 1B construction is scheduled to commence in 2019, with completion during 2021.

The City is currently supporting a multiagency effort to develop 104 units of workforce housing off College Road on Stock Island. This \$ 29M project is a coordinated effort between the City, Key West Housing Authority and Florida Department of Economic Development.

Other projects completed or under design/construction include the following:

- Rest Beach Seawall and upland restoration
- Fleming Street ADA and pavement improvements
- New Smathers Beach Bathroom
- Truman Harbor seawall replacement along the NOAA facility
- Lighting and structural improvements to E.B. Knight Pier
- New Outer Mole Pier Entry Control Point for Naval Air Station Key West
- Renourishment of Smathers and South Beaches
- Repairs to the Mallory Square T-Pier
- Design of pavement and ADA improvements to Simonton and Angela Streets
- Supporting stabilization and redevelopment of the former KEYS Energy Diesel Plant

All projects are reviewed and approved by the Key West City Commission based on the City's priorities and Strategic Plan. A capital need includes various project types such as:

- Storm drainage and flood control facilities
- Park and recreation facilities
- Police and fire facilities
- Street improvements, lights and traffic signals
- Sidewalk improvements
- Transit facilities
- Sewer facilities and infrastructure
- Solid waste facilities
- Marinas

### **Certificate of Achievement Award**

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 Key West for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current 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 certification.

## Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our sincere appreciation to all members of the department who assisted in and contributed to its preparation. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible, progressive manner.



**Jim Scholl**  
City Manager



**Mark Finigan**  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Key West  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# City of Key West, Florida

## List of Principal Officials

---

### Elected Officials

Mayor	Teri Johnston
Commissioner	Jimmy Weekley
Commissioner	Samuel Kaufman
Commissioner	Billy Wardlow
Commissioner	Gregory Davila
Commissioner	Mary Lou Hoover
Commissioner	Clayton Lopez

### Appointed Officials

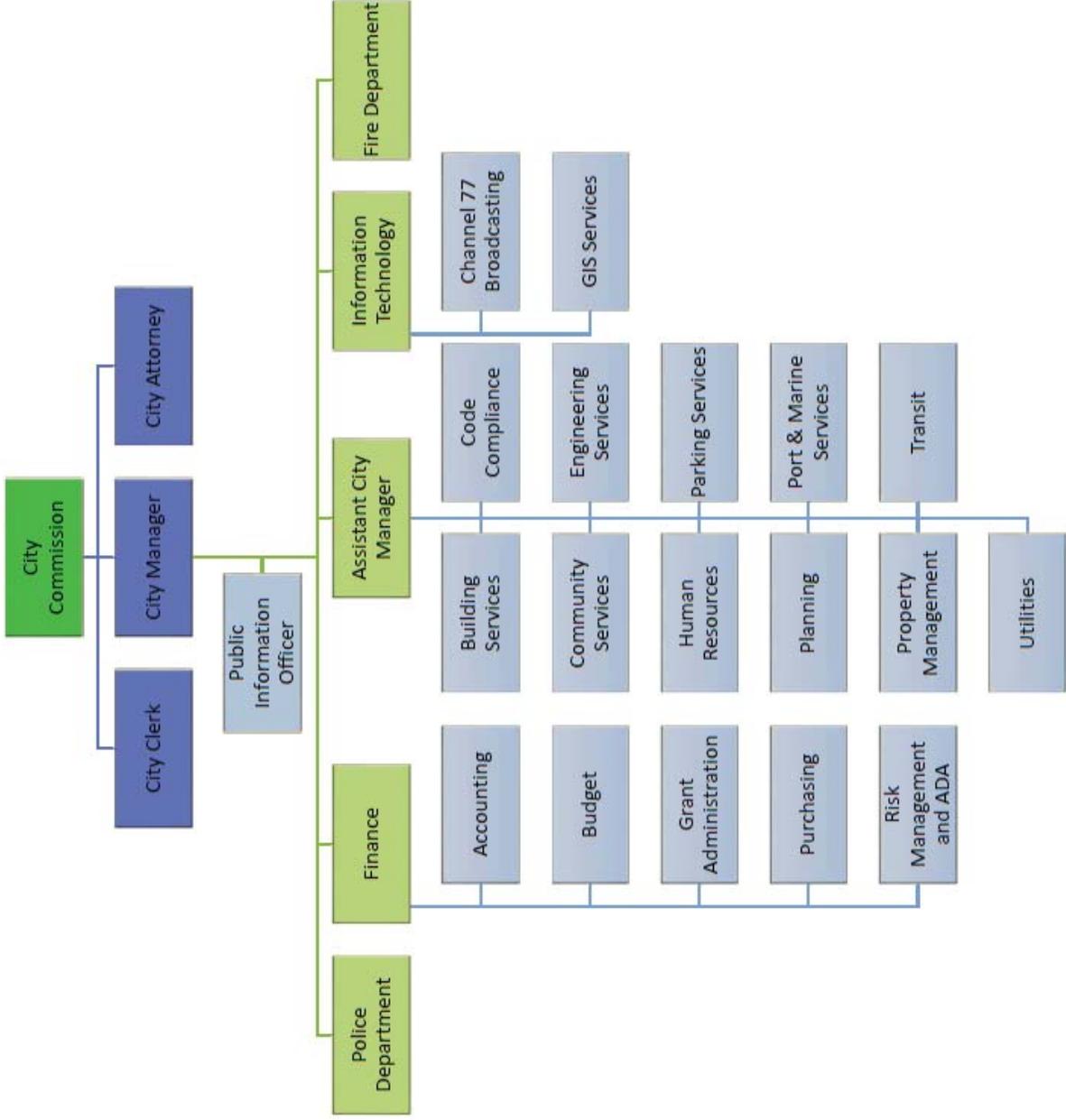
City Manager	Jim K. Scholl
City Clerk	Cheri Smith
City Attorney	Shawn Smith

### Department Directors

Assistant City Manager	Greg Veliz
Building and Licensing	Ronald Wampler
Police Chief	Sean Brandenburg
Community Services	Marcus Davila
Engineering	Steve McAlearney
Finance and Budget	Mark Finigan
Fire Chief	Michael Davila
Human Resources	Samantha Farist
Information Technology	Patti McLaughlin
Planning	Patrick Wright
Port and Marina Operations	Doug Bradshaw
Transit	Rod Delostrinos
Code Compliance	Jim Young
Parking	John Wilkins
Utilities	John Paul Castro

# City of Key West, Florida

## Organizational Chart



## **City of Key West, Florida**

### ***Vision***

*A tropical island with unique community character in harmony with the diversity of its people and with its environment.*

### ***Mission***

*To preserve and protect our island.*

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
City Commissioners and City Manager  
City of Key West, 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 Key West, Florida (the "City"), as of and for the year ended September 30, 2018, 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 did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 66%, 65%, and 70%, respectively, of the assets, net position, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based solely on the reports of the other auditors. 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. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, Community Development Office Fund and Gas Tax Fund – major special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As described in Notes 7 and 16 to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (*GASB*) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017, which resulted in the City restating beginning net position for recognition of the City's Postemployment Benefits Other than Pensions related to activity prior to October 1, 2017. 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 13 and 88 through 94, 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 and the other auditors, 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, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reports Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests 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 28, 2019

On behalf of the City of Key West, Florida, management presents, to the readers of the City's financial statements, this narrative overview and analysis of the financial activities for the fiscal year ending September 30, 2018. We are offering this discussion and analysis in order to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter which begins on page i and the City's financial statements which begin on page 14.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2018 by \$ 358,962,070 (net position), which is an increase of \$ 5,519,907 compared to the prior year. Of this amount, \$ 48,851,611 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$ 26,247,480, a decrease of \$ 7,486,133 from the prior year. Approximately 13% of this amount (\$ 3,471,074) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$ 4,369,185, or approximately 7.90% of total general fund expenditures.
- The City's total outstanding long term debt decreased by \$ 3,727,920 during the current fiscal year. The decrease is attributed to regular payments on outstanding debt.

### **Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during fiscal year 2017-18?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

Based upon a review of these statements and in the following discussion, you will see that the City's overall financial position has improved over the prior fiscal year.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, public works and parks departments, as well as, general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit systems, as well as, City marina facilities, are reported here.
- **Component units:** The City includes one separate legal entity in its report: The Housing Authority of the City of Key West, Florida ("KWAH"). The KWAH's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWAH. KWAH is considered a component unit of the City and is presented discretely in these financial statements.

### Reporting the City's Most Significant Funds

The fund financial statements for each City fund begin on page 17 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two types of funds (governmental and proprietary) use different accounting approaches.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on the pages immediately following the governmental fund statements.
- **Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use an internal service fund (the other component of proprietary funds) to report the City's insurance activity, which provides a service to the City's other programs and activities.

**The City as Trustee**

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position - Fiduciary Funds on pages 36 and 37. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The City as a Whole**

The City's combined net position increased from \$ 353,442,163 to \$ 358,962,070. Governmental activities increased \$ 1,813,073. Most of the increase is the result of capital assets related to the Capital Projects Fund and Infrastructure Surtax Fund. Business type activities increased \$ 3,706,834 of which \$ 2,060,011 was the result of operating grants in the Transit System Fund.

Total net position is comprised of \$ 291,123,199 net investment in capital assets, \$ 18,987,260 restricted for capital projects, transportation, housing initiatives and other purposes, and \$ 48,851,611 in unrestricted funds. Our analysis below, focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Current and other assets	\$ 41,078,706	\$ 49,665,973	\$ 49,893,922	\$ 47,196,626	\$ 90,972,628	\$ 96,862,599
Capital assets	<u>162,173,669</u>	<u>152,622,715</u>	<u>147,190,330</u>	<u>149,822,711</u>	<u>309,363,999</u>	<u>302,445,426</u>
Total assets	<u>203,252,375</u>	<u>202,288,688</u>	<u>197,084,252</u>	<u>197,019,337</u>	<u>400,336,627</u>	<u>399,308,025</u>
Total deferred outflows of resources	<u>17,950,551</u>	<u>14,414,711</u>	<u>931,736</u>	<u>1,012,528</u>	<u>18,882,287</u>	<u>15,427,239</u>
Current liabilities	4,968,390	7,012,215	2,667,453	3,055,887	7,635,843	10,068,102
Long-term debt and other noncurrent liabilities	<u>28,287,401</u>	<u>27,306,515</u>	<u>18,999,128</u>	<u>22,535,012</u>	<u>47,286,529</u>	<u>49,841,527</u>
Total liabilities	<u>33,255,791</u>	<u>34,318,730</u>	<u>21,666,581</u>	<u>25,590,899</u>	<u>54,922,372</u>	<u>59,909,629</u>
Total deferred inflows of resources	<u>4,989,061</u>	<u>1,239,668</u>	<u>345,411</u>	<u>143,804</u>	<u>5,334,472</u>	<u>1,383,472</u>
Net position:						
Net investment in capital assets	161,190,148	151,492,135	129,933,051	129,028,872	291,123,199	280,521,007
Restricted	18,698,230	19,429,334	289,030	274,198	18,987,260	19,703,532
Unrestricted	<u>3,069,696</u>	<u>10,223,532</u>	<u>45,781,915</u>	<u>42,994,092</u>	<u>48,851,611</u>	<u>53,217,624</u>
Total net position	\$ <u>182,958,074</u>	\$ <u>181,145,001</u>	\$ <u>176,003,996</u>	\$ <u>172,297,162</u>	\$ <u>358,962,070</u>	\$ <u>353,442,163</u>

**Governmental Activities – Net Position**

The \$ 182,958,074 in net position of the City's governmental activities is comprised of \$ 161,190,148 net investment in capital assets, \$ 18,698,230 in restricted net position and \$ 3,069,696 in unrestricted net position, which is the part of net position that can be used to finance day-to-day operations of the General Fund and other governmental activities.

**City of Key West, Florida  
Management’s Discussion and Analysis  
September 30, 2018**

The invested in capital assets increased from the previous year by \$ 9,698,013. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 4,633,714 and repayment of debt.

Restricted net position of \$ 18,698,230 is restricted to comply with the requirements of the special revenue funds or other legal requirements. This was a decrease of \$ 731,104 from the previous year. The decrease can be attributed mainly to ongoing capital projects in the Capital Projects Fund and Infrastructure Surtax Fund, and steady debt service payments.

Unrestricted net position decreased by \$ 7,153,836 compared to the prior fiscal year. The decrease can be attributed to the ongoing investment in capital assets and costs associated with Hurricane Irma.

**Business-Type Activities – Net Position**

The \$ 176,003,996 in net position of the City’s business type activities is comprised of \$ 129,933,051 net investment in capital assets, \$ 289,030 in restricted net position and \$ 45,781,915 in unrestricted net position. This is an increase of 2.2% in net position.

The net investment in capital assets increased from the previous year by \$ 904,179. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 7,874,419 and repayment of debt. Restricted net position of \$ 289,030 is restricted to comply with the requirements of the sewer bond issues. Unrestricted net position increased \$ 2,787,823. The increase in unrestricted net position was the result of positive changes in the proprietary funds overall.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Revenues:						
Program Revenues:						
Charges for services	\$ 17,784,210	\$ 17,426,267	\$ 35,786,374	\$ 35,960,600	\$ 53,570,584	\$ 53,386,867
Operating grants and contributions	3,746,063	2,261,114	2,235,449	2,130,490	5,981,512	4,391,604
Capital grants and contributions	3,601,336	1,503,152	2,518,416	296,409	6,119,752	1,799,561
General Revenues:						
Taxes: property and other	34,893,183	35,396,347	-	-	34,893,183	35,396,347
Intergovernmental	164,855	144,131	-	-	164,855	144,131
Investment earnings	217,471	264,148	348,711	263,216	566,182	527,364
Other revenues	821,463	577,557	359,949	784,213	1,181,412	1,361,770
Total revenues	<u>61,228,581</u>	<u>57,572,716</u>	<u>41,248,899</u>	<u>39,434,928</u>	<u>102,477,480</u>	<u>97,007,644</u>

**Table 2**  
**Changes in Net Position**  
**(continued)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Program Expenses:						
General government	21,836,145	19,490,694	-	-	21,836,145	19,490,694
Public safety	29,894,212	29,564,658	-	-	29,894,212	29,564,658
Transportation	5,761,811	3,486,151	-	-	5,761,811	3,486,151
Economic environment	1,516,965	1,063,215	-	-	1,516,965	1,063,215
Culture and recreation	4,276,289	3,826,902	-	-	4,276,289	3,826,902
Human services	458,817	459,350	-	-	458,817	459,350
Sanitary Sewer System	-	-	10,358,804	11,433,439	10,358,804	11,433,439
Solid Waste	-	-	8,464,101	8,073,887	8,464,101	8,073,887
Stormwater	-	-	2,813,700	3,196,383	2,813,700	3,196,383
Marinas (Key West and Garrison Bight)	-	-	7,528,667	7,213,266	7,528,667	7,213,266
Transit	-	-	4,048,062	3,736,516	4,048,062	3,736,516
<b>Total expenses</b>	<b>63,744,239</b>	<b>57,890,970</b>	<b>33,213,334</b>	<b>33,653,491</b>	<b>96,957,573</b>	<b>91,544,461</b>
Excess before transfers	(2,515,658)	(318,254)	8,035,565	5,781,437	5,519,907	5,463,183
Transfers (net)	4,328,731	4,043,835	(4,328,731)	(4,043,835)	-	-
<b>Changes in net position</b>	<b>\$ 1,813,073</b>	<b>\$ 3,725,581</b>	<b>\$ 3,706,834</b>	<b>\$ 1,737,602</b>	<b>\$ 5,519,907</b>	<b>\$ 5,463,183</b>

The City's total revenues reported are \$ 102,477,480, which in part represents \$ 53,570,584 in charges for services and \$ 34,893,183 in property and other taxes. Total expenses of \$ 96,957,573 are reported. As shown above, revenues have increased and expenses have increased for the year. Most of the increase in revenues can be attributed to the increase in grants. Both operating and capital grants increased significantly. Contractual raises for personnel along with Hurricane Irma repairs and capital cost, resulted in an increase in total expenses.

**Governmental Activities – Changes in Net Position**

Total revenues for the City's governmental activities of \$ 61,228,581 include \$ 17,784,210 in fees, fines and charges for services, as well as, \$ 34,893,183 in property, state shared and local taxes.

For the year, the City's governmental revenues increased \$ 3,655,865 or a 6.3% increase. There are two major items affecting the increase. The City received approximately \$ 1.3 million reimbursement from FEMA for Hurricane Irma operating cost and a capital grant of \$ 2,225,000 from the local Tourist Development Council (TDC).

The cost of all governmental activities this year was \$ 63,744,239. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 16,490,475. This is because \$ 17,784,210 of the cost was paid for by those who directly benefited from the programs as well as other governments and organizations that subsidized certain programs with grants and contributions, providing \$ 7,347,399. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the City's five largest programs: general government, public safety, culture and recreation, transportation, and economic environment as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. As you can see, the main profit-making program is transportation due to the inclusion of cruise-ship and parking revenues.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 18	FY 17	FY 18	FY 17
General government	\$ 21,836,145	\$ 19,490,694	\$ (17,548,615)	\$ (15,428,381)
Public safety	29,894,212	29,564,658	(25,405,336)	(24,422,851)
Culture and recreation	4,276,289	3,826,902	(492,650)	(2,707,570)
Transportation	5,761,811	3,486,151	4,886,964	6,418,930
Economic environment	1,516,965	1,063,215	405,824	(101,215)
All others	458,817	459,350	(458,817)	(459,350)
Totals	\$ <u>63,744,239</u>	\$ <u>57,890,970</u>	\$ <u>(38,612,630)</u>	\$ <u>(36,700,437)</u>

**Business-Type Activities – Changes in Net Position**

Revenues of the City's business-type activities (see Table 2) increased by 4.6% (\$ 39,434,928 in 2017 compared to \$ 41,248,899 in 2018). A major contributor to the increase was capital grant revenue to purchase new buses in the Transit Fund.

**Financial Analysis of the City's Funds**

As stated previously, the City of Key West 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. Specifically, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2018, the City's governmental funds reported combined fund balances of \$ 26,247,480, which is a decrease of \$ 7,486,133 in comparison with the prior fiscal year. This decrease can be attributed to the reduction in fund balance within the General Fund, Community Development Office Fund, Infrastructure Surtax Fund and Capital Projects Fund.

The General Fund is the chief operating fund of the City. As of September 30, 2018, the unassigned fund balance account in the General Fund was \$ 3,471,074, a decrease of \$ 6,702,672 from the previous year. This unassigned fund balance amount represents 6.72% of the 2019 General Fund budgeted expenditures, excluding capital outlay. Discussed later in the financials, this put the unassigned fund balance below the City's minimum fund balance policy of between 20% and 25% of budgeted expenditures.

Total General Fund expenditures increased by \$ 4,936,454 or 9.8%. The increase, as previously referenced, was related to increased personnel costs and hurricane related expenditures. Revenues in the General Fund, including the sale of general capital assets, increased by \$ 1,637,424 or 4.0%. This increase is also due to Hurricane Irma, as the City received over \$1,000,000 from the Federal Emergency Management Agency (FEMA).

The Community Development Office Fund revenues increased by \$ 14,238 and expenditures increased by \$ 9,775 from the prior fiscal year. The increases are due to more grant related funding and expenditures compared to the prior year.

The Gas Tax Fund's revenues decreased by \$ 160,879 and expenditures decreased by \$ 899,932. The revenue decrease is a result of less state fuel tax collection during FY18 and grant revenue was also down in the fund. The decrease in expenditures is a result of delayed street infrastructure related projects.

Total Infrastructure Surtax Fund revenues increased by \$ 1,729,257 compared to the prior year. Although discretionary sales surtax proceeds were down from the prior year, revenues increased due to a grant from the local TDC, mentioned previously. Total expenditures decreased by \$ 3,544,879 due to the completion of several long-term capital projects.

The Capital Projects Fund had a decrease in fund balance of \$ 454,347. The decrease was mainly due to the use of fund balance to construct a prefunded capital projects.

**Proprietary funds:** The City of Key West proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of proprietary funds at year-end are as follows:

Fund	Unrestricted Net Position (Deficit)	
	FY 18	FY 17
Sanitary Sewer System	\$ 17,332,836	\$ 15,918,633
Solid Waste	9,867,334	10,223,905
Stormwater	822,170	(277,492)
Key West Bight	16,631,067	14,962,214
Garrison Bight	1,013,356	1,664,697
Transit System	115,152	502,135
	<u>\$ 45,781,915</u>	<u>\$ 42,994,092</u>

The Sanitary Sewer System Fund unrestricted net position increased by \$ 1,414,203. Much of the increase in unrestricted net position was the result of a decrease in capital expenses during the year. Net investment in capital assets reduction is the result of additions being less than the depreciation expense for the year and repayment of debt.

The Solid Waste Fund net position decreased by \$ 784,292 compared to the prior year. There was an decrease in unrestricted net position of \$ 356,571. The majority of the decrease in unrestricted net position was the result of a change in net investment in capital assets due to an increase in accumulated depreciation compared to the prior year.

The Stormwater Fund unrestricted net position increased by \$ 1,099,662. The unrestricted net position increase was the result of a decrease in net investment in capital assets. Net investment in capital assets decreased \$ 1,554,268, mainly due to an increase in accumulated depreciation from prior year. Overall, Stormwater total net position decreased by \$ 454,606.

The Key West Bight Fund had an increase in unrestricted net position of \$ 1,668,853 and an increase in overall net position of \$ 3,113,257. The change in unrestricted net position was the result of an increase in revenue and a reduction in capital expenses as compared to the prior year. The change in net investment in capital assets position is mainly attributable to the maturity of the 2009 Marina Refunding Revenue Note.

The Garrison Bight Fund unrestricted net position decreased \$ 651,341. The change is a due to the increase in net investment in capital assets. Net investment in capital assets increased due to the net additions in infrastructure.

The Transit System Fund net position increased by \$ 1,775,686 compared to the prior year. This increase is mainly attributable to an increase in capital grants.

**Fiscal Year 2017-18 General Fund Budgetary Highlights**

During the fiscal year 2018, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases more than \$ 20,000 were approved by the City Commission.

General Fund revenues that exceeded budget were \$ 30,176 over in the Licenses and Permits, \$ 1,480,946 in Intergovernmental and \$ 204,354 in Contributions and other categories. Monies related to Hurricane Irma are the main factor contributing to the overages. Intergovernmental revenues had an unbudgeted reimbursement from FEMA, in the amount of approximately \$ 1.3 million. In Contributions and other the City received from Florida Department of Transportation (FDOT) a one-time reimbursement in the amount of \$ 167,925, for traffic lights damaged during the hurricane.

General Fund overall revenues were under budget by \$ 222,697. Taxes were under budget by \$ 287,644. Charges for services revenue were \$ 1,116,099 lower than anticipated mainly due to lower than anticipated ambulance fees and parking revenues. Parking was under budget by approximately \$ 1,425,000. Parking took a big hit as the City recovered from the tourism loss after the hurricane. Parking reductions also translated into a loss in fines and forfeitures in the amount of \$ 273,321. Investment earnings were \$ 139,963 under budget due to lower than expected market performance and the need to keep cash on hand to cover operating cost. To assist businesses, in the wake of Hurricane Irma, the City Commission approved a one-month rental abatement and deferral of one month’s rent to be paid over twelve months. The result was rental income revenues were \$ 121,146 under budget.

Total General Fund expenditures were higher than the budget by \$ 4,437,735. Personal and operating expenditures were \$ 344,227 and \$ 4,617,272, respectively, over budget. These negative variances were mainly due to the unbudgeted cost associated with the hurricane recovery effort. Capital Outlay and Aid to private organizations were under budget by \$ 506,954 and \$ 16,810, respectively.

**Capital Assets**

At the end of fiscal year 2018, the City had \$ 309,363,999 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below).

**Table 4**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Land	\$ 56,687,796	\$ 56,687,796	\$ 18,681,034	\$ 18,681,034	\$ 75,368,830	\$ 75,368,830
Buildings and improvements	28,921,561	23,890,827	52,851,369	52,851,369	81,772,930	76,742,196
Machinery, equipment and furniture	24,800,189	23,102,073	16,543,342	13,257,506	41,343,531	36,359,579
Infrastructure	64,843,068	57,258,319	175,906,354	170,842,392	240,749,422	228,100,711
Construction in progress	42,520,047	42,899,568	6,360,081	9,470,612	48,880,128	52,370,180
Depreciation	(55,598,992)	(51,215,868)	(123,151,850)	(115,280,202)	(178,750,842)	(166,496,070)
Totals	\$ <u>162,173,669</u>	\$ <u>152,622,715</u>	\$ <u>147,190,330</u>	\$ <u>149,822,711</u>	\$ <u>309,363,999</u>	\$ <u>302,445,426</u>

**City of Key West, Florida  
Management’s Discussion and Analysis  
September 30, 2018**

---

This year's major additions included:

In the Governmental funds, major additions included approximately \$ 5,500,000 for completed projects at the Truman Waterfront Park. One project being the addition of a new amphitheater. Another addition was \$ 2,800,000 for the completed Frederick Douglass Gym project – a community gym. Machinery and equipment were added for \$ 1,950,000. Public safety vehicles and equipment accounted for approximately \$ 980,000 of that amount. There were approximately \$ 400,000 in vehicle expenses for the community services and recreation departments. A large backhoe loader accounted for \$ 125,000 of that amount. The remainder was spread among the other funds and city departments.

In the Business-Type Activities:

- The Sanitary Sewer Fund completed a long-term project - Lift Station VFD. The project cost was approximately \$ 4,100,000.
- The Key West Bight Fund completed two long-term improvement projects; the Thompson’s Structure for approximately \$ 800,000 and Turtle Kraals Improvements for \$ 163,000.
- The Transit Fund added machinery and equipment totaling over \$ 3,000,000. New buses make up almost all that amount.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

**Debt Administration**

At year-end, the City had \$ 18,425,676 in outstanding long term debt as shown in Table 5:

**Table 5  
Outstanding Long Term Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Promissory notes	\$ 143,226	\$ 290,285	\$ 1,202,377	\$ 1,521,577	\$ 1,345,603	\$ 1,811,862
Capital lease	840,295	840,295	-	-	840,295	840,295
Revenue bonds and notes	-	-	16,239,778	19,501,439	16,239,778	19,501,439
Totals	\$ <u>983,521</u>	\$ <u>1,130,580</u>	\$ <u>17,442,155</u>	\$ <u>21,023,016</u>	\$ <u>18,425,676</u>	\$ <u>22,153,596</u>

Other obligations include accrued vacation pay, sick leave, OPEB liability, net pension liability, and outstanding/estimated insurance claims. More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

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

Since the 1930’s, the economy of the City of Key West has been dependent upon tourism. Most of the employment base, commercial base and a large part of the tax base are dependent on tourism for continued success. However, as many Key West old timers will confess, it only takes one good storm. Such was the case as fiscal year 2017 came to a close. Fiscal year 2018 proved to be challenging fiscally, but with enough operating reserves in place the City was able to cash flow hurricane related expenses such as debris removal and permanent work to damaged facilities.

During fiscal year 2018 the City worked diligently with FEMA and the State to apply for grant reimbursements for all eligible cost. Moving into the development stages of the fiscal year 2018-2019 operating budget process the economic outlook for Key West and the Florida Keys was improving – indicating a return to Pre-Irma tourism levels or better. Also, coupled with a strong construction and residential/commercial rehabilitation sector and with anticipated grant reimbursement, the City Commission decided to hold firm on maintaining a millage rollback position and made few adjustments to the proposed fiscal year 2018-19 operating budget. City and County leadership as well as agency financial components continue to monitor and measure recovery trends.

To balance the General Fund operating budget and achieve a millage rollback rate of 2.2074, the City Commission approved a transfer of \$ 1,750,000 to the General Fund from the Key West Bight Fund's surplus income. Citywide parking fees were increased by \$ 1.00 per hour, which was estimated to bring in \$ 1.26 million per annum. There were several other nominal adjustments to revenues and expenses. The City's fiscal year 2019 adopted budget is \$ 184.8 million, which is approximately a \$ 4 million increase (or 2.0%) from the original adopted fiscal year 2018 budget of \$ 180.8 million. The fiscal year 2019 General Fund budget is \$ 64.0 million, which is approximately a \$ .2 million decrease from the original adopted fiscal year 2018 budget of \$ 64.2 million. The City commission decided to not raise any of the fees for three utility funds. The upland tenant leases have built-in fixed increases and all other marina fees were left unchanged for fiscal year 2019.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please visit the City's web site at [www.cityofkeywest-fl.gov](http://www.cityofkeywest-fl.gov) or by contacting the Finance Department, City of Key West, P.O. Box 1409, Key West, FL 33041.

## **BASIC FINANCIAL STATEMENTS**

**City of Key West, Florida**  
**Statement of Net Position**  
**September 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash, cash equivalents, and investments	\$ 31,189,816	\$ 44,647,893	\$ 75,837,709	\$ 7,658,160
Cash, cash equivalents, and investments (restricted)	-	838,145	838,145	787,071
Accounts receivable (net of allowances)	2,564,267	2,362,586	4,926,853	78,572
Intergovernmental receivables	2,835,796	1,417,889	4,253,685	58,807
Inventories	61,207	622,796	684,003	100,247
Prepaid items and other assets	612,466	41,294	653,760	498,890
Internal balances	1,965,694	(1,965,694)	-	-
Capital assets:				
Land	56,687,796	18,681,034	75,368,830	11,523,552
Buildings and improvements	28,921,561	52,851,369	81,772,930	66,462,006
Infrastructure	64,843,068	175,906,354	240,749,422	1,167,753
Machinery, equipment and furniture	24,800,189	16,543,342	41,343,531	1,785,709
Accumulated depreciation	(55,598,992)	(123,151,850)	(178,750,842)	(32,856,044)
Construction in progress	42,520,047	6,360,081	48,880,128	14,608,452
Other, including loans, mortgages, and other notes receivable	1,326,829	1,646,721	2,973,550	-
Net pension asset	522,631	282,292	804,923	342,743
<b>Total assets</b>	<b>203,252,375</b>	<b>197,084,252</b>	<b>400,336,627</b>	<b>72,215,918</b>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows relating to pensions	17,950,551	746,860	18,697,411	357,024
Deferred outflows relating to other post employment benefits (OPEB)	-	-	-	49,632
Deferred charge on refunding	-	184,876	184,876	-
<b>Total deferred outflows of resources</b>	<b>17,950,551</b>	<b>931,736</b>	<b>18,882,287</b>	<b>406,656</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 221,202,926</b>	<b>\$ 198,015,988</b>	<b>\$ 419,218,914</b>	<b>\$ 72,622,574</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,436,646	\$ 1,641,918	\$ 3,078,564	\$ 1,859,928
Accrued payroll and benefits	835,593	84,628	920,221	-
Unearned revenue	2,244,150	620,863	2,865,013	28,258
Intergovernmental	102,770	-	102,770	129,375
Deposits	60,364	-	60,364	437,936
Retainage payable	288,867	105,442	394,309	-
Accrued interest	-	214,602	214,602	-
Noncurrent liabilities:				
Due within one year	4,802,028	2,459,443	7,261,471	2,727,015
Due in more than one year	23,485,373	16,539,685	40,025,058	41,396,717
<b>Total liabilities</b>	<b>33,255,791</b>	<b>21,666,581</b>	<b>54,922,372</b>	<b>46,579,229</b>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows relating to pensions	4,751,454	324,199	5,075,653	829,761
Deferred inflows relating to other post employment benefits (OPEB)	237,607	21,212	258,819	-
<b>Total deferred inflows of resources</b>	<b>4,989,061</b>	<b>345,411</b>	<b>5,334,472</b>	<b>829,761</b>
<b>Net Position:</b>				
Net investment in capital assets	161,190,148	129,933,051	291,123,199	18,404,636
Restricted for:				
Infrastructure and capital projects	5,881,713	-	5,881,713	-
Debt service	-	289,030	289,030	-
Transportation	5,404,388	-	5,404,388	-
Truman waterfront	102,022	-	102,022	-
Natural resources	1,931,506	-	1,931,506	-
Housing initiatives and urban redevelopment	5,327,457	-	5,327,457	349,135
Law enforcement	51,144	-	51,144	-
Unrestricted	3,069,696	45,781,915	48,851,611	6,459,813
<b>Total net position</b>	<b>182,958,074</b>	<b>176,003,996</b>	<b>358,962,070</b>	<b>25,213,584</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 221,202,926</b>	<b>\$ 198,015,988</b>	<b>\$ 419,218,914</b>	<b>\$ 72,622,574</b>

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

**City of Key West, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fee, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 21,828,704	\$ 3,208,552	\$ 713,978	\$ 365,000
Public safety	29,894,212	4,341,734	129,077	18,065
Transportation	5,761,811	9,655,504	-	993,271
Economic environment	1,516,965	20,000	1,902,789	-
Culture and recreation	4,276,289	558,420	1,000,219	2,225,000
Human services	458,817	-	-	-
Interest and other fiscal charges	7,441	-	-	-
Total governmental activities	<u>63,744,239</u>	<u>17,784,210</u>	<u>3,746,063</u>	<u>3,601,336</u>
Business-Type Activities:				
Sanitary Sewer System	10,358,804	11,380,401	-	-
Solid Waste	8,464,101	9,283,577	17,667	-
Key West Bight	5,805,608	9,709,399	123,171	-
Stormwater	2,813,700	2,352,861	4,075	-
Garrison Bight	1,723,059	1,954,359	30,525	-
Transit System	4,048,062	1,105,777	2,060,011	2,518,416
Total business-type activities	<u>33,213,334</u>	<u>35,786,374</u>	<u>2,235,449</u>	<u>2,518,416</u>
Total primary government	<u>\$ 96,957,573</u>	<u>\$ 53,570,584</u>	<u>\$ 5,981,512</u>	<u>\$ 6,119,752</u>
<b>Component Unit:</b>				
The Housing Authority of of the City of Key West, Florida	<u>\$ 12,233,021</u>	<u>\$ 8,420,600</u>	<u>\$ 3,443,526</u>	<u>\$ 11,093</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Communications taxes				
Local business tax				
Municipal revenue sharing gas and cigarette tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental income (unrestricted)				
Payment in lieu of tax				
Investment earnings				
Other, including sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
<b>Net Position, October 1 (as restated, Note 16)</b>				
<b>Net Position, September 30</b>				

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (17,541,174)	\$ -	\$ (17,541,174)	\$ -
(25,405,336)	-	(25,405,336)	-
4,886,964	-	4,886,964	-
405,824	-	405,824	-
(492,650)	-	(492,650)	-
(458,817)	-	(458,817)	-
(7,441)	-	(7,441)	-
<u>(38,612,630)</u>	<u>-</u>	<u>(38,612,630)</u>	<u>-</u>
-	1,021,597	1,021,597	-
-	837,143	837,143	-
-	4,026,962	4,026,962	-
-	(456,764)	(456,764)	-
-	261,825	261,825	-
-	1,636,142	1,636,142	-
<u>-</u>	<u>7,326,905</u>	<u>7,326,905</u>	<u>-</u>
<u>(38,612,630)</u>	<u>7,326,905</u>	<u>(31,285,725)</u>	<u>-</u>
			<u>(357,802)</u>
16,490,475	-	16,490,475	-
1,293,641	-	1,293,641	-
1,479,920	-	1,479,920	-
1,397,699	-	1,397,699	-
8,309,700	-	8,309,700	-
4,415,314	-	4,415,314	-
1,506,434	-	1,506,434	-
164,855	-	164,855	-
522,780	-	522,780	-
217,471	348,711	566,182	85,760
298,683	359,949	658,632	867,327
4,328,731	(4,328,731)	-	-
<u>40,425,703</u>	<u>(3,620,071)</u>	<u>36,805,632</u>	<u>953,087</u>
1,813,073	3,706,834	5,519,907	595,285
<u>181,145,001</u>	<u>172,297,162</u>	<u>353,442,163</u>	<u>24,618,299</u>
<u>\$ 182,958,074</u>	<u>\$ 176,003,996</u>	<u>\$ 358,962,070</u>	<u>\$ 25,213,584</u>

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

**City of Key West, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	<u>General Fund</u>	<u>Community Development Office Fund</u>	<u>Gas Tax Fund</u>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 5,402,848	\$ 304,829	\$ 2,470,723
Receivables (net of allowance for uncollectibles):			
Accounts	1,427,684	-	-
Intergovernmental	1,381,578	15,304	170,939
Mortgage notes	-	1,326,829	-
Interfund receivables	-	-	847,133
Inventories	61,207	-	-
Advances to other funds	1,247,727	-	-
Prepays	135,480	1,108	-
<b>Total assets</b>	<u>\$ 9,656,524</u>	<u>\$ 1,648,070</u>	<u>\$ 3,488,795</u>
<b>Liabilities:</b>			
Accounts payable	\$ 765,389	\$ 1,229	\$ 218,067
Accrued payroll and related expenditures	812,575	-	4,676
Intergovernmental	102,320	450	-
Interfund payable	366,005	-	1,920
Deposits	60,364	-	-
Unearned revenue	829,287	1,222,537	183,880
Retainage payable	41,212	-	10,671
<b>Total liabilities</b>	<u>2,977,152</u>	<u>1,224,216</u>	<u>419,214</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue - grant funding	763,751	-	6,340
<b>Total deferred inflows of resources</b>	<u>763,751</u>	<u>-</u>	<u>6,340</u>
<b>Fund Balances:</b>			
Nonspendable:			
Inventories	61,207	-	-
Long-term advances/notes	1,247,727	182,712	-
Prepays	135,480	1,108	-
Restricted for:			
Infrastructure and capital projects	-	-	-
Housing initiatives and urban redevelopment	-	240,034	-
Law enforcement	-	-	-
Transportation	-	-	3,063,241
Truman waterfront	102,022	-	-
Natural resources	-	-	-
Committed to:			
Infrastructure and capital projects	-	-	-
Art in public places	-	-	-
Truman waterfront	-	-	-
Culture and recreation	168,725	-	-
Youth and recreational activities	1,256	-	-
Assigned to:			
Subsequent year's budget	728,130	-	-
Unassigned	3,471,074	-	-
<b>Total fund balances</b>	<u>5,915,621</u>	<u>423,854</u>	<u>3,063,241</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 9,656,524</u>	<u>\$ 1,648,070</u>	<u>\$ 3,488,795</u>

Infrastructure Surtax Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,186,160	\$ 574,620	\$ 10,064,128	\$ 24,003,308
-	23,758	-	1,451,442
1,229,356	-	38,619	2,835,796
-	-	-	1,326,829
10,653	8,939	1,987	868,712
-	-	-	61,207
-	-	-	1,247,727
407,168	-	-	543,756
<u>\$ 6,833,337</u>	<u>\$ 607,317</u>	<u>\$ 10,104,734</u>	<u>\$ 32,338,777</u>
\$ 298,335	\$ 23,800	\$ 113,060	\$ 1,419,880
4,293	-	10,889	832,433
-	-	-	102,770
429	-	2,986	371,340
-	-	-	60,364
-	-	5,433	2,241,137
236,984	-	-	288,867
<u>540,041</u>	<u>23,800</u>	<u>132,368</u>	<u>5,316,791</u>
<u>4,415</u>	<u>-</u>	<u>-</u>	<u>774,506</u>
<u>4,415</u>	<u>-</u>	<u>-</u>	<u>774,506</u>
-	-	-	61,207
-	-	-	1,430,439
407,168	-	-	543,756
5,881,713	-	-	5,881,713
-	-	5,087,423	5,327,457
-	-	51,144	51,144
-	-	2,341,147	5,404,388
-	-	-	102,022
-	-	1,931,506	1,931,506
-	583,517	-	583,517
-	-	412,363	412,363
-	-	148,783	148,783
-	-	-	168,725
-	-	-	1,256
-	-	-	728,130
-	-	-	3,471,074
<u>6,288,881</u>	<u>583,517</u>	<u>9,972,366</u>	<u>26,247,480</u>
<u>\$ 6,833,337</u>	<u>\$ 607,317</u>	<u>\$ 10,104,734</u>	<u>\$ 32,338,777</u>

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

**City of Key West, Florida**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**September 30, 2018**

---

<b>Fund Balances - Total Governmental Funds</b>		\$ 26,247,480
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		162,173,669
Internal service funds are used by management to charge the costs of insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		5,136,640
Certain funds related to pension assets and liabilities are not reported in the governmental funds.		
Deferred outflows relating to pensions	\$ 17,950,551	
Deferred inflows relating to pensions	(4,751,454)	
Deferred inflows relating to other post employment benefits (OPEB)	<u>(237,607)</u>	12,961,490
Certain revenues are considered deferred inflows of resources in the fund financial statements due to availability of funds; under full accrual accounting they are considered revenues.		774,506
Net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		522,631
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:		
Net pension liability	\$ (11,244,295)	
Other post employment benefits (OPEB)	(7,951,795)	
Note payable	(143,226)	
Capital lease	(840,295)	
Compensated absences*	<u>(4,678,731)</u>	<u>(24,858,342)</u>
<b>Net Position of Governmental Activities</b>		<b>\$ <u>182,958,074</u></b>

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

City of Key West, Florida  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Community Development Office Fund</u>
<b>Revenues:</b>		
Taxes	\$ 17,425,189	\$ -
Licenses and permits	3,997,476	-
Intergovernmental	9,171,289	554,135
Charges for services	8,901,735	-
Fines and forfeitures	719,179	-
Investment earnings	110,037	6,346
Rental income	2,106,454	-
Contributions and other	289,389	20,829
<b>Total revenues</b>	<u>42,720,748</u>	<u>581,310</u>
<b>Expenditures:</b>		
Current:		
General government	20,726,174	-
Public safety	28,135,377	-
Transportation	1,393,122	-
Economic environment	187,590	652,072
Culture and recreation	3,527,067	-
Human services	457,427	-
Capital outlay	890,938	-
Debt service:		
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<u>55,317,695</u>	<u>652,072</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(12,596,947)</u>	<u>(70,762)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	7,071,411	-
Transfers out	(1,626,985)	-
Sale of general capital assets	14,932	-
<b>Total other financing sources (uses)</b>	<u>5,459,358</u>	<u>-</u>
<b>Net change in fund balances</b>	(7,137,589)	(70,762)
<b>Fund balances, October 1</b>	<u>13,053,210</u>	<u>494,616</u>
<b>Fund balances, September 30</b>	\$ <u><u>5,915,621</u></u>	\$ <u><u>423,854</u></u>

<u>Gas Tax Fund</u>	<u>Infrastructure Surtax Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,506,434	\$ 8,309,700	\$ -	\$ 918,150	\$ 28,159,473
-	-	-	-	3,997,476
28,175	3,249,508	-	280,931	13,284,038
-	-	-	2,527,675	11,429,410
-	-	-	-	719,179
19,243	20,903	4,435	56,507	217,471
-	-	-	-	2,106,454
<u>57,718</u>	<u>365,000</u>	<u>-</u>	<u>6,773</u>	<u>739,709</u>
<u>1,611,570</u>	<u>11,945,111</u>	<u>4,435</u>	<u>3,790,036</u>	<u>60,653,210</u>
-	245,869	106,167	128,725	21,206,935
-	-	-	27,849	28,163,226
1,097,821	-	-	1,405,047	3,895,990
-	-	-	288,535	1,128,197
-	-	-	202,677	3,729,744
-	-	-	-	457,427
1,573,973	10,765,483	803,367	150,907	14,184,668
-	-	-	147,059	147,059
-	-	-	7,441	7,441
<u>2,671,794</u>	<u>11,011,352</u>	<u>909,534</u>	<u>2,358,240</u>	<u>72,920,687</u>
<u>(1,060,224)</u>	<u>933,759</u>	<u>(905,099)</u>	<u>1,431,796</u>	<u>(12,267,477)</u>
2,803,898	510,653	573,139	940,059	11,899,160
(456,320)	(4,801,518)	(122,387)	(160,538)	(7,167,748)
<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>49,932</u>
<u>2,347,578</u>	<u>(4,255,865)</u>	<u>450,752</u>	<u>779,521</u>	<u>4,781,344</u>
1,287,354	(3,322,106)	(454,347)	2,211,317	(7,486,133)
<u>1,775,887</u>	<u>9,610,987</u>	<u>1,037,864</u>	<u>7,761,049</u>	<u>33,733,613</u>
\$ <u><u>3,063,241</u></u>	\$ <u><u>6,288,881</u></u>	\$ <u><u>583,517</u></u>	\$ <u><u>9,972,366</u></u>	\$ <u><u>26,247,480</u></u>

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

**City of Key West, 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, 2018**

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (7,486,133)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeded depreciation expense for the current period:

Expenditures for capital assets	\$ 14,184,668	
Less: current year depreciation	<u>(4,633,714)</u>	9,550,954

Repayment of a loan is an expenditure in the governmental funds, but the repayment is a reduction of a liability in the statement of net position. 147,059

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. The net difference is recorded as a reconciling item. 525,439

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in net pension asset	\$ 289,162	
Change in net pension liability	(468,130)	
Change in other post employment benefits (OPEB)	(529,244)	
Change in compensated absences	<u>(112,101)</u>	(820,313)

Certain changes related to pension and assets and liabilities are not reported in the net change in the governmental funds:

Change in deferred outflows relating to pensions	\$ 3,535,840	
Change in deferred inflows relating to pensions	(3,511,786)	
Change in deferred inflows relating to other post employment benefits (OPEB)	<u>(237,607)</u>	(213,553)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service fund is reported with governmental funds. 109,620

**Change in Net Position of Governmental Activities** **\$ 1,813,073**

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

City of Key West, Florida  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 17,712,833	\$ 17,712,833	\$ 17,425,189	\$ (287,644)
Licenses and permits	3,967,300	3,967,300	3,997,476	30,176
Intergovernmental	7,642,184	7,690,343	9,171,289	1,480,946
Charges for services	10,017,834	10,017,834	8,901,735	(1,116,099)
Fines and forfeitures	992,500	992,500	719,179	(273,321)
Investment earnings	250,000	250,000	110,037	(139,963)
Rental income	2,227,600	2,227,600	2,106,454	(121,146)
Contributions and other	67,700	85,035	289,389	204,354
<b>Total revenues</b>	<u>42,877,951</u>	<u>42,943,445</u>	<u>42,720,748</u>	<u>(222,697)</u>
<b>Expenditures:</b>				
Personnel services	38,994,590	39,016,680	39,360,907	(344,227)
Operating	9,424,037	10,260,988	14,878,260	(4,617,272)
Capital outlay	1,163,854	1,397,892	890,938	506,954
Aid to private organizations	204,400	204,400	187,590	16,810
<b>Total expenditures</b>	<u>49,786,881</u>	<u>50,879,960</u>	<u>55,317,695</u>	<u>(4,437,735)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,908,930)</u>	<u>(7,936,515)</u>	<u>(12,596,947)</u>	<u>(4,660,432)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	6,774,595	7,253,625	7,071,411	(182,214)
Transfers out	(938,072)	(1,438,072)	(1,626,985)	(188,913)
Sale of general capital assets	10,000	10,000	14,932	4,932
<b>Total other financing sources (uses)</b>	<u>5,846,523</u>	<u>5,825,553</u>	<u>5,459,358</u>	<u>(366,195)</u>
<b>Net change in fund balance</b>	<u>\$ (1,062,407)</u>	<u>\$ (2,110,962)</u>	<u>(7,137,589)</u>	<u>\$ (5,026,627)</u>
<b>Fund Balance, October 1</b>			<u>13,053,210</u>	
<b>Fund Balance, September 30</b>			<u>\$ 5,915,621</u>	

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

City of Key West, Florida  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Community Development Office Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 49,245	\$ 49,245	\$ 554,135	\$ 504,890
Investment earnings	2,470	2,470	6,346	3,876
Contributions and other	-	-	20,829	20,829
<b>Total revenues</b>	<u>51,715</u>	<u>51,715</u>	<u>581,310</u>	<u>529,595</u>
<b>Expenditures:</b>				
Personnel services	89,838	89,838	89,761	77
Operating	22,900	22,900	562,311	(539,411)
<b>Total expenditures</b>	<u>112,738</u>	<u>112,738</u>	<u>652,072</u>	<u>(539,334)</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(61,023)</u>	<u>(61,023)</u>	<u>(70,762)</u>	<u>(9,739)</u>
<b>Net change in fund balance</b>	\$ <u>(61,023)</u>	\$ <u>(61,023)</u>	(70,762)	\$ <u>(9,739)</u>
<b>Fund Balance, October 1</b>			<u>494,616</u>	
<b>Fund Balance, September 30</b>			\$ <u>423,854</u>	

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

City of Key West, Florida  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Gas Tax Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 1,607,730	\$ 1,607,730	\$ 1,506,434	\$ (101,296)
Intergovernmental	169,000	418,121	28,175	(389,946)
Investment earnings	-	-	19,243	19,243
Contributions and other	75,000	75,000	57,718	(17,282)
<b>Total revenues</b>	<u>1,851,730</u>	<u>2,100,851</u>	<u>1,611,570</u>	<u>(489,281)</u>
<b>Expenditures:</b>				
Personnel services	287,470	287,470	199,261	88,209
Operating	1,010,349	1,346,121	898,560	447,561
Capital outlay	2,704,000	2,953,121	1,573,973	1,379,148
<b>Total expenditures</b>	<u>4,001,819</u>	<u>4,586,712</u>	<u>2,671,794</u>	<u>1,914,918</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(2,150,089)</u>	<u>(2,485,861)</u>	<u>(1,060,224)</u>	<u>1,425,637</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,799,765	2,799,765	2,803,898	4,133
Transfers out	(456,320)	(456,320)	(456,320)	-
<b>Total other financing sources (uses)</b>	<u>2,343,445</u>	<u>2,343,445</u>	<u>2,347,578</u>	<u>4,133</u>
<b>Net change in fund balance</b>	<u>\$ 193,356</u>	<u>\$ (142,416)</u>	1,287,354	<u>\$ 1,429,770</u>
<b>Fund Balance, October 1</b>			<u>1,775,887</u>	
<b>Fund Balance, September 30</b>			<u>\$ 3,063,241</u>	

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

**City of Key West, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2018**

	<b>Sanitary Sewer System</b>	<b>Solid Waste</b>	<b>Key West Bight</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash, cash equivalents and investments	\$ 14,551,857	\$ 9,639,697	\$ 15,753,556
Receivables, net of allowance for uncollectibles:			
Accounts	1,241,139	744,348	36,551
Intergovernmental	-	17,667	122,992
Interfund receivables	10,322	28,826	11,208
Prepaid expenses	-	-	30,596
Note receivable	-	-	77,741
Inventories	522,412	-	46,665
	<u>16,325,730</u>	<u>10,430,538</u>	<u>16,079,309</u>
<b>Restricted assets:</b>			
Cash, cash equivalents and investments	<u>726,891</u>	<u>111,254</u>	<u>-</u>
<b>Total current assets</b>	<u>17,052,621</u>	<u>10,541,792</u>	<u>16,079,309</u>
<b>Noncurrent assets:</b>			
Net pension asset	37,766	58,078	35,918
Note receivable, less current portion	-	-	1,568,980
Advances to other funds	1,529,826	-	-
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	23,345,932	8,677,969	7,362,770
Infrastructure	118,692,220	3,697	11,639,122
Machinery, equipment and furniture	4,575,509	569,625	946,271
Accumulated depreciation	(76,584,361)	(4,511,167)	(12,134,560)
Construction in progress	1,134,201	10,640	3,595,716
<b>Total noncurrent assets</b>	<u>72,737,573</u>	<u>8,553,869</u>	<u>27,893,744</u>
<b>Total assets</b>	<u>89,790,194</u>	<u>19,095,661</u>	<u>43,973,053</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows relating to pensions	58,914	87,208	175,403
Deferred charge on refunding	184,876	-	-
<b>Total deferred outflows of resources</b>	<u>243,790</u>	<u>87,208</u>	<u>175,403</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 90,033,984</u>	<u>\$ 19,182,869</u>	<u>\$ 44,148,456</u>

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 3,331,859	\$ 25,212	\$ 1,345,712	\$ 44,647,893	\$ 7,186,508
257,842	29,728	52,978	2,362,586	1,112,825
4,075	1,089,485	183,670	1,417,889	-
847	93,451	10,462	155,116	220,595
-	3,158	7,540	41,294	68,710
-	-	-	77,741	-
19,943	33,776	-	622,796	-
<u>3,614,566</u>	<u>1,274,810</u>	<u>1,600,362</u>	<u>49,325,315</u>	<u>8,588,638</u>
-	-	-	838,145	-
<u>3,614,566</u>	<u>1,274,810</u>	<u>1,600,362</u>	<u>50,163,460</u>	<u>8,588,638</u>
29,772	90,659	30,099	282,292	-
-	-	-	1,568,980	-
-	-	-	1,529,826	-
-	50,000	-	18,681,034	-
-	12,757,622	707,076	52,851,369	-
36,068,430	235,491	9,267,394	175,906,354	-
24,643	9,797,734	629,560	16,543,342	-
(16,018,591)	(8,269,468)	(5,633,703)	(123,151,850)	-
176,394	132,074	1,311,056	6,360,081	-
<u>20,280,648</u>	<u>14,794,112</u>	<u>6,311,482</u>	<u>150,571,428</u>	<u>-</u>
<u>23,895,214</u>	<u>16,068,922</u>	<u>7,911,844</u>	<u>200,734,888</u>	<u>8,588,638</u>
24,273	300,082	100,980	746,860	-
-	-	-	184,876	-
<u>24,273</u>	<u>300,082</u>	<u>100,980</u>	<u>931,736</u>	<u>-</u>
\$ <u><u>23,919,487</u></u>	\$ <u><u>16,369,004</u></u>	\$ <u><u>8,012,824</u></u>	\$ <u><u>201,666,624</u></u>	\$ <u><u>8,588,638</u></u>

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

**City of Key West, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**(continued)**  
**September 30, 2018**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 215,216	\$ 542,982	\$ 395,345
Accrued payroll and related expenses	5,587	6,525	19,723
Compensated absences	32,290	25,881	34,580
Accrued expenses	115,285	-	217,225
Accrued interest	214,602	-	-
Interfund payable	1,280	2,347	7,896
Retainage payable	-	-	-
Insurance claims payable	-	-	-
Unearned revenue	391,985	111,254	34,746
Bonds and note payable	2,220,463	-	-
<b>Total current liabilities</b>	<u>3,196,708</u>	<u>688,989</u>	<u>709,515</u>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable	14,349,036	-	-
Note payable	872,656	-	-
Advances from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	229,629
Other post employment benefits (OPEB) liability	38,969	75,421	208,195
Compensated absences	11,784	9,445	12,619
<b>Total noncurrent liabilities</b>	<u>15,273,045</u>	<u>84,866</u>	<u>450,443</u>
<b>Total liabilities</b>	<u>18,469,753</u>	<u>773,855</u>	<u>1,159,958</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows relating to pensions	28,499	43,635	62,364
Deferred inflows relating to other post employment benefits (OPEB)	1,164	2,254	6,221
<b>Total deferred inflows of resources</b>	<u>29,663</u>	<u>45,889</u>	<u>68,585</u>
<b>Net Position:</b>			
Net investment in capital assets	53,912,702	8,495,791	26,288,846
Restricted for debt service	289,030	-	-
Unrestricted	17,332,836	9,867,334	16,631,067
<b>Total net position</b>	<u>71,534,568</u>	<u>18,363,125</u>	<u>42,919,913</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 90,033,984</u>	<u>\$ 19,182,869</u>	<u>\$ 44,148,456</u>

	<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$	36,748	\$ 24,855	\$ 94,262	\$ 1,309,408	\$ 16,766
	1,125	39,126	12,542	84,628	3,160
	3,132	109,499	33,598	238,980	2,390
	-	-	-	332,510	-
	-	-	-	214,602	-
	212	856,015	5,333	873,083	-
	-	-	105,442	105,442	-
	-	-	-	-	924,019
	-	-	82,878	620,863	3,013
	-	-	-	2,220,463	-
	<u>41,217</u>	<u>1,029,495</u>	<u>334,055</u>	<u>5,999,979</u>	<u>949,348</u>
	-	-	-	14,349,036	-
	-	-	-	872,656	-
	2,777,553	-	-	2,777,553	-
	-	-	-	-	2,501,778
	-	5,530	285,132	520,891	-
	11,311	330,647	45,347	709,890	-
	1,143	39,960	12,261	87,212	872
	<u>2,790,007</u>	<u>376,137</u>	<u>342,740</u>	<u>19,317,238</u>	<u>2,502,650</u>
	<u>2,831,224</u>	<u>1,405,632</u>	<u>676,795</u>	<u>25,317,217</u>	<u>3,451,998</u>
	14,879	134,887	39,935	324,199	-
	338	9,880	1,355	21,212	-
	<u>15,217</u>	<u>144,767</u>	<u>41,290</u>	<u>345,411</u>	<u>-</u>
	20,250,876	14,703,453	6,281,383	129,933,051	-
	-	-	-	289,030	-
	822,170	115,152	1,013,356	45,781,915	5,136,640
	<u>21,073,046</u>	<u>14,818,605</u>	<u>7,294,739</u>	<u>176,003,996</u>	<u>5,136,640</u>
\$	<u><u>23,919,487</u></u>	\$ <u><u>16,369,004</u></u>	\$ <u><u>8,012,824</u></u>	\$ <u><u>201,666,624</u></u>	\$ <u><u>8,588,638</u></u>

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

**City of Key West, Florida**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2018**

	<b>Sanitary Sewer System</b>	<b>Solid Waste</b>	<b>Key West Bight</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 11,380,401	\$ 9,283,577	\$ 9,709,399
<b>Total operating revenues</b>	<b>11,380,401</b>	<b>9,283,577</b>	<b>9,709,399</b>
<b>Operating Expenses:</b>			
Personnel services	286,941	711,996	1,081,892
Other operating expenses	5,662,535	7,281,245	4,073,302
Depreciation	3,899,822	470,860	642,439
<b>Total operating expenses</b>	<b>9,849,298</b>	<b>8,464,101</b>	<b>5,797,633</b>
<b>Operating income (loss)</b>	<b>1,531,103</b>	<b>819,476</b>	<b>3,911,766</b>
<b>Nonoperating Revenues (Expenses):</b>			
Grant income (operating)	-	17,667	123,171
Grant income (capital)	-	-	-
Investment earnings	148,028	71,512	94,093
Other income	2,439	-	179,397
Interest expense and other fiscal charges	(509,506)	-	(7,975)
<b>Net nonoperating revenues (expenses)</b>	<b>(359,039)</b>	<b>89,179</b>	<b>388,686</b>
<b>Income (loss) before transfers</b>	<b>1,172,064</b>	<b>908,655</b>	<b>4,300,452</b>
<b>Transfers:</b>			
Transfers in	10,322	28,826	11,208
Transfers out	(1,228,481)	(1,721,773)	(1,198,403)
<b>Total transfers</b>	<b>(1,218,159)</b>	<b>(1,692,947)</b>	<b>(1,187,195)</b>
<b>Change in net position</b>	<b>(46,095)</b>	<b>(784,292)</b>	<b>3,113,257</b>
<b>Net Position, October 1 (as restated, Note 16)</b>	<b>71,580,663</b>	<b>19,147,417</b>	<b>39,806,656</b>
<b>Net Position, September 30</b>	<b>\$ 71,534,568</b>	<b>\$ 18,363,125</b>	<b>\$ 42,919,913</b>

	<b>Stormwater</b>	<b>Transit System</b>	<b>Garrison Bight</b>	<b>Total</b>	<b>Governmental Activities Internal Service Fund</b>
\$	<u>2,352,861</u>	\$ <u>1,105,777</u>	\$ <u>1,954,359</u>	\$ <u>35,786,374</u>	\$ <u>10,318,723</u>
	<u>2,352,861</u>	<u>1,105,777</u>	<u>1,954,359</u>	<u>35,786,374</u>	<u>10,318,723</u>
	54,176	2,267,008	687,471	5,089,484	151,288
	1,095,650	860,012	651,903	19,624,647	10,185,068
	<u>1,565,138</u>	<u>912,475</u>	<u>383,685</u>	<u>7,874,419</u>	<u>-</u>
	<u>2,714,964</u>	<u>4,039,495</u>	<u>1,723,059</u>	<u>32,588,550</u>	<u>10,336,356</u>
	<u>(362,103)</u>	<u>(2,933,718)</u>	<u>231,300</u>	<u>3,197,824</u>	<u>(17,633)</u>
	4,075	2,060,011	30,525	2,235,449	-
	-	2,518,416	-	2,518,416	-
	25,036	-	10,042	348,711	45,355
	-	38,160	139,953	359,949	484,579
	<u>(98,736)</u>	<u>(8,567)</u>	<u>-</u>	<u>(624,784)</u>	<u>-</u>
	<u>(69,625)</u>	<u>4,608,020</u>	<u>180,520</u>	<u>4,837,741</u>	<u>529,934</u>
	<u>(431,728)</u>	<u>1,674,302</u>	<u>411,820</u>	<u>8,035,565</u>	<u>512,301</u>
	315,847	389,630	10,462	766,295	8,085
	<u>(338,725)</u>	<u>(288,246)</u>	<u>(319,398)</u>	<u>(5,095,026)</u>	<u>(410,766)</u>
	<u>(22,878)</u>	<u>101,384</u>	<u>(308,936)</u>	<u>(4,328,731)</u>	<u>(402,681)</u>
	<u>(454,606)</u>	<u>1,775,686</u>	<u>102,884</u>	<u>3,706,834</u>	<u>109,620</u>
	<u>21,527,652</u>	<u>13,042,919</u>	<u>7,191,855</u>	<u>172,297,162</u>	<u>5,027,020</u>
\$	<u><u>21,073,046</u></u>	\$ <u><u>14,818,605</u></u>	\$ <u><u>7,294,739</u></u>	\$ <u><u>176,003,996</u></u>	\$ <u><u>5,136,640</u></u>

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

**City of Key West, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2018**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 11,565,597	\$ 9,330,712	\$ 9,713,344
Cash received from interfund charges	-	-	-
Cash paid to suppliers	(5,518,407)	(7,588,534)	(3,877,522)
Cash paid to employees	(244,415)	(722,125)	(1,040,109)
Other receipts	<u>2,439</u>	<u>-</u>	<u>179,397</u>
<b>Net cash provided by (used in) operating activities</b>	<u>5,805,214</u>	<u>1,020,053</u>	<u>4,975,110</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from grants (operating purposes)	-	-	179
Repayments received on advances to other funds	101,225	-	-
Repayments made on advances from other funds	-	-	-
Interest paid on advances from other funds	-	-	-
Transfers in	10,322	28,826	11,208
Transfers (out)	<u>(1,228,481)</u>	<u>(1,721,773)</u>	<u>(1,198,403)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(1,116,934)</u>	<u>(1,692,947)</u>	<u>(1,187,016)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from grants (capital purposes)	-	-	-
Acquisition and construction of capital assets, net	(424,649)	(43,139)	(776,576)
Principal paid on revenue bonds	(1,841,845)	-	(1,419,816)
Interest paid and other fiscal charges	(489,613)	-	(23,924)
Repayments and payments on notes	<u>(319,200)</u>	<u>-</u>	<u>87,424</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,075,307)</u>	<u>(43,139)</u>	<u>(2,132,892)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment earnings	<u>148,028</u>	<u>71,512</u>	<u>94,093</u>
<b>Net cash provided by (used in) investing activities</b>	<u>148,028</u>	<u>71,512</u>	<u>94,093</u>
<b>Net increase (decrease) in cash, cash equivalents and investments</b>	1,761,001	(644,521)	1,749,295
<b>Cash, Cash Equivalents and Investments, October 1</b>	<u>13,517,747</u>	<u>10,395,472</u>	<u>14,004,261</u>
<b>Cash, Cash Equivalents and Investments, September 30</b>	\$ <u><u>15,278,748</u></u>	\$ <u><u>9,750,951</u></u>	\$ <u><u>15,753,556</u></u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash, cash equivalents and investments	\$ 14,551,857	\$ 9,639,697	\$ 15,753,556
Restricted cash, cash equivalents and investments	<u>726,891</u>	<u>111,254</u>	<u>-</u>
<b>Cash, cash equivalents and investments</b>	\$ <u><u>15,278,748</u></u>	\$ <u><u>9,750,951</u></u>	\$ <u><u>15,753,556</u></u>

	<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$	2,128,079	\$ 1,020,929	\$ 1,934,616	\$ 35,693,277	\$ -
	-	-	-	-	10,095,733
	(1,453,194)	(18,415)	(636,807)	(19,092,879)	(9,966,893)
	(52,155)	(2,167,353)	(666,422)	(4,892,579)	(151,528)
	-	38,160	139,953	359,949	484,579
	<u>622,730</u>	<u>(1,126,679)</u>	<u>771,340</u>	<u>12,067,768</u>	<u>461,891</u>
	-	1,324,975	-	1,325,154	-
	-	-	-	101,225	-
	(241,790)	-	-	(241,790)	-
	(98,736)	(8,567)	-	(107,303)	-
	315,847	389,630	10,462	766,295	8,085
	<u>(338,725)</u>	<u>(288,246)</u>	<u>(319,398)</u>	<u>(5,095,026)</u>	<u>(410,766)</u>
	<u>(363,404)</u>	<u>1,417,792</u>	<u>(308,936)</u>	<u>(3,251,445)</u>	<u>(402,681)</u>
	-	2,744,403	-	2,744,403	-
	(45,119)	(3,072,933)	(1,066,065)	(5,428,481)	-
	-	-	-	(3,261,661)	-
	-	-	-	(513,537)	-
	-	-	-	<u>(231,776)</u>	-
	<u>(45,119)</u>	<u>(328,530)</u>	<u>(1,066,065)</u>	<u>(6,691,052)</u>	<u>-</u>
	<u>25,036</u>	<u>-</u>	<u>10,042</u>	<u>348,711</u>	<u>45,355</u>
	<u>25,036</u>	<u>-</u>	<u>10,042</u>	<u>348,711</u>	<u>45,355</u>
	239,243	(37,417)	(593,619)	2,473,982	104,565
	<u>3,092,616</u>	<u>62,629</u>	<u>1,939,331</u>	<u>43,012,056</u>	<u>7,081,943</u>
\$	<u>3,331,859</u>	\$ <u>25,212</u>	\$ <u>1,345,712</u>	\$ <u>45,486,038</u>	\$ <u>7,186,508</u>
\$	3,331,859	\$ 25,212	\$ 1,345,712	\$ 44,647,893	\$ 7,186,508
	-	-	-	838,145	-
\$	<u>3,331,859</u>	\$ <u>25,212</u>	\$ <u>1,345,712</u>	\$ <u>45,486,038</u>	\$ <u>7,186,508</u>

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

**City of Key West, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**(continued)**  
**For the Year Ended September 30, 2018**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
<b>Operating income (loss)</b>	\$ <u>1,531,103</u>	\$ <u>819,476</u>	\$ <u>3,911,766</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>			
Other nonoperating revenues	2,439	-	179,397
Depreciation	3,899,822	470,860	642,439
<b>Decrease (increase) in assets:</b>			
Accounts receivables, net	143,105	(36,811)	(8,466)
Interfund receivables, net	(9,478)	(27,308)	(4,966)
Prepaid expenses	-	-	(1,064)
Inventories	(9,868)	-	328
Net pension asset	(5,279)	(7,880)	(18,437)
Deferred outflows relating to pensions	2,333	3,483	8,149
<b>Increase (decrease) in liabilities:</b>			
Accounts payable	37,431	(309,636)	86,115
Accrued payroll and related expenses	1,034	(814)	91
Accrued expenses	115,285	-	102,505
Interfund payable, net	1,280	2,347	7,896
Insurance claims payable	-	-	-
Unearned revenue	51,569	111,254	20,758
Customer deposits	-	-	(3,381)
Other post employment benefits (OPEB) liability	2,593	5,020	13,857
Compensated absences	29,147	(29,411)	(8,384)
Deferred inflows relating to pensions	11,534	17,219	40,286
Deferred inflows relating to other post employment benefits (OPEB)	<u>1,164</u>	<u>2,254</u>	<u>6,221</u>
<b>Total adjustments</b>	<u>4,274,111</u>	<u>200,577</u>	<u>1,063,344</u>
<b>Net cash provided by (used in) operating activities</b>	\$ <u><u>5,805,214</u></u>	\$ <u><u>1,020,053</u></u>	\$ <u><u>4,975,110</u></u>

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>(362,103)</u>	\$ <u>(2,933,718)</u>	\$ <u>231,300</u>	\$ <u>3,197,824</u>	\$ <u>(17,633)</u>
-	38,160	139,953	359,949	484,579
1,565,138	912,475	383,685	7,874,419	-
(224,105)	506	(35,431)	(161,202)	366,129
(677)	(84,004)	(6,918)	(133,351)	(220,595)
-	(237)	(167)	(1,468)	(8,710)
1,137	(4,822)	-	(13,225)	-
(1,152)	(38,956)	(10,855)	(82,559)	-
509	17,219	4,798	36,491	-
(358,893)	(9,359)	9,930	(544,412)	10,032
128	4,537	1,550	6,526	377
-	-	-	217,790	-
212	856,015	5,333	873,083	(168,363)
-	-	-	-	19,087
-	-	7,738	191,319	(2,395)
-	(1,350)	14,868	10,137	-
753	22,007	3,018	47,248	-
(1,073)	(153)	(2,534)	(12,408)	(617)
2,518	85,121	23,717	180,395	-
<u>338</u>	<u>9,880</u>	<u>1,355</u>	<u>21,212</u>	<u>-</u>
<u>984,833</u>	<u>1,807,039</u>	<u>540,040</u>	<u>8,869,944</u>	<u>479,524</u>
\$ <u><u>622,730</u></u>	\$ <u><u>(1,126,679)</u></u>	\$ <u><u>771,340</u></u>	\$ <u><u>12,067,768</u></u>	\$ <u><u>461,891</u></u>

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

**City of Key West, Florida**  
**Statement of Net Position**  
**Fiduciary Funds**  
**September 30, 2018**

---

**Assets:**

Cash and cash equivalents	\$ 10,665,567
Investments, at fair value:	
Equity securities	106,704,816
Corporate and foreign bonds and bond funds	20,487,651
Alternative investments	11,656,442
U.S. government securities	12,030,348
Collateralized mortgage obligations	2,342,478
Municipal obligations	789,356
Real estate	5,390,000
Receivables:	
Interest and dividends	256,352
Other	665,476
Proceeds from securities sold	<u>113,119</u>
<b>Total assets</b>	<b><u>171,101,605</u></b>

**Liabilities:**

Accounts payable and accrued expenses	150,122
Payable for securities purchased	5,422,427
Prepaid city contributions	<u>206,092</u>
<b>Total liabilities</b>	<b><u>5,778,641</u></b>

**Net Position:**

Restricted for pension benefits	\$ <u><u>165,322,964</u></u>
---------------------------------	------------------------------

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

**City of Key West, Florida**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2018**

---

**Additions:**

Contributions:	
Employer	\$ 4,756,880
Members	1,662,939
State police and fire	<u>645,479</u>
Total contributions	<u>7,065,298</u>

Investment earnings:

Net appreciation (depreciation) in fair value of investments	11,762,283
Interest and dividends	<u>4,833,887</u>

Total investment earnings	16,596,170
---------------------------	------------

Less: Investment expenses	<u>805,126</u>
---------------------------	----------------

Net investment earnings	<u>15,791,044</u>
-------------------------	-------------------

<b>Total additions</b>	<u><u>22,856,342</u></u>
------------------------	--------------------------

**Deductions:**

Benefits paid	8,957,180
Administrative expenses	<u>350,067</u>

<b>Total deductions</b>	<u>9,307,247</u>
-------------------------	------------------

<b>Changes in net position</b>	13,549,095
--------------------------------	------------

<b>Net Position, October 1</b>	<u>151,773,869</u>
--------------------------------	--------------------

<b>Net Position, September 30</b>	\$ <u><u>165,322,964</u></u>
-----------------------------------	------------------------------

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

## 1. Summary of Significant Accounting Policies

The City of Key West, Florida (the "City") is a municipal corporation incorporated in 1828. The City operates under a commission-manager form of government. The City provides services authorized by its charter, including public safety, public welfare, public improvements, planning and zoning, transportation, recreation, and general administrative services. The City complies with Accounting Principles Generally Accepted in the United States of America and those standards promulgated by the Governmental Accounting Standards Board (GASB).

### A. Reporting Entity

In defining the City for financial reporting purposes, management has considered all potential component units. Component units are generally legally separate entities for which the primary government (the City) is financially accountable. A primary government is financially accountable for the potential component unit if it appoints a voting majority of the unit's governing board and is able to impose its will upon the potential component unit, or there is a possibility for the potential component unit to provide specific financial benefits or impose specific financial burdens on the primary government. Section B briefly reviews each potential component unit addressed in defining the City's reporting entity.

### B. Individual Component Unit Disclosures

#### Discretely Presented Component Unit:

The Housing Authority of the City of Key West, Florida (KWH or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWH is to provide affordable housing to low income, elderly and disabled families in Key West. Programs are administered through the Department of Housing and Urban Development. The Authority's Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$ 518,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services, the City has no other obligations to KWH. KWH is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWH reflects a December 31, 2017 year-end. Further information regarding KWH, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33040.

#### Blended Component Unit:

Under Florida Statute 163, the City created the Bahama Village Community Redevelopment Agency ("BVCRA"). The BVCRA is comprised of two redevelopment areas, the Caroline Street Corridor Redevelopment Area (formerly known as the Key West Bight Redevelopment Area) and the Bahama Village Redevelopment Area, which are collectively managed by the Caroline Street Corridor and the Bahama Village Community Redevelopment Advisory ("CRA"). The Key West City Commission sits as the governing body for the CRA. These two redevelopment areas are presented as separate Special Revenue Funds in these financial statements.

## 1. Summary of Significant Accounting Policies (continued)

### Other Organizations:

The Utility Board of the City of Key West, Florida, or Keys Energy Services, is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and maintain the electric utility servicing the citizens of Key West and the Lower Keys. The Board is elected by the voters of the community. In accordance with bond resolution requirements, the City annually receives a return from the system, a sum equal to the greater of (a) \$ 200,000 (adjusted annually for changes in the Consumer Price Index) or (b) one percent (1%) of the gross revenues derived from sales of electricity at retail (exclusive of Power Cost Revenue, which are defined, for purposes of this paragraph, as (i) revenues determined by reference to the power cost component of base rates, plus or minus (ii) power cost adjustment charges or credits). For the fiscal year ended September 30, 2018, the City received payment of approximately \$ 423,000. Keys Energy Services is not considered a component unit of the City.

### C. 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 nonfiduciary activities of the primary government. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, 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 are 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 are met.

## 1. Summary of Significant Accounting Policies (continued)

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. "Measurable" means the amount of the transaction can be determined. 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 government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB liabilities, and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's sewer, solid waste functions and various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, rental income, licenses and permits, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administration expenses, and provision for depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **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 Community Development Office Fund, a special revenue fund, accounts for proceeds and disbursements of housing, economic, and urban development grants. This fund is managed by The Housing Authority of the City of Key West, Florida under a contractual agreement. This fund has been determined by management to be a major fund.

The Gas Tax Fund, a special revenue fund, accounts for county and state gasoline tax revenue sharing, and other grant funding, designated for the capital improvements of streets and sidewalks and other transportation needs of the City. This fund has been determined by management to be a major fund.

## 1. Summary of Significant Accounting Policies (continued)

The Infrastructure Surtax Fund, a capital projects fund, accounts for the local government discretionary sales surtax, used for the development of infrastructure, acquisition of land, or protection of natural resources.

The Capital Projects Fund was established to account for financial resources expended on acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. This fund has been determined by management to be a major fund.

### **The City reports the following major proprietary funds:**

The Sanitary Sewer System Fund accounts for the activities of the City's sewer treatment plant, sewage pumping stations and collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste collection and disposal system.

The Key West Bight Fund accounts for the operations of the area known as the Key West Bight, which includes marina service, restaurants, and retail shops.

The Stormwater Fund accounts for the operation of the City stormwater collection process.

The Transit System Fund accounts for the provision of mass transit services within the City limits to the residents of the City.

The Garrison Bight Fund accounts for the provision of marina services to the residents of the City. This fund has been determined by management to be a major fund.

### **Additionally, the City reports the following fund types:**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted, or committed, to expenditures for specified purposes. These funds include the Law Enforcement Trust, Fort Taylor, Affordable Housing Escrow, Bahama Village, Navy Pier Payments, Caroline Street, Community, Transportation Alternative and Truman Waterfront.

Internal Service Fund - This fund is used to account for goods or services provided by one department to other departments of the City on a cost measurement basis, in particular, the City's Insurance Fund.

Pension Trust Funds - These funds are used to account for assets held by the City in a trustee capacity as an agent of the Pension Trust Board. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. These funds include Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

## 1. Summary of Significant Accounting Policies (continued)

### E. Budgets and Budgetary Accounting

Florida Statutes require that all city governments prepare, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. Accordingly, the City has established budgetary procedures.

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances are recorded at the time a purchase order or other commitment is entered into. Encumbrances outstanding at year-end represent the estimated amount of expenditures which would result if unperformed purchase orders and other commitments at year-end are completed. Encumbrances lapse at year-end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year-end are re-appropriated in the next fiscal year and are therefore presented as committed or assigned fund balance for the subsequent year.

The legal level of control is at the major category level; i.e., personnel services, operating, capital, debt service, aid to private organizations and transfers.

#### **Budgetary Process:**

Certain procedures are followed in establishing the budgetary data reflected in the financial statements:

Not later than 60 days prior to the end of the fiscal year, the City Manager submits to the Commission a proposed operating budget for the fiscal year commencing October 1. The budget is prepared by fund and major category (personnel service, operating, capital, debt service, aid to private organizations and transfers) and includes the proposed expenditures and the means of financing them.

Two public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution, unless an extension of time is authorized by the Florida Department of Revenue. The budget resolution grants the City Manager discretion to effect certain budget changes as follows:

- The City Manager may increase the total fund budget by an amount not to exceed \$ 20,000. Beyond that, the City Commission must approve the increase by resolution.
- The City Manager may make unlimited transfers within a category within a fund.
- The City Manager may make transfers among categories up to \$ 20,000. Beyond that, the City Commission must approve the transfers by resolution.
- Any of the above actions must maintain a balanced budget.

**1. Summary of Significant Accounting Policies (continued)**

The City Commission through the resolution process can amend the budget for any amount.

**Excess of Expenditures over Appropriations** – The following expenditures exceeded appropriations by the following amounts:

<b>General Fund:</b>	
Personnel services	\$ 344,227
Operating	<u>4,617,272</u>
Total	<u>\$ 4,961,499</u>
<b>Community Development Office Fund:</b>	
Operating	<u>\$ 539,411</u>
<b>Bahama Village Fund:</b>	
Operating	<u>\$ 1,690</u>
<b>Navy Pier Payments Fund:</b>	
Operating	<u>\$ 11,297</u>
<b>Truman Waterfront Fund:</b>	
Capital outlay	<u>\$ 34,844</u>
<b>Infrastructure Surtax Fund:</b>	
Operating	\$ 31,349
Capital outlay	<u>3,365,850</u>
Total	<u>\$ 3,397,199</u>
<b>Capital Projects Fund:</b>	
Operating	\$ 1,964
Capital outlay	<u>446,641</u>
Total	<u>\$ 448,605</u>

These over-expenditures were funded by other categories and/or appropriated fund balance, where applicable.

**F. Deposits and Investments**

Cash and cash equivalents are defined as demand deposits, money market accounts and other short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as its component unit, are generally carried at estimated fair value, which is based on quoted market prices and other pricing models. Unrealized gains and losses in estimated fair value are recognized.

## 1. Summary of Significant Accounting Policies (continued)

### G. Receivables and Payables

The City of Key West recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "interfund receivables/payables" on the balance sheet.

Non-current portions of interfund loans receivable/payable are reported as advances. Advances receivable in the governmental funds are reported as nonspendable fund balance, which indicates that the amounts reserved do not constitute expendable available resources and are therefore not available for appropriation.

### H. Prepaid Items

Prepays are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefited. These amounts are reported as nonspendable fund balance in the governmental fund financial statements. These costs are accounted for under the consumption method.

### I. Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. Inventories for governmental and proprietary fund types are accounted for using the consumption method, wherein all inventories are maintained by perpetual records, expensed when used and adjusted by an annual physical count. These amounts are reported as nonspendable fund balance in the governmental fund financial statements.

### J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees also are classified as restricted due to statutory limitations on their usage. Other accounts are restricted by local ordinance or other regulatory requirements.

### K. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furniture, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. All assets are depreciated using the straight-line method of depreciation. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the date of acquisition.

## 1. Summary of Significant Accounting Policies (continued)

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend asset life is not capitalized. The estimated useful lives of the City's capital assets are as follows:

Buildings and improvements	10-30 years
Machinery, equipment, and furniture	3-10 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as construction progresses. 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. There was no capitalized interest during the year.

### L. 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. It is deferred charge on refunding reported in the proprietary funds and 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 second item is the deferred outflows relating to the pension plans and discussed in further detail in Note 6.

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 three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet and discussed in further detail in Note 3. The governmental funds report unavailable revenues from intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred inflows relating to the pension plans and discussed in further detail in Note 6. The third item is the deferred inflows relating to the other post-employment benefits (OPEB) and discussed in further detail in Note 7.

### M. Compensated Absences

Under terms of civil service regulations, labor contracts, and administrative policy, regular full-time and permanent employees are granted vacation and sick leave in varying amounts, which may be accumulated and paid upon separation from City service. Vacation time accrues at 10 to 20 days per year depending on years of service. Up to 240 hours of vacation time may be accumulated. Sick leave may be accumulated at a rate of 12 days per year up to a maximum of 720 hours. Both types of leave are payable at pay rates in effect at the date of separation. Hours paid vary based upon longevity and are in accordance with union contracts. The City reports the liability for compensated absences in the applicable governmental or business-type activities column in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year. In the case of proprietary fund financial statements, vested or accumulated vacation and sick leave, both current and non-current, is recorded as an expense and liability of the relevant proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting rights to personal leave.

## 1. Summary of Significant Accounting Policies (continued)

### N. Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund 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. Long-term debt is recognized as a liability in the governmental fund statements when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Discounts and premiums on bonds payable are amortized using the interest method over the life of the bonds. Bond discounts and premiums are presented as an adjustment of the outstanding amount of bonds payable, as applicable.

### O. Net Position/Fund Balance

Net position in the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets plus unspent bond proceeds.

Restricted consists of net position with constraints placed on their 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 indicates that portion of net position that is available to fund future operations.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted into cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and note receivable, as well as property acquired for resale.

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.

## 1. Summary of Significant Accounting Policies (continued)

Committed: This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Resources accumulated pursuant to stabilization arrangements are reported in this category.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through resolution by the Commission authorizing this responsibility to the City Manager. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally can only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 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.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### P. Minimum Fund Balance Policy

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flows and reduce the susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City Commission has adopted a policy that requires the City to maintain unassigned fund balance equivalent to a minimum ranging from 20% to 25% of the subsequent year's budgeted operating expenditures and transfers out. In 2018, the minimum fund balance required by the City Commission at the close of the fiscal year ranges from approximately \$ 10,400,000 to \$ 12,900,000; therefore, unassigned fund balance is below the prescribed limits. The City intends to replenish its fund balance from funds pending approval and reimbursement from FEMA and the State of Florida, related to costs incurred due to Hurricane Irma.

**1. Summary of Significant Accounting Policies (continued)**

**Q. Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Date of Management Review**

Subsequent events were evaluated by management through March 28, 2019, which is the date the financial statements were available to be issued.

**2. Deposits and Investments**

**A. Deposits**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires governments to disclose deposits and investments exposed to custodial credit risk. For deposits, this is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

The City’s deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. Monies deposited in amounts greater than the insurance coverage are covered by the participation of the bank in the Florida Security for Public Deposits Act. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity’s name.

At September 30, 2018, the carrying amount of the City’s deposits was approximately \$ 8,204,000, with a bank balance of approximately \$ 7,960,000. Included in the carrying amount of deposits was approximately \$ 3,800 cash on hand.

**B. Investments**

As of September 30, 2018, the carrying value of the City’s cash, cash equivalents and investments, was as follows:

	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, cash equivalents and investments	\$ 8,204,096	\$ 2,043,392	\$ 65,590,221	\$ 75,837,709
Restricted cash, cash equivalents, and investments	-	-	838,145	838,145
	<u>\$ 8,204,096</u>	<u>\$ 2,043,392</u>	<u>\$ 66,428,366</u>	<u>\$ 76,675,854</u>

**2. Deposits and Investments (continued)**

As of September 30, 2018, the City’s investment maturities and credit ratings were as follows:

	Market Value	Investment Maturities (in Years)		S & P Credit Rating
		Less than 1	1-5	
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 55,162,468	\$ 28,777,611	\$ 26,384,857	AA+ or not rated
Money Market Mutual Funds	1,804,452	1,804,452	-	Not rated
Florida Fixed Income Trust	11,265,898	11,265,898	-	AAAf
State Investment Pool: Florida Prime	238,940	238,940	-	AAAm
	<u>\$ 68,471,758</u>	<u>\$ 42,086,901</u>	<u>\$ 26,384,857</u>	

**Interest rate risk** - To the extent possible, the City’s investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2018 meet the City’s investment policy restrictions.

**Credit risk** - The City’s investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers’ acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers’ acceptances be rated A-1 by Standard & Poor’s (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2018, the City’s portfolio rating is in compliance with its investment policy.

**Concentration of credit risk** - The City’s investment policy establishes limitations on portfolio composition, both by investment type and by issuer, at original cost, in order to control concentration of credit risk. The policy provides the following maximum limits of the portfolio, in addition to limits in any one issuer of the portfolio invested:

Investment Type:	Portfolio Maximum	Limits on Individual Issuer
Florida Local Government Surplus Fund - Florida Prime	100%	-
U.S. Government Securities - Treasuries	100%	-
U.S. Government Agencies	50%	25%
Florida Fixed Income Trust Fund	25%	-
Federal Instrumentalities - U.S. Government Sponsored Agencies	80%	40%
Certificates of Deposit	50%	25%
Repurchase Agreements	50%	25%
Commercial Paper	25%	15%
Bankers' Acceptances	25%	15%
State and/or Local Government Debt	20%	-
Money Market Mutual Funds	50%	25%
Intergovernmental Investment Pool	25%	-

**2. Deposits and Investments (continued)**

At September 30, 2018, the City’s investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

<u>Issue:</u>	<u>Percent of Investment Portfolio</u>
U.S. Government Securities - Treasuries	43.3%
Federal Instrumentalities - U.S. Government Sponsored Agencies	37.3%
Florida Fixed Income Trust	16.5%
Money Market Mutual Funds	2.6%
Florida Local Government Surplus Funds - Florida Prime	0.3%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal National Mortgage Association (Fannie Mae) are 22.10% (approximately \$ 15,134,000), the Federal Home Loan Bank (FHLB) are 5.93% (approximately \$ 4,062,000), and the Federal Home Loan Mortgage Corporation (Freddie Mac) are 9.23% (approximately \$ 6,317,000). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

**Custodial credit risk** - The City’s investment policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be held in the City’s name. As of September 30, 2018, all of the City’s investments are held in a bank’s trust department in the City’s name, nominee registration.

**Foreign credit risk** – For an investment, foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The City is not directly exposed to foreign credit risk.

**C. Investments - Pension Plans**

As of September 30, 2018, the City’s pension plans had the following investments:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>
Equity Securities	\$ 35,260,748	\$ 71,444,068
Corporate and Foreign Bonds and Bond Funds	8,805,794	11,681,857
Alternative Investments	6,792,782	4,863,660
U.S. Government Securities	2,143,949	9,886,399
Collateralized Mortgage Obligations	2,342,478	-
Municipal Obligations	588,995	200,361
Real Estate	-	5,390,000
	<u>\$ 55,934,746</u>	<u>\$ 103,466,345</u>

**2. Deposits and Investments (continued)**

As of September 30, 2018, the Plans' investment maturities and credit ratings were as follows:

**General Employees Retirement Plan:**

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities	\$ 2,143,949	\$ 874	\$ 901,326	\$ 159,871	\$ 1,081,878	Aaa*
Collateralized Mortgage Obligations	2,342,478	-	-	595,102	1,747,376	AA**
Corporate and Foreign Bonds and Bond Funds	8,805,794	2,422,587	3,708,586	1,631,336	1,043,285	AAA through BBB-***
Municipal Obligations	588,995	-	95,911	-	493,084	AAA through AA-
	<u>\$ 13,881,216</u>	<u>\$ 2,423,461</u>	<u>\$ 4,705,823</u>	<u>\$ 2,386,309</u>	<u>\$ 4,365,623</u>	

\* Not rated by S & P; therefore, provided by Moody's credit rating. Includes \$ 712,578 of investments that are not rated.

\*\* Includes \$ 2,316,806 which is not rated. All other investments within this category are rated AA.

\*\*\* Includes \$ 65,267 which is rated BBB-, \$ 859,465 which is rated BBB, \$ 1,851,947 which is rated BBB+, and \$ 2,892,035 which is not rated. All other investments within this category are rated amongst the "A" rating.

The General Employees Pension Plan includes \$ 1,130,345 (money market fund - AAAM) in cash equivalents with a maturity of less than 3 months.

**Police Officers and Firefighters Retirement Plan:**

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities *	\$ 9,886,399	\$ 129,349	\$ 4,840,915	\$ 1,455,034	\$ 3,461,101	Not Rated
Corporate and Foreign Bonds and Bond Funds	11,681,857	204,410	8,790,525	2,173,542	513,380	AAA through BB**
Municipal Obligations	200,361	-	146,396	-	53,965	AAA through BB**
	<u>\$ 21,768,617</u>	<u>\$ 333,759</u>	<u>\$ 13,777,836</u>	<u>\$ 3,628,576</u>	<u>\$ 4,028,446</u>	

\* Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

\*\* Includes \$ 8,691,170 rated amongst the "B" rating group.

**Interest rate risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The larger the duration of a portfolio, the greater its price sensitivity to the changes in interest rates. Information about sensitivity of the fair value of the Plans' investments to market interest rate fluctuations are provided in the tables previously presented.

**Credit risk** - Credit risk is the risk that an investment portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plans' policies utilize portfolio diversification in order to control this risk. Information about the portfolio ratings by investment type is provided in the tables previously presented.

## 2. Deposits and Investments (continued)

**Concentration credit risk** - The investment policies of the Plans contain limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. At September 30, 2018, the General Employees Retirement Plan had investments with American Core Realty Fund, LLC amounting to approximately 12.14% or \$ 6,793,000 of the total Plan's investments. The Police Officers and Firefighters Retirement Plan had no total investments in any one issuer that represent 5% or more of the Plan's total investments.

**Custodial credit risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plans' investment policy requires securities, with the exception of certain alternative investments and real estate, to be registered in the Plans' name and held with a third party custodian.

**Foreign credit risk** – For an investment, foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The Plans are not directly exposed to foreign credit risk.

### D. Fair Value Measurements

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.

The following is a general description of the valuation methodologies used for assets measured at fair value.

Investments classified as Level 1 for the primary government and fiduciary funds, in the tables below, are valued using prices quoted in active markets for identical securities.

Investments classified as Level 2 for the primary government and fiduciary funds, in the tables below, are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, cash flows, maturity, and credit ratings), or other market corroborated inputs specific to the investment type.

## 2. Deposits and Investments (continued)

Investments classified as Level 3 for the fiduciary funds, in the table below, are valued based on significant unobservable inputs based on all information available in the circumstances to the extent observable inputs are not available. The fair value of classified level 3 investments represents the value of unit positions in funds that are not publicly traded on an exchange. The fair value of the funds can be impacted by redemption restrictions imposed by the fund managers. On an annual basis, fair values are estimated by the third party advisor or operating partner using general market and property specific assumptions, which are reviewed and approved by the Plan.

Fair values of investments held by the City's Primary Government Investment Funds are classified at September 30, 2018 as follows:

### City:

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
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 55,162,468	\$ 29,650,216	\$ 25,512,252	\$ -	\$ -
Florida Fixed Income Trust	<u>11,265,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,265,898</u>
Total Investments Measured at Fair Value	66,428,366	29,650,216	25,512,252	-	11,265,898
Cash Equivalents	<u>1,804,452</u>	<u>1,804,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments and Cash Equivalents Measured at Fair Value	<u>68,232,818</u>	<u>\$ 31,454,668</u>	<u>\$ 25,512,252</u>	<u>\$ -</u>	<u>\$ 11,265,898</u>
Investments Not Measured at Fair Value:					
Florida PRIME	<u>238,940</u>				
	<u>\$ 68,471,758</u>				

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2018, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Florida Fixed Income Trust (1)	\$ <u>11,265,898</u>	\$ <u>-</u>	Daily	1 day

(1) The fund invests primarily in fundamentally sound companies with broad, stable US industries. The fair value of the investment in the fund is valued at the net asset value of outstanding units held at the end of the period based upon the estimated fair value of the underlying investments.

2. Deposits and Investments (continued)

General Employees Retirement Plan:

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
U.S. Government Securities	\$ 2,143,949	\$ 1,431,371	\$ 712,578	\$ -	\$ -
Corporate and Foreign Bonds and Bond Funds	8,805,794	2,422,587	6,383,207	-	-
Collateralized Mortgage Obligations	2,342,478	-	2,342,478	-	-
Municipal Obligations	588,995	-	588,995	-	-
Equity Securities	35,260,748	32,045,851	3,214,897	-	-
Alternative Investments	<u>6,792,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,792,782</u>
 Total Investments Measured at Fair Value	 55,934,746	 35,899,809	 13,242,155	 -	 6,792,782
 Cash Equivalents	 <u>1,238,737</u>	 <u>1,238,737</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total Investments and Cash Equivalents Measured at Fair Value	 \$ <u>57,173,483</u>	 \$ <u>37,138,546</u>	 \$ <u>13,242,155</u>	 \$ <u>-</u>	 \$ <u>6,792,782</u>

Additional information for investments measured at the net asset value (“NAV”) per share (or its equivalent) as of September 30, 2018, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	\$ <u>6,792,782</u>	\$ <u>-</u>	Quarterly	10 business days

(1) The fund invests primarily in core institutional – quality office, retail, industrial and multi-family properties located throughout the United States and is diversified by product type, geographic region and economic exposure in order to mitigate investment risk. The fair value of the investment in the fund is valued at the net asset value of outstanding units held at the end of the period based upon the estimated fair value of the underlying investments.

## 2. Deposits and Investments (continued)

### Police Officers and Firefighters Retirement Plan:

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
U.S. Government Securities	\$ 9,886,399	\$ -	\$ 9,886,399	\$ -	\$ -
Corporate and Foreign Bonds and Bond Funds	11,681,857	5,600,008	6,081,849	-	-
Municipal Obligations	200,361	-	200,361	-	-
Equity Securities	71,444,068	71,444,068	-	-	-
Real Estate	5,390,000	-	-	5,390,000	-
Alternative Investments	4,863,660	-	-	-	4,863,660
Total Investments Measured at Fair Value	103,466,345	77,044,076	16,168,609	5,390,000	4,863,660
Cash Equivalents	9,426,830	9,426,830	-	-	-
Total Investments and Cash Equivalents Measured at Fair Value	\$ 112,893,175	\$ 86,470,906	\$ 16,168,609	\$ 5,390,000	\$ 4,863,660

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2018, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	\$ 4,863,660	\$ -	Bi-Annual	90 Days

(1) The fund invests primarily in holding companies that invest in private infrastructure entities located around the world. The fair value of the investment in the fund is valued at the net asset value of outstanding units held at the end of the period based upon the estimated fair value of the underlying investments.

### E. Component Unit:

**Deposits** - Demand and time deposits classified as cash are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2017, the Authority's book balance of cash was \$ 8,445,231 and the bank balance was \$ 8,465,328.

## 2. Deposits and Investments (continued)

As of December 31, 2017, cash is reported as follows:

Cash - unrestricted	\$ 7,658,160
Cash - restricted	<u>787,071</u>
Total	<u>\$ 8,445,231</u>

In addition, the component unit's pension plan deposits amounting to \$ 86,078 (\$ 86,078 bank balance) are fully insured by the FDIC and collateralized.

**Investments** - The investments held by the component unit's Pension Trust Fund (the "Plan") are stated at fair value. The financial institution's accounts are insured by Securities Investor Protection Corporation (SIPC). The concerned financial institution has also obtained additional protection for the remaining net position balance.

As of December 31, 2017, the Plan had the following investments:

### Equity Mutual Funds:

Vanguard Index TR 500 Port Mutual Fund*(1)	\$ 1,947,882
Vanguard Total International Stock Index*(1)	1,133,033
Oakmark International Small Cap*(1)	1,073,926
Vanguard Dividend Growth Fund*(1)	1,994,697
Vanguard Small Cap Index*(1)	1,045,757

### Fixed Income Mutual Funds:

PIMCO Investment Fund*(1)	653,211
PIMCO Investment Grade Corporate*(1)	717,650
PIMCO All Asset Fund*(1)	1,068,410
Westwood Income Opportunity Institutional*(1)	1,030,600
Dodge & Cox Income Fund*	551,924

### Money Market:

Goldman Sach Fin Sq Tr*	<u>2,000</u>
	<u>\$ 11,219,090</u>

\* Investment maturity is less than one year.

(1) Investment subject to concentration credit risk.

**Interest rate risk** - The Plan does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Concentration credit risk** - The Plan did not have any investments (other than those investments in mutual funds) in any one issuer that represented 5% or more of total investments.

**Fair value measurements** - Under GASB Statement No. 72, *Fair Value Measurement and Application*, all investments of the Plan are categorized under Level 2.

**3. Receivables and Deferred Inflows of Resources – Grant Funding**

Receivables at September 30, 2018 consist of the following:

Receivable Type:	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,352	\$ 256,352
Accounts	1,427,684	-	23,758	4,600,719	1,112,825	-	7,164,986
Mortgages	-	2,443,647	-	-	-	-	2,443,647
Intergovernmental	1,381,578	224,862	1,229,356	1,417,889	-	665,476	4,919,161
Proceeds from securities sold	-	-	-	-	-	113,119	113,119
Gross receivables	<u>2,809,262</u>	<u>2,668,509</u>	<u>1,253,114</u>	<u>6,018,608</u>	<u>1,112,825</u>	<u>1,034,947</u>	<u>14,897,265</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>-</u>	<u>2,238,133</u>	<u>-</u>	<u>-</u>	<u>3,354,951</u>
Net receivables	<u>\$ 2,809,262</u>	<u>\$ 1,551,691</u>	<u>\$ 1,253,114</u>	<u>\$ 3,780,475</u>	<u>\$ 1,112,825</u>	<u>\$ 1,034,947</u>	<u>\$ 11,542,314</u>

As of September 30, 2018, deferred inflows of resources - grant funding is comprised of the items as follows:

Intergovernmental:	
Federal Emergency Management Office	\$ 713,978
US Department of Justice	6,494
US Department of Labor	18,478
State of Florida Department of Transportation	<u>35,556</u>
	<u>\$ 774,506</u>

Property taxes are levied November 1st on property valued as of the previous 1<sup>st</sup> of January. The Tax Collector of Monroe County, Florida, bills and collects property taxes on behalf of the City. The tax rate, to finance general governmental services for the fiscal year ended September 30, 2018, was 2.3466 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 6,850,036,159. Property tax revenues are recognized when they become available. Available means 1) when due, or past due and receivable within the current period, and 2) collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Taxes relating to the current budget and collected within 60 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31<sup>st</sup> and become delinquent on April 1<sup>st</sup>. At September 30, 2018, there were no material property tax receivables.

Interest and dividends receivable consists of earnings on investments earned but not received at the end of the year. General Fund accounts receivable consist mainly of ambulance services, rents and transportation (cruise ships) revenues. The enterprise funds reflect customer accounts receivable for goods and services rendered. Internal Service Fund accounts receivable balance consists of excess claims paid but receivable from insurance carriers. Intergovernmental receivable consists primarily of Federal, state and local grants; various state shared revenues; and state contributions to the Police Officers and Firefighters retirement plan, as well as City contributions to the General Employees retirement plan.

**3. Receivables and Deferred Inflows of Resources – Grant Funding (continued)**

The Community Development Office Special Revenue Fund exists to account for grant revenues available to finance the development of the City’s economic environment. Mortgage receivables under these programs are presented in more detail below. The estimated allowance for uncollectible accounts of \$ 1,116,818 shown below is related to grant provisions allowing for contractual forgiveness of repayment.

Detailed information on Community Development Office Fund mortgages receivable appears below:

Frederick Douglas Square Project (HODAG)	\$ 2,233,635
Homebuyer Assistance Program	159,633
Mayor's Revolving Loan Fund (low interest)	<u>50,379</u>
Gross mortgages receivable	2,443,647
Less allowance for uncollectible mortgages	<u>1,116,818</u>
Net mortgages receivable	<u><u>\$ 1,326,829</u></u>

*Note receivable* - The City previously entered into a promissory note with an entity in exchange for building improvements on a property to be leased by the City to this entity. The note bears interest at the current rate as determined by the 1-year LIBOR plus 1% (2.73% at September 30, 2018) until the note matures in August 2034. At September 30, 2018 the balance of this note receivable was approximately \$ 1,647,000, and is reflected in the Key West Bight Fund.

**Component Unit:**

Accounts receivable represent amounts due from tenants (dwelling rents), and other miscellaneous balances, of \$ 78,572 net of allowance for uncollectibles of \$ 4,828. Intergovernmental receivables represent amounts due from the federal and other governments of \$ 58,807. No allowance for uncollectibles was deemed necessary by management.

**4. Capital Assets**

Capital asset activity for fiscal year ended September 30, 2018 is as follows:

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 56,687,796	\$ -	\$ -	\$ -	\$ 56,687,796
Construction in progress	<u>42,899,568</u>	<u>10,029,543</u>	<u>-</u>	<u>(10,409,064)</u>	<u>42,520,047</u>
Total capital assets, not being depreciated	<u>99,587,364</u>	<u>10,029,543</u>	<u>-</u>	<u>(10,409,064)</u>	<u>99,207,843</u>
Capital assets, being depreciated:					
Buildings and improvements	23,890,827	-	-	5,030,734	28,921,561
Machinery, equipment and furniture	23,102,073	1,948,706	(250,590)	-	24,800,189
Infrastructure	<u>57,258,319</u>	<u>2,206,419</u>	<u>-</u>	<u>5,378,330</u>	<u>64,843,068</u>
Total capital assets, being depreciated	<u>104,251,219</u>	<u>4,155,125</u>	<u>(250,590)</u>	<u>10,409,064</u>	<u>118,564,818</u>

**City of Key West, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**4. Capital Assets (continued)**

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
Less accumulated depreciation for:					
Buildings and improvements	7,388,452	599,847	-	-	7,988,299
Machinery, equipment and furniture	15,899,167	1,921,301	(250,590)	-	17,569,878
Infrastructure	27,928,249	2,112,566	-	-	30,040,815
<b>Total accumulated depreciation</b>	<b>51,215,868</b>	<b>4,633,714</b>	<b>(250,590)</b>	<b>-</b>	<b>55,598,992</b>
<b>Total capital assets, being depreciated, net</b>	<b>53,035,351</b>	<b>(478,589)</b>	<b>-</b>	<b>10,409,064</b>	<b>62,965,826</b>
Governmental activities capital assets, net	\$ 152,622,715	\$ 9,550,954	\$ -	\$ -	\$ 162,173,669
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	9,470,612	1,953,431	-	(5,063,962)	6,360,081
<b>Total capital assets, not being depreciated</b>	<b>28,151,646</b>	<b>1,953,431</b>	<b>-</b>	<b>(5,063,962)</b>	<b>25,041,115</b>
Capital assets, being depreciated:					
Buildings and improvements	52,851,369	-	-	-	52,851,369
Infrastructure	170,842,392	-	-	5,063,962	175,906,354
Machinery, equipment and furniture	13,257,506	3,288,607	(2,771)	-	16,543,342
<b>Total capital assets, being depreciated</b>	<b>236,951,267</b>	<b>3,288,607</b>	<b>(2,771)</b>	<b>5,063,962</b>	<b>245,301,065</b>
Less accumulated depreciation for:					
Buildings and improvements	31,831,387	1,844,805	-	-	33,676,192
Infrastructure	74,526,705	5,143,022	-	-	79,669,727
Machinery, equipment and furniture	8,922,110	886,592	(2,771)	-	9,805,931
<b>Total accumulated depreciation</b>	<b>115,280,202</b>	<b>7,874,419</b>	<b>(2,771)</b>	<b>-</b>	<b>123,151,850</b>
<b>Total capital assets, being depreciated, net</b>	<b>121,671,065</b>	<b>(4,585,812)</b>	<b>-</b>	<b>5,063,962</b>	<b>122,149,215</b>
Business-type activities capital assets, net	\$ 149,822,711	\$ (2,632,381)	\$ -	\$ -	\$ 147,190,330

For the year ended September 30, 2018, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Transportation	\$ 1,839,121
General government	1,460,547
Public safety	647,330
Economic environment	388,768
Culture and recreation	296,558
Human services	1,390
	<u>1,390</u>
<b>Total depreciation expense - governmental activities</b>	<b>\$ <u>4,633,714</u></b>

**4. Capital Assets (continued)**

Business-type activities:		
Sanitary sewer system	\$	3,899,822
Stormwater		1,565,138
Key West Bight		642,439
Solid waste		470,860
Transit system		912,475
Garrison Bight		<u>383,685</u>
Total depreciation expense - business-type activities	\$	<u><u>7,874,419</u></u>

**Component Unit:**

The following summarizes capital assets from The Housing Authority of the City of Key West, Florida’s proprietary fund at December 31, 2017:

Building and improvements	\$	66,462,006
Machinery, equipment, and furniture		1,785,709
Infrastructure		<u>1,167,753</u>
		69,415,468
Less accumulated depreciation		<u>32,856,044</u>
		36,559,424
Land		11,523,552
Construction in Progress		<u>14,608,452</u>
Net capital assets	\$	<u><u>62,691,428</u></u>

Total depreciation expense for the year ended December 31, 2017 amounted to approximately \$ 1,622,000. The estimated useful lives of the Authority’s capital assets are as follows:

Buildings and improvements	15-40 years
Machinery, equipment, and furniture	5-10 years
Infrastructure	30-50 years

**5. Restricted Assets**

The Sanitary Sewer System has aggregate restricted assets of \$ 726,891, \$ 223,259 related to impact fees usage restrictions, and the remainder are restricted by specific provisions of bond ordinances. The Solid Waste Fund has restricted assets of \$ 111,254 as part of its impact fee usage restrictions. Assets so designated are identified as restricted assets on the statement of net position.

Restricted assets of the component unit consists of bank accounts that have been established in order to ensure the availability of funds to repay tenant security deposits, pay housing assistance payments to landlords and accounts established for certain escrow purposes in connection with certain debt issues.

## 6. Pension Plans

### **A. City - General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan:**

**General Information** - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan (GERP) and the Police Officers and Firefighters Retirement Plan (PFRP). Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the sale and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the Board of Trustees are subject to City Commission approval. Participants should refer to the plan documents for more complete information. The PFRP retirement board issues a publicly available report that includes financial statements and required supplementary information. This financial report may be obtained by writing to Pension Plan Administrator, 22233 Drawbridge Dr., Leesburg, FL 34748.

**Summary of Significant Accounting Policies** - The financial statements of the plans are prepared using the accrual basis of accounting. The plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their estimated fair value. Fair value is defined as the amount the plan would realize from a current sale to a willing buyer and is based on available market values.

#### **General Employees Retirement Plan (GERP):**

**Plan Description** – The GERP is a single-employer defined benefit plan covering all eligible employees. The plan was established by the City effective January 1, 1973, and subsequently amended from time to time.

The plan is administered by a board of five trustees. Three trustees shall be employees elected by a majority of the employees who are active members of the plan. One trustee, appointed by the mayor and City Commission, shall be either an active or retired member of the plan or a non-member of the plan who is a resident of Monroe County. The fifth member of the board shall be selected by a majority of the other four trustees. The mayor shall appoint one commissioner as liaison to the board.

Full-time employees, other than police officers and firefighters are eligible to participate in the plan.

**Benefits Provided** – Normal retirement for participants is the earlier of attainment of age 60 and completion of 10 years of credited service or completion of 20 years of credited service, irrespective of age. Employees participating in the plan prior to March 1, 1993 may retire fully vested at age 60 with 5 years of credited service. Employees hired on or after March 1, 1993 may retire at age 60 with 5 years of credited service but less than 10 years of credited service with reduced benefits.

The amount of normal retirement benefit is 2.5% times the final monthly compensation multiplied by credited service. Normal retirement benefit is 1.25% times the final monthly compensation multiplied by credited service for employees hired on or after March 1, 1993 with less than 10 years of credited service.

## 6. Pension Plans (continued)

Final monthly compensation is the average final compensation during the highest consecutive 36 months of earnings out of the last 120 months of employment. Earnable compensation is a member's base salary including overtime pay pick-up contributions, but excluding bonuses, expense allowances, and unused accumulated leave time.

A member is eligible for early retirement upon the attainment of age 55 with 10 years of credited service. An early retirement benefit is accrued to date of retirement, reduced by 1/15<sup>th</sup> for each year prior to normal retirement to reflect commencement of benefit at an earlier age.

**Deferred Retirement Option Plan (the "DROP")** - Members who have obtained normal retirement age, as described above, are eligible for the Deferred Retirement Option Plan (the "DROP"). Participation in the DROP must be exercised within the first thirty years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty years. The maximum period of participation in the DROP is five years. Once a member enters the DROP, the monthly retirement benefit is frozen, and the monthly benefit is paid into the DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive the frozen monthly retirement benefit. The value of the total DROP balance at September 30, 2018 was \$ 808,419.

**Cost-of-Living-Adjustment** - Effective January 1, 2006, members receiving benefits received a 2.0% ad hoc cost of living adjustment.

**Contributions** – General employees are required by an ordinance of the City to contribute 6% of their basic annual compensation. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of October 1st of each preceding year. The contributions requirements of plan members and the City are established and may be amended by the GERP Board of Trustees and the City Commission.

### **Police Officers and Firefighters Retirement Plan (PFRP):**

**Plan Description** – The PFRP is a single-employer defined benefit plan covering all full-time certified police officers and firefighters. The plan was established by the City effective January 1, 1973, and subsequently amended from time to time.

The plan is administered by a board of five trustees. One is an active firefighter who is elected by active firefighter members of the plan. One is an active police officer elected by active police officer members of the plan. Two are appointed by the City Commission and one is elected by the other four trustees.

**Benefits Provided** – A member is eligible for a full normal service retirement on the first day of the month coincident with or next following the earlier of (i) the date that the member has completed 20 years of service, regardless of age, or (ii) the date that the member attains age 55 with 10 years of service. A member may also retire once they have become half vested in the plan, at age 55 with 5 years of service. A member retiring while half vested in the plan is only entitled to 50% of the normal retirement benefit. Normal retirement benefit shall be determined by multiplying 3% of final monthly compensation by the number of years of credited service.

Final monthly compensation is the average final compensation during the highest consecutive 36 months of earnings out of the last 120 months of employment. Earnable compensation is a member's base salary and certain overtime, assignment pay and educational incentive pay.

**6. Pension Plans (continued)**

A member is eligible for early retirement upon the attainment of age 50 with 10 years of service. An early retirement benefit is actuarially reduced, but no more than 3% per year, in order to ensure that the benefits received by an individual retiring early are the monetary equivalent of that which would have been received had the member waited until the normal retirement age.

**Deferred Retirement Option Plan (the “DROP”)** - The plan established a Deferred Retirement Option Plan (“DROP”), which offers active members the opportunity, prior to retirement, working and simultaneously accumulate pension benefits. Once an active member has attained eligibility for normal service retirement, the member can exercise the option to participate in the DROP. Participation in the DROP must be exercised within the first thirty years of employment, provided that participation in the DROP when combined with participation in the pension plan may not exceed thirty years. When a member enters the DROP, the pension payments that the member would have received had he or she actually separated from service are deposited into an account for the member's benefit and are invested as part of the plan. The member ceases making contributions to the plan during his or her DROP participation and is no longer eligible to earn additional service credit during the DROP period. The DROP shall earn interest based upon the actual earnings of the plan or a fixed rate of return of 6.5%, based on which method the member selected. The maximum participation in the DROP is five years. The value of the total DROP balance at September 30, 2018 was \$ 13,351,008.

**Cost-of-Living-Adjustment** – Currently, there are no cost of living adjustments.

**Contributions** – Member contributions are equal to 7% of their basic annual compensation and each member’s actual contributions are individually accumulated. If a member leaves the service of the City with less than 10 years of credited service, all accumulated member contributions are returned to the member. The City is required to contribute an actuarially determined amount that, when combined with member contributions and allowable contributions from the State of Florida, will fully provide for all benefits as they become payable. The City received \$ 645,479 from the State that was generated from the insurance premium tax as part of the required funding for the Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate.

Plan membership data at October 1, 2017 was as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
	<u>          </u>	<u>          </u>
Active employees	269	150
Inactive employees:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>162</u>	<u>142</u>
Total	<u><u>431</u></u>	<u><u>292</u></u>

**Net Pension (Asset) Liability:**

The City’s net pension (asset) liability was determined based on a measurement date of September 30, 2017 for both plans.

**6. Pension Plans (continued)**

The components of the net pension (asset) liability of the City at September 30, 2018, were as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Total pension liability	\$ 52,861,348	\$ 109,351,893	\$ 162,213,241
Plan fiduciary net position	<u>(53,666,271)</u>	<u>(98,107,598)</u>	<u>(151,773,869)</u>
Net pension (asset) liability	<u>\$ (804,923)</u>	<u>\$ 11,244,295</u>	<u>\$ 10,439,372</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	101.52%	89.72%	93.56%

**Actuarial Assumptions** - The total pension (asset) liability at September 30, 2017 was determined by using actuarial valuations as of October 1, 2016, with update procedures used to roll forward the total pension (asset) liability to September 30, 2017. The actuarial valuations used the following actuarial assumptions:

	General Employees Retirement Plan
Inflation	3.00%
Salary increases	3.75%-6.00%
Investment rate of return	7.50%, net of investment expenses
Mortality	For healthy male participants, RP-2000 Annuitant Male Mortality Table, with 50% White Collar/50% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy female participants, RP-2000 Annuitant Female Mortality Table, with White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, RP-2000 Disabled Male Mortality Table, setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table, set forward two years, without projected mortality improvements.
	Police Officers and Firefighters Retirement Plan
Inflation	2.50%
Salary increases	4.50%
Investment rate of return	8.44% compounded annually, net of investment expenses, including inflation.
Mortality	For healthy participants (pre-retirement and post-retirement), RP-2000 Generational Tables, separate rates for males and females, with white/blue collar adjustments projected with Scale BB. For disabled participants, RP-2000 Disabled Mortality Tables, separate rates for males and females, with white/blue collar adjustments and no setback or projection scale.

**6. Pension Plans (continued)**

**Long-term Expected Rate of Return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 for each major asset class are summarized in the following tables:

**General Employees Retirement Plan:**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	50%	7.5%
International equities	10%	8.5%
Domestic fixed income	25%	2.5%
International fixed income	5%	3.5%
Real estate	10%	4.5%
Total	100%	

**Police Officers and Firefighters Retirement Plan:**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	45%	7.5%
International equities	15%	8.5%
Fixed income	28%	2.5%-3.5%
Real estate	6%	4.5%
Alternatives	6%	4.5%
Total	100%	

**Rate of Return:** For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.32% for GERP and 10.5% for PFRP. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate:** The discount rate used to measure the total pension (asset) liability was 7.50% and 8.44% per annum for the GERP and PFRP, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates (statutorily required) and the member rates. Based on those assumptions, the fiduciary net position of the Plans was projected to be available to make all projected future benefit payments of current active and inactive 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 (asset) liability.

6. Pension Plans (continued)

Changes in Net Pension (Asset) Liability:

General Employees  
Retirement Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances, as of September 30, 2016, Measurement Date	\$ 48,788,809	\$ 49,222,011	\$ (433,202)
Changes for the year:			
Service cost	1,427,943	-	1,427,943
Interest	3,791,376	-	3,791,376
Differences between expected and actual experience	1,851,258	-	1,851,258
Assumption changes	43,681	-	43,681
Contributions - Employer	-	752,506	(752,506)
Contributions - Employee	-	797,975	(797,975)
Net investment income	-	6,120,262	(6,120,262)
Benefit payments	(3,041,719)	(3,041,719)	-
Administrative expenses	-	(184,764)	184,764
Net changes	<u>4,072,539</u>	<u>4,444,260</u>	<u>(371,721)</u>
Balances, as of September 30, 2017, Measurement Date	<u>\$ 52,861,348</u>	<u>\$ 53,666,271</u>	<u>\$ (804,923)</u>

Police Officers and Firefighters  
Retirement Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances, as of September 30, 2016, Measurement Date	\$ 97,576,768	\$ 86,800,603	\$ 10,776,165
Changes for the year:			
Service cost	1,779,015	-	1,779,015
Interest	8,704,537	-	8,704,537
Differences between expected and actual experience	2,335,251	-	2,335,251
Assumption changes	3,930,249	-	3,930,249
Contributions - Employer	-	3,581,684	(3,581,684)
Contributions - State	-	572,152	(572,152)
Contributions - Employee	-	895,491	(895,491)
Net investment income	-	11,413,677	(11,413,677)
Benefit payments	(4,973,927)	(4,973,927)	-
Administrative expenses	-	(182,082)	182,082
Net changes	<u>11,775,125</u>	<u>11,306,995</u>	<u>468,130</u>
Balances, as of September 30, 2017, Measurement Date	<u>\$ 109,351,893</u>	<u>\$ 98,107,598</u>	<u>\$ 11,244,295</u>

**6. Pension Plans (continued)**

The net pension asset and related components for GERP are allocated to the governmental activities and business-type activities based on the distribution of current year contributions to the plan. At September 30, 2018, it is distributed 78% to governmental activities and 22% business-type activities. Total net pension liability and related components for the PFRP are distributed 100% to the governmental activities.

**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 applicable discount rate, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
<b>General Employees Retirement Plan:</b>			
Net Pension (Asset) Liability	\$ <u>5,212,289</u>	\$ <u>(804,923)</u>	\$ <u>(5,842,364)</u>
	1% Decrease <u>7.44%</u>	Current Discount Rate <u>8.44%</u>	1% Increase <u>9.44%</u>
<b>Police Officers and Firefighters Retirement Plan:</b>			
Net Pension (Asset) Liability	\$ <u>21,585,414</u>	\$ <u>11,244,295</u>	\$ <u>2,596,724</u>

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions:**

For the year ended September 30, 2018, the City recognized pension expense in GERP and PRFP of \$ 1,596,450 and \$ 4,095,150, respectively, aggregating to \$ 5,691,600. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>General Employees Retirement Plan:</b>		
Pension contributions subsequent to the measurement date	\$ 991,645	\$ -
Differences between expected and actual experience	2,177,400	203,493
Changes of assumptions or other inputs	280,945	56,289
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,038,192</u>
Total	\$ <u>3,449,990</u>	\$ <u>1,297,974</u>

6. Pension Plans (continued)

<b>Police Officers and Firefighters Retirement Plan:</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 4,410,714	\$ -
Net difference between projected and actual earnings on pension plan investments	2,510,664	3,777,679
Changes of assumptions or other inputs	5,554,360	-
Differences between expected and actual experience	<u>2,771,683</u>	<u>-</u>
Total	<u>\$ 15,247,421</u>	<u>\$ 3,777,679</u>
Total Pension Trust Funds	<u>\$ 18,697,411</u>	<u>\$ 5,075,653</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, 2019. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>	<u>Total</u>
2019	\$ 590,650	\$ 1,646,476	\$ 2,237,126
2020	712,747	1,985,233	2,697,980
2021	73,044	709,680	782,724
2022	(216,070)	683,850	467,780
2023	-	1,138,709	1,138,709
Thereafter	-	895,080	895,080
Total	<u>\$ 1,160,371</u>	<u>\$ 7,059,028</u>	<u>\$ 8,219,399</u>

**Pension Trust Funds:**

The City maintains two pension trust funds to account for its fiduciary responsibility. The following condensed statements present the net position restricted for pension benefits at September 30, 2018 and the changes in net position for the year then ended:

**Condensed Statements of Net Position:**

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,238,737	\$ 9,426,830	\$ 10,665,567
Investments, at fair value	55,934,746	103,466,345	159,401,091
Other	<u>149,192</u>	<u>885,755</u>	<u>1,034,947</u>
<b>Total assets</b>	<u>57,322,675</u>	<u>113,778,930</u>	<u>171,101,605</u>

6. Pension Plans (continued)

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
<b>Liabilities:</b>			
Accounts payable and accrued expenses	31,822	118,300	150,122
Payable for securities purchased	-	5,422,427	5,422,427
Prepaid city contributions	-	206,092	206,092
<b>Total liabilities</b>	<b>31,822</b>	<b>5,746,819</b>	<b>5,778,641</b>
<b>Net position restricted for pension benefits</b>	<b>\$ 57,290,853</b>	<b>\$ 108,032,111</b>	<b>\$ 165,322,964</b>

Condensed Statements of Changes in  
Net Position:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
<b>Additions:</b>			
Contributions	\$ 1,782,065	\$ 5,283,233	\$ 7,065,298
Net investment earnings	5,148,560	10,642,484	15,791,044
<b>Total additions</b>	<b>6,930,625</b>	<b>15,925,717</b>	<b>22,856,342</b>
<b>Deductions:</b>			
Benefits paid	3,121,318	5,835,862	8,957,180
Administrative expenses	184,725	165,342	350,067
<b>Total deductions</b>	<b>3,306,043</b>	<b>6,001,204</b>	<b>9,307,247</b>
<b>Changes in net position</b>	<b>\$ 3,624,582</b>	<b>\$ 9,924,513</b>	<b>\$ 13,549,095</b>

**B. Component Unit:**

**Plan Description** - The Authority's defined benefit pension plan, Retirement System for Employees of The Housing Authority of the City of Key West, Florida ("the Pension Plan"), provides for all permanent full-time employees of the Authority. The Pension Plan is a single-employer defined benefit pension plan administered by the Authority.

The Authority issues a publicly available financial report that includes financial statements and required supplementary information for the Retirement System for Employees of The Housing Authority of the City of Key West, Florida. The financial report can be obtained by contacting the Authority at the following address:

The Housing Authority of the City of Key West, Florida  
1400 Kennedy Drive  
Key West, Florida 33045

**6. Pension Plans (continued)**

The Pension Plan was established January 1, 1984, to provide retirement, disability and death benefits to qualified employees and their beneficiaries of the Authority. The Pension Plan is a qualified plan in accordance with Section 401 of the Internal Revenue Code. The Pension Plan is administered by a board of trustees comprised of the Executive Director of the Authority; two employees of the Authority, one of which shall have a vested interest in the Pension Plan; one retired member; and the Authority Board Chairman. The Pension Plan is a pension trust fund (fiduciary fund type) of the Authority. The Authority has the ability to amend the provisions of the Pension Plan.

**Summary of Significant Accounting Policies** - The Pension Plan utilizes the accrual basis of accounting. The contribution from the Authority is recognized in the period due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Plan.

**Benefits Provided** - Normal retirement benefits are payable to every member who has achieved age 60 and has 5 years of credited service or has attained 30 years of credited service regardless of age. Benefit payments shall commence on the first day of the month after termination of service. Credited service is the total years of continuous employment. No member may receive more than 35 years of credited service and shall be credited in full or partial years.

The normal retirement benefit is determined based on the member's average final compensation (the average of the base pay received by a member during the highest 5 of the last 10 years of service immediately prior to termination of service). The benefit is determined by applying an amount equal to 1.85% of average final compensation, times years of credited service. Early retirement provisions are also available to Pension Plan members.

**Deferred Retirement Option Program (the "DROP")** - The DROP may be elected upon reaching the earlier of early or normal retirement. The member's benefit will be calculated based on average pay and service as of the DROP entry date. No disability benefits are provided while in the DROP. Death benefits, if any, are based on the form of payment elected. DROP accounts are credited with interest at the rate of 8%, compounded annually, or the actual rate earned by the Pension Plan, as applicable. The value of the total DROP balance at December 31, 2017 was \$ 1,008,927.

**Cost-of-Living-Adjustment** - Members receiving benefits receive a 1.50% ad hoc cost of living adjustment.

**Contributions** - The Authority contributes a percentage of basic annual compensation for its permanent employees equal to the actuarially determined minimum contribution divided by the annual payroll of active employees for the prior year. Pension Plan members shall not make any contributions to the Pension Plan. Contribution requirements of the Authority are established and may be amended by the Authority's Board of Commissioners. The contribution rate was 8.5% for the year ended December 31, 2017.

Plan membership data at January 1, 2017 was as follows:

Active employees, including DROP participants	59
Inactive employees:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	44
	<hr/>
Total	<u>103</u>



6. Pension Plans (continued)

**Rate of Return:** For the year ended December 31, 2017, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the Pension Plan was 14.2%.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority 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 the Net Pension Liability (Asset):**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, as of December 31, 2016	\$ 10,785,859	\$ 9,930,577	\$ 855,282
Changes for the year:			
Service cost	193,005	-	193,005
Interest	836,436	-	836,436
Difference between expected and actual experience	(719,162)	-	(719,162)
Changes in assumptions	266,784	-	266,784
Contributions - employer	-	419,196	(419,196)
Net investment income	-	1,421,783	(1,421,783)
Benefit payments, including refunds of employee contributions	(372,272)	(372,272)	-
Administrative expenses	-	(65,891)	65,891
Net changes	<u>204,791</u>	<u>1,402,816</u>	<u>(1,198,025)</u>
Balance, as of December 31, 2017	<u>\$ 10,990,650</u>	<u>\$ 11,333,393</u>	<u>\$ (342,743)</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.50%, as well as what the Authority’s net pension liability (asset) would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	<u>\$ 846,312</u>	<u>\$ (342,743)</u>	<u>\$ (1,337,368)</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

**6. Pension Plans (continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions:**

For the year ended December 31, 2017, the Authority recognized pension expense of \$ 307,368. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 648,862
Changes of assumptions	357,024	-
Net difference between projected and actual earnings on pension plan investments	-	180,899
	\$ 357,024	\$ 829,761

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

Year Ending December 31,	
2018	\$ (25,684)
2019	(23,910)
2020	(202,087)
2021	(221,056)
Total	\$ (472,737)

**7. Other Post-Employment Benefits (OPEB)**

During fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 specifies that governments must recognize their total OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense in the financial statements based on the actuarial present value of projected benefit payments, rather than the smaller net OPEB obligation based on contribution requirements, under GASB Statement No. 45. See Note 16 for information on the effect of implementation on beginning net position in the government-wide and enterprise fund statements.

**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 (medical and prescription) 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. Life, vision, and dental benefits are portable and the retiree must pay full premiums.

The following table provides a summary of the number of participants in the plan as of October 1, 2017:

Retirees and survivors	83
Active plan members	482
Total plan members	565

**7. Other Post-Employment Benefits (OPEB) (continued)**

Currently, the City's OPEB benefits are unfunded. This plan is not accounted for in a trust fund. To date, the City has followed a pay-as-you-go funding policy, therefore, only those amounts necessary to provide for the City's reporting of current year benefit costs and expenses have been contributed from the respective fund. Contribution rates are determined by the City. The Plan does not issue a stand-alone financial report and it is not included in the report of a public employee retirement system or a report of another entity.

**Actuarial Methods and Assumptions:** The actuarial valuation of the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce 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:	September 30, 2018
Valuation date	September 30, 2017, rolled forward to the measurement date
Actuarial cost method:	Entry Age Normal (level percentage of compensation)
Mortality	IRS 1.430(h) Annuitants and Non-annuitants, separately for males and females. Based on RP-2000 Tables with Scale AA.
Asset valuation method	Not Applicable, plan is not funded.
Return on plan assets:	Not Applicable
Salary increases and inflation	3.00%
Discount rate	3.64%
Health care cost trend	8.50% graded to 4.50% over 8 years.
Retirement age	Experienced-based table rates that are specific to the type of eligibility condition.

**7. Other Post-Employment Benefits (OPEB) (continued)**

Changes in assumptions and other inputs include the change in the discount rate from 3.35% as of the beginning of the measurement period to 3.64%, consistent with available 20-year Aa municipal bond rates, as of September 30, 2018. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the year.

**Discount Rate:** The discount rate used to measure the total OPEB liability at September 30, 2018 was 3.64%. Because the City's OPEB costs are funded on a pay-as-you-go funding structure, a tax-exempt municipal bond rate based on an index of 20 year general obligation bonds with an average AA/Aa credit rating as of the measurement date was used to determine the total OPEB liability. The discount rate was 3.35% as of the beginning of the measurement year.

**Total OPEB Liability of the City:** The components of the City's net OPEB liability at September 30, 2018, are as follows:

Total OPEB liability	\$	8,661,685
OPEB Plan fiduciary net position		<u>-</u>
City's net OPEB liability	\$	<u>8,661,685</u>
OPEB Plan fiduciary net position as a percentage of total OPEB liability		<u>0.00%</u>

**Changes in Total OPEB Liability:**

Measurement year ended September 30, 2018		
Total OPEB liability:		
Service cost	\$	751,138
Interest on total OPEB liability		290,240
Change of assumptions and other inputs		(292,432)
Benefit payments - implicit		<u>(172,454)</u>
Net change in total OPEB liability		576,492
Total OPEB liability, beginning		<u>8,085,193</u>
Total OPEB liability, ending	\$	<u>8,661,685</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:** The following table presents the total OPEB liability, calculated using the discount rate of 3.64%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than current discount rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$ <u>9,722,162</u>	\$ <u>8,661,685</u>	\$ <u>7,745,971</u>

**7. Other Post-Employment Care Benefits (OPEB) (continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current trend rate:

	1% Trend Decrease 7.5% Decreasing to 3.5%	Trend Rate Assumption 8.5% Decreasing to 4.5%	1% Trend Increase 9.5% Decreasing to 5.5%
Total OPEB liability	\$ <u>7,460,931</u>	\$ <u>8,661,685</u>	\$ <u>10,121,770</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** For the year ended September 30, 2018 the City recognized OPEB expense of \$ 1,007,766. At September 30, 2018, the City has deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ <u>-</u>	\$ <u>258,819</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	Deferred Inflows of Resources
2019	\$ (33,613)
2020	(33,613)
2021	(33,613)
2022	(33,613)
2023	(33,613)
Thereafter	<u>(90,754)</u>
	\$ <u>(258,819)</u>

**Component Unit:**

The Housing Authority's Retiree Health Care Plan (HARHCP) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the Authority. The OPEB Plan, which is administered by the Authority, allows employees who retire and meet retirement eligibility requirements under the Authority's retirement plan to continue medical coverage as a participant in the Authority's Health Insurance Plan. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage at the cost of the retiree. All employees of the Authority are eligible to receive postemployment health care benefits. Employees who retire from the Authority who meet certain criteria are eligible for a fully subsidized premium for the retiree until Medicare eligible. The retiree is responsible for any health-related coverage for spouses and eligible dependents. The Authority's plan does not have a trust fund; therefore, has followed a pay-as-you-go funding policy. The plan does not issue a stand-alone financial report. The Authority's net OPEB liability was \$ 1,114,093 and measured as of December 31, 2017. For the year ended December 31, 2017, the Authority reported deferred outflows of resources of \$ 49,632 and recognized OPEB expense of \$ 92,267.

## 8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation plan are held in trust, custodial accounts, or annuity contracts, for the exclusive benefit of the participants and their beneficiaries. Private corporations under contracts with the City administer the assets of the City's plan. Consequently, those plan assets and liabilities are not recorded on the City's financial statements.

## 9. Risk Management

**General Liability, Property, Worker Compensation and Other Claims** - 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. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2018, a total of approximately \$ 1,798,000 was incurred/paid in benefits and claims. In fiscal year 2018, the City provided coverage up to the Self-Insured Retention (SIR) level of \$ 325,000 for each worker's compensation claim, and \$ 100,000 SIR level for employer's liability with commercial insurance covering losses that exceed the SIR level. Public officials, automobile, and general liability SIR levels were \$ 100,000 with commercial insurance covering losses exceeding SIR level. There is no SIR level for crime coverage. Commercial insurance will pick up all losses up to \$ 1,000,000. In general, the City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settle claims have not exceeded the commercial coverage in any of the past three years.

Self-insurance retention, per occurrence, for wind is 5% of building and/or contents with no minimum deductible. SIR level for flood is 5% with the following exceptions: \$ 1,000 per building, minimum per occurrence, except excess over the National Flood Insurance Program of \$ 500,000 building and \$ 500,000 contents in property located in flood zones A & V, whether purchased or not.

For additional information, the reader should review the certificates of insurances which are available at the City upon request.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for workers' compensation, general liability and property claims of approximately \$ 3,426,000 is reported in the fund at September 30, 2018. The lowest acceptable confidence level to remain compliant with GASB 10 is presented below in tabular form. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past two years are as follows (in thousands):

**9. Risk Management (continued)**

Fiscal Year	Beginning Liability	Claims Incurred	Estimated Prior Claims	Claims Paid and Other Adjustments	Ending Liability *
2017	\$ 2,605	\$ 1,517	\$ 1,094	\$ (1,809)	\$ 3,407
2018	\$ 3,407	\$ 1,360	\$ (162)	\$ (1,179)	\$ 3,426

\* Presented at the 50% confidence level and undiscounted.

**Health Insurance** - The Insurance Programs Fund is also used to fund monthly health insurance premiums. In April 1997, the City converted from a flexible funded health insurance program to a fully insured pay-as-you-go program. The Insurance Programs Fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

**10. Accrued Compensated Absences**

At September 30, 2018, compensated absences are based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Position, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2018 was \$ 5,008,185 for all funds.

The General Fund is used to liquidate the liability for compensated absences for those governmental activities.

**11. Construction Commitments**

The following table presents the approximate significant construction commitments outstanding at September 30, 2018:

	<u>Estimated Remaining Construction Commitments</u>
Gas Tax Fund:	
Mill & Pave Fleming Street	\$ 484,000
Infrastructure Surtax Fund:	
Glynn Archer Gym Renovations	\$ 1,834,000
Truman Waterfront Road, Park & Sewer	\$ 811,000
Fort Taylor Fund:	
Repairs to Smathers Beach	\$ 1,215,000
Sanitary Sewer System Fund:	
Lift Station Rehab. & Generator	\$ 1,483,000
Truman Waterfront Sewer System	\$ 536,000
Key West Bight Fund:	
KWB Ferry Terminal Pier Extension	\$ 1,003,000
Garrison Bight Fund:	
Transient Restrooms	\$ 1,755,000

## 12. Long-Term Debt and Liabilities

The following is a summary of changes in long-term debt and liabilities:

	Balance October 1, 2017	Additions	Amortization/ Retirements	Balance September 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Note payable	\$ 290,285	\$ -	\$ 147,059	\$ 143,226	\$ 143,226
Capital lease	840,295	-	-	840,295	420,147
Insurance claims payable	3,406,710	19,087	-	3,425,797	924,019
Compensated absences	4,570,509	3,523,720	3,412,236	4,681,993	3,314,636
OPEB liability (1)	7,422,551	529,244	-	7,951,795	-
Net pension liability	10,776,165	468,130	-	11,244,295	-
Total governmental activities	\$ <u>27,306,515</u>	\$ <u>4,540,181</u>	\$ <u>3,559,295</u>	\$ <u>28,287,401</u>	\$ <u>4,802,028</u>
<b>Business-Type Activities:</b>					
Marina Refunding Revenue Note, Series 2009	\$ 1,419,816	\$ -	\$ 1,419,816	\$ -	\$ -
Sewer System Revenue Bonds, Series 2012	2,350,000	-	450,000	1,900,000	460,000
Sewer System Refunding Revenue Bonds, Series 2013	15,731,623	-	1,391,845	14,339,778	1,430,742
Note payable, State Revolving Loan	1,521,577	-	319,200	1,202,377	329,721
Compensated absences	338,600	220,529	232,937	326,192	238,980
OPEB liability (1)	662,642	47,248	-	709,890	-
Other	510,754	10,137	-	520,891	-
Total business-type activities	\$ <u>22,535,012</u>	\$ <u>277,914</u>	\$ <u>3,813,798</u>	\$ <u>18,999,128</u>	\$ <u>2,459,443</u>
Total long-term debt and liabilities	\$ <u>49,841,527</u>	\$ <u>4,818,095</u>	\$ <u>7,373,093</u>	\$ <u>47,286,529</u>	\$ <u>7,261,471</u>

(1) Beginning balance was restated on discussed in Notes 7 and 16.

### General Obligation:

**Promissory Note:** A promissory note was issued for the acquisition and rehabilitation of affordable housing in the City's redevelopment district. The note is to be repaid and secured by tax increment revenue which derives from such area. Issued at not to exceed \$ 2,500,000, and fully drawn down, on October 1, 2003, the City converted the then revolving facility to a term loan at a fixed interest rate of 2.56%. This note is payable in varying annual installments of principal and interest not exceeding \$ 158,335 through its maturity on October 1, 2018.

The general obligation promissory note debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ <u>143,226</u>	\$ <u>3,759</u>	\$ <u>146,985</u>

### Capital Lease:

**Municipal Equipment Lease Purchase:** In December 2016, the City entered a municipal equipment lease-purchase agreement with a third party for the acquisition of certain equipment in the amount of \$ 840,295. The lease is payable in varying annual installments of principal and interest through its maturity of December 1, 2019, with a fixed interest rate of 2.95% applied to the balance at December 1, 2018.

**12. Long-Term Debt and Liabilities (continued)**

The municipal lease requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 420,147	\$ -	\$ 420,147
2020	420,148	12,394	432,542
	<u>\$ 840,295</u>	<u>\$ 12,394</u>	<u>\$ 852,689</u>

**Revenue Obligations:**

**Marina Refunding Revenue Note, Series 2009:** In December 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the then outstanding Tax-Exempt Capital Improvement/Marina Revenue Bonds, Series 1997. The then bonds were originally issued to finance the acquisition of an approximately 8.8 acre site commonly known as the Key West Bight for the public purpose of constructing marina and related facilities, public parks and conservation areas thereon.

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 was payable solely and secured by a pledge of the net revenue of the facilities and the half-cent sales tax collections. Interest was due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from approximately \$ 1,372,600 to \$ 1,419,800. This loan was paid in full as of December 2017.

**Sewer System Revenue Bonds, Series 2012:** In February 2012, the City entered into agreement with a financial institution for the issuance of the Sewer System Revenue Bonds, Series 2012 in the amount of \$ 4,065,000. The proceeds from this indebtedness were used to repay a grant from the State of Florida Department of Emergency Management, the proceeds of which were used to finance the costs of certain capital improvements to the City's sewer system. Interest is due semiannually, at a rate of 2.07%, with principal due annually at installments ranging from \$ 440,000 to \$ 490,000 through maturity on October 1, 2021. These bonds were issued on a parity basis with the City's Sewer System Revenue Bonds, currently outstanding or issued hereafter.

**Sewer System Refunding Revenue Bonds, Series 2013:** In August 2013, the City issued the 2013 Series Sewer System Refunding Revenue Bonds at a par amount of \$ 19,963,753. The Bonds bear interest at 2.65% and mature in October 2026. Interest is payable semi-annually on the first day of April and October. The proceeds, along with existing sinking fund reserves, were used to currently refund the then outstanding balance of the 2003 Series Sewer System Refunding Revenue Bonds. The principal and interest are secured by a pledge of net revenues of the sewer system.

Revenue bonds debt service requirements to maturity, including interest are estimated as follows:

<u>Fiscal Year</u>	<u>Sewer System Revenue Bonds, Series 2012</u>		<u>Sewer System Refunding Revenue Bonds, Series 2013</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 460,000	\$ 34,569	\$ 1,430,742	\$ 361,056	\$ 2,286,367
2020	470,000	24,944	1,471,994	322,594	2,289,532
2021	480,000	15,112	1,509,802	283,086	2,288,000
2022	490,000	5,072	1,556,061	242,464	2,293,597
2023	-	-	1,590,572	200,771	1,791,343
2024 - 2027	-	-	6,780,607	365,496	7,146,103
	<u>\$ 1,900,000</u>	<u>\$ 79,697</u>	<u>\$ 14,339,778</u>	<u>\$ 1,775,467</u>	<u>\$ 18,094,942</u>

**12. Long-Term Debt and Liabilities (continued)**

**Continuing disclosure** - In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds. At September 30, 2018, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2018, are presented below:

**Sanitary Sewer System:**

- A. During the year, there has been no material modification to, or termination of, the Navy agreement which determines the contractual obligation of the Navy as it relates to the Sewer System.
- B. During the year, the City did not issue any additional parity obligations and/or subordinated indebtedness.
- C. Current and proposed rate schedules:

	2017		2018		2019
Base charge	\$ 22.77		\$ 22.77		\$ 22.77
Commodity charge	\$ 4.51		\$ 4.51		\$ 4.51

- D. Required historical debt service coverage information is presented in the statistical section of this report (Table 16).

**Note Payable – State of Florida, Department of Environmental Protection – State Revolving Loan:**

In connection with the City’s Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Revenue Bonds, Series 2012 and 2013.

State revolving loan debt service requirements to maturity are estimated as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 329,721	\$ 36,646	\$ 366,367
2020	340,592	25,775	366,367
2021	351,820	14,547	366,367
2022	180,244	2,941	183,185
	\$ 1,202,377	\$ 79,909	\$ 1,282,286

**12. Long-Term Debt and Liabilities (continued)**

**Component Unit:**

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Amortization/ Retirements	Balance December 31, 2017	Due Within One Year
Notes payable	\$ 7,490,509	\$ -	\$ 93,866	\$ 7,396,643	\$ 1,897,025
Revenue notes	25,637,502	10,369,484	762,608	35,244,378	793,127
Compensated absences	399,345	257,417	288,144	368,618	36,863
OPEB liability (1)	1,013,541	100,552	-	1,114,093	-
Total long-term debt and liabilities	\$ 34,540,897	\$ 10,727,453	\$ 1,144,618	\$ 44,123,732	\$ 2,727,015

(1) Beginning balance was restated as discussed in notes 7 and 16.

Notes, as of December 31, 2017, are comprised of the following:

Notes Payable Description:

Multifamily Housing Revenue Bond, Series 2010, in the principal amount of \$ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.50%. The bond is due in August 2030. In addition, The Authority borrowed \$ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property "Washington Street." The entire loan balance for the second note (\$ 800,000) will be forgiven in 30 years if all covenant conditions are met. These loans do not bear interest and mature in 30 years.	\$ 2,919,369
Second mortgage note due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnerships Program," payable in full in April 2028, non-interest bearing.	1,819,720
Mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in November 2034, non-interest bearing.	1,500,000
Mortgage land notes of \$ 225,000 and \$ 550,000, "Eisenhower Land", due to a governmental agency, no indication of collateral, principals will be forgiven in November 2041 if covenants of the agreement are met.	775,000
First mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site A – Home Investment Partnerships Program," payable in full in April 2028, non-interest bearing.	382,554
	\$ <u>7,396,643</u>

**12. Long-Term Debt and Liabilities (continued)**

Revenue Notes, as of December 31, 2017, are comprised of the following:

Revenue Notes Description:

<p>Multifamily Housing Revenue Refunding Note, Series 2014A and Taxable Multifamily Housing Revenue Refunding Note, Series 2014B. Both of these notes have issuance dates of May 7, 2014 and mature in 2024. Series 2014A and Series 2014B bear interest at 3.5% and 5.3%, respectively. The outstanding balance of Series 2014A and Series 2014B was \$ 8,707,532 and \$ 1,797,828, respectively.</p>	<p>\$ 10,505,360</p>
<p>Multifamily Housing Revenue Note amortized over a 25-year period and bearing interest at 4.25%. A 10-year call exists at which time the loan’s interest rate will be renegotiated. If a new rate is not agreed upon, the loan will become payable and due. These notes are collateralized by the land, project improvements and property located on the land “Roosevelt Gardens.”</p>	<p>7,987,145</p>
<p>Housing Revenue Note, Series 2015A and Taxable Housing Revenue Note, Series 2015B. In December 2016, the Authority refinanced a portion of the Series 2015B. The Series 2016 Note has an interest rate of 2.90% with interest only beginning the date of issuance for approximately ten months with a 28-year amortization beginning immediately following the interest only period. Both the 2015A and 2015B Notes have issuance dates of September 1, 2015 and mature in 2045. Series 2015A and Series 2015B bear interest at 2.90% and 4.74%, respectively. The outstanding balance of Series 2015A, Series 2015B and Series 2016 was \$ 8,000,000, \$ 109,336 and \$ 4,958,933, respectively.</p>	<p>13,068,269</p>
<p>Second mortgage payable to a local government agency to facilitate the acquisition of the “Poinciana Complex”. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land.</p>	<p>2,210,000</p>
<p>Housing Revenue Bond, Series 2009, issued to a local banking institution in the principal amount of \$ 2,900,000 to demolish existing structures and construct new rental units on the site “Key Plaza Site B.” Collateralized by first mortgage on land, project improvements and property located on the land; bearing interest at rates ranging from 4.00% to 4.75% with other applicable conditions. The bond is amortized over a 25-year period with a 7-year balloon, with an available maturity through November 2035.</p>	<p>1,406,841</p>

**12. Long-Term Debt and Liabilities (continued)**

Revenue Notes Description (continued):

\$ 2,216,644 Housing Revenue Note, Series 2017. The note is a tax-exempt note and bears a 2.90% interest rate. The initial 10 months of the note shall be interest only; interest is accrued on the principal amount outstanding. Payments of principal and interest are payable on a 27-year amortization period. The note is collateralized by senior living facilities.

66,763

\$ 35,244,378

The anticipated debt service under all agreements discussed for the component unit are as follows:

Fiscal Year Ending December 31,	Notes Payable		Revenue Notes	
	Principal	Interest	Principal	Interest
2018	\$ 1,897,025	\$ 60,352	\$ 793,127	\$ 790,005
2019	80,904	56,913	1,637,391	760,397
2020	84,671	53,314	2,740,387	729,591
2021	88,613	49,547	11,223,854	697,540
2022	92,739	184,797	888,280	664,188
2023-2027	532,629	60,971	9,828,008	2,131,076
2028-2032	709,062	-	2,339,791	1,031,428
2033-2037	1,500,000	-	5,793,540	433,605
2038-2042	2,411,000	-	-	-
Totals	<u>\$ 7,396,643</u>	<u>\$ 465,894</u>	<u>\$ 35,244,378</u>	<u>\$ 7,237,830</u>

**13. Interfund Assets and Liabilities**

A summary of interfund receivable and payable balances at September 30, 2018 are as follows:

Interfund Items (current)	Receivables	Payables
<b>Governmental Funds:</b>		
General	\$ -	\$ 366,005
Gas Tax	847,133	1,920
Capital Projects	8,939	-
Infrastructure Surtax	10,653	429
Transportation Alternative	1,987	1,493
Truman Waterfront	-	1,493
<b>Enterprise Funds:</b>		
Sanitary Sewer System	10,322	1,280
Solid Waste	28,826	2,347
Key West Bight	11,208	7,896
Stormwater	847	212
Transit System	93,451	856,015
Garrison Bight	10,462	5,333
<b>Internal Service Fund:</b>		
Insurance Programs	220,595	-
Totals	<u>\$ 1,244,423</u>	<u>\$ 1,244,423</u>

The balances in the various Governmental and Enterprise Funds above are results of underfunding or overfunding of the Insurance Programs Fund. Additionally, these interfund balances can result from working capital needs and expenditures related to Hurricane Irma. All of the above amounts are expected to be repaid shortly after year-end from available current assets.

**13. Interfund Assets and Liabilities (continued)**

A summary of advances (receivables and payables) at September 30, 2018 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 1,247,727	\$ -
Enterprise Funds:		
Sanitary Sewer System	1,529,826	-
Stormwater	<u>-</u>	<u>2,777,553</u>
Totals	\$ <u><u>2,777,553</u></u>	\$ <u><u>2,777,553</u></u>

The advance in the General Fund is owed by the Stormwater Fund in connection with prior years' working capital needs. The receivable balance in the Sanitary Sewer System Fund is primarily due to long-term advances made to the Stormwater Fund in connection with construction projects. The above amounts are repaid as excess cash flows become available in the debtor fund.

**14. Interfund Transfers**

A summary of interfund transfers for the year ended September 30, 2018 is as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
Governmental Funds:		
General	\$ 7,071,411 a,b,c	\$ 1,626,985 d,e,g
Gas Tax	2,803,898 d,g	456,320 c,f
Infrastructure Surtax	510,653 d	4,801,518 c,b,d
Capital Projects	573,139 d,g	122,387 c
Nonmajor funds	940,059 e,d,g	160,538 c
Enterprise Funds:		
Sanitary Sewer System	10,322 g	1,228,481 a
Solid Waste	28,826 g	1,721,773 a
Key West Bight	11,208 g	1,198,403 a
Stormwater	315,847 f,g	338,725 a
Transit System	389,630 d,g	288,246 a
Garrison Bight	10,462 g	319,398 a
Internal Service Fund:		
Insurance Programs	<u>8,085 h</u>	<u>410,766 c</u>
Totals	\$ <u><u>12,673,540</u></u>	\$ <u><u>12,673,540</u></u>

Reasons for these transfers are set forth below:

- |  |   |
|--|---|
| a) Payments in lieu of taxes                               | e) Tax increment funding                          |
| b) 10% of the budgeted discretionary sales surtax revenues | f) Subsidy for transit programs and projects      |
| c) Cost allocation and recovery of general fund services   | g) Forced account labor related to hurricane Irma |
| d) Various infrastructure and other capital projects       |   |

**15. Contingencies**

The City is a defendant in several personal injury, workers’ compensation, and other litigation incidental to its routine operations. Annually, the City undergoes an actuarial study to determine the funding necessary to allow for current and future losses. The City has established a general liability account within the Insurance Internal Service Fund and has reflected its best estimates of such liabilities.

In addition, due to land use plan and building permit allocation ordinance restrictions, from time to time the City is involved in actions for limiting the ability to use certain properties. Due to the uncertainty of the outcome, and the inability to estimate potential losses, no provision has been recorded in the financial statements.

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and revenue sharing. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, if any, such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at September 30, 2018.

**16. Restatements**

**City:**

The net positions of the Governmental Activities, Business-Type Activities and all Enterprise Funds have been adjusted due to the adoption of GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018.

	Government-Wide Statements		Enterprise Funds					
	Governmental Activities	Business-Type Activities	Sanitary Sewer System	Solid Waste	Key West Bight	Stormwater	Transit System	Garrison Bight
Net Position, September 30, 2017, as previously reported	\$ 183,821,018	\$ 172,561,003	\$ 71,598,133	\$ 19,181,226	\$ 39,876,390	\$ 21,532,721	\$ 13,192,380	\$ 7,180,153
Cumulative Effect of Application of GASB 75, Net OPEB Liability	<u>(2,676,017)</u>	<u>(263,841)</u>	<u>(17,470)</u>	<u>(33,809)</u>	<u>(69,734)</u>	<u>(5,069)</u>	<u>(149,461)</u>	<u>11,702</u>
Net Position, September 30, 2017, as restated	<u>\$ 181,145,001</u>	<u>\$ 172,297,162</u>	<u>\$ 71,580,663</u>	<u>\$ 19,147,417</u>	<u>\$ 39,806,656</u>	<u>\$ 21,527,652</u>	<u>\$ 13,042,919</u>	<u>\$ 7,191,855</u>

**16. Restatements (continued)**

**Component Unit:**

During the year ended December 31, 2017, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement requires the restatement of the December 31, 2016, net as following:

Net Position, December 31, 2016, as previously reported	\$ 25,496,091
Cumulative Effect of Application of GASB 75, Net OPEB Liability	<u>(877,792)</u>
Net Position, December 31, 2016, as restated	\$ <u><u>24,618,299</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Key West, Florida**  
**Required Supplementary Information**  
**(Unaudited)**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Last Fiscal Year \***

---

<b>Fiscal Year:</b>	9/30/2018
<b>Measurement Date:</b>	<u>9/30/2018</u>
<b>Total OPEB liability:</b>	
Service cost	\$ 751,138
Interest on total OPEB Liability	290,240
Changes of assumptions or other inputs	(292,432)
Benefits payments - implicit	<u>(172,454)</u>
<b>Net change in total OPEB liability</b>	576,492
<b>Total OPEB liability - beginning</b>	<u>8,085,193</u>
<b>Total OPEB liability - ending</b>	<u>\$ 8,661,685</u>
<b>Covered payroll</b>	\$ 28,319,809
<b>Total OPEB liability as a percentage of covered payroll</b>	30.6%

**Notes to Schedule:**

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

Changes in assumption or other inputs include the change in the discount rate from 3.35% as of the beginning of the measurement period to 3.64%, consistent with available 20 - year Aa municipal bond rates, as of September 30, 2018.

*Plan Assets.* No assets are accumulated in a trust that meets all of the criteria of GASB No. 75, paragraph 4, to pay benefits.

**City of Key West, Florida**  
**Required Supplementary Information**  
**(Unaudited)**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**General Employees' Pension Trust Fund**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability:</b>					
Service cost	\$ 1,472,641	\$ 1,427,943	\$ 1,269,240	\$ 1,154,040	\$ 1,134,108
Interest	3,944,192	3,791,376	3,499,027	3,277,233	3,149,825
Differences between expected and actual experience	(180,469)	1,851,258	1,253,381	(189,114)	(795,460)
Assumption changes	-	43,681	(97,983)	-	1,479,338
Benefit payments, including refunds of member contributions	<u>(3,121,318)</u>	<u>(3,041,719)</u>	<u>(2,735,024)</u>	<u>(2,671,762)</u>	<u>(2,261,393)</u>
<b>Net change in total pension liability</b>	2,115,046	4,072,539	3,188,641	1,570,397	2,706,418
<b>Total pension liability - beginning</b>	<u>52,861,348</u>	<u>48,788,809</u>	<u>45,600,168</u>	<u>44,029,771</u>	<u>41,323,353</u>
<b>Total pension liability - ending (A)</b>	<u>\$ 54,976,394</u>	<u>\$ 52,861,348</u>	<u>\$ 48,788,809</u>	<u>\$ 45,600,168</u>	<u>\$ 44,029,771</u>
<b>Plan fiduciary net position:</b>					
Contributions - employer	\$ 991,645	\$ 752,506	\$ 730,895	\$ 842,957	\$ 919,864
Contributions - members	790,420	797,975	769,999	708,253	655,206
Net investment earnings	5,148,560	6,120,262	3,511,656	555,804	4,431,002
Benefit payments, including refunds of member contributions	(3,121,318)	(3,041,719)	(2,735,024)	(2,671,762)	(2,261,393)
Administrative expenses	<u>(184,725)</u>	<u>(184,764)</u>	<u>(211,426)</u>	<u>(163,130)</u>	<u>(142,131)</u>
<b>Net change in plan fiduciary net position</b>	3,624,582	4,444,260	2,066,100	(727,878)	3,602,548
<b>Plan fiduciary net position - beginning</b>	<u>53,666,271</u>	<u>49,222,011</u>	<u>47,155,911</u>	<u>47,883,789</u>	<u>44,281,241</u>
<b>Plan fiduciary net position - ending (B)</b>	<u>\$ 57,290,853</u>	<u>\$ 53,666,271</u>	<u>\$ 49,222,011</u>	<u>\$ 47,155,911</u>	<u>\$ 47,883,789</u>
<b>City's net pension liability (asset)- ending (A) - (B)</b>	<u>\$ (2,314,459)</u>	<u>\$ (804,923)</u>	<u>\$ (433,202)</u>	<u>\$ (1,555,743)</u>	<u>\$ (3,854,018)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	104.21%	101.52%	100.89%	103.41%	108.75%
<b>Covered payroll</b>	\$ 13,173,649	\$ 13,299,209	\$ 13,093,472	\$ 11,773,303	\$ 10,500,212
<b>City's net pension liability (asset) as percentage of covered payroll</b>	-17.57%	-6.05%	-3.31%	-13.21%	-36.70%

Note: 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 which the information is available.

**City of Key West, Florida**  
**Required Supplementary Information**  
**(Unaudited)**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Police Officers' and Firefighters' Pension Trust Fund**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability:</b>					
Service cost	\$ 1,916,291	\$ 1,779,015	\$ 1,616,830	\$ 1,454,687	\$ 1,481,267
Interest	9,352,467	8,704,537	7,783,325	7,402,128	7,063,784
Differences between expected and actual experience	1,924,924	2,335,251	473,539	260,206	-
Assumption changes	536,041	3,930,249	1,231,928	2,284,845	-
Benefit payments, including refunds of member contributions	<u>(5,835,862)</u>	<u>(4,973,927)</u>	<u>(4,852,091)</u>	<u>(4,300,292)</u>	<u>(4,065,051)</u>
<b>Net change in total pension liability</b>	7,893,861	11,775,125	6,253,531	7,101,574	4,480,000
<b>Total pension liability - beginning</b>	<u>109,351,893</u>	<u>97,576,768</u>	<u>91,323,237</u>	<u>84,221,663</u>	<u>79,741,662</u>
<b>Total pension liability - ending (A)</b>	<u>\$ 117,245,754</u>	<u>\$ 109,351,893</u>	<u>\$ 97,576,768</u>	<u>\$ 91,323,237</u>	<u>\$ 84,221,662</u>
<b>Plan fiduciary net position:</b>					
Contributions - employer	\$ 3,765,235	\$ 3,581,684	\$ 2,835,282	\$ 2,801,375	\$ 2,975,423
Contributions - state	645,479	572,152	532,550	578,511	727,859
Contributions - members	872,519	895,491	822,496	777,269	764,013
Net investment earnings	10,642,484	11,413,677	7,042,214	614,041	8,116,554
Benefit payments, including refunds of member contributions	(5,835,862)	(4,973,927)	(4,852,091)	(4,300,292)	(4,065,051)
Administrative expenses	<u>(165,342)</u>	<u>(182,082)</u>	<u>(175,719)</u>	<u>(142,080)</u>	<u>(109,548)</u>
<b>Net change in plan fiduciary net position</b>	9,924,513	11,306,995	6,204,732	328,824	8,409,250
<b>Plan fiduciary net position - beginning</b>	<u>98,107,598</u>	<u>86,800,603</u>	<u>80,595,871</u>	<u>80,267,047</u>	<u>71,857,797</u>
<b>Plan fiduciary net position - ending (B)</b>	<u>\$ 108,032,111</u>	<u>\$ 98,107,598</u>	<u>\$ 86,800,603</u>	<u>\$ 80,595,871</u>	<u>\$ 80,267,047</u>
<b>City's net pension liability (asset) - ending (A) - (B)</b>	<u>\$ 9,213,643</u>	<u>\$ 11,244,295</u>	<u>\$ 10,776,165</u>	<u>\$ 10,727,366</u>	<u>\$ 3,954,615</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.14%	89.72%	88.96%	88.25%	95.30%
<b>Covered payroll</b>	\$ 12,324,694	\$ 11,570,527	\$ 11,325,253	\$ 9,977,377	\$ 10,553,410
<b>City's net pension liability (asset) as a percentage of covered payroll</b>	74.76%	97.18%	95.15%	107.52%	37.47%

Note: 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 which the information is available.

**City of Key West, Florida  
 Required Supplementary Information  
 (Unaudited)  
 Schedule of Contributions  
 General Employees' Pension Trust Fund  
 (In Thousands)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 992	\$ 664	\$ 475	\$ 475	\$ 636	\$ 987	\$ 843	\$ 684	\$ 640	\$ 745
Contributions in relation to the actuarially determined contribution	992	753	731	843	920	987	879	1,133	1,164	1,266
Contribution deficiency (excess)	\$ -	\$ (89)	\$ (256)	\$ (368)	\$ (284)	\$ -	\$ (36)	\$ (449)	\$ (524)	\$ (521)
Covered payroll	\$ 13,174	\$ 13,300	\$ 13,093	\$ 11,773	\$ 10,500	\$ 9,945	\$ 9,609	\$ 9,939	\$ 10,277	\$ 10,982
Contributions as a percentage of covered payroll	7.53%	5.66%	5.58%	7.16%	8.76%	9.92%	9.15%	11.40%	11.33%	11.53%

**Notes to Schedule:**

Valuation date: October 1, 2016

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal
- Amortization method: Level Percentage of Pay, Closed
- Amortization period: 20 years
- Asset valuation method: 5-year smoothed market
- Inflation: 2.75%
- Projected salary increases: 3.75% - 6.00%
- Investment rate of return: 7.50%
- Cost of living adjustments: None
- Retirement rates: Experience-based table rates that are specific to the type of eligibility condition
- Mortality: Healthy Male Members: RP-2000 Annuitant Male Mortality Table, with 50% White Collar / 50% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. Healthy Female Members: RP-2000 Annuitant Female Mortality Table, with White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. Disabled Male Members: RP-2000 Disabled Male Mortality Table, setback four years, without projected mortality improvements. Disabled Female Members: RP-2000 Disabled Female Mortality Table, set forward two years, without projected mortality improvements.

Changes since last valuation: Actuarial cost method, mortality assumptions and inflation rate updated.

**City of Key West, Florida  
Required Supplementary Information  
(Unaudited)  
Schedule of Contributions  
Police Officers' and Firefighters' Pension Trust Fund  
(In Thousands)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 4,411	4,153	3,356	3,323	3,497	3,468	3,214	2,898	2,548	2,468
Contributions in relation to the actuarially determined contribution	4,411	4,153	3,356	3,323	3,497	3,468	3,214	2,898	2,548	2,468
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 12,325	11,571	11,325	9,977	10,051	9,634	9,645	9,681	8,738	9,293
Contributions as a percentage of covered payroll	35.79%	35.89%	29.63%	33.31%	34.79%	36.00%	33.32%	29.93%	29.16%	26.56%

**Notes to Schedule:**

Valuation date: October 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, closed
Amortization period	30 years
Asset valuation method	5-year smoothed market value
Inflation	3.00%
Projected salary increases	4.50% per annum
Investment rate of return	7.50%, net of investment expenses, compounded annually
Cost of living adjustments	None.
Retirement rates	Ranging from 20 or more years of credited service (75% - 100%) and less than 20 years of credited service (50% - 100%).
Mortality	For female non-disabled: RP-2000 generational, 100% Annuitant White Collar, Scale BB. For male non-disabled: RP-2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB. For female disabled: 60% RP-2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. For male disabled: 60% RP-2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
Changes since last valuation	None.

**City of Key West, Florida**  
**Required Supplementary Information**  
**(Unaudited)**  
**Schedule of Investment Returns**  
**General Employees' Pension Trust Fund**

---

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual money-weighted rate of return, net of investment expense	9.32%	12.15%	7.13%	0.95%	9.86%	12.27%	14.52%	(1.98%)	8.51%	7.29%

City of Key West, Florida  
 Required Supplementary Information  
 (Unaudited)  
 Schedule of Investment Returns  
 Police Officers' and Firefighters' Pension Trust Fund

---

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
--	------	------	------	------	------	------	------	------	------	------

Annual money-weighted rate of return,  
 net of investment expense

	10.5%	13.8%	9.4%	(0.2%)	12.6%	16.3%	20.2%	(3.3%)	6.3%	(1.7%)
--	-------	-------	------	--------	-------	-------	-------	--------	------	--------

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## Nonmajor Governmental Funds Overview

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes as authorized by statutory or charter provisions.

**Law Enforcement Trust Fund** - To account for the proceeds from confiscated property, designated for purchases of technical equipment, and related expenditures, for the police department.

**Fort Taylor Fund** - To account for State of Florida shared revenues, Department of Natural Resources grants, together with donations, restricted for the acquisition and maintenance of salt ponds.

**Affordable Housing Escrow Fund** - To account for proceeds and disbursements associated with the acquisition, rehabilitation or any other element related to the development of affordable housing.

**Bahama Village Fund** - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.

**Navy Pier Payments Fund** - To account for lease payments held in reserve and related transportation expenditures.

**Caroline Street Fund** - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.

**Community Fund** - To account for proceeds from a one percent assessment to be collected on all qualifying new construction and major remodeling projects and the expenditures committed to approved Art in Public Places projects.

**Transportation Alternative Fund** – To account for proceeds from parking revenue to fund transportation related plans.

**Truman Waterfront Fund** – To account for proceeds from parking revenue to fund the operations and maintenance of the Truman Waterfront Amphitheatre and Park.

City of Key West, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2018

	<u>Law Enforcement Trust Fund</u>	<u>Fort Taylor Fund</u>	<u>Special Revenue Affordable Housing Escrow Fund</u>
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 51,144	\$ 1,942,580	\$ 934,948
Receivables (net of allowance for uncollectibles):			
Intergovernmental	-	18,046	-
Interfund receivables	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 51,144</u>	<u>\$ 1,960,626</u>	<u>\$ 934,948</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 29,120	\$ 12,190
Accrued payroll and related expenditures	-	-	-
Interfund payable	-	-	-
Unearned revenue	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>-</u>	<u>29,120</u>	<u>12,190</u>
<b>Fund Balances:</b>			
Restricted for:			
Law enforcement	51,144	-	-
Natural resources	-	1,931,506	-
Housing initiatives and urban redevelopment	-	-	922,758
Transportation	-	-	-
Committed to:			
Art in public places	-	-	-
Truman Waterfront	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>51,144</u>	<u>1,931,506</u>	<u>922,758</u>
<b>Total liabilities and fund balances</b>	<u>\$ 51,144</u>	<u>\$ 1,960,626</u>	<u>\$ 934,948</u>

**Funds**

<u>Bahama Village Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Caroline Street Fund</u>	<u>Community Fund</u>	<u>Transportation Alternative Fund</u>	<u>Truman Waterfront Fund</u>	<u>Total</u>
\$ 2,016,346	\$ 1,540,565	\$ 2,148,319	\$ 431,983	\$ 789,905	\$ 208,338	\$ 10,064,128
-	20,573	-	-	-	-	38,619
-	-	-	-	1,987	-	1,987
<u>\$ 2,016,346</u>	<u>\$ 1,561,138</u>	<u>\$ 2,148,319</u>	<u>\$ 431,983</u>	<u>\$ 791,892</u>	<u>\$ 208,338</u>	<u>\$ 10,104,734</u>
\$ -	\$ -	\$ -	\$ 14,187	\$ 3,806	\$ 53,757	\$ 113,060
-	-	-	-	6,584	4,305	10,889
-	-	-	-	1,493	1,493	2,986
-	-	-	5,433	-	-	5,433
-	-	-	19,620	11,883	59,555	132,368
-	-	-	-	-	-	51,144
-	-	-	-	-	-	1,931,506
2,016,346	-	2,148,319	-	-	-	5,087,423
-	1,561,138	-	-	780,009	-	2,341,147
-	-	-	412,363	-	-	412,363
-	-	-	-	-	148,783	148,783
<u>2,016,346</u>	<u>1,561,138</u>	<u>2,148,319</u>	<u>412,363</u>	<u>780,009</u>	<u>148,783</u>	<u>9,972,366</u>
<u>\$ 2,016,346</u>	<u>\$ 1,561,138</u>	<u>\$ 2,148,319</u>	<u>\$ 431,983</u>	<u>\$ 791,892</u>	<u>\$ 208,338</u>	<u>\$ 10,104,734</u>

City of Key West, Florida  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2018

	<u>Law Enforcement Trust Fund</u>	<u>Fort Taylor Fund</u>	<u>Special Revenue Affordable Housing Escrow Fund</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	9,514	271,417	-
Charges for services	-	-	579,713
Investment earnings	410	12,158	4,795
Contributions and other	-	-	-
	<u>9,924</u>	<u>283,575</u>	<u>584,508</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current:			
General government	-	128,725	-
Public safety	27,849	-	-
Transportation	-	-	-
Economic environment	-	-	67,044
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<u>27,849</u>	<u>128,725</u>	<u>67,044</u>
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(17,925)</u>	<u>154,850</u>	<u>517,464</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	(7,248)	(5,467)	-
	<u>(7,248)</u>	<u>(5,467)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>			
<b>Net change in fund balances</b>	(25,173)	149,383	517,464
<b>Fund Balances, October 1</b>	<u>76,317</u>	<u>1,782,123</u>	<u>405,294</u>
<b>Fund Balances, September 30</b>	<u>\$ 51,144</u>	<u>\$ 1,931,506</u>	<u>\$ 922,758</u>

**Funds**

<u>Bahama Village Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Caroline Street Fund</u>	<u>Community Fund</u>	<u>Transportation Alternative Fund</u>	<u>Truman Waterfront Fund</u>	<u>Total</u>
\$ 458,752	\$ -	\$ 459,398	\$ -	\$ -	\$ -	\$ 918,150
-	-	-	-	-	-	280,931
-	872,170	-	-	713,196	362,596	2,527,675
15,310	427	14,706	2,719	4,600	1,382	56,507
118	-	-	6,655	-	-	6,773
<u>474,180</u>	<u>872,597</u>	<u>474,104</u>	<u>9,374</u>	<u>717,796</u>	<u>363,978</u>	<u>3,790,036</u>
-	-	-	-	-	-	128,725
-	-	-	-	-	-	27,849
-	969,547	-	-	435,500	-	1,405,047
198,288	-	1,087	22,116	-	-	288,535
-	-	-	-	-	202,677	202,677
16,563	-	-	-	-	134,344	150,907
154,500	-	-	-	-	-	154,500
<u>369,351</u>	<u>969,547</u>	<u>1,087</u>	<u>22,116</u>	<u>435,500</u>	<u>337,021</u>	<u>2,358,240</u>
<u>104,829</u>	<u>(96,950)</u>	<u>473,017</u>	<u>(12,742)</u>	<u>282,296</u>	<u>26,957</u>	<u>1,431,796</u>
399,342	-	399,904	-	1,987	138,826	940,059
(12,779)	-	(18,044)	-	(100,000)	(17,000)	(160,538)
<u>386,563</u>	<u>-</u>	<u>381,860</u>	<u>-</u>	<u>(98,013)</u>	<u>121,826</u>	<u>779,521</u>
491,392	(96,950)	854,877	(12,742)	184,283	148,783	2,211,317
<u>1,524,954</u>	<u>1,658,088</u>	<u>1,293,442</u>	<u>425,105</u>	<u>595,726</u>	<u>-</u>	<u>7,761,049</u>
<u>\$ 2,016,346</u>	<u>\$ 1,561,138</u>	<u>\$ 2,148,319</u>	<u>\$ 412,363</u>	<u>\$ 780,009</u>	<u>\$ 148,783</u>	<u>\$ 9,972,366</u>

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Law Enforcement Trust Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 7,500	\$ 9,514	\$ 2,014
Investment earnings	-	-	410	410
<b>Total revenues</b>	<u>-</u>	<u>7,500</u>	<u>9,924</u>	<u>2,424</u>
<b>Expenditures:</b>				
Operating	63,968	36,668	27,349	9,319
Capital outlay	-	27,300	-	27,300
Aid to private organizations	3,000	3,000	500	2,500
<b>Total expenditures</b>	<u>66,968</u>	<u>66,968</u>	<u>27,849</u>	<u>39,119</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(66,968)</u>	<u>(59,468)</u>	<u>(17,925)</u>	<u>41,543</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(7,248)</u>	<u>(7,248)</u>	<u>(7,248)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(7,248)</u>	<u>(7,248)</u>	<u>(7,248)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (74,216)</u>	<u>\$ (66,716)</u>	<u>(25,173)</u>	<u>\$ 41,543</u>
<b>Fund Balance, October 1</b>			<u>76,317</u>	
<b>Fund Balance, September 30</b>			<u>\$ 51,144</u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Fort Taylor Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,450,000	\$ 1,450,000	\$ 271,417	\$ (1,178,583)
Investment earnings	10,000	10,000	12,158	2,158
<b>Total revenues</b>	<u>1,460,000</u>	<u>1,460,000</u>	<u>283,575</u>	<u>(1,176,425)</u>
<b>Expenditures:</b>				
Operating	<u>1,331,284</u>	<u>1,356,012</u>	<u>128,725</u>	<u>1,227,287</u>
<b>Total expenditures</b>	<u>1,331,284</u>	<u>1,356,012</u>	<u>128,725</u>	<u>1,227,287</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>128,716</u>	<u>103,988</u>	<u>154,850</u>	<u>50,862</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(5,467)</u>	<u>(5,467)</u>	<u>(5,467)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(5,467)</u>	<u>(5,467)</u>	<u>(5,467)</u>	<u>-</u>
<b>Net change in fund balance</b>	\$ <u>123,249</u>	\$ <u>98,521</u>	149,383	\$ <u>50,862</u>
<b>Fund Balance, October 1</b>			<u>1,782,123</u>	
<b>Fund Balance, September 30</b>			\$ <u>1,931,506</u>	

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Affordable Housing Escrow Fund - Special Revenue Fund**  
**For the Year Ended September 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Charges for services	\$ 597,898	\$ 597,898	\$ 579,713	\$ (18,185)
Investment earnings	1,500	1,500	4,795	3,295
<b>Total revenues</b>	<b>599,398</b>	<b>599,398</b>	<b>584,508</b>	<b>(14,890)</b>
<b>Expenditures:</b>				
Operating	-	85,200	67,044	18,156
<b>Excess (deficiency) of revenues over expenditures</b>	<b>599,398</b>	<b>514,198</b>	<b>517,464</b>	<b>3,266</b>
<b>Net change in fund balance</b>	<b>\$ 599,398</b>	<b>\$ 514,198</b>	<b>517,464</b>	<b>\$ 3,266</b>
<b>Fund Balance, October 1</b>			<b>405,294</b>	
<b>Fund Balance, September 30</b>			<b>\$ 922,758</b>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Bahama Village Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 481,556	\$ 458,752	\$ 458,752	\$ -
Investment earnings	7,500	7,500	15,310	7,810
Contributions and other	-	-	118	118
<b>Total revenues</b>	<u>489,056</u>	<u>466,252</u>	<u>474,180</u>	<u>7,928</u>
<b>Expenditures:</b>				
Operating	3,147	3,147	4,837	(1,690)
Capital outlay	-	1,644,539	16,563	1,627,976
Debt service	154,577	154,577	154,500	77
Aid to private organizations	-	473,452	193,451	280,001
<b>Total expenditures</b>	<u>157,724</u>	<u>2,275,715</u>	<u>369,351</u>	<u>1,906,364</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>331,332</u>	<u>(1,809,463)</u>	<u>104,829</u>	<u>1,914,292</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	399,342	399,342	399,342	-
Transfers out	(12,779)	(12,779)	(12,779)	-
<b>Total other financing sources (uses)</b>	<u>386,563</u>	<u>386,563</u>	<u>386,563</u>	<u>-</u>
<b>Net change in fund balance</b>	\$ <u><u>717,895</u></u>	\$ <u><u>(1,422,900)</u></u>	491,392	\$ <u><u>1,914,292</u></u>
<b>Fund Balance, October 1</b>			<u>1,524,954</u>	
<b>Fund Balance, September 30</b>			\$ <u><u>2,016,346</u></u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Navy Pier Payments Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ 468,255	\$ 872,170	\$ 403,915
Investment earnings	-	-	427	427
<b>Total revenues</b>	<u>-</u>	<u>468,255</u>	<u>872,597</u>	<u>404,342</u>
<b>Expenditures:</b>				
Operating	-	958,250	969,547	(11,297)
<b>Total expenditures</b>	<u>-</u>	<u>958,250</u>	<u>969,547</u>	<u>(11,297)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(489,995)</u>	<u>(96,950)</u>	<u>393,045</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (489,995)</u>	<u>(96,950)</u>	<u>\$ 393,045</u>
<b>Fund Balance, October 1</b>			<u>1,658,088</u>	
<b>Fund Balance, September 30</b>			<u>\$ 1,561,138</u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Caroline Street Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 482,234	\$ 459,398	\$ 459,398	\$ -
Investment earnings	7,500	7,500	14,706	7,206
<b>Total revenues</b>	<u>489,734</u>	<u>466,898</u>	<u>474,104</u>	<u>7,206</u>
<b>Expenditures:</b>				
Operating	1,215	1,215	1,087	128
<b>Total expenditures</b>	<u>1,215</u>	<u>1,215</u>	<u>1,087</u>	<u>128</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>488,519</u>	<u>465,683</u>	<u>473,017</u>	<u>7,334</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	399,904	399,904	399,904	-
Transfers out	(18,044)	(18,044)	(18,044)	-
<b>Total other financing sources (uses)</b>	<u>381,860</u>	<u>381,860</u>	<u>381,860</u>	<u>-</u>
<b>Net change in fund balance</b>	\$ <u>870,379</u>	\$ <u>847,543</u>	854,877	\$ <u>7,334</u>
<b>Fund Balance, October 1</b>			<u>1,293,442</u>	
<b>Fund Balance, September 30</b>			\$ <u>2,148,319</u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Community Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernment	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Investment earnings	2,000	2,000	2,719	719
Contributions and other	-	-	6,655	6,655
<b>Total revenues</b>	<u>77,000</u>	<u>77,000</u>	<u>9,374</u>	<u>(67,626)</u>
<b>Expenditures:</b>				
Personnel services	23,287	-	-	-
Operating	82,825	108,987	22,116	86,871
<b>Total expenditures</b>	<u>106,112</u>	<u>108,987</u>	<u>22,116</u>	<u>86,871</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(29,112)</u>	<u>(31,987)</u>	<u>(12,742)</u>	<u>19,245</u>
<b>Net change in fund balance</b>	\$ <u>(29,112)</u>	\$ <u>(31,987)</u>	(12,742)	\$ <u>19,245</u>
<b>Fund Balance, October 1</b>			<u>425,105</u>	
<b>Fund Balance, September 30</b>			\$ <u>412,363</u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Transportation Alternative Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 959,148	\$ 959,148	\$ 713,196	\$ (245,952)
Investment earnings	7,500	7,500	4,600	(2,900)
<b>Total revenues</b>	<u>966,648</u>	<u>966,648</u>	<u>717,796</u>	<u>(248,852)</u>
<b>Expenditures:</b>				
Personnel services	408,507	408,507	252,185	156,322
Operating	335,736	335,736	183,315	152,421
Capital outlay	20,800	20,800	-	20,800
<b>Total expenditures</b>	<u>765,043</u>	<u>765,043</u>	<u>435,500</u>	<u>329,543</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>201,605</u>	<u>201,605</u>	<u>282,296</u>	<u>80,691</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	1,987	1,987
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>Total other financing sources (uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(98,013)</u>	<u>1,987</u>
<b>Net change in fund balance</b>	<u>\$ 101,605</u>	<u>\$ 101,605</u>	184,283	<u>\$ 82,678</u>
<b>Fund Balance, October 1</b>			<u>595,726</u>	
<b>Fund Balance, September 30</b>			<u>\$ 780,009</u>	

City of Key West, Florida  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Truman Waterfront Fund - Special Revenue Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 491,329	\$ 491,329	\$ 362,596	\$ (128,733)
Investment earnings	-	-	1,382	1,382
<b>Total revenues</b>	<u>491,329</u>	<u>491,329</u>	<u>363,978</u>	<u>(127,351)</u>
<b>Expenditures:</b>				
Personnel services	110,770	286,300	124,466	161,834
Operating	256,355	227,355	78,211	149,144
Capital outlay	87,500	99,500	134,344	(34,844)
<b>Total expenditures</b>	<u>454,625</u>	<u>613,155</u>	<u>337,021</u>	<u>276,134</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>36,704</u>	<u>(121,826)</u>	<u>26,957</u>	<u>148,783</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	138,826	138,826	138,826	-
Transfers out	-	(17,000)	(17,000)	-
<b>Total other financing sources (uses)</b>	<u>138,826</u>	<u>121,826</u>	<u>121,826</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ 175,530</u>	<u>\$ -</u>	<u>148,783</u>	<u>\$ 148,783</u>
<b>Fund Balance, October 1</b>			<u>-</u>	
<b>Fund Balance, September 30</b>			<u>\$ 148,783</u>	

City of Key West, Florida  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Infrastructure Surtax Fund - A Capital Projects Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 9,597,671	\$ 9,597,671	\$ 8,309,700	\$ (1,287,971)
Intergovernmental	289,365	752,084	3,249,508	2,497,424
Investment earnings	100,000	100,000	20,903	(79,097)
Contributions and other	-	3,045	365,000	361,955
<b>Total revenues</b>	<u>9,987,036</u>	<u>10,452,800</u>	<u>11,945,111</u>	<u>1,492,311</u>
<b>Expenditures:</b>				
Personnel services	215,258	215,258	205,660	9,598
Operating	8,860	8,860	40,209	(31,349)
Capital outlay	6,297,454	7,399,633	10,765,483	(3,365,850)
<b>Total expenditures</b>	<u>6,521,572</u>	<u>7,623,751</u>	<u>11,011,352</u>	<u>(3,387,601)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,465,464</u>	<u>2,829,049</u>	<u>933,759</u>	<u>(1,895,290)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	500,000	510,653	10,653
Transfers out	(4,780,318)	(4,801,518)	(4,801,518)	-
Sale of general capital assets	-	-	35,000	35,000
<b>Total other financing sources (uses)</b>	<u>(4,780,318)</u>	<u>(4,301,518)</u>	<u>(4,255,865)</u>	<u>45,653</u>
<b>Net change in fund balance</b>	<u>\$ (1,314,854)</u>	<u>\$ (1,472,469)</u>	<u>(3,322,106)</u>	<u>\$ (1,849,637)</u>
<b>Fund Balance, October 1</b>			<u>9,610,987</u>	
<b>Fund Balance, September 30</b>			<u>\$ 6,288,881</u>	

City of Key West, Florida  
Schedules of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Capital Projects Fund  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Investment earnings	\$ 15,000	\$ 15,000	\$ 4,435	\$ (10,565)
<b>Total revenues</b>	<u>15,000</u>	<u>15,000</u>	<u>4,435</u>	<u>(10,565)</u>
<b>Expenditures:</b>				
Personnel services	100,839	105,138	103,097	2,041
Operating	1,106	1,106	3,070	(1,964)
Capital outlay	444,564	356,726	803,367	(446,641)
<b>Total expenditures</b>	<u>546,509</u>	<u>462,970</u>	<u>909,534</u>	<u>(446,564)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(531,509)</u>	<u>(447,970)</u>	<u>(905,099)</u>	<u>(457,129)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	543,000	564,200	573,139	8,939
Transfers out	(13,349)	(122,387)	(122,387)	-
<b>Total other financing sources (uses)</b>	<u>529,651</u>	<u>441,813</u>	<u>450,752</u>	<u>8,939</u>
<b>Net change in fund balance</b>	<u>\$ (1,858)</u>	<u>\$ (6,157)</u>	<u>(454,347)</u>	<u>\$ (448,190)</u>
<b>Fund Balance, October 1</b>			<u>1,037,864</u>	
<b>Fund Balance, September 30</b>			<u>\$ 583,517</u>	

## FIDUCIARY FUNDS OVERVIEW

Fiduciary funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City maintains two trust funds:

**Pension Trust Funds** - To account for the accumulation of resources for pension benefit payments to qualified employees. There are two funds for the City's two retirement plans—the Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

City of Key West, Florida  
Combining Statement of Net Position  
Fiduciary Funds  
September 30, 2018

	<b>Pension Trust Funds</b>		
	<b>General Employees</b>	<b>Police and Fire</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,238,737	\$ 9,426,830	\$ 10,665,567
Investments, at fair value:			
Equity securities	35,260,748	71,444,068	106,704,816
Corporate and foreign bonds and bond funds	8,805,794	11,681,857	20,487,651
Alternative investments	6,792,782	4,863,660	11,656,442
U.S. government securities	2,143,949	9,886,399	12,030,348
Collateralized mortgage obligations	2,342,478	-	2,342,478
Municipal obligations	588,995	200,361	789,356
Real estate	-	5,390,000	5,390,000
Receivables:			
Interest and dividends	120,169	136,183	256,352
Other	29,023	636,453	665,476
Proceeds from securities sold	-	113,119	113,119
	<u>57,322,675</u>	<u>113,778,930</u>	<u>171,101,605</u>
<b>Total assets</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	31,822	118,300	150,122
Payable for securities purchased	-	5,422,427	5,422,427
Prepaid city contributions	-	206,092	206,092
	<u>31,822</u>	<u>5,746,819</u>	<u>5,778,641</u>
<b>Total liabilities</b>			
<b>Net Position:</b>			
Restricted for pension benefits	\$ <u><u>57,290,853</u></u>	\$ <u><u>108,032,111</u></u>	\$ <u><u>165,322,964</u></u>

City of Key West, Florida  
Combining Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended September 30, 2018

	<b>Pension Trust Funds</b>		
	<b>General Employees</b>	<b>Police and Fire</b>	<b>Total</b>
<b>Additions:</b>			
Contributions:			
Employer	\$ 991,645	\$ 3,765,235	\$ 4,756,880
Members	790,420	872,519	1,662,939
State police and fire	-	645,479	645,479
<b>Total contributions</b>	<b>1,782,065</b>	<b>5,283,233</b>	<b>7,065,298</b>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	3,997,167	7,765,116	11,762,283
Interest and dividends	1,407,293	3,426,594	4,833,887
<b>Total investment earnings</b>	<b>5,404,460</b>	<b>11,191,710</b>	<b>16,596,170</b>
Less: Investment expenses	255,900	549,226	805,126
<b>Net investment earnings</b>	<b>5,148,560</b>	<b>10,642,484</b>	<b>15,791,044</b>
<b>Total additions</b>	<b>6,930,625</b>	<b>15,925,717</b>	<b>22,856,342</b>
<b>Deductions:</b>			
Benefits paid	3,121,318	5,835,862	8,957,180
Administrative expenses	184,725	165,342	350,067
<b>Total deductions</b>	<b>3,306,043</b>	<b>6,001,204</b>	<b>9,307,247</b>
<b>Changes in net position</b>	<b>3,624,582</b>	<b>9,924,513</b>	<b>13,549,095</b>
<b>Net Position, October 1</b>	<b>53,666,271</b>	<b>98,107,598</b>	<b>151,773,869</b>
<b>Net Position, September 30</b>	<b>\$ 57,290,853</b>	<b>\$ 108,032,111</b>	<b>\$ 165,322,964</b>

## **STATISTICAL SECTION**

**Overview**

Statistical information is different from financial statements in that the statistics usually cover more than one fiscal year and may present non-accounting information. The following tables present financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information of the government, as necessary for complete disclosure of the City's financial activity. The information presented in these tables is not required for fair presentation in conformity with generally accepted accounting principles and is therefore not covered by the auditor's opinion.

There have been no special assessments authorized during the last ten fiscal years.

The City's charter does not provide for a General Obligation Legal Debt margin.

**Contents**

Financial Trends: 115-124

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity: 125-128

These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.

Debt Capacity: 129-133

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.

Demographic and Economic Information: 134-136

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information: 137-139

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.

*Sources of Data:*

- City of Key West Audited Financial Statements (and supporting records) - Finance Department
- City of Key West Building and Zoning Department
- Monroe County Tax Collector
- Monroe County Property Appraiser
- Monroe County School Board
- Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida
- U.S. Department of Labor and Employment Security, Bureau of Labor

**City of Key West, Florida**  
**Table 1**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012 <sup>1</sup>	2013	2014 <sup>2</sup>	2015	2016	2017 <sup>3</sup>	2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 83,653	\$ 86,385	\$ 87,054	\$ 88,024	\$ 98,927	\$ 106,158	\$ 115,897	\$ 134,743	\$ 151,492	\$ 161,190
Restricted	30,675	31,822	36,703	41,328	39,406	34,704	31,633	22,445	19,429	18,698
Unrestricted	9,654	14,570	16,623	16,414	25,586	22,296	27,530	22,907	10,224	3,070
Total governmental activities net position	\$ 123,982	\$ 132,777	\$ 140,380	\$ 145,766	\$ 163,919	\$ 163,158	\$ 175,060	\$ 180,095	\$ 181,145	\$ 182,958
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 107,394	\$ 115,889	\$ 118,376	\$ 113,118	\$ 115,459	\$ 116,044	\$ 123,627	\$ 129,522	\$ 129,029	\$ 129,933
Restricted	3,800	3,759	3,867	4,362	589	326	349	259	274	289
Unrestricted	12,003	14,951	17,443	25,228	29,476	37,658	40,073	41,043	42,994	45,782
Total business-type activities net position	\$ 123,197	\$ 134,599	\$ 139,686	\$ 142,708	\$ 145,524	\$ 154,028	\$ 164,049	\$ 170,824	\$ 172,297	\$ 176,004
<b>Primary government:</b>										
Net investment in capital assets	\$ 191,047	\$ 202,274	\$ 205,430	\$ 201,142	\$ 214,386	\$ 222,202	\$ 239,524	\$ 264,265	\$ 280,521	\$ 291,123
Restricted	34,475	35,581	40,570	45,690	39,995	35,030	31,982	22,704	19,703	18,987
Unrestricted	21,657	29,521	34,066	41,642	55,062	59,954	67,603	63,950	53,218	48,852
Total primary government net position	\$ 247,179	\$ 267,376	\$ 280,066	\$ 288,474	\$ 309,443	\$ 317,186	\$ 339,109	\$ 350,919	\$ 353,442	\$ 358,962

<sup>1</sup> Fiscal year 2012, total net position has been restated due to the implementation of GASB 65.

<sup>2</sup> Fiscal year 2014, total net position has been restated due to the implementation of GASB 68.

<sup>3</sup> Fiscal year 2017, total net position has been restated due to the implementation of GASB 75.

**City of Key West, Florida**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 13,570	\$ 13,355	\$ 14,797	\$ 15,520	\$ 16,670	\$ 16,419	\$ 17,011	\$ 18,008	\$ 19,479	\$ 21,829
Public safety	21,896	20,553	21,737	22,859	22,692	24,315	23,748	26,681	29,565	29,894
Physical environment	314	304	-	-	-	-	-	-	-	-
Transportation	3,711	3,586	3,364	5,339	7,770	4,462	2,765	2,748	3,486	5,762
Economic environment	14,622	5,249	2,956	3,762	1,784	1,633	1,503	861	1,063	1,517
Human services	409	393	394	399	488	468	506	474	459	459
Culture and recreation	2,314	2,152	2,321	2,600	2,567	2,456	2,689	2,702	3,827	4,276
Interest	41	38	34	30	26	22	19	15	11	7
Total governmental activities expenses	56,877	45,630	45,603	50,509	51,997	49,775	48,241	51,489	57,890	63,744
<b>Business type activities:</b>										
Sewer System	10,833	11,574	11,151	10,710	11,404	10,550	10,720	11,017	11,433	10,359
Solid Waste	7,105	7,337	7,444	7,268	8,753	8,042	7,578	8,938	8,074	8,464
Key West Bight	5,485	4,988	5,192	4,588	4,329	4,158	5,082	5,777	5,769	5,805
Stormwater	3,053	2,239	2,666	2,535	2,755	2,223	2,311	2,517	3,196	2,814
Garrison Bight	1,426	1,434	1,351	1,245	1,359	1,351	1,428	1,427	1,445	1,723
Transit System	3,581	3,076	2,806	2,563	2,732	2,935	2,893	3,130	3,737	4,048
Total business-type activities expenses	31,483	30,648	30,610	28,909	31,332	29,259	30,012	32,806	33,654	33,213
Total primary government expenses	\$ 88,360	\$ 76,278	\$ 76,213	\$ 79,418	\$ 83,329	\$ 79,034	\$ 78,253	\$ 84,295	\$ 91,544	\$ 96,957

**City of Key West, Florida**  
**Table 2**  
**Changes in Net Position**  
**(continued)**  
**Last Ten Fiscal Years**  
**Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
Fee, fines and charges for services:										
General government	\$ 2,257	\$ 2,417	\$ 2,647	\$ 2,717	\$ 2,721	\$ 3,161	\$ 3,353	\$ 3,447	\$ 3,275	\$ 3,209
Public safety	2,280	2,667	2,131	2,150	2,733	3,296	5,100	4,100	4,407	4,342
Physical environment	54	77	-	-	-	-	-	-	-	-
Transportation	6,840	6,947	7,557	7,021	6,976	7,267	7,291	7,654	9,242	9,656
Economic environment	-	44	26	26	33	26	26	26	20	20
Culture and recreation	182	164	202	205	344	462	478	467	483	558
Operating grants and contributions	4,295	5,414	3,829	3,971	2,041	2,261	1,577	1,499	2,261	3,746
Capital grants and contributions	12,334	2,912	3,272	3,596	11,150	537	388	359	1,503	3,601
	<u>28,242</u>	<u>20,642</u>	<u>19,664</u>	<u>19,686</u>	<u>25,998</u>	<u>17,010</u>	<u>18,213</u>	<u>17,552</u>	<u>21,191</u>	<u>25,132</u>
Total governmental activities program revenues										
<b>Business type activities:</b>										
Charges for services:										
Sanitary Sewer System	11,648	11,827	12,717	11,640	12,164	11,979	11,933	11,968	11,522	11,381
Solid Waste	9,283	8,997	9,122	9,187	9,503	9,398	9,171	9,547	9,291	9,284
Key West Bight	6,500	6,460	6,825	6,974	7,047	7,465	8,896	9,021	9,621	9,709
Stormwater	2,393	2,322	2,342	2,468	2,613	2,131	2,063	2,084	2,197	2,353
Garrison Bight	1,459	1,372	1,400	1,453	1,507	1,604	1,960	1,978	2,059	1,954
Transit System	1,067	970	982	1,070	1,039	1,126	1,260	1,341	1,271	1,106
Operating grants and contributions	420	2,026	1,487	1,274	1,124	2,239	1,410	4,338	2,130	2,235
Capital grants and contributions	1,429	9,209	2,633	1,436	2,518	3,213	7,654	2,660	296	2,518
	<u>34,199</u>	<u>43,183</u>	<u>37,508</u>	<u>35,502</u>	<u>37,515</u>	<u>39,155</u>	<u>44,347</u>	<u>42,937</u>	<u>38,387</u>	<u>40,540</u>
Total business type activities program revenues										
Total primary government program revenues	\$ <u>62,441</u>	\$ <u>63,825</u>	\$ <u>57,172</u>	\$ <u>55,188</u>	\$ <u>63,513</u>	\$ <u>56,165</u>	\$ <u>62,560</u>	\$ <u>60,489</u>	\$ <u>59,578</u>	\$ <u>65,672</u>

**City of Key West, Florida**  
**Table 2**  
**Changes in Net Position**  
**(continued)**  
**Last Ten Fiscal Years**  
**Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (expense)/revenue:</b>										
<b>Governmental activities</b>	\$ (28,635)	\$ (24,988)	\$ (25,939)	\$ (30,823)	\$ (25,999)	\$ (32,765)	\$ (30,028)	\$ (33,937)	\$ (36,699)	\$ (38,612)
<b>Business type activities</b>	2,716	12,535	6,898	6,593	6,183	9,896	14,335	10,131	4,733	7,327
	<u>\$ (25,919)</u>	<u>\$ (12,453)</u>	<u>\$ (19,041)</u>	<u>\$ (24,230)</u>	<u>\$ (19,816)</u>	<u>\$ (22,869)</u>	<u>\$ (15,693)</u>	<u>\$ (23,806)</u>	<u>\$ (31,966)</u>	<u>\$ (31,285)</u>
Total primary government net expense										
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
Taxes:										
Property taxes	\$ 15,572	\$ 15,644	\$ 14,816	\$ 14,429	\$ 15,127	\$ 15,059	\$ 15,161	\$ 15,086	\$ 16,329	\$ 16,490
Sales taxes	8,052	7,994	8,663	10,360	10,945	11,824	12,631	12,971	13,286	12,725
Franchise and local business taxes	1,268	1,316	1,394	1,463	1,404	1,448	1,482	1,509	1,533	1,480
Communication taxes	1,633	1,725	1,613	1,610	1,599	1,474	1,462	1,377	1,280	1,294
Cigarette and motor fuel taxes	2,099	2,360	2,391	2,541	2,462	2,695	2,801	2,903	2,968	2,904
Investment earnings	1,745	750	530	437	197	316	568	478	264	217
Miscellaneous	717	1,464	1,293	1,643	8,476	785	2,720	633	722	986
Transfers	1,876	2,530	2,842	3,726	3,942	2,820	5,105	4,015	4,044	4,329
	<u>\$ 32,962</u>	<u>\$ 33,783</u>	<u>\$ 33,542</u>	<u>\$ 36,209</u>	<u>\$ 44,152</u>	<u>\$ 36,421</u>	<u>\$ 41,930</u>	<u>\$ 38,972</u>	<u>\$ 40,426</u>	<u>\$ 40,425</u>
Total governmental activities										
<b>Business type activities:</b>										
Investment earnings	643	260	312	241	165	214	380	382	264	349
Transfers	(1,876)	(2,530)	(2,842)	(3,726)	(3,942)	(2,820)	(5,105)	(4,015)	(4,044)	(4,329)
Miscellaneous	174	1,137	719	254	410	322	411	277	784	360
	<u>\$ (1,059)</u>	<u>\$ (1,133)</u>	<u>\$ (1,811)</u>	<u>\$ (3,231)</u>	<u>\$ (3,367)</u>	<u>\$ (2,284)</u>	<u>\$ (4,314)</u>	<u>\$ (3,356)</u>	<u>\$ (2,996)</u>	<u>\$ (3,620)</u>
Total business-type activities										
Total primary government	<u>\$ 31,903</u>	<u>\$ 32,650</u>	<u>\$ 31,731</u>	<u>\$ 32,978</u>	<u>\$ 40,785</u>	<u>\$ 34,137</u>	<u>\$ 37,616</u>	<u>\$ 35,616</u>	<u>\$ 37,430</u>	<u>\$ 36,805</u>

**City of Key West, Florida**  
**Table 2**  
**Changes in Net Position**  
**(continued)**  
**Last Ten Fiscal Years**  
**Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Changes in net position:										
Governmental activities	\$ 4,327	\$ 8,795	\$ 7,603	\$ 5,386	\$ 18,153	\$ 3,656	\$ 11,902	\$ 5,035	\$ 3,727	\$ 1,813
Business type activities	1,657	11,402	5,087	3,362	2,816	7,612	10,021	6,775	1,737	3,707
Total primary government	\$ 5,984	\$ 20,197	\$ 12,690	\$ 8,748	\$ 20,969	\$ 11,268	\$ 21,923	\$ 11,810	\$ 5,464	\$ 5,520

City of Key West, Florida

Table 3

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

Accrual Basis

(in Thousands)

---

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Franchise and Local Business Taxes</u>	<u>Cigarette and Motor Fuel Taxes</u>	<u>Communication Taxes</u>	<u>Total</u>
2009	\$ 15,572	\$ 8,052	\$ 1,268	\$ 2,099	\$ 1,633	\$ 28,624
2010	\$ 15,644	\$ 7,994	\$ 1,316	\$ 2,360	\$ 1,725	\$ 29,039
2011	\$ 14,816	\$ 8,663	\$ 1,394	\$ 2,391	\$ 1,613	\$ 28,877
2012	\$ 14,429	\$ 10,360	\$ 1,463	\$ 2,541	\$ 1,610	\$ 30,403
2013	\$ 15,127	\$ 10,945	\$ 1,404	\$ 2,462	\$ 1,599	\$ 31,537
2014	\$ 15,059	\$ 11,824	\$ 1,448	\$ 2,695	\$ 1,474	\$ 32,500
2015	\$ 15,161	\$ 12,631	\$ 1,482	\$ 2,801	\$ 1,462	\$ 33,537
2016	\$ 15,086	\$ 12,971	\$ 1,509	\$ 2,903	\$ 1,377	\$ 33,846
2017	\$ 16,329	\$ 13,286	\$ 1,533	\$ 2,968	\$ 1,280	\$ 35,396
2018	\$ 16,490	\$ 12,725	\$ 1,480	\$ 2,904	\$ 1,294	\$ 34,893

City of Key West, Florida

Table 4

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis

(in Thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Reserved	\$ 2,516	\$ 2,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,177	8,801	-	-	-	-	-	-	-	-
Nondspendable	-	-	2,191	2,075	1,950	1,828	1,702	1,597	1,520	1,445
Restricted	-	-	-	-	2	3	-	139	376	102
Committed	-	-	110	148	269	360	2,172	2,207	546	170
Assigned	-	-	155	123	1,051	1,883	1,653	1,189	437	728
Unassigned	-	-	9,260	10,202	11,296	12,466	14,842	13,904	10,174	3,471
<b>Total general fund</b>	<b>\$ 8,693</b>	<b>\$ 11,259</b>	<b>\$ 11,716</b>	<b>\$ 12,548</b>	<b>\$ 14,568</b>	<b>\$ 16,540</b>	<b>\$ 20,369</b>	<b>\$ 19,036</b>	<b>\$ 13,053</b>	<b>\$ 5,916</b>
<b>All other governmental funds:</b>										
Reserved	\$ 4,604	\$ 2,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	14,916	14,669	-	-	-	-	-	-	-	-
Capital projects funds	11,156	14,391	-	-	-	-	-	-	-	-
Nondspendable	-	-	180	162	280	191	172	186	164	591
Restricted	-	-	36,524	41,166	39,124	34,509	31,632	22,306	19,054	18,596
Committed	-	-	-	-	7,500	7,500	7,733	3,974	1,463	1,145
Unassigned	-	-	-	(431)	(778)	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 30,676</b>	<b>\$ 31,822</b>	<b>\$ 36,704</b>	<b>\$ 40,897</b>	<b>\$ 46,126</b>	<b>\$ 42,200</b>	<b>\$ 39,537</b>	<b>\$ 26,466</b>	<b>\$ 20,681</b>	<b>\$ 20,332</b>

Note: Information for fiscal years 2009-2010 have not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 classification.

**City of Key West, Florida**  
**Table 5**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**Modified Accrual Basis**  
**(in Thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Taxes	\$ 24,271	\$ 24,393	\$ 23,940	\$ 24,794	\$ 25,715	\$ 26,303	\$ 26,958	\$ 27,079	\$ 28,429	\$ 28,159
Licenses and permits	2,174	2,613	2,456	2,666	3,486	4,002	4,340	3,604	4,380	3,998
Intergovernmental	20,190	13,448	12,730	14,218	10,221	10,635	8,558	8,264	9,865	13,284
Charges for services	7,067	7,411	7,954	7,414	7,458	7,962	9,486	9,415	10,706	11,430
Fines and forfeitures	1,252	1,169	878	717	769	679	820	991	717	719
Investment earnings	1,745	751	530	437	197	317	568	478	265	217
Rental income	1,784	1,642	1,842	1,948	1,952	2,164	2,169	2,259	2,170	2,106
Contributions and other	269	304	355	426	396	227	2,242	242	307	740
Total revenues	58,752	51,731	50,685	52,620	49,894	52,289	55,141	52,332	56,839	60,653
<b>Expenditures:</b>										
General government (1)	21,921	14,006	15,138	15,285	15,337	15,931	16,382	16,890	17,704	21,207
Public safety	19,198	18,873	19,982	20,560	21,022	21,739	22,917	25,188	27,399	28,163
Physical environment	238	243	-	-	-	-	-	-	-	-
Transportation	3,253	3,154	2,867	4,903	7,246	3,910	2,266	2,248	2,909	3,896
Economic environment	14,622	5,249	2,956	3,762	1,783	1,633	1,502	861	1,063	1,128
Culture and recreation	1,886	1,817	1,954	2,107	1,951	1,967	2,169	2,231	3,118	3,730
Human services	407	393	394	399	488	468	506	474	459	457
Capital outlay	4,037	6,637	4,717	4,442	6,437	11,597	13,525	23,111	21,104	14,185
Debt service:										
Principal	147	147	147	147	147	147	147	147	147	147
Interest	41	38	34	30	26	22	19	15	11	7
Total expenditures	65,750	50,557	48,189	51,635	54,437	57,414	59,433	71,165	73,914	72,920
Excess (deficiency) of revenues over expenditures	(6,998)	1,174	2,496	985	(4,543)	(5,125)	(4,292)	(18,833)	(17,075)	(12,267)
<b>Other Financing Sources (Uses):</b>										
Transfers in	11,674	9,176	10,153	6,182	16,480	8,870	10,931	9,938	10,913	11,899
Transfers out	(10,098)	(6,638)	(7,310)	(2,142)	(12,229)	(5,719)	(5,501)	(5,513)	(6,458)	(7,168)
Issuance of debt	-	-	-	-	-	-	-	-	840	-
Sale of general capital assets	-	-	-	-	7,541	20	28	4	12	50
Total other financing sources (uses)	1,576	2,538	2,843	4,040	11,792	3,171	5,458	4,429	5,307	4,781
Net change in fund balances	(5,422)	3,712	5,339	5,025	7,249	(1,954)	1,166	(14,404)	(11,768)	(7,486)
Ratio of total debt service expenditures to total noncapital expenditures	0.30%	0.42%	0.42%	0.38%	0.36%	0.37%	0.36%	0.34%	0.30%	0.26%

(1) Includes judgments in the amount of (\$ 8,000,000) for 2009.

City of Key West, Florida  
Table 6  
General Governmental Expenditures (1)  
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Physical Environment (2)	Transportation	Economic Environment	Culture and Recreation	Other	Total
2009	\$ 20,967,021	\$ 18,946,855	\$ 238,268	\$ 1,214,366	\$ 2,546,639	\$ 1,781,975	\$ 684,512	\$ 46,379,636
2010	\$ 13,743,035	\$ 18,815,278	\$ 242,641	\$ 1,216,867	\$ 154,682	\$ 1,816,544	\$ 763,732	\$ 36,752,779
2011	\$ 15,035,634	\$ 19,918,755	-	\$ 1,196,146	\$ 70,778	\$ 1,953,546	\$ 608,910	\$ 38,783,769
2012	\$ 14,805,682	\$ 20,536,741	-	\$ 954,495	\$ 136,300	\$ 2,107,099	\$ 718,504	\$ 39,258,821
2013	\$ 14,716,056	\$ 20,966,990	-	\$ 757,323	\$ 80,197	\$ 1,951,187	\$ 1,012,947	\$ 39,484,700
2014	\$ 15,365,596	\$ 21,650,994	-	\$ 913,521	\$ 49,314	\$ 1,961,513	\$ 923,942	\$ 40,864,880
2015	\$ 16,100,897	\$ 22,794,448	-	\$ 860,416	\$ 49,803	\$ 2,168,744	\$ 1,433,703	\$ 43,408,011
2016	\$ 16,630,840	\$ 25,102,343	-	\$ 983,115	\$ 55,736	\$ 2,231,442	\$ 955,734	\$ 45,959,210
2017	\$ 17,407,388	\$ 27,387,156	-	\$ 1,144,716	\$ 337,374	\$ 3,117,581	\$ 987,026	\$ 50,381,241
2018	\$ 20,726,174	\$ 28,135,377	-	\$ 1,393,122	\$ 187,590	\$ 3,527,067	\$ 1,348,365	\$ 55,317,695

(1) Expenditures include General Fund only.

(2) Effective FYE 2011, physical environment is combined with general government.

City of Key West, Florida  
Table 7  
General Governmental Revenues (1)  
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 37,561,311
2010	\$ 17,047,554	\$ 2,613,092	\$ 6,706,639	\$ 6,357,337	\$ 1,037,696	\$ 2,067,223	\$ 35,829,541
2011	\$ 16,196,884	\$ 2,455,786	\$ 6,670,741	\$ 6,919,115	\$ 777,369	\$ 2,070,218	\$ 35,090,113
2012	\$ 15,858,710	\$ 2,666,151	\$ 7,164,507	\$ 6,619,211	\$ 672,932	\$ 2,141,274	\$ 35,122,785
2013	\$ 16,593,485	\$ 3,186,346	\$ 6,932,953	\$ 6,881,080	\$ 707,745	\$ 2,121,688	\$ 36,423,297
2014	\$ 16,399,038	\$ 4,001,655	\$ 7,150,588	\$ 7,354,163	\$ 629,454	\$ 2,383,531	\$ 37,918,429
2015	\$ 16,430,227	\$ 4,228,371	\$ 7,151,115	\$ 9,029,919	\$ 784,890	\$ 4,549,890	\$ 42,174,412
2016	\$ 16,213,304	\$ 3,410,517	\$ 7,392,167	\$ 8,853,780	\$ 818,303	\$ 2,592,414	\$ 39,280,485
2017	\$ 17,320,046	\$ 4,379,978	\$ 7,466,965	\$ 8,824,283	\$ 717,104	\$ 2,385,399	\$ 41,093,775
2018	\$ 17,425,189	\$ 3,997,476	\$ 9,171,289	\$ 8,901,735	\$ 719,179	\$ 2,505,880	\$ 42,720,748

(1) Revenues include General Fund only.

**City of Key West, Florida**  
**Table 8**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

---

<b>Fiscal Year</b>	<b>Tax Levy</b>	<b>Collections Current Tax</b>	<b>Percent of Levy</b>	<b>Collections Delinquent Tax</b>	<b>Collections Total Tax</b>	<b>Percent of Levy</b>
2009	\$ 15,273,933	\$ 14,680,697	96.1	\$ 21,279	\$ 14,701,976	96.3
2010	\$ 15,222,849	\$ 14,789,792	97.2	\$ 42,251	\$ 14,832,043	97.4
2011	\$ 14,414,157	\$ 13,995,804	97.1	\$ 60,960	\$ 14,056,764	97.5
2012	\$ 14,224,210	\$ 13,643,432	95.9	\$ 75,797	\$ 13,719,229	96.4
2013	\$ 14,859,861	\$ 13,847,692	93.2	\$ 615,050	\$ 14,462,742	97.3
2014	\$ 14,798,746	\$ 14,316,000	96.7	\$ 45,076	\$ 14,361,076	97.0
2015	\$ 15,690,912	\$ 14,358,235	91.5	\$ 42,056	\$ 14,400,291	91.8
2016	\$ 15,815,079	\$ 14,245,778	90.1	\$ 25,265	\$ 14,271,043	90.2
2017	\$ 15,963,489	\$ 15,429,362	96.7	\$ 28,557	\$ 15,457,919	96.8
2018	\$ 16,074,295	\$ 15,514,225	96.5	\$ 58,100	\$ 15,572,325	96.9

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.  
Source: Monroe County Tax Collector and Finance Department.

City of Key West, Florida

Table 9

Assessed and Estimated Value of Taxable Property

Last Ten Fiscal Years

(In Thousands)

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions Allowed for Real/Personal Property</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Net Estimated True Value</u>	<u>Ratio Net Assessed to True Value</u>
2009	\$ 11,507,171	\$ 375,730	\$ 5,182,044	\$ 6,700,857	2.2794	\$ 6,700,857	1.0
2010	\$ 10,347,911	\$ 371,594	\$ 4,894,185	\$ 5,825,320	2.6414	\$ 5,825,320	1.0
2011	\$ 8,706,431	\$ 368,616	\$ 4,101,589	\$ 4,973,458	2.9132	\$ 4,973,458	1.0
2012	\$ 8,826,945	\$ 360,634	\$ 4,218,770	\$ 4,968,809	2.8627	\$ 4,968,809	1.0
2013	\$ 8,231,175	\$ 323,906	\$ 3,463,472	\$ 5,091,609	2.9185	\$ 5,091,609	1.0
2014	\$ 8,482,416	\$ 323,457	\$ 3,516,073	\$ 5,289,801	2.7976	\$ 5,289,801	1.0
2015	\$ 8,874,783	\$ 300,825	\$ 3,519,798	\$ 5,655,809	2.7743	\$ 5,655,809	1.0
2016	\$ 9,348,014	\$ 298,273	\$ 3,541,965	\$ 6,104,322	2.5908	\$ 6,104,322	1.0
2017	\$ 9,809,365	\$ 289,960	\$ 3,687,255	\$ 6,412,070	2.4896	\$ 6,412,070	1.0
2018	\$ 10,257,622	\$ 274,666	\$ 3,682,252	\$ 6,850,036	2.3466	\$ 6,850,036	1.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Source: Property Appraiser, Monroe County, Florida.

**City of Key West, Florida**  
**Table 10**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

Fiscal Year	City of Key West			Overlapping Rates (1)						Total
	Operating Millage	Debt Service Millage	Total Direct Rate	Monroe County	School Board	South Florida Water Management District	Florida Keys Mosquito Control District	Other		
2009	2.2794	-	2.2794	2.6883	2.9220	0.2549	0.3798	0.3691	8.8935	
2010	2.6414	-	2.6414	3.0837	3.3870	0.2549	0.4262	0.3691	10.1623	
2011	2.9132	-	2.9132	3.3445	3.8235	0.2549	0.4596	0.3691	11.1648	
2012	2.8627	-	2.8627	3.3470	3.5650	0.1785	0.4836	0.2578	10.6946	
2013	2.9185	-	2.9185	3.1229	3.6600	0.1757	0.5171	0.2532	10.6474	
2014	2.7976	-	2.7976	3.1380	3.6810	0.1685	0.5069	0.2425	10.5345	
2015	2.7743	-	2.7743	3.1275	3.6260	0.1577	0.4824	0.2265	10.3944	
2016	2.5908	-	2.5908	2.9753	3.5500	0.1459	0.5019	0.2092	9.9731	
2017	2.4896	-	2.4896	2.8297	3.4840	0.1359	0.5831	0.1948	9.7171	
2018	2.3466	-	2.3466	2.6957	3.3560	0.1275	0.4646	0.1825	9.1729	

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Note (1): Overlapping rates are those of local and county governments that apply to property owners within the City of Key West, Florida.

Also Note: Tax rates shown above are per \$ 1,000 of assessed valuation.

Source: Monroe County Tax Collector.

**City of Key West, Florida**  
**Table 11**  
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

Name of Taxpayer	2018				2009			
	Assessed Value	Rank	Percent of Total Assessed Valuation	Name of Taxpayer	Assessed Value	Rank	Percent of Total Assessed Valuation	
Sunset City, LLC	\$ 98,950,545	1	1.44	Galleon Condominium Association Inc.	\$ 66,975,760	1	1.00	
Passco Ocean DST	86,946,278	2	1.27	Hyatt Vacation Management	64,162,847	2	0.96	
Windward Pointe II LLC	85,624,988	3	1.25	City of Key West	59,258,512	3	0.88	
Galleon Condominium Association Inc.	83,581,695	4	1.22	Windward Pointe II LLC	48,403,279	4	0.72	
Casa Marina Owner, LLC	79,155,667	5	1.16	SH5, LTD	36,800,134	5	0.55	
SH5, LTD	66,281,757	6	0.97	JLW Key West 1 LLC	35,311,362	6	0.53	
Ashford Pier House, LLC	58,388,920	7	0.85	Tannex Development, LC	31,295,759	7	0.47	
Seaboard Associates Limited Partnership	56,891,521	8	0.83	Bellsouth (Southern Bell)	30,149,384	8	0.45	
Tannex Development, LC	53,188,114	9	0.78	Casa Marina Owner, LLC	29,607,736	9	0.44	
PRCP - Key West I LLC	48,175,730	10	0.70	Parrot Key Associates	28,018,755	10	0.42	
Totals	\$ 717,185,215		10.47	Totals	\$ 429,983,528		6.42	

Source: Property Appraiser, Monroe County, Florida.

City of Key West, Florida  
**Table 12**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Note Payable		Capital Lease		Revenue Bonds (1)		Note Payable		Total Outstanding Debt	Percentage of Personal Income (2)	Population (2)	Debt per Capita
	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Business-type Activities	Business-type Activities				
2009	\$ 1,466,757	\$ -	\$ -	\$ -	\$ 33,787,457	\$ -	\$ 3,734,474	\$ -	\$ 38,988,688	4.86%	23,922	\$ 1,630
2010	\$ 1,319,698	\$ -	\$ -	\$ -	\$ 32,536,880	\$ -	\$ 3,488,227	\$ -	\$ 37,344,805	4.43%	24,649	\$ 1,515
2011	\$ 1,172,639	\$ -	\$ -	\$ -	\$ 31,140,391	\$ -	\$ 3,233,862	\$ -	\$ 35,546,892	4.00%	24,626	\$ 1,443
2012	\$ 1,025,580	\$ -	\$ -	\$ -	\$ 33,767,315	\$ -	\$ 2,971,112	\$ -	\$ 37,764,007	4.32%	24,909	\$ 1,516
2013	\$ 878,521	\$ -	\$ -	\$ -	\$ 30,400,830	\$ -	\$ 2,699,700	\$ -	\$ 33,979,051	3.96%	25,057	\$ 1,356
2014	\$ 731,462	\$ -	\$ -	\$ -	\$ 28,745,557	\$ -	\$ 2,419,340	\$ -	\$ 31,896,359	3.94%	25,550	\$ 1,248
2015	\$ 584,403	\$ -	\$ -	\$ -	\$ 25,759,879	\$ -	\$ 2,129,737	\$ -	\$ 28,474,019	3.51%	25,704	\$ 1,108
2016	\$ 437,344	\$ -	\$ -	\$ -	\$ 22,674,650	\$ -	\$ 1,830,587	\$ -	\$ 24,942,581	2.85%	25,755	\$ 968
2017	\$ 290,285	\$ 840,295	\$ 840,295	\$ -	\$ 19,501,439	\$ -	\$ 1,521,577	\$ -	\$ 22,153,596	2.53%	26,990	\$ 821
2018	\$ 143,226	\$ 840,295	\$ 840,295	\$ -	\$ 16,239,778	\$ -	\$ 1,202,377	\$ -	\$ 18,425,676	2.03%	25,208	\$ 731

(1) Presented net of original issuance discounts and premiums.

(2) Personal income and population is disclosed on Table 17.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Key West, Florida

Table 13

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population (1) (a)	Net Assessed Value (2) (000's) (b)	Gross General Obligation Bonded Debt (3) (c)	Debt Service Monies Available (d)	Net General Obligation Bonded Debt (c)-(d)	Ratio of Net General Obligation Bonded Debt to Assessed Value (c-d)/(b)	Net General Obligation Bonded Debt Per Capita (c-d)/(a)
2009	23,922	\$ 6,700,857	-	-	-	-	-
2010	24,649	\$ 5,825,320	-	-	-	-	-
2011	24,626	\$ 4,973,458	-	-	-	-	-
2012	24,909	\$ 4,968,809	-	-	-	-	-
2013	25,057	\$ 5,091,609	-	-	-	-	-
2014	25,550	\$ 5,289,801	-	-	-	-	-
2015	25,704	\$ 5,655,809	-	-	-	-	-
2016	25,755	\$ 6,104,322	-	-	-	-	-
2017	26,990	\$ 6,412,070	-	-	-	-	-
2018	25,208	\$ 6,850,036	-	-	-	-	-

(1) Source: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.

(2) Figures are from Table 9 of this Statistical Section.

(3) Gross bonded debt amount here excludes revenue bonds.

City of Key West, Florida

Table 14

Ratio of Annual Debt Service Expenditures for  
General Obligation Bonded Debt (1)  
to Total Governmental Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (2)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2009	-	-	-	\$ 46,379,636	-
2010	-	-	-	\$ 36,752,779	-
2011	-	-	-	\$ 38,783,769	-
2012	-	-	-	\$ 39,258,821	-
2013	-	-	-	\$ 39,484,700	-
2014	-	-	-	\$ 40,864,880	-
2015	-	-	-	\$ 43,408,011	-
2016	-	-	-	\$ 45,959,210	-
2017	-	-	-	\$ 50,381,241	-
2018	-	-	-	\$ 55,317,695	-

(1) Gross bonded debt service here excludes debt service on revenue bonds.

(2) General expenditures include General Fund only, see Table 6.

**City of Key West, Florida**  
**Table 15**  
**Computation of Direct and Estimated Overlapping**  
**Governmental Activities Debt**  
**September 30, 2018**

	<u>Debt Outstanding</u>	<u>Applicable to City of Key West</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Key West (1)	\$ 983,521	100.00%	\$ 983,521
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>76,108,399</u>	27.39% (3)	<u>20,848,047</u>
Total ad valorem tax supported debt	<u>\$ 77,091,920</u>		<u>\$ 21,831,568</u>
Ratios:			
Overall debt to 2018 taxable valuation			<u>0.32%</u>
Overall debt per capita			<u>\$ 866</u>

- (1) City of Key West direct debt does not include revenue bonds.  
(2) Monroe County School Board debt is as of June 30, 2018, and does not include revenue bonds.  
(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

**City of Key West, Florida**  
**Table 16**  
**Revenue Bond Coverage**  
**Sanitary Sewer System Fund**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year	Gross Revenues (1)	Cost of Operation and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2009	\$ 11,755	\$ 5,722	\$ 6,033	\$ 975	\$ 1,039	\$ 2,014	3.00
2010	\$ 11,839	\$ 6,037	\$ 5,802	\$ 1,000	\$ 1,013	\$ 2,013	2.88
2011	\$ 12,793	\$ 5,833	\$ 6,960	\$ 1,030	\$ 985	\$ 2,015	3.45
2012	\$ 11,684	\$ 5,403	\$ 6,281	\$ 1,060	\$ 1,037	\$ 2,097	3.00
2013	\$ 12,032	\$ 5,648	\$ 6,384	\$ 680	\$ 398	\$ 1,078	5.92
2014	\$ 12,056	\$ 5,763	\$ 6,293	\$ 1,713	\$ 576	\$ 2,289	2.75
2015	\$ 12,076	\$ 5,915	\$ 6,161	\$ 1,762	\$ 533	\$ 2,295	2.68
2016	\$ 11,993	\$ 5,958	\$ 6,035	\$ 1,801	\$ 488	\$ 2,289	2.64
2017	\$ 11,543	\$ 5,812	\$ 5,731	\$ 1,842	\$ 442	\$ 2,284	2.51
2018	\$ 11,371	\$ 5,949	\$ 5,422	\$ 1,891	\$ 396	\$ 2,287	2.37

- (1) Gross revenues exclude impact fees, connection fees and federal and state grants.
- (2) Total operating expenses exclude payments in lieu of taxes, depreciation and amortization, principal, interest expense, and gain (loss) on the disposal of capital assets.
- (3) Debt service shown above includes principal and interest of bonds only due next year (Series 2012 and 2013).

**City of Key West, Florida**  
**Table 17**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

---

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (1)</b>	<b>Total Personal Income (in thousands) (1)</b>	<b>Median Age (1)</b>	<b>Public School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2009	23,922	\$ 33,549	\$ 802,559	43	3,791	6.8%
2010	24,649	\$ 34,174	\$ 842,355	44	3,792	7.2%
2011	24,626	\$ 36,086	\$ 888,654	42	3,823	6.2%
2012	24,909	\$ 35,074	\$ 873,658	42	4,023	4.5%
2013	25,057	\$ 34,277	\$ 858,879	42	4,148	3.7%
2014	25,550	\$ 31,700	\$ 809,935	43	3,954	3.9%
2015	25,704	\$ 31,566	\$ 811,372	44	4,583	3.4%
2016	25,755	\$ 34,020	\$ 876,185	42	4,189	3.3%
2017	26,990	\$ 32,428	\$ 875,232	40	4,177	2.8%
2018	25,208	\$ 35,944	\$ 906,076	40	4,256	2.8%

(1) Sources: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.

(2) Source: Monroe County School Board.

(3) Source: U.S. Department of Labor and Employment Security, Bureau of Labor.

**City of Key West, Florida**  
**Table 18**  
**Principal Employers\***  
**Current Year and Nine Years Ago**

	2018		2009	
<b>Employer</b>	<b>Employees</b>	<b>Employer</b>	<b>Employees</b>	
<b>Public Sector:</b>		<b>Public Sector:</b>		
US Armed Forces	2,190	US Armed Forces	1,664	
Monroe County Schools	1,500	Monroe County Schools	1,335	
Monroe County Government	570	Monroe County Government	761	
Monroe County Sheriff's Office	538	Monroe County Sheriff's Office	497	
City of Key West	525	City of Key West	477	
Florida Keys Aqueduct Authority	270	Florida Keys Aqueduct Authority	258	
Keys Energy Service	130	Keys Energy Service	163	
Florida Keys Electric Cooperative Association	114	Florida Keys Community College	225	
Florida Keys Community College	98			
<b>Private Sector:</b>		<b>Private Sector:</b>		
Ocean Reef Club	1,124	Kmart	750	
Publix Stores	650	Health Management Associations	600	
Margaritaville Resort & Marina/Sunset Key	492	Baptist (Mariner's Hospital)	500	
Lower Keys Medical Center, Key West	477	Historic Tours of America	300	
Historic Tours of America	390	Hawk's Cay Resort	295	
Casa Marina Resort / Reach Resort	356	Publix	280	
Spottswood Properties	302	Winn Dixie	195	
Fogarty's/Red Fish Blue Fish/Caroline's/ Jack Flats/Waterfront		Singh Resorts	185	
Brewery	280			
Cheeca Lodge	280			
Fury Water Adventures	187			

\* Employer information including percent of total employment was not available, this data is for Monroe County as no information for the City of Key West was available.

City of Key West, Florida  
**Table 19**  
**Property Value and Construction**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Fiscal Year	Property Value (1)			Construction (2)	
	Real/ Personal Property Assessed Value	Exemptions Allowed for Real/ Personal Property	Total Net Assessed Value	Number of Permits	Value
2009	\$ 11,882,901	\$ 5,182,044	\$ 6,700,857	4,215	\$ 16,389
2010	\$ 10,719,505	\$ 4,894,185	\$ 5,825,320	4,297	\$ 43,322
2011	\$ 9,075,047	\$ 4,101,589	\$ 4,973,458	4,504	\$ 35,013
2012	\$ 9,187,579	\$ 4,218,770	\$ 4,968,809	5,124	\$ 50,543
2013	\$ 8,555,081	\$ 3,463,472	\$ 5,091,609	5,467	\$ 71,443
2014	\$ 8,805,874	\$ 3,516,073	\$ 5,289,801	6,187	\$ 213,520
2015	\$ 9,175,608	\$ 3,519,798	\$ 5,655,809	5,465	\$ 386,381
2016	\$ 9,646,287	\$ 3,541,965	\$ 6,104,322	6,429	\$ 815,196
2017	\$ 10,099,325	\$ 3,687,255	\$ 6,412,070	4,843	\$ 104,204
2018	\$ 10,532,288	\$ 3,682,252	\$ 6,850,036	3,854	\$ 112,065

(1) Figures here are derived from Table 9 of this Statistical Section.

(2) Source: City of Key West Building and Zoning Department.

City of Key West, Florida

Table 20

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General government:</b>										
Building permits issued	4,215	4,297	4,504	5,124	5,467	6,187	5,465	6,429	4,843	3,848
Building inspections performed	7,392	8,128	9,606	10,264	9,057	11,812	11,642	11,018	8,910	8,837
Occupational licenses	9,072	8,296	9,778	11,189	8,509	10,087	10,642	9,799	8,604	9,139
<b>Fire:</b>										
Emergency responses	1,206	2,613	2,269	2,274	1,846	1,945	4,818 *	7,194 **	5,877	6,902
Inspections	779	2,481	2,430	2,452	2,293	2,310	2,100	2,077	1,700	2,560
<b>Police:</b>										
Physical arrests	2,166	2,075	2,115	2,265	2,010	2,171	2,100	1,753	1,264	1,486
Parking violations	46,893	37,047	30,830	31,172	30,504	27,897	33,261	32,199	31,382	23,940
Traffic violations	4,331	4,313	4,450	3,956	4,065	4,018	3,092	2,529	2,257	3,115
<b>Cemetery:</b>										
Burials	86	124	129	87	93	94	102	117	109	118
<b>Sewer:</b>										
Average daily flow (millions of gallons per day)	4	4	4	4	4	4	4	4	4	4
<b>Solid Waste:</b>										
Refuse annually tons	50,594	45,402	55,624	47,055	41,091	44,064	40,563	41,056	41,045	42,766
Recycle annual in tons	2,517	3,607	2,095	3,656	5,406	5,333	5,381	5,371	5,223	5,565
<b>Marinas:</b>										
<b>Key West Bight:</b>										
Diesel gallons pumped	349,664	315,515	311,677	230,161	128,205	128,548	168,924	219,435	206,963	217,097
Gas gallons pumped	78,872	63,058	106,071	116,461	126,381	133,580	150,826	177,291	142,394	189,860
Transient customers	986	1,011	1,284	1,520	1,454	1,365	1,394	1,617	1,730	1,021
<b>Ferry terminal:</b>										
Boat landings	393	479	464	349	358	364	389	482	358	372
Passenger disembarkments	148,300	144,617	154,821	146,362	148,738	166,677	192,073	184,662	186,817	169,728
Diesel gallons pumped	137,631	81,807	141,355	117,055	7,255	7,743	333,545	383,926	347,119	357,052
<b>Garrison Bight:</b>										
Transient customers	396	362	384	369	354	438	674	581	691	296
Mooring field monthly permits	165	76	332	96	103	133	377	515	623	270
Ramp usage	4,879	4,142	5,307	4,662	4,806	5,893	5,178	4,703	3,927	4,931
<b>Transportation:</b>										
Cruise ship passengers	862,043	804,845	852,673	832,887	734,349	800,752	745,864	696,224	745,781	865,939
Sidewalks repaired/replaced	61,719	107,243	56,725	98,590	82,395	20,250	10,000	5,000	6,221	52,380

\*Fire Department started Emergency Medical Services (EMS) services in April 1, 2015.

\*\* First full fiscal year for Fire Department Emergency Medical Services (EMS).

City of Key West, Florida

Table 21

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fire:</b>										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	7	7	7	7	7	7	6	6	7	8
Aerial	1	1	1	1	1	1	1	1	1	1
Heavy duty rescue	-	-	-	-	-	-	-	-	-	1
Light duty rescue	1	1	1	1	1	1	1	1	1	6
Ambulances	-	-	-	-	-	-	4 *	4	5	5
Fire boat	-	-	-	-	-	-	-	-	-	1
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	105	95	115	115	115	117	118	118	118	119
Parking enforcement units	7	7	7	7	7	6	6	6	6	6
Police boat	-	-	-	-	-	-	-	-	-	1
<b>Parks and Recreation:</b>										
Acreage	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	105.25+
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Splash	-	-	-	-	-	-	-	-	1	2
<b>Sewer:</b>										
Length of system	58	58	58	58	58	60	60	60	60	60
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10	10	10
<b>Storm Water:</b>										
Length of system	11	11	11	11	12	12	12	12	12	12
<b>Key West Bight:</b>										
Slips:										
Transient slips	92	92	92	92	92	92	92	92	92	92
Commercial slips	42	42	42	42	42	42	42	42	42	42
Other slips	15	15	15	15	15	15	15	15	15	15
Fuel capacity (gallons):										
Gasoline	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Leasable retail space: (square feet)										
	86,407	86,407	86,407	86,407	94,059	96,384	96,434	101,108	101,108	105,348
<b>Ferry Terminal:</b>										
Commercial slips	4	4	4	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<b>Garrison Bight:</b>										
Transient slips available	66	66	66	66	66	42	42	51	51	51
Live aboard/pleasure	148	148	148	148	140	167	167	158	158	146
Commercial/charter	43	43	43	43	37	37	37	37	37	37
Mooring field	149	149	149	149	149	149	149	149	149	149
<b>Transportation:</b>										
Number of buses	17	17	16	16	14	14	17	18	15	21
Cruise ports	3	3	3	3	3	3	3	3	3	3
Ferry terminals	1	1	1	1	1	1	1	1	1	1

\*Fire Department started Emergency Medical Services (EMS) services in April 1, 2015.

+ Reflects Addition of the Truman Waterfront Park

City of Key West, Florida  
Table 22  
Full-Time Equivalent City Employees by Function/Program  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Commission	5	5	5	5	5	5	7	8	8	8
City Management	3	4	4	6	6	7	7	7	6	6
Management services and other	80	78	76	79	82	82	91	93	96	94
Recreation	31	31	33	33	31	32	32	32	33	37
Fire	71	71	72	72	72	72	88	72	72	72
Public Works	34	29	34	35	46	49	49	49	53	52
Police protection	122	123	123	123	126	126	126	126	126	129
Building	17	17	18	19	19	21	21	23	24	27
Emergency Medical Services	-	-	-	-	-	-	16	17	17	17
Capital	1	1	1	-	-	-	-	-	-	-
Roads and Sidewalks	4	4	4	4	4	5	5	5	5	5
Sewer	4	4	4	4	4	4	4	2	2	2
Stormwater	2	2	2	1	1	1	1	1	1	1
Solid waste	10	10	10	10	10	10	7	4	4	4
Recreation marinas	42	40	35	29	30	26	28	30	30	32
Redevelopment	7	6	-	-	-	-	-	-	-	-
Transportation	44	31	31	28	28	27	29	29	30	39
<b>Total</b>	<b>477</b>	<b>456</b>	<b>452</b>	<b>448</b>	<b>464</b>	<b>467</b>	<b>511</b>	<b>498</b>	<b>507</b>	<b>525</b>