

**City of Key West, Florida**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2003**

**Prepared by:**

**Department of Finance  
City of Key West**

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**City of Key West, Florida**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended September 30, 2003**

**Table of Contents**

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Table of Contents	i
<b>Introductory Section</b>	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting - 2002	6
List of Principal Officials	7
Organizational Chart	8
Vision and Mission Statements	9
<b>Financial Section</b>	
Independent Auditors' Report: Opinion of Certified Public Accountants	11
Management's Discussion and Analysis	13
Basic Financial Statements	24
Statement of Net Assets	25
Statement of Activities	26
Balance Sheet: Governmental Funds	28
Reconciliation of Balance Sheet to the Statement of Net Assets	29
Statement of Revenues, Expenditures and Changes in Fund Balances: Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual: General Fund and Infrastructure Fund	32
Statement of Net Assets: Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Fund Net Assets: Proprietary Funds	38
Statement of Cash Flows: Proprietary Funds	40
Statement of Fiduciary Net Assets: Fiduciary Funds	42
Statement of Changes in Fiduciary Net Assets: Fiduciary Funds	43
Notes to Financial Statements	44

# City of Key West, Florida

## Table of Contents (cont'd.)

---

### Required Supplementary Information

Analysis of Funding Progress:	
General Employees Pension Trust Fund	69
Police Officer's and Firemen's Pension Trust Fund	70

### Combining and Individual Fund and Account Group Statements and Schedules

Overview – Nonmajor Governmental Funds	71
Combining Balance Sheet: Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Governmental Funds	74
Schedule of Revenues, Expenditures and Changes in Fund Balances: Budget and Actual:	
Law Enforcement Trust Special Revenue Fund	76
Gas Tax Special Revenue Fund	77
Fort Taylor Special Revenue Fund	78
Community Development Office Special Revenue Fund	79
Affordable Housing Special Revenue Fund	80
Local Redevelopment Agency Special Revenue Fund	81
Bahama Village and Caroline Street Special Revenue Fund	82
Navy Pier Payments Special Revenue Fund	83
Capital Projects Fund	84
Overview: Nonmajor Enterprise Funds	85
Combining Statement of Net Assets: Nonmajor Enterprise Funds	86
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets: Nonmajor Enterprise Funds	88
Combining Statement of Cash Flows: Nonmajor Enterprise Funds	89
Overview: Internal Service Fund	91
Statement of Net Assets: Internal Service Fund	92
Statement of Revenues, Expenses and Changes in Net Assets: Internal Service Fund	93
Statement of Cash Flows: Internal Service Fund	94
Overview: Fiduciary Funds	95
Combining Statement of Fiduciary Net Assets	96
Combining Statement of Changes in Net Assets: Fiduciary Funds	97

### Capital Assets Used in the Operation of Governmental Funds

Schedule by Source	99
--------------------	----

# City of Key West, Florida

## Table of Contents (cont'd.)

---

Schedule by Function and Activity	100
Schedule of Changes by Function and Activity	101
<b>Statistical Section</b>	
Overview and Sources	103
Table 1 General Governmental Expenditures by Function	104
Table 2 General Governmental Revenues by Source	105
Table 3 Property Tax Levies and Collections	106
Table 4 Assessed and Estimated Actual Value of Taxable Property	107
Table 5 Property Tax Rates and Tax Levies: Direct and Overlapping Governments	108
Table 6 Principal Taxpayers	109
Table 7 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	110
Table 8 Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	111
Table 9 Computation of Direct and Estimated Overlapping Debt	112
Table 10 Revenue Bond Coverage: Sewer System Fund	113
Table 11 Demographic Statistics	114
Table 12 Property Value, Construction, and Bank Deposits	115
Table 13 Miscellaneous Statistics	116
<b>Single Audit Section</b>	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	117
Schedule of Expenditures of Federal Awards and State Financial Assistance	119
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	121
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General	123
Schedule of Findings and Questioned Costs Relating to Federal Awards	125
Schedule of Findings and Questioned Costs Relating to State Awards	126

1  
2  
3  
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7  
8  
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11  
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THE CITY OF KEY WEST

POST OFFICE BOX 1409  
KEY WEST, FLORIDA 33041-1409  
WWW.KEYWESTCITY.COM

May 28, 2004

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, 2003, is submitted herewith pursuant to the City Charter, Florida Statute Chapter 166.241(4), and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with 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 and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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.

The City of Key West's financial statements have been audited by the independent certified public accounting firm of Niles, Willis and Moore, P.A., and they have issued an unqualified opinion on the financial statements for the fiscal year ended September 30, 2003.

State statutes require an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act, the related Federal OMB Circular A-133, and the Florida Single Audit Act. The auditors' report on the financial statements is included in the Financial Section of this report. Auditors' reports related specifically to the single audit are in the Single Audit Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Key West's MD&A can be found immediately following the report of the independent accountants.

## **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 and fire protection, the construction and maintenance of roads and infrastructure, recreational activities, planning, building, and zoning. In addition to its general government activities, the City provides sewer, sanitation, stormwater, marina, housing, parking, and mass transit services through enterprise funds.

The City has ultimate responsibility for the Police Officers and Firefighters Retirement Plan, General Employees Retirement Plan, and the Local Redevelopment Agency (LRA). The Police and Fire and General Employees Pension Plan activities are included in the financial statements as fiduciary funds. The LRA was created by the City under Florida Statute 163. The LRA was created to facilitate the transfer of surplus naval property in the City of Key West and coordinates the efforts of various agencies interested in acquiring the naval property in order to reach a consensus in the City's effort to acquire the property. The LRA is presented in the financial statements as a special revenue fund.

The City does not have financial responsibility for the Key West Housing Authority; however, the City does appoint board members and provides approximately \$400,000 annually in free sewer and solid waste services which constitutes a financial benefit/burden relationship. Given the materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

Keys Energy Services (formerly City Electric System) 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.

## **Overall Financial Condition**

The City of Key West is a two mile by four mile island located at the southernmost tip of Florida and the continental United States. Tourism is the primary industry throughout all of the Keys that comprise most of inhabited Monroe County.

Retail sales in Monroe County provide a barometer for the economy. Gross retail sales of \$3,130,022,627 during calendar year 2003 represent a 1%, or \$28,448,083 increase from the prior year.

Another economic indicator is the unemployment rate. For calendar year 2003, unemployment rates for the United States, State of Florida, Monroe County, and the City of Key West were 5.7%, 4.7%, 2.3%, and 2.3% respectively.

Most community leaders agree that tourism is the current and future economic foundation of the local economy. City user fees, sales tax revenue, gas tax proceeds, and cruise ship disembarkation fees continue to provide a significant portion of total City government revenues (at least 41% of the General Fund). If Key West remains a desirable tourist destination, the revenue base will remain strong. However, if tourist volumes significantly decrease, the City could experience financial difficulties.

Improvement programs that were suspended during fiscal year 2002 as a result of September 11 were reinstated during this fiscal year. Tourist volumes did drop immediately following the attacks, though volumes eventually began a recovery and the City did not suffer serious economic consequences during fiscal year 2002. Fiscal year 2003 has seen a rebound in tourism revenue.

The other significant element of the city economy is the presence of the United States Navy, Coast Guard and other federal agencies.

- The Naval air station hosts joint service aircrew training facility for transient tactical aviation squadrons and host command for 26 Department of Defense and Department of Homeland Security commands along with all visiting United States and Allied ships and squadrons.
- U.S. Coast Guard Group Key West is one of the largest Coast Guard bases in the world. USCG Group Key West is responsible for 55,000 square miles of ocean and 573 miles of coastline.
- Joint Interagency Task Force East is the command responsible for the federal drug interdiction program.

Members of our armed forces and their dependents have been valued residents in Key West and have contributed to the fabric and economy of the City. Currently, the total Navy military payroll is \$71,000,000 and the civilian component is \$40,800,000 per year. The Navy purchases \$59,000,000 in goods and services per year. Naval Air Station Key West receives more than 120,000 official visitors to the command each year all of whom sojourn to the City's tourist attractions in their leisure hours. At an average of \$60.00 per day per visitor (official government per diem for travel to Key West), this contributes an estimated \$36,700,000 per year to the economy.

Considering the war with Iraq and the closing of its station in Puerto Rico, the Navy is refocusing its sights on Key West. The Navy Training Resource Strategy keeps training near the continental U.S. and will result in an addition of 300 new personnel at Key West. Since 2002, \$110,000,000 has been spent on improvements to the Boca Chica air base including a six-story air traffic control tower, the Truman Annex and Sigsbee Annex. The Navy's Outer Mole pier will see increased activity including additional battle group, carrier and counter drug ship port visits. To support this, projects totaling an initial \$12,900,000 of a \$20,000,000 renovation program have been initiated. Truman Harbor is being improved by dredging the channel and harbor so ships can transit without churning up silt which has settled in the channel.

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

The City also maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.24(3) 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 using the modified accrual basis of accounting. The Capital Project Fund adopts a five-year capital improvements program. 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 under City of Key West Ordinance 1.261 at the major category level; i.e., Personal Services, Operating, Capital, Grants and Aids, and Transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end but are reappropriated from carryforward amounts only if the amounts encumbered are material and the current year's budget is insufficient to absorb these commitments.

## **Cash Management**

Statutes authorize the City to invest in obligations of the U.S. Treasury agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the state treasurer's investment pool. The pension trust fund is also authorized to invest in equity securities and corporate bonds in the top three rating categories as determined by a nationally recognized rating agency. In accordance with the Statutes, the City invested in government agency mortgage-backed securities with a maturity of one year or less to maximize yields. These securities are based on the cash flows from the payments on the underlying mortgages. The City minimized market risk by the short-term nature of these securities.

The City of Key West's investment policy is to minimize market risks while maintaining a competitive yield on its portfolio. Demand deposits were either insured by federal depository insurance or collateralized. Bank deposits are covered by federal depository insurance or by collateral held by the State trustee in the custodial bank's name. The City's investment in the State Board of Administration Investment Pool is secured by a pro rata ownership in pool assets.

## **Risk Management**

The City of Key West has an established protected self-insurance program for property, general and automobile liability, public officials, employer's liability, and workers compensation exposures. The program requires the City to assume certain per occurrence self insured retention subject to an annual maximum amount. Specific and aggregate excess coverage is provided under the program.

The Insurance 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 fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

## **Debt Administration**

The city has no general obligation debt thus providing a highly favorable legal debt margin. The city does have other debt backed by special revenues and the city's covenant to budget and appropriate sufficient non-ad valorem revenues to pay debt service when due. The city also has revenue bonds outstanding for the Key West Bight marina and the city's sewer system. Due to historically low rates, the city was able to refinance its 1993 sewer system revenue bonds during the 2002-2003 fiscal year, for significant debt service savings. For additional information refer to MD&A section starting on page 13.

## **Certificate of Achievement Award**

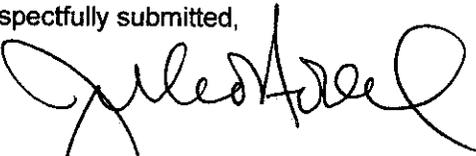
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the eighteenth consecutive 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 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 reasonable, progressive manner.

Respectfully submitted,



JULIO AVAEL  
City Manager



ROGER D. WITTENBERG  
Finance Director

# 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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Key West, Florida

## List of Principal Officials

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### Elected Officials

Mayor	Jimmy Weekley
Commissioner	Harry L. Bethel
Commissioner	Ed Scales
Commissioner	Jeremy Anthony (deceased 2003)
Commissioner	Merili H. McCoy
Commissioner	Carmen Turner
Commissioner	Tom Oosterhoudt

### Appointed Officials

City Manager	Julio Arael
City Clerk	Cheryl Smith
City Attorney	Bob Tischenkel

### Department Directors

Assistant City Manager	John Jones
Building & Zoning/Licensing	Charles Stephenson
Police Chief	Gordon Dillon
Engineering/Public Works	Roland Flowers
Engineering Services	Annalise Mannix-Lachner
Finance	Roger Wittenberg
Fire Chief	Billy Wardlow
Human Resources	Sandy Gilbert
Management Information Systems	Patti McLauchlin
Planning	Ty Symroski
Port	Raymond Archer
Recreation	Randy Sterling
Transportation	Myra Hernandez
Utilities	E. David Fernandez



## **VISION**

*Key West, a tropical paradise, envisions itself to be a role model City, known for the respect of our diverse people and our environment.*

*We will strive to be a user-friendly City, establishing an atmosphere of trust and confidence by providing quality, professional services.  
We are a City that cares.*

## **MISSION**

*Our mission is to maximize services to our customers in the most cost effective way. We will accomplish this through teamwork, high employee morale, sufficient staffing and quality training by establishing a partnership with the community and safeguarding the health, safety and welfare of our customers.*

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor  
and City Commissioners  
City of Key West, Florida

Jack D. Niles, Jr., C.P.A.  
Guy A. Willis, C.P.A.  
Sharon A. Moore, C.P.A.

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, as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Key West, Florida. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Key West Housing Authority, which is the sole discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Key West Housing Authority, is based on the report of the other auditors.

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Fax 305 • 294 • 0328

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

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Key West, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2003.

The management's discussion and analysis and the analysis of funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Key West, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial

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Certified Public Accountants

assistance is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the rules of the Florida Auditor General - *Audits of State Grants and Aids Appropriations*, Chapter 10.550 and is not a required part of the financial statements of the City of Key West, Florida. The combining and individual nonmajor fund financial statements and the schedule of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Niles, Willis & Moore, P.A.*  
NILES, WILLIS & MOORE, P.A.

May 12, 2004

## Management's Discussion and Analysis

On behalf of the City of Key West, management presents to the readers of the City's financial statements, this narrative overview and analysis of financial activities of the City of Key West for the fiscal year ended September 30, 2003. We are providing 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 on page 1 and the City's financial statements, which begin on page 25.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2003 by \$169,828,000.
- During the year, the City had revenues of \$41,225,000 generated in tax and other revenues for governmental programs (before special items). These revenues exceeded expenses by \$6,395,000.
- In the City's business-type activities, net assets increased by \$8,068,000, or 8.0 percent.
- The General Fund reported an excess of revenues over expenditures of \$2,872,000, which exceeded budgeted expectations by \$2,041,000.
- Governmental net assets increased by \$3,921,000 or 6.8%.
- The City took advantage of historically low interest rates and refunded its 1993 sewer system revenue bonds. This refunding saved the City approximately \$211,000 in annual debt service expenses.

### Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 25 and 26-27) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Please note that full accrual information is not available for FY02 (for comparison purposes), as this is the City's first year of preparing data as per GASB 34. This information will be available for the FY04 financial statements. Fund financial statements start on page 28. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 25. 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 year's activities?" The Statement of Net Assets 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 and liabilities 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 assets and changes in them. Net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets 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 roads, 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 Assets 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, parks departments, and 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, solid waste and transit systems as well as parking, housing and marina facilities are reported here.
- **Component units:** The City includes one separate legal entity in its report-the Key West Housing Authority (KWA). The Housing Authority Board has full administrative responsibilities. With the exception of providing free sewer and solid waste services, the City has no other obligation to the Housing Authority. KWA is considered a component unit of the City and is presented discretely in these financial statements.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 28. The fund financial statements begin on page 28 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 by bond covenants. However, the City Commission establishes other funds to help it 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 kinds 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 those 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 Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial 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 Assets 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 fund, 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 a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 42 and 43. 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 assets increased from \$157,839,000 to \$169,828,000, or 7.6%. Total net assets are comprised of \$123,476,000 invested in capital assets, \$7,677,000 restricted for capital projects, encumbrances and other purposes, and \$38,674,000 in unrestricted funds. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business type activities.

**Table 1**  
**Net Assets**  
**(in Thousands)**

	<b>2003</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
Current and other assets	\$ 37,435	\$ 28,022	\$ 65,457
Capital assets	35,962	134,736	170,698
Total assets	<u>73,397</u>	<u>162,758</u>	<u>236,155</u>
Long-term debt outstanding	2,500	42,889	45,389
Other Liabilities	9,766	11,173	20,939
Total Liabilities	<u>12,266</u>	<u>54,062</u>	<u>66,328</u>
Net assets:			
Invested in capital assets, net of debt	35,962	87,514	123,476
Restricted	5,183	2,493	7,676
Unrestricted (deficit)	19,986	18,689	38,675
Total net assets	<u>\$ 61,131</u>	<u>\$ 108,696</u>	<u>\$ 169,827</u>

Net assets of the City's governmental activities are comprised of \$19,986,000 in unrestricted net assets - the part of net assets that can be used to finance day-to-day operations of the general fund and comply with the requirements of the special revenue funds without constraints established by debt covenants, enabling legislation, or other legal requirements, \$5,183,000 in assets restricted for capital projects, encumbrances and other purposes and \$35,962,000 invested in net capital assets.

Net assets of the City's business type activities increased by 7.4%, and are comprised of \$18,689,000 in unrestricted net assets, \$2,493,000 in assets restricted for restricted for capital projects and debt service, and \$87,514,000 invested in net capital assets.

There are no restrictions, commitments, or other limitations that significantly affect the availability of fund resources for future use in any of the fund types.

**Table 2**  
**City of Key West**  
**Changes in Net Assets**  
**(in Thousands)**

	<b>2003</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 11,673	\$ 27,696	\$ 39,369
Grants	3,539	449	3,988
General Revenues			
Taxes: Property and other	22,244	-	22,244
Payment in Lieu of Taxes	2,603	-	2,603
Intergovernmental	550	-	550
Other revenues	616	521	1,137
<b>Total Revenues</b>	<b>41,225</b>	<b>28,666</b>	<b>69,891</b>
<b>Program Expenses</b>			
General Government	9,112	-	9,112
Public Safety	16,870	-	16,870
Physical environment	128	-	128
Transportation	3,400	-	3,400
Economic Environment	1,944	-	1,944
Culture and recreation	3,284	-	3,284
Interest	-	2,768	2,768
Personal Services	-	4,660	4,660
Other Expenses	42	16,328	16,370
Depreciation and Amortization	-	5,145	5,145
Loss on abandonment	50	115	165
<b>Total Expenses</b>	<b>34,830</b>	<b>29,016</b>	<b>63,846</b>
Excess before contribution	6,395	(350)	6,045
Capital contributions	-	5,944	5,944
Transfers	(2,474)	2,474	-
<b>Change in Net Assets</b>	<b>\$ 3,921</b>	<b>\$ 8,068</b>	<b>\$ 11,989</b>

The City's total revenues reported are \$69,891,000, which in part represents \$39,369,000 in charges for services, \$3,988,000 in grant income, \$22,244,000 in property and other taxes. Total expenses of \$63,846,000 are reported. Our analysis below separately considers the operations of governmental and business-type activities.

### **Governmental Activities**

Total Revenues for the City's governmental activities of \$41,225,000 include \$11,673,000 in fees, fines and charges for services, as well as \$11,172,000 in property taxes and \$11,072,000 in state and local shared taxes. Of note, charges for services and intergovernmental revenues were \$1,877,000 greater than anticipated, and expenditures for personal services were \$307,000 less than expected.

The City's management took aggressive action this year to control costs and minimize the impact of property taxes upon residents and businesses with the reduction of current and new budgeted programs, allowing property tax rates to remain at the roll back rate. This represented a significant reduction from the amended budget of 6.87 percent above roll back rate.

Property tax revenues were slightly less than budgeted (.60 percent), and investment earnings were 6.0 percent less than projected. The City's other revenue sources all exceeded final budget estimates.

The cost of all governmental activities this year was \$34,830,000. However, as shown in the Statement of Activities on page 26, the amount that our taxpayers ultimately financed for these activities through City Ad Valorem taxes was \$11,172,000 because some of the cost was paid by those who directly benefited from the programs (\$11,673,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,539,000). The City paid for the remaining "public benefit" portion of governmental activities with \$8,446,000 in 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 three largest programs – general government, public safety and transportation - 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.

**Table 3  
Governmental Activities  
(in Thousands)**

	2003	
	Total Cost of Services	Net Cost (Surplus) of Services
General Government	\$ 9,112	\$ 5,757
Public Safety	16,870	14,259
Transportation	3,400	(4,186)
All Others	5,400	3,739
Totals	\$ 34,782	\$ 19,569

### **Business-type Activities**

Revenues of the City's business-type activities (see Table 2) increased by 6.3 percent (\$28,666,000 in 2003 compared to \$26,863,000 in 2002) as a result of increased charges for services and grant income. Expenses increased by 5.5 percent, primarily as a result of increased operating expenses directly corresponding to the increase in services provided.

### **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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. For the City of Key West, as of September 30, 2003, governmental funds reported combined fund balances of \$25,305,000 which is a decrease of \$178,000 in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the city. As of September 30, 2003 the unreserved fund balance account in the general fund was \$10,926,000. This unreserved fund balance amount represents 34.8 percent of the total General Fund FY03 actual expenditures.

Unreserved fund balance for the City's General Fund had a net increase \$267,000 during the year due to the following key factors:

- The city had anticipated a budgeted increase of \$432,746 to its fund balance in 02-03.
- Significant revenue increases in charges for services relating to cruiship passenger arrival and parking meter revenue caused this budget to experience a positive variance in excess of budgeted revenues of \$1,342,000. Expenses relating to this increased activity amounted to \$600,000.
- Intergovernmental revenue was favorable by \$535,000 as a result of increased state shared revenues and grant income.
- Transfers out to the Insurance Fund, the internal service fund, were increased by \$1,470,000. This offset the positive variance described above. This transfer was necessary as the city had increased its self-insured retention in order to minimize substantial premium increases it has been experiencing annually. This transfer also helped to pre-fund a portion of its 03-04 premium increase in order to reach rollback in the General Fund.

The Infrastructure Surtax Fund is a special revenue fund that reports the activities of the one cent sales tax increment. Revenues collected are restricted for capital projects throughout the city. During the year the fund's unreserved fund balance decreased by \$2,653,000 to \$1,734,000. This was a budgeted, anticipated decrease as the city had been pre-funding a transfer to the capital projects fund of \$3,402,000 for City hall renovations and Truman waterfront capital improvements.

**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 assets of proprietary funds at year-end are as follows:

<u>Fund</u>	<u>Assets (Deficit)</u>
Sewer	\$ 7,200,000
Solid Waste	12,694,000
Storm water	(515,000)
Key West Bight	(1,323,000)
Garrison Bight	1,016,000
Transit	(306,000)
Poinciana Housing	(77,000)

For the year ending September 30, 2003, the sewer fund net assets decreased slightly. During the year the city refunded its 1993 sewer revenue bonds. As a result of the refunding the city gained a total present value debt service savings of \$3,249,000 or 11.23% of the refunded 1993 bonds. This translates into approximately \$211,000 in annual debt service savings.

Solid Waste Fund net assets increased by \$520,000. The fund has been increasing its reserves for capital projects. The waste to energy plant is required to come into compliance with the clean air emission act which will require extensive retrofitting of the facility. At September 30, 2003 a technical advisory committee was in place to review the operations of the plant and look at alternatives for solid waste processing.

The Stormwater Fund is a relatively new user fee fund which began in August of 2002. The funds net assets increased by \$3,819,000 largely due to capital grants received of \$2,788,000. The fund has

borrowed \$1,900,000 from the general fund to help start up operations and begin construction. The loan is anticipated to be repaid with user charges.

The Key West Bight Fund is the last major proprietary fund. Its net assets increased by \$2,334,000. A major part of this increase is due to a ferry terminal construction grant that the city has received from the Florida Department of Transportation. This amounted to \$1,166,000 in this fiscal year. The marine and upland portion of the historic seaport continue to produce increases in revenue through rents and charges for services.

### **General Fund Budgetary Highlights**

The FY 02-03 budget was developed to continue improvement programs in public service and the environment. It was implemented in a local economy that was reasonably strong having recovered from a brief post 9/11/01 contraction. Tourism rebounded and Navy presence increased. Improvement programs suspended as part of the post 9/11 contingency plan in FY 01-02 were reinitiated in FY 02-03.

The revenue budget was with the ad valorem property tax at rollback rate. To achieve this, other revenues were aggressively budgeted. Nearly all of the revenue safety factors were removed leaving little margin for contingencies. Expenditure budgets were also set at levels that left no safety margins.

Revenues, tourist volumes and expenditures were monitored throughout the year and were moderately strong. Towards the end of the year, certain expenditures began to proceed over budget. This left the option of reducing vital activities and services or continuing services and attempting to balance budgets from other accounts. Services were not curtailed.

The revenue, slightly less than expenditures, required the use of reserves to balance the budget. This possible use of reserves was noted during the budget preparation and approval process.

The significant budgetary increases from the original budget consisted of the following:

- A transfer to the Insurance Fund of \$1,470,000 to build up reserves for increased risk being taken due to the increase in the city's self insured retention amounts.
- Operating expenditures relating to cruiseship activity were also increased by \$650,000. The cruiseship expenditures were more than offset by increased revenue as a result of the activity.

There were no significant variances with the final general fund budget.

The General Fund unreserved fund balance had been increased in years prior to FY 02-03 thus creating a sufficient balance to cover emergencies. The year end unreserved fund balance was \$10,926,000. This equated to 125 days of operating expenses. The City Commission has an established policy that this would not be allowed to drop less than 90 days of operating expenses.

### **Capital Assets and Debt Administration**

At the end of 2003, the City had \$164,746,000 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.)

**Capital Assets at Year-end  
(in Thousands)**

	2003		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 6,164	\$ 14,936	\$ 21,100
Buildings & improvements	28,484	141,092	169,576
Equipment	11,392	24,231	35,623
Infrastructure	5,952	0	5,952
Construction in progress	1,215	5,491	6,706
Depreciation	(17,245)	(51,014)	(68,259)
<b>Totals</b>	<b>\$ 35,962</b>	<b>\$ 134,736</b>	<b>\$ 170,698</b>

This year's major additions included:

- The completion of the South Roosevelt seawall project - this project was the result of Hurricane Georges, in September 1998. The mile long seawall replacement project cost \$5,726,000 and was funded 100% by the Federal Emergency Management Agency (FEMA) and the Florida Department of Community Affairs.
- The completion of the new police building (\$4,877,000) funded by infrastructure sales tax revenue was completed and occupied. The building also contains a state of the art emergency operations center.
- In addition to the new police building, the police and fire departments received a new upgraded radio system, 800mhz, which allows improved communication through a central dispatch with state of the art communications equipment.
- New fencing around the perimeter of the cemetery was completed for \$320,000. This allowed replacement of the old chain link fencing with an aesthetically pleasing wrought iron fence.
- Significant improvements were made to the storm water collection system as a result of FEMA grants. A \$1,700,000 pump assist well was installed to alleviate flooding in the historic district, as well as other drainage improvements throughout the city.
- The Key West Department of Transportation received six new buses (\$1,900,000) funded by a grant from the Florida Department of Transportation.

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

**Debt**

At year-end, the City had \$48,334,000 in bonds and notes outstanding, as shown in Table 5:

**Table 5**  
**Outstanding Debt at Year-end**  
**(in Thousands)**

	2003		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
Promissory note	\$ 2,500	\$ 5,652	\$ 8,152
Revenue Bonds and Notes		40,182	40,182
<b>Totals</b>	<b>\$ 2,500</b>	<b>\$ 45,834</b>	<b>\$ 48,334</b>

As previously noted the city refunded the 1993 sewer revenue bonds, and saved approximately \$211,000 annually in debt service payments. For the first time in its history the city obtained an "A" rating on this issue, due to the strong debt service coverage ratios and the new modernized collection, processing and disposal systems. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The FY 03-04 Budget was developed against the backdrop of the strategic objectives of the City and was influenced by significant immediate issues as discussed in additional detail below.

### **Strategic Issues**

Since the 1930's, the economy of the City of Key West has 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. Key West is also a desirable living location. It is an island with limited physical growth potential. The cost of housing has steadily increased resulting in an increased cost of living. The City and local business have experienced difficulty in attracting and retaining staff to provide services.

The City's history and economy has been and continues to be intimately connected with a military presence. The city houses the U.S. Naval Air Station, The U.S. Coast Guard group headquarters and The Joint Interagency Task Force Headquarters. Past reductions in military staff and space created opportunities for the City through the Base Realignment and Closure (BRAC) Program. Under this program, Navy properties have been transferred to the City as follows:

- The Truman Waterfront property (32.4 acres).
- The Poinciana Naval Housing complex (an affordable housing area).

### **FY 03-04 Budget Preparation**

Budget preparation began in the second quarter of FY 02-03. The City experienced a recovery from 9/11 and was financially sound. However, caution was exercised in budget preparation as noted below:

- The state of the national economy and its impact on the local tourist economy was of concern. The slump in Florida tourism that had negatively impacted other tourist economies had not affected Key West.
- A prime objective was to produce a General Fund budget with the Ad Valorem taxes at the rollback rate. This would eliminate the overall effect of property value increases in the aggregate.
- Wage increases were known to be at 4.5% in the aggregate. Fringe benefit increases driven by anticipated increases of 17% in health and workers compensation insurance were anticipated to be significant. Budgeted health and workers compensation premiums for FY02-03 totaled more than \$4,000,000, up more than \$500,000 then prior years.

- Property insurance rate increases driven by flood and windstorm rates were estimated to be in the 20% range. FY 02-03 general liability and property insurance premiums were more than \$2,400,000.

Budgets were prepared to hold the line on operating cost increases while intensifying the exploration of methods to provide services in a more cost efficient manner. The progression of the General Fund budget was as follows:

- The initial submission included revenues of \$30,654,000 and expenses totaling \$34,785,000 for a shortfall of \$4,131,000.
- The stringent detailed line item budget review process increased revenues and decreased expenses to a balanced budget of \$32,264,000. This included Ad Valorem property taxes at the rollback rate. Balancing this budget involved:
  - The inclusion of a \$2.00 per passenger disembarkation fee increase.
  - The use of \$607,000 from prior year balances to balance the budgets. This is a one time return of revenues in excess of expenses to the taxpayers and represents a reduction of reserves. It was not expected to reduce reserves below the minimum safety level of 90 days of expenses.
  - Stringent budget expense reductions that maintained service but left no margin of safety.
  - A listing of new program expense reductions was developed to make program deletions public and allow the Commission to review them at the public workshops.
- At the public workshop in July, a total of \$297,000 in additions were made to the rollback to include a salary increase in emergency communication staff in order to attract more qualified personnel, a feasibility study for a community center, additional information technology funding to replace obsolete equipment, and an increase in cemetery vault construction allocation.
- At the two public ordinance hearings in early September, \$132,000 in parking revenue increases were enacted. The resulting total budget of \$32,561,000 included ad valorem taxes at \$165,000 above rollback.

The need to provide public services at costs that will not cause economic hardship to local businesses and residents influenced the preparation of the budget. City staff associates and management are committed to the Vision, Mission and Core Values of the City and the improvement of services to the public. The budget reflects and supports that commitment.

### **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 contact the Finance Office, City of Key West, PO Box 1409, Key West, FL 33041.

**City of Key West, Florida**

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# Basic Financial Statements

**City of Key West, Florida  
Statement of Net Assets  
September 30, 2003**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
<i>Current Ac</i>				
Cash and cash equivalents	\$ 5,901,902	\$ 12,593,467	\$ 18,495,369	\$ 504,696
Investments	21,006,387	7,771,284	28,777,671	-
Accounts receivable (net of allowances)	809,074	2,581,439	3,390,513	29,660
Internal balances	5,193,175	(5,193,175)	-	-
Intergovernmental	2,444,512	3,661,840	6,106,352	343,121
Mortgages	1,333,427	-	1,333,427	-
Prepaid items	11,338	112,165	123,503	93,060
Inventories	9,160	912,530	921,690	56,436
Interest	145,976	39,807	185,783	-
Other	-	1,097,648	1,097,648	780,224
Restricted assets:				
Cash and cash equivalents	580,516	4,445,132	5,025,648	9,920,697
Capital assets				
Land	6,163,724	14,936,007	21,099,731	5,142,207
Buildings	10,848,523	35,759,504	46,608,027	19,058,527
Improvements	17,635,423	105,331,999	122,967,422	-
Machinery, equipment and furniture	11,391,515	24,231,234	35,622,749	1,038,767
Infrastructure	5,952,363	-	5,952,363	-
Accumulated depreciation	(17,244,996)	(51,014,437)	(68,259,433)	(12,941,161)
Construction in progress	1,215,282	5,491,490	6,706,772	1,354,825
Total assets	<u>73,397,301</u>	<u>162,757,934</u>	<u>236,155,235</u>	<u>25,381,059</u>
<b>Liabilities</b>				
<i>Current Liab</i>				
Accounts payable and accrued expenses	1,474,980	2,260,375	3,735,355	413,496
Accrued wages & related costs	2,557,687	390,203	2,947,890	63,645
Deferred revenue	2,465,878	975,933	3,441,811	-
Intergovernmental	114,604	-	114,604	213,553
Deposits	30,095	-	30,095	89,918
Insurance claims payable	1,341,828	-	1,341,828	-
Other	66,715	-	66,715	446,621
Liabilities payable from restricted assets:				
Accrued interest	-	868,747	868,747	-
Bonds and notes payable	-	799,010	799,010	631,000
Other	-	40,000	40,000	-
Noncurrent liabilities:				
Notes payable	2,500,000	4,852,719	7,352,719	14,651,261
Revenue bonds payable	-	40,182,333	40,182,333	-
Insurance claims payable	449,258	-	449,258	-
Accrued interest	-	2,706,998	2,706,998	-
Closure costs	-	463,333	463,333	-
Other	1,265,037	521,901	1,786,938	-
Total liabilities	<u>12,266,082</u>	<u>54,061,552</u>	<u>66,327,634</u>	<u>16,509,494</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	35,961,834	87,514,350	123,476,184	-
Restricted for:				
Capital projects	-	1,661,923	1,661,923	-
Debt service	-	831,557	831,557	-
Receivables	198,771	-	198,771	-
Encumbrances	2,496,182	-	2,496,182	-
Advances	2,467,831	-	2,467,831	-
Other purposes	20,498	-	20,498	-
Unrestricted	19,986,103	18,688,552	38,674,655	8,871,565
Total net assets	<u>\$ 61,131,219</u>	<u>\$ 108,696,382</u>	<u>\$ 169,827,601</u>	<u>\$ 8,871,565</u>

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

**City of Key West, Florida**  
**Statement of Activities**  
**For the year ended September 30, 2003**

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 9,130,692	\$ 3,283,025	\$ 42,763	\$ 29,046
Public safety	16,871,097	1,389,856	246,093	974,492
Physical environment	127,599	30,400	-	66,518
Transportation	3,400,161	6,830,782	-	755,454
Economic environment	1,944,114	-	1,034,014	-
Culture and recreation	3,285,366	139,291	97,741	292,913
Interest	42,249	-	-	-
<b>Total governmental activities</b>	<b>34,801,278</b>	<b>11,673,354</b>	<b>1,420,611</b>	<b>2,118,423</b>
Business Type Activities				
Sewer System	11,383,621	10,521,127	187,726	-
Solid Waste	7,749,755	8,025,248	41,921	-
Key West Bight	3,780,093	4,571,580	-	1,166,205
Stormwater	849,948	1,449,588	-	2,787,600
Garrison Bight	1,040,218	1,101,773	-	66,875
Transit	2,658,147	588,881	219,059	1,923,539
Poinciana Housing	1,520,502	1,438,263	-	-
<b>Total business-type activities</b>	<b>28,982,284</b>	<b>27,696,460</b>	<b>448,706</b>	<b>5,944,219</b>
<b>Total primary government</b>	<b>\$ 63,783,562</b>	<b>\$ 39,369,814</b>	<b>\$ 1,869,317</b>	<b>\$ 8,062,642</b>
<b>Component Units:</b>				
Key West Housing Authority	\$ 8,046,180	\$ 4,201,205	\$ 2,809,707	\$ 825,490
<b>Total Component Units</b>	<b>\$ 8,046,180</b>	<b>\$ 4,201,205</b>	<b>\$ 2,809,707</b>	<b>\$ 825,490</b>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				
Franchise and communications taxes				
Municipal revenue sharing gas and cig. tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental				
Pilot				
Income on investments				
Loss on disposal of fixed assets				
Transfers in				
Transfers (out)				
Other				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (5,775,858)	\$	\$ (5,775,858)	\$ -
(14,260,656)		(14,260,656)	-
(30,681)		(30,681)	-
4,186,075		4,186,075	-
(910,100)		(910,100)	-
(2,755,421)		(2,755,421)	-
(42,249)		(42,249)	-
<u>(19,588,890)</u>		<u>(19,588,890)</u>	<u>-</u>
	(674,768)	(674,768)	-
	317,414	317,414	-
	1,957,692	1,957,692	-
	3,387,240	3,387,240	-
	128,430	128,430	-
	73,332	73,332	-
	(82,239)	(82,239)	-
-	5,107,101	5,107,101	-
<u>(19,588,890)</u>	<u>5,107,101</u>	<u>(14,481,789)</u>	<u>-</u>
			\$ (209,778)
			\$ (209,778)
11,172,091	-	11,172,091	-
1,024,060	-	1,024,060	-
795,639	-	795,639	-
4,987,773	-	4,987,773	-
3,044,042	-	3,044,042	-
1,221,318	-	1,221,318	-
550,360	-	550,360	-
2,603,100	-	2,603,100	-
508,641	403,155	911,796	4,017
(30,144)	(34,408)	(64,552)	-
32,364	2,506,386	2,538,750	663,130
(2,506,386)	(32,364)	(2,538,750)	(663,130)
106,756	118,289	225,045	-
<u>23,509,614</u>	<u>2,961,058</u>	<u>26,470,672</u>	<u>4,017</u>
3,920,724	8,068,159	11,988,883	(205,761)
57,210,495	100,628,223	157,838,718	9,077,326
<u>\$ 61,131,219</u>	<u>\$ 108,696,382</u>	<u>\$ 169,827,601</u>	<u>\$ 8,871,565</u>

**City of Key West, Florida**  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2003

<b>Assets</b>	<b>General Fund</b>	<b>Infrastructure Surtax Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 642,935	\$ 158,251	\$ 2,857,613	\$ 3,658,799
Cash and cash equivalents (restricted)	-	\$ -	580,516	580,516
Investments	10,028,725	2,001,250	6,412,350	18,442,325
Receivables:				
Accounts	648,676	-	6,698	655,374
Intergovernmental	567,011	867,368	361,121	1,795,500
Mortgages	-	-	1,333,427	1,333,427
Interfund	2,837,014	-	97	2,837,111
Interest	97,916	6,778	41,282	145,976
Inventories	9,160	-	-	9,160
Advance	2,467,831	-	-	2,467,831
Prepays	11,338	-	-	11,338
<b>Total assets</b>	<b><u>17,310,606</u></b>	<b><u>3,033,647</u></b>	<b><u>11,593,104</u></b>	<b><u>31,937,357</u></b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 383,574	\$ 524,039	\$ 489,259	\$ 1,396,872
Accrued payroll	992,204	5,104	11,808	1,009,116
Accrued compensated absences	1,548,571	-	-	1,548,571
Retainage payable	-	44,292	22,421	66,713
Interfund payable	97	-	-	97
Intergovernmental	-	23,945	90,658	114,603
Deposits	30,095	-	-	30,095
Deferred revenue	668,971	-	1,796,907	2,465,878
<b>Total liabilities</b>	<b><u>3,623,512</u></b>	<b><u>597,380</u></b>	<b><u>2,411,053</u></b>	<b><u>6,631,945</u></b>
<b>Fund balances</b>				
Reserved for:				
Inventory and prepaids	20,498	-	-	20,498
Receivables	-	-	198,771	198,771
Encumbrances	273,219	702,106	1,520,853	2,496,178
Advances	2,467,831	-	-	2,467,831
Unreserved, reported in:				
General fund	10,925,546	-	-	10,925,546
Special revenue	-	1,734,161	3,270,928	5,005,089
Capital projects	-	-	4,191,499	4,191,499
<b>Total fund balances</b>	<b><u>13,687,094</u></b>	<b><u>2,436,267</u></b>	<b><u>9,182,051</u></b>	<b><u>25,305,412</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 17,310,606</u></b>	<b><u>\$ 3,033,647</u></b>	<b><u>\$ 11,593,104</u></b>	<b><u>\$ 31,937,357</u></b>

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

**City of Key West**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
September 30, 2003

Fund Balances - total governmental funds	\$ 25,305,412
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,961,834
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 assets.	2,998,469
Receivables in governmental funds are susceptible to full accrual on the entity-wide statements.	
Accounts receivable                      7,859	
Intergovernmental <u>649,010</u>	656,869
Payables in governmental funds are susceptible to full accrual on the entity-wide statements.	(26,328)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities are comprised of the following:	
Notes payable                      (2,500,000)	
Compensated absences <u>(1,265,037)</u>	
Long-term liabilities - net	(3,765,037)
 Net assets of governmental activities	 <u><u>\$ 61,131,219</u></u>

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

**City of Key West, Florida**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds**

For the year ended September 30, 2003

	General	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$12,196,152	\$ -	\$ -	\$ 12,196,152
Licenses and permits	2,163,112	-	-	2,163,112
Intergovernmental income	4,706,826	5,634,589	3,265,740	13,607,155
Payment in lieu of taxes	2,603,100	-	-	2,603,100
Charges for services	7,103,614	-	-	7,103,614
Fines and forfeitures	1,000,347	-	43,879	1,044,226
Investment earnings	338,865	42,554	127,222	508,641
Rental income	1,335,945	-	-	1,335,945
Contributions and other	205,311	1,500	56,506	263,317
<b>Total revenues</b>	<u>31,653,272</u>	<u>5,678,643</u>	<u>3,493,347</u>	<u>40,825,262</u>
<b>Expenditures:</b>				
Current:				
General government	11943583 9,455,008	336,120	-	9,791,128
Public safety	17853014 14,778,086	-	78,675	14,856,761
Physical environment	109221 71,623	-	-	71,623
Transportation	2203079 1,909,773	-	987,558	2,897,331
Economic environment	-	148,675	1,776,613	1,925,288
Culture and recreation	2125307 2,124,501	-	3,470	2,127,971
Capital outlay	293,406	3,228,968	2,474,269	5,996,643
Debt service				
Principal	-	-	-	-
Interest	-	-	42,249	42,249
<b>Total expenditures</b>	<u>28,781,072</u>	<u>3,565,088</u>	<u>5,362,834</u>	<u>37,708,994</u>
Excess (deficiency) of revenues over (under) expenditures	2,872,200	2,113,555	(1,869,487)	3,116,268
<b>Other financing sources (uses):</b>				
Proceeds from financing	-	-	650,000	650,000
Operating transfers in	-	-	5,277,813	5,277,813
Operating transfers out	(2,605,333)	(4,976,380)	(1,640,122)	(9,221,835)
<b>Total other financing sources (uses)</b>	<u>(2,605,333)</u>	<u>(4,976,380)</u>	<u>4,287,691</u>	<u>(3,294,022)</u>
Net change in fund balances	266,867	(2,862,825)	2,418,204	(177,754)
<b>Fund balances :</b>				
October 1	13,420,227	5,299,092	6,763,847	25,483,166
<b>September 30</b>	<u>\$ 13,687,094</u>	<u>\$ 2,436,267</u>	<u>\$ 9,182,051</u>	<u>\$ 25,305,412</u>

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

**City of Key West**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
September 30, 2003

Net change in fund balances - total governmental funds	\$ (177,754)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 and loss on disposal for the current period.</p>	
Expenditures for capital assets	5,996,643
Less: loss on disposal	(30,144)
Less: current year depreciation	<u>(2,735,501)</u>
	3,230,998
<p>Proceeds from a loan is an other financing source in the governmental funds, but the proceeds from a loan are a liability in the statement of net assets.</p>	(650,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	400,906
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.</p>	(25,610)
<p>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</p> <p style="padding-left: 40px;">Compensated absences</p>	(59,829)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net of the internal service fund is reported with governmental funds</p>	(267,987)
Transfer from general fund to the internal service fund	1,470,000
Change in net assets of governmental activities	<u>\$ 3,920,724</u>

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

**City of Key West, Florida**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget and Actual - General and Infrastructure Funds**  
**For the year ended September 30, 2003**

	General Fund			Variance with Final Budget- Positive (Negative)
	General Fund Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 12,272,307	\$ 12,272,307	\$ 12,196,152	\$ (76,155)
Licenses and permits	2,076,260	2,076,260	2,163,112	86,852
Intergovernmental income	4,171,614	4,171,614	4,706,826	535,212
Payment in lieu of taxes	2,603,100	2,603,100	2,603,100	-
Charges for services	5,761,743	6,831,743	7,103,614	271,871
Fines and forfeitures	760,400	936,800	1,000,347	63,547
Investment earning	361,353	361,353	338,865	(22,488)
Rental income	1,153,938	1,153,938	1,335,945	182,007
Contributions and other	10,000	10,000	205,311	195,311
<b>Total revenues</b>	<u>29,170,715</u>	<u>30,417,115</u>	<u>31,653,272</u>	<u>1,236,157</u>
<b>Expenditures:</b>				
Personal services	21,499,124	21,597,208	21,289,728	307,480
Operating	6,143,032	7,081,979	7,049,263	32,716
Capital	217,413	333,624	293,406	40,218
Debt service	-	-	-	-
Aid to private organizations	153,300	153,300	148,675	4,625
<b>Total expenditures</b>	<u>28,012,869</u>	<u>29,166,111</u>	<u>28,781,072</u>	<u>385,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,157,846</u>	<u>1,251,004</u>	<u>2,872,200</u>	<u>1,621,196</u>
<b>Other financing sources (uses):</b>				
Proceeds from promissory note	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(725,100)	(2,615,100)	(2,605,333)	9,767
<b>Total other financing sources (uses)</b>	<u>(725,100)</u>	<u>(2,615,100)</u>	<u>(2,605,333)</u>	<u>9,767</u>
<b>Net change in fund balance</b>	432,746	(1,364,096)	266,867	1,630,963
<b>Fund balance, October 1</b>	<u>13,420,227</u>	<u>13,420,227</u>	<u>13,420,227</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 13,852,973</u>	<u>\$ 12,056,131</u>	<u>\$ 13,687,094</u>	<u>\$ 1,630,963</u>

**City of Key West, Florida**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget and Actual - General and Infrastructure Funds (Continued)**  
**For the year ended September 30, 2003**

	<b>Infrastructure Fund</b>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental income	\$ 5,489,000	\$ 5,622,000	\$ 5,634,589	\$ 12,589
Investment earning	45,618	45,618	42,554	(3,064)
Contributions and other	-	-	1,500	1,500
<b>Total revenues</b>	<u>5,534,618</u>	<u>5,667,618</u>	<u>5,678,643</u>	<u>11,025</u>
<b>Expenditures:</b>				
Personal Service	-	13,000	12,354	646
Operating	1,845,739	355,139	323,766	31,373
Capital	1,620,709	3,231,309	3,228,968	2,341
<b>Total expenditures</b>	<u>3,466,448</u>	<u>3,599,448</u>	<u>3,565,088</u>	<u>34,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,068,170</u>	<u>2,068,170</u>	<u>2,113,555</u>	<u>45,385</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital lease	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	(5,093,654)	(5,093,654)	(4,976,380)	117,274
<b>Total other financing sources (uses)</b>	<u>(5,093,654)</u>	<u>(5,093,654)</u>	<u>(4,976,380)</u>	<u>117,274</u>
<b>Net change in fund balance</b>	(3,025,484)	(3,025,484)	(2,862,825)	162,659
<b>Fund balance, October 1</b>	<u>5,299,092</u>	<u>5,299,092</u>	<u>5,299,092</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 2,273,608</u>	<u>\$ 2,273,608</u>	<u>\$ 2,436,267</u>	<u>\$ 162,659</u>

**City of Key West, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**  
September 30, 2003

Total Current

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>	<u>Stormwater</u>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 4,260,864	\$ 4,649,145	\$ 1,559,871	\$ 746,840
Investments	-	7,771,283	-	-
Receivables, net of allowance for uncollectibles:				
Interest	-	39,177	630	-
Accounts	1,211,400	779,110	222,939	282,417
Intergovernmental	-	-	293,034	1,139,620
Interfund receivables	36,152	68,935	61,662	-
Prepaid expense	-	-	14,248	-
Inventory	306,252	526,811	36,091	22,932
<b>Total current assets</b>	<u>5,814,668</u>	<u>13,834,461</u>	<u>2,188,475</u>	<u>2,191,809</u>
<b>Restricted assets:</b>				
Cash and cash equivalents	2,866,603	514,191	1,064,338	-
Investments	-	-	-	-
Interest receivable	-	-	-	-
<b>Total restricted assets</b>	<u>2,866,603</u>	<u>514,191</u>	<u>1,064,338</u>	<u>-</u>
<b>Deferred Charges</b>				
Unamortized bond cost, net	597,622	-	249,131	-
<b>Property, plant and equipment:</b>				
Land	6,480	-	14,879,527	-
Buildings	24,308,578	4,801,024	1,803,056	-
Improvements other than buildings	89,181,142	2,986,383	6,784,938	1,710,020
Machinery, equipment and furniture	9,727,277	9,189,811	165,034	90,639
Construction in progress	-	-	2,578,430	2,897,052
<b>Total</b>	<u>123,223,477</u>	<u>16,977,218</u>	<u>26,210,985</u>	<u>4,697,711</u>
Less accumulated depreciation	30,861,011	12,613,401	2,806,269	32,550
<b>Net property, plant and equipment</b>	<u>92,362,466</u>	<u>4,363,817</u>	<u>23,404,716</u>	<u>4,665,161</u>
<b>Non current assets:</b>				
Accounts receivable	210,688	40,206	-	-
Advance to other funds	67,736	-	212,853	-
<b>Total other assets</b>	<u>278,424</u>	<u>40,206</u>	<u>212,853</u>	<u>-</u>
<b>Total assets</b>	<u>\$101,919,783</u>	<u>\$ 18,752,675</u>	<u>\$ 27,119,513</u>	<u>\$ 6,856,970</u>

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

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 1,376,746	\$ 12,593,466	\$ 2,243,104
-	7,771,283	2,564,062
-	39,807	9,583
85,574	2,581,440	136,256
2,229,186	3,661,840	
16,432	183,181	93,731
97,918	112,166	
20,444	912,530	
<u>3,826,300</u>	<u>27,855,713</u>	<u>5,046,736</u>
-	4,445,132	-
-	-	-
-	-	-
<u>-</u>	<u>4,445,132</u>	<u>-</u>
-	846,753	-
50,000	14,936,007	-
4,846,846	35,759,504	-
4,669,515	105,331,998	-
5,058,474	24,231,235	-
16,006	5,491,488	-
<u>14,640,841</u>	<u>185,750,232</u>	<u>-</u>
<u>4,701,208</u>	<u>51,014,439</u>	<u>-</u>
<u>9,939,633</u>	<u>134,735,793</u>	<u>-</u>
-	250,894	-
-	280,589	-
-	531,483	-
<u>\$ 13,765,933</u>	<u>\$168,414,874</u>	<u>\$ 5,046,736</u>

Continued

**City of Key West, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**

September 30, 2003

**Business-type Activities - Enterprise Funds**

Total Current

	Sanitary Sewer System	Solid Waste	Key West Bight	Stormwater	Other Enterprise Funds
<b>Liabilities and Equity</b>					
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 503,295	\$ 423,324	\$ 179,054	\$ 536,386	\$ 133,257
Accrued payroll and related expenses	44,788	137,254	49,760	2,167	156,234
Accrued expenses	-	-	186,019	-	104,471
Retainage payable	-	-	33,168	161,400	-
Interfund payable	-	-	618,530	85,237	2,204,757
Insurance claims payable	-	-	-	-	-
Deferred revenue	108,858	-	209,142	-	76,179
<b>Total</b>	<u>656,941</u>	<u>560,578</u>	<u>1,275,673</u>	<u>785,190</u>	<u>2,674,898</u>
<b>Current liabilities:</b>					
<b>Payable from restricted assets:</b>					
Closure costs payable, current	-	40,000	-	-	-
Accrued interest	234,802	-	633,945	-	-
Bonds and notes payable, current	202,698	-	596,312	-	-
Deferred revenue	145,446	436,308	-	-	-
<b>Total</b>	<u>582,946</u>	<u>476,308</u>	<u>1,230,257</u>	<u>-</u>	<u>-</u>
<b>Noncurrent liabilities:</b>					
Revenue bonds payable, net of discount	28,201,935	-	11,980,397	-	-
Note payable	4,852,719	-	-	-	-
Closure costs	-	463,333	-	-	-
Advance from other funds	-	-	545,721	1,922,108	280,589
Insurance claims payable	-	-	-	-	-
Customer deposits	-	-	130,277	-	188,500
Accrued interest	-	-	2,706,998	-	-
Accrued compensated absences	17,415	116,414	19,433	-	49,862
<b>Total</b>	<u>33,072,069</u>	<u>579,747</u>	<u>15,382,826</u>	<u>1,922,108</u>	<u>518,951</u>
<b>Total liabilities</b>	<u>34,311,956</u>	<u>1,616,633</u>	<u>17,888,756</u>	<u>2,707,298</u>	<u>3,193,849</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	57,992,051	4,363,817	10,553,688	4,665,161	9,939,633
Restricted for current debt service	753,674	77,883	-	-	-
Reserved for renewal & replacement	1,661,923	-	-	-	-
Unrestricted	7,200,179	12,694,342	(1,322,931)	(515,489)	632,451
<b>Total net assets</b>	<u>67,607,827</u>	<u>17,136,042</u>	<u>9,230,757</u>	<u>4,149,672</u>	<u>10,572,084</u>
<b>Total liabilities and net assets</b>	<u>\$ 101,919,783</u>	<u>\$ 18,752,675</u>	<u>\$ 27,119,513</u>	<u>\$ 6,856,970</u>	<u>\$ 13,765,933</u>

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

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 1,775,316	35,451
390,203	16,328
290,490	-
194,568	-
2,908,524	205,402
-	1,341,828
394,179	-
<u>5,953,280</u>	<u>1,599,009</u>
40,000	-
868,747	-
799,010	-
581,754	-
<u>2,289,511</u>	<u>-</u>
40,182,332	-
4,852,719	-
463,333	-
2,748,418	-
-	449,258
318,777	-
2,706,998	-
203,124	-
<u>51,475,701</u>	<u>449,258</u>
<u>59,718,492</u>	<u>2,048,267</u>
87,514,350	-
831,557	-
1,661,923	-
18,688,552	2,998,469
<u>108,696,382</u>	<u>2,998,469</u>
<u>\$ 168,414,874</u>	<u>\$ 5,046,736</u>

**City of Key West, Florida**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
For the year ended September 30, 2003

	<b>Sanitary Sewer System</b>	<b>Solid Waste</b>	<b>Key West Bight</b>	<b>Stormwater</b>	<b>Other Enterprise Funds</b>
<b>Operating revenues:</b>					
Charges for services	\$ 10,521,127	\$ 8,025,249	\$ 4,571,580	\$ 1,449,588	\$ 3,128,917
<b>Total operating revenues</b>	<u>10,521,127</u>	<u>8,025,249</u>	<u>4,571,580</u>	<u>1,449,588</u>	<u>3,128,917</u>
<b>Operating expenses:</b>					
Personal services	786,193	1,594,640	540,218	88,004	1,650,573
Other operating expenses	5,662,347	5,549,496	1,800,240	685,814	2,630,215
Depreciation and amortization	3,203,560	605,619	458,621	32,550	845,191
<b>Total operating expenses</b>	<u>9,652,100</u>	<u>7,749,755</u>	<u>2,799,079</u>	<u>806,368</u>	<u>5,125,979</u>
<b>Operating income (loss)</b>	<u>869,027</u>	<u>275,494</u>	<u>1,772,501</u>	<u>643,220</u>	<u>(1,997,062)</u>
<b>Nonoperating revenues (expenses):</b>					
Grant income	187,726	41,921	-	-	219,059
Investment earnings	156,910	202,395	13,837	8,227	21,786
Other income	1,657	-	43,649	-	72,983
Other expense	-	-	-	-	(80,532)
Interest expense	(1,731,521)	-	(981,015)	(43,581)	(12,355)
Loss on disposal/abandonment	-	-	(7,300)	-	(27,108)
<b>Net nonoperating revenues (expenses)</b>	<u>(1,385,228)</u>	<u>244,316</u>	<u>(930,829)</u>	<u>(35,354)</u>	<u>193,833</u>
<b>Income (loss) before contributions and transfers</b>	<u>(516,201)</u>	<u>519,810</u>	<u>841,672</u>	<u>607,866</u>	<u>(1,803,229)</u>
Capital contributions	-	-	1,166,205	2,787,600	1,990,414
Operating transfers in	500,000	-	326,253	423,197	1,256,936
Operating transfers (out)	-	-	-	-	(32,364)
<b>Total transfers and contributions</b>	<u>500,000</u>	<u>-</u>	<u>1,492,458</u>	<u>3,210,797</u>	<u>3,214,986</u>
<b>Change in net assets</b>	<u>(16,201)</u>	<u>519,810</u>	<u>2,334,130</u>	<u>3,818,663</u>	<u>1,411,757</u>
<b>Total net assets, October 1</b>	<u>67,624,028</u>	<u>16,616,232</u>	<u>6,896,627</u>	<u>331,009</u>	<u>9,160,327</u>
<b>Total net assets, September 30</b>	<u>\$ 67,607,827</u>	<u>\$ 17,136,042</u>	<u>\$ 9,230,757</u>	<u>\$ 4,149,672</u>	<u>\$ 10,572,084</u>

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

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 27,696,461	\$ 6,840,712
<u>27,696,461</u>	<u>6,840,712</u>
4,659,628	136,809
16,328,112	7,004,243
5,145,541	-
<u>26,133,281</u>	<u>7,141,052</u>
1,563,180	(300,340)
448,706	-
403,155	32,353
118,289	-
(80,532)	-
(2,768,472)	-
(34,408)	-
<u>(1,913,262)</u>	<u>32,353</u>
(350,082)	(267,987)
5,944,219	-
2,506,386	1,470,000
(32,364)	-
<u>8,418,241</u>	<u>1,470,000</u>
8,068,159	1,202,013
100,628,223	1,796,456
<u>\$ 108,696,382</u>	<u>\$ 2,998,469</u>

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**City of Key West, Florida**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the year ended September 30, 2003

	Sanitary Sewer System	Solid Waste	Key West Bight	Stormwater	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$10,737,352	\$ 8,342,378	\$ 4,588,324	\$ 1,273,536	\$ 3,147,112	\$28,088,702	\$ 6,769,038
Cash paid to suppliers	(804,878)	(5,285,141)	(519,407)	(666,268)	(2,464,703)	(9,740,397)	(6,999,113)
Cash paid to employees	(5,178,796)	(1,546,092)	(1,764,792)	(101,674)	(1,607,771)	(10,199,125)	(128,053)
Other receipts	1,657	-	43,649	-	72,983	118,289	224,198
Other expenses	-	-	(7,300)	-	(86,382)	(93,682)	-
<b>Net cash provided by (used in) operating activities</b>	<u>4,755,335</u>	<u>1,511,145</u>	<u>2,340,474</u>	<u>505,594</u>	<u>(938,761)</u>	<u>8,173,787</u>	<u>(133,930)</u>
<b>Cash flows from noncapital financing activities:</b>							
Operating grants received	-	41,921	-	-	100,999	142,920	-
Interest paid	-	-	-	-	(6,271)	(6,271)	-
Advance/loan to other funds	7,526	771,463	101,185	-	-	880,174	-
Advance/loan from other funds	-	-	-	800,000	2,040,474	2,840,474	174,159
Operating transfers in	500,000	-	326,253	423,197	1,224,572	2,474,022	1,470,000
Operating transfers (out)	-	-	-	-	(188,625)	(188,625)	-
<b>Net cash flows from noncapital financing activities</b>	<u>507,526</u>	<u>813,384</u>	<u>427,438</u>	<u>1,223,197</u>	<u>3,171,149</u>	<u>6,142,694</u>	<u>1,644,159</u>
<b>Cash flows from capital and related financing activities:</b>							
Payments to trustee for bond defeasance	(1,042,959)	-	-	-	-	(1,042,959)	-
Issuance costs paid	(124,201)	-	-	-	-	(124,201)	-
Proceeds from bonds	144,587	-	-	-	-	144,587	-
Proceeds of capital grants	179,546	(30,518)	1,465,055	2,249,670	109,104	3,972,857	-
Acquisition and construction of capital assets	(1,151,534)	-	(1,380,432)	(3,269,855)	(2,125,668)	(7,927,489)	-
Principal paid on revenue bonds	(575,000)	-	(956,994)	-	-	(1,531,994)	-
Interest paid	(1,800,598)	-	(602,192)	-	-	(2,402,790)	-
Payments on notes	(196,229)	-	-	-	-	(196,229)	-
Impact fees	67,432	84,583	-	-	-	152,015	-
<b>Net cash flows from capital and related financing activities</b>	<u>(4,498,956)</u>	<u>54,065</u>	<u>(1,474,563)</u>	<u>(1,020,185)</u>	<u>(2,016,564)</u>	<u>(8,956,203)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>							
Investment earnings	161,198	333,482	8,991	8,227	21,786	533,684	72,034
Purchase of investment securities	-	(7,795,827)	-	-	-	(7,795,827)	(2,553,950)
Proceeds from sale and maturities of investment securities	-	8,000,000	-	-	-	8,000,000	2,140,000
<b>Net cash flows from investing activities</b>	<u>161,198</u>	<u>537,655</u>	<u>8,991</u>	<u>8,227</u>	<u>21,786</u>	<u>737,857</u>	<u>(341,916)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>925,103</u>	<u>2,916,249</u>	<u>1,302,340</u>	<u>716,833</u>	<u>237,610</u>	<u>6,098,135</u>	<u>1,168,313</u>
<b>Cash &amp; equivalents, October 1</b>	<u>6,202,364</u>	<u>2,247,087</u>	<u>1,321,869</u>	<u>30,007</u>	<u>1,139,136</u>	<u>10,940,463</u>	<u>1,074,791</u>
<b>Cash &amp; equivalents, September 30</b>	<u>\$ 7,127,467</u>	<u>\$ 5,163,336</u>	<u>\$ 2,624,209</u>	<u>\$ 746,840</u>	<u>\$ 1,376,746</u>	<u>\$17,038,598</u>	<u>\$ 2,243,104</u>

Continued

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

**City of Key West, Florida**  
**Proprietary Funds**  
**Statement of Cash Flows (Continued)**  
For the year ended September 30, 2003

	Sanitary Sewer System	Solid Waste	Key West Bight	Stormwater	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
<b>Cash and cash equivalents at End of Year</b>	<u>\$ 7,127,467</u>	<u>\$ 5,163,336</u>	<u>\$ 2,624,209</u>	<u>\$ 746,840</u>	<u>\$ 1,376,746</u>	<u>\$17,038,598</u>	<u>\$ 2,243,104</u>
<b>Classified as:</b>							
Current	4,260,864	4,649,145	1,559,871	746,840	1,376,746	12,593,486	2,243,104
Restricted	2,866,603	514,191	1,064,338	-	-	4,445,132	-
<b>Total</b>	<u>7,127,467</u>	<u>5,163,336</u>	<u>2,624,209</u>	<u>746,840</u>	<u>1,376,746</u>	<u>17,038,598</u>	<u>2,243,104</u>
<b>Reconciliation of operating income (loss) to net cash provided by (applied to) operating activities:</b>							
<b>Operating income (loss)</b>	<u>869,027</u>	<u>275,494</u>	<u>1,772,501</u>	<u>643,220</u>	<u>(1,997,062)</u>	<u>1,563,180</u>	<u>(300,340)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (applied to) operating activities:</b>							
Other nonoperating revenues	1,657	-	36,349	-	72,983	110,989	224,198
Other nonoperating expenses	-	-	-	-	(86,382)	(86,382)	-
Depreciation and amortization	3,203,560	605,619	458,622	32,550	845,191	5,145,542	-
<b>Decrease (increase) in assets:</b>							
Accounts receivable	241,327	317,130	(6,124)	(176,053)	13,230	389,510	253,669
Interfund receivables	(25,855)	4,147	2,150	-	5,734	(13,824)	-
Intergovernmental receivables	-	-	-	-	137,512	137,512	-
Prepaid items	-	-	(121)	-	(14,613)	(14,734)	-
Inventories	32,397	9,711	(18,451)	(515)	(3,204)	19,938	-
Advance	-	-	-	-	-	-	-
<b>Increase (decrease) in liabilities:</b>							
Accounts payable	451,154	294,643	34,287	20,062	50,208	850,354	5,375
Accrued items	7,170	44,401	25,463	(4,950)	23,933	96,017	8,756
Interfund payables	-	-	-	(8,720)	355	(8,365)	(71,674)
Customer deposits	-	-	276	-	7,061	7,337	-
Deferred benefits and claims payable	-	-	-	-	-	-	375,830
Closure costs payable, noncurrent	-	(40,000)	-	-	-	(40,000)	-
Accrued compensated absences, noncurrent	-	-	12,930	-	8,744	21,674	-
Deferred benefits and claims payable noncurrent	-	-	-	-	-	-	(629,744)
Advance	-	-	-	-	-	-	-
Deferred revenue	(25,102)	-	22,592	-	(2,451)	(4,961)	-
<b>Total adjustments</b>	<u>3,886,308</u>	<u>1,235,651</u>	<u>567,973</u>	<u>(137,626)</u>	<u>1,058,301</u>	<u>6,610,607</u>	<u>166,410</u>
<b>Net cash provided by (applied to) operating activities</b>	<u>4,755,335</u>	<u>1,511,145</u>	<u>2,340,474</u>	<u>505,594</u>	<u>(938,761)</u>	<u>8,173,787</u>	<u>(133,930)</u>
<b>Schedule of noncash investing, capital, and financing activities:</b>							
<b>Change in valuation of investments</b>	<u>\$ -</u>	<u>\$ (110,783)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,783)</u>	<u>\$ (24,000)</u>
<b>Bond proceeds used to defeasce old bonds</b>	<u>\$29,612,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Key West, Florida**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
September 30, 2003

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash	\$1,651,955
Investments	62,287,306
Receivables:	-
Interest	327,339
Accounts	-
Due from trustee	56,240
Intergovernmental	73,803
Equipment	9,501
Accumulated depreciation	(7,739)
<b>Total assets</b>	<b>\$64,398,405</b>
 <b>Liabilities:</b>	
Accrued Expenses	\$124,624
Interfund payable	-
Deferred compensation benefits payable	-
<b>Total liabilities</b>	<b>124,624</b>
 <b>Net Assets</b>	
Assets held in trust for pension benefits	-
<b>Total net assets</b>	<b>64,273,781</b>
 <b>Total liabilities and net assets</b>	 <b>\$64,398,405</b>

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

**City of Key West, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

For the year ended September 30, 2003

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$2,193,470
Member	1,073,781
State	513,707
Total contributions	<u>3,780,958</u>
Net investment Income	
Net appreciation in fair value of investments	5,883,630
Interest	1,366,731
Dividends	601,828
	<u>7,852,189</u>
Less investment expense	290,221
	<u>7,561,968</u>
<b>Total additions</b>	<u>11,342,926</u>
<b>Deductions</b>	
Benefits paid	2,950,776
Administrative expense	232,362
Contributions refunded	303,939
Depreciation	816
Total deductions	<u>3,487,893</u>
<b>Changes in net assets</b>	<u>7,855,033</u>
<b>Net assets - beginning</b>	<u>56,418,748</u>
<b>Net assets - ending</b>	<u>\$64,273,781</u>

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

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The City of Key West, Florida, was incorporated in 1828. The City operates under a commission-manager form of government and provides services authorized by its charter, including public safety, public welfare, public improvements, planning and zoning, and general administrative services. The City of Key West complies with United States Generally Accepted Accounting Principles (GAAP).

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statements prepared using the full accrual accounting for all of the city's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The city has elected to implement the general provisions of the Statements in the current year and plans to retroactively report infrastructure (assets acquired prior to 10/01/02 in the fiscal year ending 9/30/07).

#### 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 it 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. The following paragraphs briefly review each potential component unit addressed in defining the City's reporting entity.

#### B. Individual Component Unit Disclosures

##### **Discretely presented component unit:**

The Key West Housing Authority (KWH) 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 and elderly families in Key West. Programs are administered through the Department of Housing and Urban Development. The Key West Housing Authority Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$400,000 of free sewer and solid waste services annually to substantially all public housing facilities within the city limits. Except for these free services, the City has no other obligations to the Housing Authority. 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, 2002 year-end. Further information regarding KWH, their financial statements, and their operations may be obtained by contacting them directly at: Key West Housing Authority, 1400 Kennedy Drive, Key West, Florida 33040.

##### **Other organizations:**

The Utility Board of the City of Key West, Florida, or Keys Energy Services (formerly known as City Electric System), is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and

## City of Key West, Florida

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 on the City's equity in 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. For the fiscal year ending September 30, 2003, the City received payment in the amount of \$318,394. Keys Energy Services is not considered a component unit of the City.

### **Blended Component unit:**

The City under Florida Statute 163 created the Key West Local Redevelopment Agency (LRA). The City commission sits as the governing body of the LRA. The LRA was created to facilitate the transfer of surplus naval property in the City of Key West. The LRA coordinated with the various agencies interested in acquiring the naval property to reach a consensus in the City's effort to acquire the property. The LRA continues to monitor the terms of the transfers. The LRA is presented as a Special Revenue Fund in these financial statements.

## **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, 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. Indirect costs are included in the program expenses reported for individual functions and activities. 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 revenue 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 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 have been met.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual by being both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Taxes and all other intergovernmental revenues are considered measurable when in the hands of an intermediate government agency. Generally, expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities

TAX Rev 60 - All of 90

## City of Key West, Florida

when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Deferred revenues are reported on the City's combined balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected not to follow subsequent private sector guidance.

As a general rule the effect of city interfund activities 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. 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, 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle 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 depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 Infrastructure Surtax Fund accounts for the local government discretionary sales surtax, used for the development of infrastructure, acquisition of land, or protection of natural resources.

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

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

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

The Stormwater Fund accounts for the activities of the City's storm water 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.

## City of Key West, Florida

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

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. These funds include the Law Enforcement Trust, Internal Improvement, Fort Taylor, Community Development, Affordable Housing Escrow, Local Redevelopment Agency, Bahama Village & Caroline Street, and Navy Outer Pier Payments Funds.

**Capital Projects Fund** - 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.

**Enterprise Funds** - Enterprise funds are used to account for operations (1) that are financed primarily through user charges or (2) where the City has decided that the determination of net income is appropriate. These Funds include Garrison Bight, Transit System, and Poinciana Housing.

**Internal Service Fund** - Internal service funds are used to account for goods or services provided by one department to other departments of the City on a cost measurement basis, and include the City's insurance fund.

**Pension Trust Funds** - Pension trust 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.

### **E. Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. All budgets are adopted using the modified accrual basis of accounting. All appropriations lapse at the end of the fiscal year, except those associated with the 5-year Capital Improvements Program described below. The City is not legally required to and does not adopt budgets for the pension funds.

Each year the 5-year Capital Improvements Program is reviewed and updated for changes in projects and project funding. The Capital Improvements Program forms the basis for the capital projects fund. Some projects in the Capital Improvements Program are accounted for in the City's enterprise funds. In these cases, the project budget is adopted only once and remains a viable appropriation until the completion of the project.

Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### **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 (Personal Service, Operating, Capital, Debt Service, Grants & Aids and Transfers) and includes the proposed expenditures and the means of financing them.

## City of Key West, Florida

Two public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance, unless an extension of time is authorized by the Florida Department of Revenue. The Budget Ordinance 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.

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

Key dates affecting the annual budget for the fiscal year ended September 30, 2003 were as follows:

City Manager recommendation of budget to City Commission	July 9, 23 and August 8, 2002
First public hearing and adoption of tentative mileage rate	September 5, 2002
Second public hearing / adoption of mileage rate and annual budget	September 12, 2002
Certification of final taxable value / final assessment	September 25, 2002
Beginning of fiscal year for which taxes are levied	October 1, 2002
Tax bills rendered	November 1, 2002
Tax collection dates	November 1, 2002- March 31, 2003
Delinquency date	April 1, 2003
Tax certificate sale for delinquent properties	May 22 and 23, 2003

### Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations by the following major categories (Personal Services, Operating, Capital, Debt Service, Grants & Aids and Transfers ) within each fund. The following supplemental appropriations were recorded during the year to maintain compliance with this requirement.

In the General Fund the only significant budget amendment done during the year increased charges for services by \$1,070,000. This was due to additional cruiseship revenue. In order to cover the operating expenses associated with this increase in activity, operating expenses were increased by \$650,000. This revenue increase and the appropriation of reserves also allowed additional transfers to be made to fund the insurance fund which increased transfers out by \$1,470,000.

In the Special Revenue Fund the largest budget amendment was in the infrastructure fund when planned infrastructure repair and maintenance projects were replaced with capital projects. This resulted in a \$1,500,000 transfer from operating to capital in this fund. In addition the special revenue fund Fort Taylor purchased environmentally sensitive land which resulted in an appropriation of \$300,000 in reserves to fund this capital purchase.

Grants and Aids increased as a result of increased activities in two of the special revenue funds. The Caroline Street Bahama Village Tax Increment Fund increased Grants and Aids by \$705,000 as a result of proceeds from a loan. The Community Development Office Fund increased its Grant and Aids line item by the appropriation of reserves specifically for these purposes.

## City of Key West, Florida

<u>F und Type and Category</u>		<u>Original Budget</u>	<u>Increase / (Decrease)</u>	<u>Final as Amended</u>
General Fund:	Personal Services	\$ 21,499,124	\$ 98,084	\$ 21,597,208
	Operating	6,143,032	938,947	7,081,979
	Capital	217,413	116,211	333,624
	Debt Service	-	-	-
	Grants & Aids	153,300	-	153,300
	Transfers	725,100	1,890,000	2,615,100
Special Revenue:	Personal Services	116,997	114,500	231,497
	Operating	3,144,815	(1,524,580)	1,620,235
	Capital	7,981,833	1,984,598	9,966,431
	Debt Service	46,250	-	46,250
	Grants & Aids	59,083	1,230,000	1,289,083
	Transfers	6,826,701	(74,858)	6,751,843
Enterprise:	Personal Services	4,940,884	-	4,940,884
	Operating	17,542,492	75,500	17,617,992
	Capital	16,617,156	-	16,617,156
	Debt Service	4,451,625	-	4,451,625
	Transfers	483,701	-	483,701
Internal Service:	Personal Services	106,263	-	106,263
	Operating	8,017,487	-	8,017,487
	Capital	-	-	-
	Debt Service	-	-	-
	Grants & Aids	-	-	-
	Transfers	-	-	-

### F. Cash and Cash Equivalents

Cash and cash equivalents consists of amounts in demand deposits, certificate of deposits, and other investments with original maturity dates of 90 days or less, along with cash invested in the State Board of Administration Investment Pool. Cash balances from the individual funds are combined to form a pool of cash, and, to the extent available, invested in the State investment pool and certificates of deposit. Earnings from these investments are allocated monthly to each fund based on average daily cash balance.

### G. Investments

The City adheres to the guidance provided in GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" in its recording of investments. As a governmental entity other than an external investment pool, the City's investments are stated at fair value. Fair value is based on quoted market price as of the valuation date.

The City invests in the Local Government Surplus Funds Trust Fund investment pool (the Pool). Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs this fund. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

## City of Key West, Florida

The portfolio did not hold investments in any of the following:

- a) Items subject to involuntary participation in an external pool.
- b) Items associated with a fund other than the fund to which the income is assigned.

### **H. Receivables**

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.

### **I. Short-Term Interfund Receivables/Payables**

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.

### **J. Long-Term Advances to/from Other Funds**

Non-current portions of long-term interfund loans receivable/payable are reported as advances. Advances receivable in the governmental funds are offset equally by a fund balance reserve account which indicates that the amounts so reserved do not constitute expendable available financial resources and are therefore not available for appropriation.

### **K. Prepaid Items**

Payments made to vendors for goods or services that will benefit periods beyond September 30, 2003 are recorded as prepaid items.

### **L. 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. A reservation of fund balance has been made for inventories in the General Fund because the purchase method is used for budgetary purposes.

### **M. 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 cash accounts are restricted by local ordinance or other regulatory requirements.

### **N. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are reported

## City of Key West, Florida

prospectively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and a 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 are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The estimated useful lives of the City's fixed assets are as follows:

Buildings and other improvements.....	10-30 years
Sewer system components.....	50 years
Machinery, equipment, and other.....	3-10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Interest incurred by the city during the current fiscal year was \$2,810,000. There was no capitalized interest during the year.

### O. Compensated Absences

Under terms of Civil Service regulations, labor contracts, and administrative policy, regular, full-time, 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. The City reports the liability for compensated absences in the applicable governmental or business-type activities column in the governmental –wide financial statements. In the governmental funds statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and liability of the fund that will pay it. Amounts of vested or accumulated vacation and sick leave related to governmental funds that are not expected to be liquidated with expendable available financial resources are not reported. In the case of proprietary funds 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.

### P. Long-Term Obligations

In the government-wide financial statements and proprietary fund types 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 assets. 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. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability in the governmental fund statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

### Q. Bond Discount, Premium and Issuance Cost

Discounts and premiums on revenue bonds payable and bond issuance costs within the proprietary funds are amortized using the interest method over the life of the bonds. Bond discounts and premiums are presented as an adjustment of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

# City of Key West, Florida

## R. Fund Equity

Presentation of fund equity complies with the provisions of GASB Statement No. 33. Reserves of fund balances represent those portions of fund equity not appropriable for expenditure or amounts legally segregated for a specific future use.

## S. Statement of Cash Flows

Certain highly liquid investments with an original maturity date of 90 days or less are considered cash equivalents for the purpose of the statement of cash flows. The City prepares its statement of cash flows using the direct method.

## 2. Deposits and Investments

**PRIMARY GOVERNMENT:** Deposits and investments at September 30, 2003 totaling \$113,677,227 are as follows:

**Deposits** - At September 30, 2003, the carrying amount of the City's deposits was \$7,168,521 and the bank balance was \$6,592,852. Of this amount, \$290,000 was being held in certificates of deposit.

The bank deposits are covered by federal depository insurance or by collateral held by the State trustee in the custodial bank's name. Deposits covered by the Florida Security for Deposits Act are insured for risk categorization disclosure purposes.

*the City's Investment policy Allows*  
**Investments** - ~~Statutes authorize~~ the City to invest in obligations of U.S. Treasury agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. The pension trust funds are also authorized to invest in corporate bonds and equities in the top three rating categories as determined by a nationally recognized rating agency. In accordance with the Statutes, the City invested in government agency mortgage-backed securities with a maturity of one year or less to maximize yields. These securities are based on the cash flows from the payments on the underlying mortgages. The City minimized market risk by the short-term nature of these securities.

The fair value of the investment in the State Board of Administration Investment Pool is the same as the value of the pool shares.

The City's investments are categorized to indicate the level of risk assumed by the City at year end. Category 1 includes investments which are insured or registered, or which the City holds itself or its agent holds in the City's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered securities held by the counterparty's trust department or agent but not in the City's name.

## City of Key West, Florida

	Category 1	Category 2	Category 3	Total Fair Value
Government and Agencies	\$23,624,109	\$ -	\$ -	\$23,624,109
Government Agencies - Mortgage-Backed Securities	24,310,755	-	-	24,310,755
Marketable Equity Security	33,109,879	-	-	33,109,879
Corporate Bond	7,266,395	-	-	7,266,395
Repurchase Agreements	-	-	1,876,611	1,876,611
<b>Total Categorized Investments</b>	<b>\$88,311,138</b>	<b>\$ -</b>	<b>\$ 1,876,611</b>	<b>\$90,187,749</b>
Money Market Funds				1,554,923
Board of Administration Pool				14,766,034
<b>Total Investments</b>				<b>\$106,508,706</b>

### COMPONENT UNIT:

**Deposits** - Demand and time deposits classified as cash and cash equivalents are fully insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool, and are in compliance with HUD Investment Policies. At December 31, 2002 deposits for KWAH totaled \$10,522,276.

**Investments** - Securities are held by Key West Housing Authority's agent in the name of KWAH. Investments at fiscal-year end are shown as follows:

	Category 1	Category 2	Category 3	Total Fair Value
Equity Securities	\$ 1,126,402	\$ -	\$ -	\$ 1,126,402
Corporate Bonds	707,966	-	-	707,966
Government Bonds	246,781	-	-	246,781
<b>Categorized Investments</b>	<b>\$ 2,081,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,081,149</b>
Money Market Funds				319,173
Certificates of Deposit				44,003
Loans to Participants				19,152
<b>Investments</b>				<b>\$ 2,463,477</b>

### 3. Receivables

Receivables at September 30, 2003 consist of the following:

Receivable Type	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest	\$ 97,916	\$ 10,021	\$ 38,039	\$ 39,807	\$ 9,583	\$ 327,339	\$ 522,705
Accounts	648,676	146,698	-	3,248,313	136,256	-	4,179,943
Mortgages	-	2,450,245	-	-	-	-	2,450,245
Intergovernmental	567,011	1,228,489	-	3,661,840	-	68,139	5,525,479
Gross receivables	\$ 1,313,603	\$ 3,835,453	\$ 38,039	\$ 6,947,960	\$ 145,839	\$ 395,478	\$12,678,372
Less allowance for uncollectible	-	1,256,818	-	666,873	-	-	1,923,691
<b>Net receivables</b>	<b>\$ 1,313,603</b>	<b>\$ 2,578,635</b>	<b>\$ 38,039</b>	<b>\$ 6,283,087</b>	<b>\$ 145,839</b>	<b>\$ 395,478</b>	<b>\$10,754,681</b>

## City of Key West, Florida

Property taxes are levied each November 1 on property valued as of the previous January 1. 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, 2003, was 3.1612 per \$1,000 of assessed taxable property value. The taxable value amounted to \$3,651,348,889. 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 90 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31 and become delinquent on April 1. At September 30, 2003, there were no material property tax receivables.

Accrued interest receivable consists of interest on investments earned but not received at the end of the year in both governmental and proprietary funds. General fund accounts receivable consist mainly of rents. The enterprise funds reflect customer accounts receivable for services rendered.

The Community Development special revenue funds exist 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 total allowance for uncollectible accounts of \$1,256,818 shown above under Special Revenue Funds consists of \$1,116,818 related to Community Development grant provisions allowing for contractual forgiveness of repayment plus of \$140,000 of estimated uncollectible accounts related to rental payments.

Detailed information on Community Development mortgages receivable appears below:

Mayor's Revolving Loan Fund (low-interest)	\$ 216,609
Douglas School (HODAG)	<u>2,233,636</u>
Gross mortgages receivable	\$ 2,450,245
Less allowance for uncollectible mortgages	<u>(1,116,818)</u>
Net mortgages receivable	<u>\$ 1,333,427</u>

Intergovernmental receivables are comprised of the following:

	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
<b>Federal Grants and Entitlements:</b>							
DOT	\$ -	\$ -	\$ -	\$ 1,985,152	\$ -	\$ -	\$ 1,985,152
HIDTA	18,937	-	-	-	-	-	18,937
Nat'l Drug Control Policy	5,038	-	-	-	-	-	5,038
Fed. Emergency Mgt.	8,726	-	-	58,293	-	-	67,019
Housing & Urban Dev.	-	24,353	-	-	-	-	24,353
<b>State Grants - Florida</b>							
Dept. of Comm. Affairs	-	-	-	5,232	-	-	5,232
Dept. of Env. Protection	-	10,380	-	1,076,095	-	-	1,086,475
Dept. of Transportation	195,469	-	-	531,218	-	-	726,687
Other	1,950	-	-	-	-	68,139	70,089
<b>State Shared Revenues:</b>							
Infrastructure Surtax	-	856,988	-	-	-	-	856,988
Sales Tax	233,166	-	-	-	-	-	233,166
Local Communications Tax	37,968	-	-	-	-	-	37,968
Local Option Gas Tax	-	100,786	-	-	-	-	100,786
Other	-	7,982	-	-	-	-	7,982
<b>Local Units:</b>							
Monroe County	65,757	-	-	5,850	-	-	71,607
Key West Housing Auth.	-	228,000	-	-	-	-	228,000
<b>Totals</b>	<b>\$ 567,011</b>	<b>\$ 1,228,489</b>	<b>\$ -</b>	<b>\$ 3,661,840</b>	<b>\$ -</b>	<b>\$ 68,139</b>	<b>\$ 5,525,479</b>

**City of Key West, Florida**

**4. Changes in Capital Assets**

**PRIMARY GOVERNMENT:**

Capital Asset activity for fiscal year ending September 30, 2003 is as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Construction in Progress, Capitalized Increase (Decrease)</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 6,083,000	\$ 80,724	\$ -	\$ -	\$ 6,163,724
Construction in progress	9,595,018	3,577,960	1,305	(11,956,391)	1,215,282
Total capital assets, not being depreciated	<u>15,678,018</u>	<u>3,658,684</u>	<u>1,305</u>	<u>(11,956,391)</u>	<u>7,379,006</u>
Capital assets, being depreciated:					
Buildings	6,415,552	-	-	4,432,971	10,848,523
Improvements other than buildings	16,663,872	245,276	-	726,275	17,635,423
Machinery and equipment	8,851,256	2,092,679	397,202	844,782	11,391,515
Infrastructure	-	-	-	5,952,363	5,952,363
Total capital assets, being depreciated	<u>31,930,680</u>	<u>2,337,955</u>	<u>397,202</u>	<u>11,956,391</u>	<u>45,827,824</u>
Less accumulated depreciation for:					
Buildings	3,178,848	326,442	-	-	3,505,290
Improvements other than buildings	6,465,868	1,305,147	-	-	7,771,015
Machinery and equipment	5,041,594	1,093,115	176,904	-	5,957,805
Infrastructure	-	10,797	-	-	10,797
Total accumulated depreciation:	<u>14,686,310</u>	<u>2,735,501</u>	<u>176,904</u>	<u>-</u>	<u>17,244,907</u>
Total capital assets, being depreciated, net	<u>17,244,370</u>	<u>(397,546)</u>	<u>220,298</u>	<u>-</u>	<u>16,626,526</u>
Governmental activities capital assets, net	<u>\$ 32,922,388</u>	<u>\$ 3,261,138</u>	<u>\$ 221,603</u>	<u>-</u>	<u>\$ 35,961,923</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Construction in Progress, Capitalized Increase (Decrease)</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 14,936,007	\$ -	\$ -	\$ -	\$ 14,936,007
Construction in progress	2,626,550	5,470,050	98,276	(2,506,834)	5,491,490
Total capital assets, not being depreciated	<u>17,562,557</u>	<u>5,470,050</u>	<u>98,276</u>	<u>(2,506,834)</u>	<u>20,427,497</u>
Capital assets, being depreciated:					
Buildings and system	35,759,504	-	-	-	35,759,504
Improvements other than buildings	102,687,017	138,148	-	2,506,834	105,331,999
Machinery and equipment	22,723,176	1,508,058	-	-	24,231,234
Total capital assets, being depreciated	<u>161,169,697</u>	<u>1,646,206</u>	<u>-</u>	<u>2,506,834</u>	<u>165,322,737</u>
Less accumulated depreciation for:					
Buildings and system	14,319,079	1,261,656	-	-	15,580,735
Improvements other than buildings	13,696,993	2,958,845	3,165	-	16,652,673
Machinery and equipment	18,884,045	865,414	968,430	-	18,781,029
Total accumulated depreciation:	<u>46,900,117</u>	<u>5,085,915</u>	<u>971,595</u>	<u>-</u>	<u>51,014,437</u>
Total capital assets, being depreciated, net	<u>114,269,580</u>	<u>(3,439,709)</u>	<u>(971,595)</u>	<u>-</u>	<u>111,801,466</u>
Business-type activities capital assets, net	<u>\$ 131,832,137</u>	<u>\$ 2,030,341</u>	<u>\$ (873,319)</u>	<u>-</u>	<u>\$ 134,735,797</u>

## City of Key West, Florida

Total depreciation expense for the current fiscal year amounted to \$7,821,416. The estimated useful lives of the City's fixed assets are as follows:

Buildings and other improvements.....	10-30 years
Sewer system components.....	50 years
Machinery, equipment, and other.....	3-10 years

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 429,291
Public safety	834,076
Physical environment	55,976
Transportation	468,170
Recreation	947,988
Total depreciation expense - governmental activities	<u>\$ 2,735,501</u>
<b>Business-type activities:</b>	
Sewer	\$ 3,172,254
Solid waste	605,619
Key West Bight	430,301
Garrison Bight	186,176
Transit	555,848
Poinciana housing	103,167
Stormwater	32,550
Total depreciation expense - business-type activities	<u>\$ 5,085,915</u>

### COMPONENT UNIT:

The following is a summary of fixed assets from Key West Housing Authority's enterprise funds as of December 31, 2002:

Land	\$ 5,142,207
Structures	19,058,527
Equipment	1,038,767
Construction-in-progress	<u>1,354,825</u>
Total fixed assets	\$26,594,326
Less accumulated depreciation	<u>12,941,161</u>
Net fixed assets	<u>\$13,653,165</u>

## 5. Pension Plans

### PRIMARY GOVERNMENT:

#### General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan

**Plan Descriptions** - The City of Key West contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan and the Police Officers and Firefighters Retirement Plan. 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

## City of Key West, Florida

plan. All changes recommended by the board are subject to Commission approval. Both retirement boards issue a publicly available report that includes financial statements and required supplementary information. Either financial report may be obtained by writing to Pension Plan Administrator, Post Office Box 1409, Key West, Florida 33041-1409.

**Summary of Significant Accounting Policies** - The financial statements of the plans are prepared using the accrual basis of accounting. The City's and plan member's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are presented at their 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 market values.

The plans have no long-term contract for contributions to the plan. Neither pension plan has investments greater than 5% of plan assets in any one entity other than their investments in U.S. Government Securities.

**Funding Policy and Annual Pension Cost** - The Board of Trustees of each plan establishes and may amend the contribution requirements of plan members and the City. The City's annual pension cost for the year ended September 30, 2003 and related information for each plan is as follows:

	<u>General Employees Retirement Plan</u>	<u>Police &amp; Fire Retirement Plan</u>
Contribution rates:		
City	12.3%	13.2%
State	0.0%	4.6%
Plan members	6.0%	7.0%
Annual pension cost	\$770,305	\$1,272,940
Contributions made	\$967,755	\$917,967
Actuarial valuation date	10/01/02	10/01/02
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level dollar amount, closed	Level payment, closed
Remaining amortization period	30 years	30 years
Asset valuation method	Market value	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	8.25%
Projected salary increases	7.00%	5.50%
Includes inflation at	4.00%	4.00%
Cost-of-living adjustment	None	None

### Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Asset</u>
<b><u>General Employees Retirement Plan:</u></b>			
9/30/00	\$ 782,111	100%	\$ 0
9/30/01	\$ 589,401	132%	\$ 189,642
9/30/02	\$ 770,305	112%	\$ 279,863
<b><u>Police &amp; Fire Retirement Plan:</u></b>			
9/30/00	\$ 761,769	100%	\$ 0
9/30/01	\$ 848,552	121%	\$ 174,339
1/30/02	\$ 811,294	149%	\$ 530,961

## City of Key West, Florida

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>General Employees Retirement Plan (dollars in thousands):</u></b>						
10/1/00	\$ 19,304	\$ 18,249	(\$ 1,055)	105.8	\$ 7,413	(14.2%)
10/1/01	\$ 18,534	\$ 18,935	\$ 401	97.9	\$ 7,827	5.1%
10/1/02	\$ 17,619	\$ 20,226	\$ 2,607	87.1	\$ 7,885	33.1%
<b><u>Police &amp; Fire Retirement Plan (dollars in thousands):</u></b>						
10/1/00	\$ 36,211	\$ 35,286	(\$ 925)	102.6	\$ 6,156	(15.0%)
10/1/01	\$ 38,270	\$ 36,873	(\$ 1,397)	103.6	\$ 5,849	(23.9%)
10/1/02	\$ 38,430	\$ 40,335	\$ 1,904	95.2	\$ 7,153	(26.6%)

### COMPONENT UNIT:

**Plan Description** - On May 20, 1996, the Board of Commissioners adopted a resolution to change the defined contribution retirement plan to a defined benefit retirement plan, now known as the Retirement System for Employees of the Housing Authority of the City of Key West (the Plan). The Plan is a single-employer defined benefit plan administered by a Board of Trustees consisting of the Executive Director of the Housing Authority, three employees, and the Chairman of the Key West Housing Authority Board. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWHA holds the authority to establish and amend benefit provisions. The Plan has issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Pension Plan Administrator, P.O. Box 2476, Key West, Florida 33041-2476.

**Summary of Significant Accounting Policies** - The plan uses the accrual basis of accounting. Employer contributions to the Plan 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.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

Loans to participants are valued at the amount due, which is not deemed to be significantly different from the discounted value of future principal and interest payments. Investments that do not have an established market are reported at estimated fair value.

**Funding Policy and Annual Pension Cost** - The contribution requirements of plan members and KWHA are established and may be amended by the KWHA Board of Commissioners. Plan members may not make any contributions to the Plan. KWHA is required to contribute at an actuarially determined rate; the current rate is 13.0% of covered payroll. Administrative costs of the Plan are financed through investment earnings. KWHA's annual pension cost for the year ended December 31, 2002 and related information for each plan is as follows:

<b>Housing Authority Employees Retirement Plan</b>	
Contribution rates: KWHA	13.0%
Annual pension cost	\$327,751
Contributions made	\$362,279
Actuarial valuation date	01/01/02
Actuarial cost method	Entry Age

## City of Key West, Florida

Amortization method	Level percent, closed
Remaining amortization period	30 years
Asset valuation method	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return	8.00%
Projected salary increases	4.50%
Includes inflation at	3.50%
Cost-of-living adjustment	None

### Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>Housing Authority Employees Retirement Plan:</u></b>			
12/31/00	\$ 342,204	100%	\$0
12/31/01	\$ 301,147	100%	\$97,199
12/31/02	\$ 331,556	100%	\$127,922

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded / (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b><u>Housing Authority Employees Retirement Plan (dollars in thousands):</u></b>						
1/1/00	\$ 2,471	\$ 2,481	\$ 10	99.6	\$ 2,255	0.4%
1/1/01	\$ 2,623	\$ 2,604	(\$ 19)	100.7	\$ 2,384	(0.8%)
1/1/02	\$ 2,559	\$ 2,958	\$ 399	86.5	\$ 2,713	14.7%

## 6. Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation plans 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 plans. Consequently, those plans' assets and liabilities are not recorded on the City's financial statements.

## 7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 2003, a total of \$1,082,743 was incurred in benefits and claims. In fiscal year 2003, the fund provided coverage up to \$175,000 for each worker's compensation claim, \$50,000 for each general liability claim, and \$50,000 for each property claim. The City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

## City of Key West, Florida

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 worker's compensation and property claims of \$1,791,086 is reported in the fund at September 30, 2003. This amount has been discounted to present value at an assumed investment rate of 4.5%, and a 50% probability level. Changes in the fund's workers compensation and property claims liability on an undiscounted basis during the past three years ended September 30, are as follows (in thousands):

Fiscal Year	Beginning Liability	Claims Incurred	Estimates for Prior Claims	Claim Payments	Ending Liability
2001	\$ 2,758	\$ 750	\$ 161	(\$ 1,166)	\$ 2,503
2002	\$ 2,503	\$ 750	(\$ 312)	(\$ 541)	\$ 2,400
2003	\$ 2,400	\$ 750	(\$ 964)	(\$ 89)	\$ 2,097

The insurance 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 fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

### 8. Accrued Compensated Absences

Accrued expenditures/expenses at September 30, 2003 include accrued compensated absences based on actual earned hours times pay rates in effect at year end, ~~including related fringe benefits~~. The amount expected to be paid from available resources is classified as a current liability; the balance is classified as a non-current liability in the proprietary fund types and general long-term debt account group. Total accrual at September 30, 2003 was \$3,692,112.

### 9. Construction and Other Significant Commitments

The following table presents the significant commitments outstanding at September 30, 2003.

	Remaining Construction Commitment	Expected Completion Date
<b>Special Revenue Fund:</b>		
Traffic Signals	\$ 480,086	3/04
Sidewalks	\$ 320,018	2/04
<b>Key West Bight Fund:</b>		
Fuel System	\$ 274,000	5/04
<b>Sanitary Sewer System Fund:</b>		
Sewer Line Replacement	\$ 458,185	12/03
<b>Stormwater Fund:</b>		
Flood Control Projects	\$2,006,658	4/04

The City received notification from the Florida Department of Environmental Protection that its landfill has been considered officially closed as of April 26, 1996. In accordance with the landfill long-term care escrow agreement between the City of Key West and the State of Florida, the City has set aside in a restricted cash

## City of Key West, Florida

account the amount of \$77,883. There were no deposits or withdraws from this account during the year other than earned interest. The City recognizes approximately \$40,000 per year in landfill closure expenses and has recorded \$463,333 as long-term costs at September 30, 2003.

*check Stmt.*

### 10. Long-Term Liabilities

#### PRIMARY GOVERNMENT:

The following is a summary of changes in long-term liabilities. Bonds, notes and compensated absences have changed as follows: (in thousands)

	<u>10/1/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2003</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Promissory note	\$ 1,850	\$ 650	\$ -	\$ 2,500	\$ -
Accrued compensated absences	2,768	1,595	1,549	2,814	1,549
<b>Total Governmental Activities</b>	<u>\$ 4,618</u>	<u>\$ 2,245</u>	<u>\$ 1,549</u>	<u>\$ 5,314</u>	<u>1,549</u>
<b>Business-type Activities</b>					
Sewer Revenue Bonds, Series 1993	29,181	-	29,181	-	-
Sewer Revenue Bonds, Series 2003		28,188	13	28,201	-
Marina Revenue Bonds, Series 1993 & 1997	13,467		890	12,577	596
Promissory note	5,055	-	-	5,055	203
Accrued compensated absences	305	267	188	384	188
<b>Total Business-Type Activities</b>	<u>\$ 48,008</u>	<u>\$ 28,455</u>	<u>\$ 30,272</u>	<u>\$ 46,217</u>	<u>\$ 987</u>
<b>Total Long-Term Debt</b>	<u>\$ 52,626</u>	<u>\$ 30,700</u>	<u>\$ 31,821</u>	<u>\$ 51,531</u>	<u>\$ 2,536</u>

*work* *GAAR or Gov has employ*

**General Obligation** - 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 by tax increment funding. Issued at not to exceed \$2,500,000, total drawn down at year end was \$2,500,000, variable interest rate of 52.5% of Citibank's published prime rate payable, semiannually. On 10/1/03 the City converted the line of credit to a term loan at an interest rate of 3.195%. The maturity date of the loan is 10/1/20, with call options which accelerate maturity to 10/1/10.

**Revenue Obligation** - Provisions for the repayment of revenue bonds are set forth in the respective ordinance with accumulation of resources for the repayment being reflected in the accounts of the Sanitary Sewer Fund. The limitations and restrictions of the bond ordinance are summarized later in this note.

The Sewer System Revenue Bonds, Series 2003, were issued for \$29,315,000 on July 15, 2003. Annual installments of \$2,020,000 are due through October 1, 2026, with interest payable semi-annually at 2.0% to 5.25%. The purpose for this issue was to refund the Series 1993 Sewer System Revenue Bonds. Summary information on the Sewer System bonds appears below:

<u>Sewer System Bonds</u>	<u>Series 2003</u>
Total bond obligation as of September 30, 2003	\$29,315,000
Less current portion	-
Less loss on early retirement	(1,406,132)
Plus unamortized bond premium	293,067
<b>Total long-term sewer system revenue bonds</b>	<u>\$28,201,935</u>

Of the total net proceeds of this bond issue, \$29,612,037 plus an additional \$1,042,957 of Series 93 sinking fund monies were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a prior bond issue, the 1993 Series

## City of Key West, Florida

Sewer System Revenue Bonds. As a result, the 1993 Series Bonds are considered to be defeased and the liability for those bonds has been removed. The outstanding balance at September 30, 2003 was \$28,795,000. The transactions resulted in a \$3,249,270 net present value savings, and in effect reduced the annual debt service payments by \$211,000. The overall aggregate difference in debt service between the refunding debt and the refunded debt was \$6,049,074. The final maturity date of the 2003 Sewer Bonds is October 1, 2026.

The City's Advanced Wastewater project qualified for the Florida State Revolving Loan Fund program. Total principal draws through September 30, 2003, were \$5,055,417. Summary information on the State Revolving Loan appears below:

State Revolving Loan	
Total loan balance as of Sept. 30, 2003	\$5,055,417
Less current portion	(202,698)
Total long-term state revolving loan balance	\$4,852,719

State Revolving Loan principal payments to maturity are as follows:

Year Ending	Principal
9/30/04	\$202,698
9/30/05	209,381
9/30/06	216,284
9/30/07	223,414
9/30/08	230,779
After	3,972,860
	\$5,055,416

The Marina Revenue Bonds, Series A & B 1993, were issued for \$18,498,024 on January 15, 1993. The City will pay annual installments of \$780,000 to \$1,030,000 through December 1, 2010, with interest payable semi-annually at 5.75% to 7.6% on the Series 1993 bonds. The purpose of this issue was for the cost of acquiring certain real property known as the Key West Bight.

On October 12, 1997, the City issued \$9,495,000 in Marina Revenue Bonds dated October 1, 1997. The bonds were issued to provide funds for a partial advance refunding of the City's Tax-Exempt Capital Improvement / Marina Revenue Bonds 1993 Series A and to pay the cost of issuance of the Series 1997 bonds, including premiums for the issuance policy and the Reserve Account Credit Facility. The City will pay annual installments of \$45,000 to \$1,485,000 through December 1, 2017, with interest payable semi-annually at 4.1% to 5.25% on the Series 1997 bonds.

The net proceeds of \$9,341,678 (after payments of \$259,325 in underwriting fees, insurance and other issuance costs) plus an additional \$177,319 of 1993 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series A term bonds. As a result, the 1993 Series A term bonds are considered defeased and the liability for those bonds has been removed. The defeased bonds were irrevocably called for early redemption on December 1, 2002 at par plus a 2% redemption premium.

Summary information on the Marina bonds appears below:

## City of Key West, Florida

<u>Marina Bonds</u>	<u>Series 1993</u>	<u>Series 1997</u>	<u>Total</u>
Total bond obligation as of Sept. 30, 2003	\$3,446,030	\$9,405,000	\$12,851,030
Less current portion	(546,312)	(50,000)	(596,312)
Less loss on early retirement	-	(208,623)	(208,623)
Less unamortized bond discount	(9,162)	(56,536)	(65,698)
<b>Total long-term marina revenue bonds</b>	<b><u>\$2,890,556</u></b>	<b><u>\$9,089,841</u></b>	<b><u>\$11,980,397</u></b>

Revenue bond debt service requirements to maturity, including \$27,844,525 of interest are as follows:

<u>Fiscal Year</u>	<u>Sewer Revenue</u>	<u>Marina Revenue</u>	<u>Total</u>
2003	\$ 213,968	\$ 1,561,878	\$ 1,775,846
2004	2,017,773	1,560,049	3,577,822
2005	2,010,073	1,557,903	3,577,976
2006	2,012,173	1,559,878	3,572,051
2007	2,013,873	1,558,328	3,572,201
2008	2,010,173	1,560,029	3,570,202
2009	2,013,798	1,558,150	3,571,948
2010	2,013,448	1,559,507	3,572,955
2011	2,014,698	1,557,270	3,571,968
2012	2,012,768	1,561,125	3,573,893
2013	2,013,318	1,559,708	3,573,026
2014	2,011,088	1,558,833	3,569,921
2015	2,016,538	1,557,353	3,573,891
2016	2,014,850	1,561,168	3,576,018
2017	2,010,013	1,562,800	3,572,813
2018	2,012,025	260,494	2,272,519
2019	2,015,363	-	2,015,363
2020	2,014,163	-	2,014,163
2021	2,020,413	-	2,020,413
2022	2,013,688	-	2,013,688
2023	2,009,413	-	2,009,413
2024	2,007,375	-	2,007,375
2025	2,010,156	-	2,010,156
2026	2,014,438	-	2,014,438
<b>Total</b>	<b><u>\$46,515,577</u></b>	<b><u>\$23,654,473</u></b>	<b><u>\$70,371,059</u></b>

*split*

**Synopsis of Bond Covenants** – The authorizing resolutions to the revenue bonds of the City required certain restricted accounts be maintained along with required monthly transfers to insure these accounts maintain minimum balances. At September 30, 2003, the City is in compliance with these requirements. Required disclosures as of September 30, 2003, are presented below:

**Sanitary Sewer System:**

- A. Number of customers:
  - Residential 13,500
  - Commercial 1,400
  - Churches, schools, government 83
- B. System Capacity (mgd):
  - Average 4.5
  - Peak 12.0
  - System capacity 10.0
- C. Current and proposed rate schedules:

*not violated AM*

## City of Key West, Florida

	2002	2003
Base Charge	\$ 19.09	\$ 19.09
Commodity Charge	\$ 3.97	\$ 3.97

- D. The average residential usage was 3,400 gallons per month.
- E. Having completed sewer renovations of approximately \$60 million, the City has no major future capital projects.

**Key West Bight Marina:**

- A. Pledged revenue collected: \$9,037,446.
- B. As of September 30, 2003 there have been no bond issues subsequent to the Marina Revenue Bond issue.

**COMPONENT UNIT:**

The following is a summary of changes in long-term debt for the year ended December 31, 2002:

	1/1/02	Additions	Retirements	12/31/02
Accrued compensation	\$ 257,097	\$ 41,286	\$ 24,396	\$ 273,987
Mortgages payable	4,182,274	10,150,000	-	14,332,274
Loans payable	45,000	-	-	45,000
<b>Total Long-Term Debt</b>	<b>\$4,484,371</b>	<b>\$10,191,286</b>	<b>\$ 24,396</b>	<b>\$14,651,261</b>

Mortgages payable as of December 31, 2002, is composed of the following:

Mortgage Description	12/31/02
Mortgage due to governmental agency, collateralized by land, payable in full April 2025, interest free.	\$ 382,554
Construction loan agreement due to governmental agency, collateralized by land, project, improvements, and all other fixtures and personal property located on the land, due December 31, 2004, interest at 4%.	9,850,000
Second mortgage due to governmental agency, collateralized by land, improvements, and fixtures, principal and interest at 3.0% due December 31, 20063.	500,000
Second mortgage due to governmental agency, collateralized by land, project, improvements, and all other fixtures and personal property located on the land, due in fifty years from the date that the first residential unit in the project is occupied, interest free.	1,819,720
Mortgage due to local government, collateralized by land, principal to be forgiven in \$20,000 increments until December 2017, interest free.	300,000
Mortgage due to governmental agency, collateralized by land, payable in full May 2031, interest free.	1,500,000
	<b>\$ 14,332,274</b>

### 11. Deferred Revenue

The City has deferred revenue balances at September 30, 2003 from the sources described below.

**General Fund** - Occupational license renewals are sent out in August for the license year beginning October 1. Revenues of \$660,827 collected in advance of the licensing year are reported as deferred revenue at year-end. Also, included in deferred revenue are advance grant payments of \$8,144.

## City of Key West, Florida

**Special Revenue Funds** - Certain special revenue funds are used to account for grant and loan activity. Grants and loans which have been received yet remain unspent or obligated are deferred. In October 1985, the City enacted Ordinance No. 85-45, pursuant to Florida Statutes Chapters 180 and 166; which required new developments to pay traffic impact fees to be used exclusively for capital improvements to city streets. Fees are deferred until a qualified project is identified, and fees which are not spent within six years on a qualified project are to be refunded to the fee payer.

<u>Special Revenue Funds</u>	<u>Grant and Loan Activity</u>	<u>Impact Fees</u>	<u>Total</u>
Community Development	\$ 1,207,057	\$ -	\$ 1,207,057
Local Redevelopment Agency	9,334	-	9,334
Internal Improvements	-	580,516	580,516
<b>Totals</b>	<u>\$ 1,216,391</u>	<u>\$ 580,516</u>	<u>\$ 1,796,907</u>

**Sanitary Sewer System** - Customer prepayments of \$108,858 for utility bills are reported as deferred. In addition, the sewer system fund carried \$145,446 of collected but deferred impact fees.

**Solid Waste** - Impact fees of \$436,308 are reported as deferred revenue.

**Key West Bight** - Tenant advance billings and payments of \$209,142 comprise the balance of deferred revenue as of September 30, 2003.

**Garrison Bight** - Tenant advance billings and payments of \$76,179 are reported as deferred revenue.

## 12. Interfund Assets and Liabilities

Individual funds with interfund receivable/payable balances at September 30, 2003 are as follows:

The receivable in the General Fund is a result of funding a year end operating deficit in the Transit Fund as a result of bus purchases. The entire amount is a receivable in the Transit Fund from the Florida Department of Transportation and will be repaid upon receipt. The balance is owed from the Key West Bight Fund and is a result of the funding of start up operating costs.

The insurance fund owes the other funds a return of premiums on the employer paid portion, for over billing of health insurance premium for employees.

<u>Interfund items (current)</u>	<u>Receivable</u>	<u>Payable</u>
<b>Governmental Funds:</b>		
General Fund	\$ 2,837,014	\$ 97
Nonmajor Governmental	97	-
<b>Enterprise Funds:</b>		
Sanitary Sewer System	36,152	-
Solid Waste	68,935	-
Key West Bight	61,662	618,530
Stormwater	-	85,237
Nonmajor Enterprise Funds:	16,432	2,204,757
<b>Internal Service Fund:</b>		
Insurance Programs	93,731	205,402
<b>Totals</b>	<u>\$ 3,114,023</u>	<u>\$ 3,114,023</u>

## City of Key West, Florida

The advance in the General Fund is owed by the Key West Bight Fund and the Stormwater Fund and both are the result of the funding by the General Fund of start up costs.

The Transit Fund owes the Key West Bight Fund for rent as a result of a portion of its Park-n-Ride built on bight property.

<u>Advances (long-term)</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:	\$ 2,467,831	\$ -
Enterprise Funds:		
Sanitary Sewer System	67,736	-
Solid Waste	-	-
Key West Bight	212,853	545,721
Stormwater	-	1,922,110
Nonmajor Enterprise Funds		280,589
Totals	<u>\$ 2,748,420</u>	<u>\$ 2,748,420</u>

### 13. Interfund Transfers

The General Fund makes annual transfers to the special revenue Gas Tax fund to help fund transportation improvements and this year transferred \$1,470,000 to help fund up the insurance fund.

The Infrastructure Fund collects the one cent sales tax used for capital projects. Projects that aren't accounted for in the Infrastructure Fund, those with a duration of over one year are transferred and funded in the Capital Projects Fund. The Infrastructure Fund also makes transfers to the Gas Tax fund to help fund street and sidewalk improvements.

The Nonmajor governmental fund transfer ins are the result of the transfers mention above into the capital Projects and Gas Tax fund. The transfer out of these funds is the result of the Gas Tax fund sending operating subsidies to the Transit Fund.

The Sewer Fund received the last of its \$500,000 installment from the infrastructure tax fund to help its fund its previous sewer replacement projects.

Key West Bight Fund receives its annual transfers from the special revenue tax increment fund for capital projects at the bight.

The Stormwater Fund also received a subsidy from the Infrastructure Fund this year for capital improvement projects.

The other Nonmajor enterprise fund transfers reflects the Gas Tax transfer in to the Transit Fund.

Reflected in the Insurance fund is the funding from the General Fund to help the Insurance Fund increase its loss contingencies reserves.

## City of Key West, Florida

Transfers	In	Out
Governmental Funds:		\$ -
General Fund		2,605,333
Infrastructure		4,976,380
Nonmajor Governmental	5,277,813	1,640,122
Enterprise Funds:		
Sanitary Sewer System	500,000	-
Key West Bight	326,253	-
Stormwater	423,197	-
Nonmajor Enterprise Funds:	1,256,936	32,364
Internal Service Fund:		
Insurance Programs	1,470,000	-
Totals	<u>\$ 9,254,199</u>	<u>\$ 9,254,199</u>

During the fiscal year, no interfund transfers took place between the City of Key West and its Component Unit, The Key West Housing Authority.

### 14. Commitments and Contingencies

The City is a defendant in several personal injury and other litigation incidental to its routine operations. In the opinion of the City Attorney, based upon the amount of damages alleged in the various cases and facts currently known, the potential liabilities in these cases will not materially affect the City's financial position. The

City has established a general liability account within the Insurance Internal Service Fund and has reflected its best estimates of the present dollar value of such liabilities (see Note 7).

Due to Land Use Plan and Rate of Growth Ordinance restrictions, 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.

In the spring of 2003, the city underwent an audit of FEMA Disaster No. 1306-R-FL grant otherwise known as Hurricane Irene. In January 2004 the city received official notification from the Florida Department of Community Affairs deobligating \$6,534,943 in claimed costs as a result of their audit. FEMA's basis for disallowing these costs is that the damage to the sewer system was preexisting and not a result of the storm. The city strongly disagrees with FEMA's finding and responded as such in a letter dated January 30, 2004. To date the city has not received any response from FEMA.

The City receives other 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, 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, 2003.

Estimates have been used in determining the accrual for landfill post closure care. The potential for change exists due to inflation, deflation, technology, and changes in applicable laws and regulations.

## 15. Subsequent Events

In November the City through the LRA entered into an agreement to purchase certain housing facilities from the Navy known as Poinciana Plaza, which was subsequently assigned to the Housing Authority. To finance the purchase and rehabilitation of the housing units, the Housing Authority received a zero interest rate, no payment 30 year loan from the Monroe County Comprehensive Land Authority in the amount of \$2,210,000, and the City and the Housing Authority borrowed \$16,000,000 under the section 108 loan program from the department of Housing and Urban Development. The purchased closed on 1/06/04.

The City is not liable on the loan, as repayment of the loan will be the responsibility of the Housing Authority and will be secured by a mortgage on the housing facility. The loan will be repaid from revenues generated from the operation of the development. However, the city does have the responsibility to refund any withdrawals from the debt service reserve account if the Housing Authority cannot meet the requirement. The city maintains recourse against the Housing Authority.

City of Key West, Florida

Required Supplementary Information  
(Unaudited)  
Analysis of Funding Progress -  
General Employee's Pension  
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/93	\$6,855	\$8,263	\$1,408	83.0%	\$4,440	31.7%
10/01/94	\$7,568	\$9,326	\$1,758	81.1%	\$4,659	37.7%
10/01/95	\$9,279	\$10,760	\$1,481	86.2%	\$5,266	28.1%
10/01/96	\$10,649	\$11,646	\$997	91.4%	\$5,708	17.5%
10/01/97	\$13,308	\$13,343	\$35	99.7%	\$6,275	0.6%
10/01/98	\$14,411	\$16,063	\$1,652	89.7%	\$6,060	27.3%
10/01/99	\$17,138	\$17,149	\$11	99.9%	\$7,118	0.2%
10/01/00	\$19,304	\$18,249	(\$1,055)	105.8%	\$7,413	(14.2%)
10/01/01	\$18,534	\$18,935	\$401	97.9%	\$7,827	5.1%
10/01/02	\$17,619	\$20,226	\$2,607	87.1%	\$7,885	33.1%

City of Key West, Florida

Required Supplementary Information  
(Unaudited)  
Analysis of Funding Progress -  
Police Officers' and Fireman's Pension  
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/93	\$15,076	\$17,454	\$2,378	86.4%	\$6,070	39.2%
10/01/94	\$16,264	\$19,190	\$2,926	84.8%	\$6,100	48.0%
10/01/95	\$18,799	\$21,548	\$2,749	87.2%	\$5,809	47.3%
10/01/96	\$20,718	\$22,445	\$1,727	92.3%	\$6,201	27.9%
10/01/97	\$25,668	\$24,811	(\$857)	103.5%	\$6,404	(13.4%)
10/01/98	\$28,686	\$30,493	\$1,807	94.1%	\$5,794	31.2%
10/01/99	\$32,543	\$33,489	\$946	97.2%	\$6,174	15.3%
10/01/00	\$36,211	\$35,286	(\$925)	102.6%	\$6,156	(15.0%)
10/01/01	\$38,270	\$36,873	(\$1,397)	103.8%	\$5,849	(23.9%)
10/01/02	\$38,430	\$40,334	\$1,904	95.3%	\$7,153	26.6%

## City of Key West, Florida

### Nonmajor Governmental

#### 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. The City maintains eight nonmajor special revenue funds to track the following revenues and related expenditures:

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

**Gas Tax/Internal Improvement Fund** - To account for county and state gasoline tax revenue sharing, designated for the capital improvements of streets and sidewalks.

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

**Community Development Fund** - To account for proceeds and disbursements of Housing Economic, and Urban development grants.

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

**Local Redevelopment Agency Fund** - To account for proceeds and disbursements related to the Naval Air Station Key West Base Reuse Plan.

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

**Navy Outer Mole Pier Payments** - To account for lease payments held in reserve.

#### Capital Projects Fund

The capital projects fund is utilized when accounting for financial resources used in the acquisition or construction of major capital facilities, other than those capital items financed by proprietary funds and trust funds.

**City of Key West, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
September 30, 2003

**Special Revenue Funds**

	<b>Law Enforcement Trust Fund</b>	<b>Gas Tax Fund</b>	<b>Fort Taylor Fund</b>	<b>Community Development Office Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 119,897	\$ 194,375	\$ 365,401	\$ 229,584
Cash and cash equivalents (restricted)	-	580,516	-	-
Investments	-	2,129,958	-	290,000
Receivables (net of allowance for uncollectibles):				
Accounts	-	4,814	-	1,884
Mortgages	-	-	-	1,333,427
Intergovernmental	-	100,786	7,982	252,353
Interfund receivables	-	-	-	-
Interest	-	3,243	-	-
Inventory	-	-	-	-
Advance to other funds	-	-	-	-
<b>Total assets</b>	<u>119,897</u>	<u>3,013,692</u>	<u>373,383</u>	<u>2,107,248</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	11,787	135,471	-	81,601
Accrued payroll	-	6,950	414	-
Retainage payable	-	19,343	-	-
Intergovernment	-	-	-	-
Interfund payables	-	-	-	-
Notes payable	-	-	-	-
Deferred revenue	-	580,516	-	1,207,057
<b>Total liabilities</b>	<u>11,787</u>	<u>742,280</u>	<u>414</u>	<u>1,288,658</u>
<b>Fund balances</b>				
Reserved for encumbrances	45,126	1,005,508	75,000	-
Reserved for advances	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for receivables	-	3,561	-	195,210
Unreserved	62,984	1,262,343	297,969	623,380
<b>Total</b>	<u>108,110</u>	<u>2,271,412</u>	<u>372,969</u>	<u>818,590</u>
<b>Total liabilities and fund balances</b>	<u>\$ 119,897</u>	<u>\$ 3,013,692</u>	<u>\$ 373,383</u>	<u>\$ 2,107,248</u>

<u>Affordable Housing Escrow Fund</u>	<u>Local Redevelopment Agency Fund</u>	<u>Bahama Village &amp; Caroline Street</u>	<u>Navy Pier Payments</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 78,868	\$ -	\$ 786,127	\$ 271,713	\$ 811,648	\$ 2,857,613
-	-	-	-	-	580,516
-	-	-	-	3,992,392	6,412,350
-	-	-	-	-	-
-	-	-	-	-	6,698
-	-	-	-	-	1,333,427
-	-	-	-	-	361,121
-	97	-	-	-	97
-	-	-	-	38,039	41,282
-	-	-	-	-	-
-	-	-	-	-	-
<u>78,868</u>	<u>97</u>	<u>786,127</u>	<u>271,713</u>	<u>4,842,079</u>	<u>11,593,104</u>
\$ -	7,606	22,955	-	229,839	489,259
-	-	-	-	4,444	11,808
-	-	3,078	-	-	22,421
-	-	-	-	90,658	90,658
-	-	-	-	-	-
-	9,334	-	-	-	1,796,907
-	<u>16,940</u>	<u>26,033</u>	<u>-</u>	<u>324,941</u>	<u>2,411,053</u>
-	69,580	-	-	325,639	1,520,853
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	198,771
<u>78,868</u>	<u>(86,423)</u>	<u>760,094</u>	<u>271,713</u>	<u>4,191,499</u>	<u>7,462,427</u>
<u>78,868</u>	<u>(16,843)</u>	<u>760,094</u>	<u>271,713</u>	<u>4,517,138</u>	<u>9,182,051</u>
<u>\$ 78,868</u>	<u>\$ 97</u>	<u>\$ 786,127</u>	<u>\$ 271,713</u>	<u>\$ 4,842,079</u>	<u>\$11,593,104</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, 2003

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Community Development Office Fund
<b>Revenues:</b>				
Intergovernmental income	\$ -	\$ 1,221,318	\$ 279,575	\$ 550,527
Fines and forfeitures	43,879	-	-	-
Investment earning	4,470	27,593	5,942	14,549
Contributions and other	-	-	-	47,506
<b>Total revenues</b>	<u>48,349</u>	<u>1,248,911</u>	<u>285,517</u>	<u>612,582</u>
<b>Expenditures:</b>				
Current:				
General Government	-	-	-	-
Public safety	78,675	-	-	-
Transportation	-	987,558	-	-
Economic environment	-	-	-	777,225
Culture and recreation	-	-	3,470	-
Capital outlay	118,935	16,386	299,956	-
Debt service	-	-	-	-
<b>Total expenditures</b>	<u>197,610</u>	<u>1,003,944</u>	<u>303,426</u>	<u>777,225</u>
Excess (deficiency) of revenues over expenditures	<u>(149,261)</u>	<u>244,967</u>	<u>(17,909)</u>	<u>(164,643)</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital lease / financing	-	-	-	-
Operating transfers in	-	1,225,000	-	32,364
Operating transfers (out)	-	(1,256,936)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(31,936)</u>	<u>-</u>	<u>32,364</u>
Net change in fund balances	(149,261)	213,031	(17,909)	(132,279)
<b>Fund balances (deficit), October 1</b>	257,371	2,058,381	390,878	950,869
Residual equity transfer (out)	-	-	-	-
<b>Fund balances (deficit), September 30</b>	<u>\$ 108,110</u>	<u>\$ 2,271,412</u>	<u>\$ 372,969</u>	<u>\$ 818,590</u>

Affordable Housing Escrow Fund	Local Redevelopment Agency Fund	Bahama Village & Caroline Street	Navy Pier Payments	Capital Projects	Total
\$ -	\$ 39,143	\$ 374,310	\$ -	\$ 800,867	\$ 3,265,740
-	-	-	-	-	43,879
1,283	-	7,774	685	64,926	127,222
9,000	-	-	-	-	56,506
<u>10,283</u>	<u>39,143</u>	<u>382,084</u>	<u>685</u>	<u>865,793</u>	<u>3,493,347</u>
-	-	-	-	-	-
-	-	-	-	-	78,675
-	-	-	-	-	987,558
-	220,388	779,000	-	-	1,776,613
-	-	-	-	-	3,470
-	-	30,778	-	2,008,214	2,474,269
-	-	42,249	-	-	42,249
-	<u>220,388</u>	<u>852,027</u>	-	<u>2,008,214</u>	<u>5,362,834</u>
10,283	(181,245)	(469,943)	685	(1,142,421)	(1,869,487)
-	-	650,000	-	-	650,000
-	164,402	299,903	271,028	3,285,116	5,277,813
-	-	(326,254)	-	(56,932)	(1,640,122)
-	<u>164,402</u>	<u>623,649</u>	<u>271,028</u>	<u>3,228,184</u>	<u>4,287,691</u>
10,283	(16,843)	153,706	271,713	2,085,763	2,418,204
68,585	-	606,388	-	2,431,375	6,763,847
-	-	-	-	-	-
<u>\$ 78,868</u>	<u>\$ (16,843)</u>	<u>\$ 760,094</u>	<u>\$ 271,713</u>	<u>\$ 4,517,138</u>	<u>\$ 9,182,051</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Law Enforcement Trust Special Revenue Fund**  
For the year ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ -	\$ -	\$ 43,879	\$ 43,879
Investment earning	5,371	5,371	4,470	(901)
Contributions and other	-	-	-	-
<b>Total revenues</b>	<u>5,371</u>	<u>5,371</u>	<u>48,349</u>	<u>42,978</u>
<b>Expenditures:</b>				
Personal services	-	-	-	-
Operating	-	80,000	78,675	1,325
Capital	-	120,000	118,935	1,065
<b>Total expenditures</b>	<u>-</u>	<u>200,000</u>	<u>197,610</u>	<u>2,390</u>
Excess (deficiency) of revenues over expenditures	5,371	(194,629)	(149,261)	45,368
<b>Other financing sources (uses):</b>				
Operating transfers (out)	-	-	-	-
<b>Net change in fund balance</b>	5,371	(194,629)	(149,261)	45,368
<b>Fund balance, October 1</b>	<u>257,371</u>	<u>257,371</u>	<u>257,371</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 262,742</u>	<u>\$ 62,742</u>	<u>\$ 108,110</u>	<u>\$ 45,368</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the year ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental income	\$ 1,200,000	\$ 1,200,000	\$ 1,221,318	\$ 21,318
Investment earning	74,528	74,528	27,593	(46,935)
Contributions and other	-	-	-	-
<b>Total revenues</b>	<u>1,274,528</u>	<u>1,274,528</u>	<u>1,248,911</u>	<u>(25,617)</u>
<b>Expenditures:</b>				
Personal Services	-	77,000	76,099	901
Operating	989,894	989,894	911,459	78,435
Capital	1,817,734	1,740,732	16,386	1,724,346
<b>Total expenditures</b>	<u>2,807,628</u>	<u>2,807,626</u>	<u>1,003,944</u>	<u>1,803,682</u>
Excess (deficiency) of revenues over expenditures	<u>(1,533,100)</u>	<u>(1,533,098)</u>	<u>244,967</u>	<u>1,778,065</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	1,225,000	1,225,000	1,225,000	-
Operating transfers (out)	1,256,934	(1,256,936)	(1,256,936)	-
<b>Total other financing sources (uses)</b>	<u>2,481,934</u>	<u>(31,936)</u>	<u>(31,936)</u>	<u>-</u>
<b>Net change in fund balance</b>	2,481,934	(1,565,034)	213,031	1,778,065
<b>Fund balance, October 1</b>	<u>2,058,381</u>	<u>2,058,381</u>	<u>2,058,381</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 4,540,315</u>	<u>\$ 493,347</u>	<u>\$ 2,271,412</u>	<u>\$ 1,778,065</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Fort Taylor Special Revenue Fund**  
**For the year ended September 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental income	\$ 115,000	\$ 115,000	\$ 279,575	\$ 164,575
Investment earning	6,110	6,110	5,942	(168)
Contributions and other	-	-	-	-
<b>Total revenues</b>	<u>121,110</u>	<u>121,110</u>	<u>285,517</u>	<u>164,407</u>
<b>Expenditures:</b>				
Personal services	-	2,500	2,449	51
Operating	-	2,000	1,021	979
Capital	-	300,000	299,956	44
<b>Total expenditures</b>	<u>-</u>	<u>304,500</u>	<u>303,426</u>	<u>1,074</u>
Excess (deficiency) of revenues over expenditures	<u>121,110</u>	<u>(183,390)</u>	<u>(17,909)</u>	<u>165,481</u>
<b>Other financing sources:</b>				
Proceeds from capital financing	-	-	-	-
Operating transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	121,110	(183,390)	(17,909)	165,481
<b>Fund balance, October 1</b>	<u>390,878</u>	<u>390,878</u>	<u>390,878</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 511,988</u>	<u>\$ 207,488</u>	<u>\$ 372,969</u>	<u>\$ 165,481</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Community Development Office Special Revenue Fund**  
**For the year ended September 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental income	\$ 245,870	\$ 245,870	\$ 550,527	\$ 304,657
Investment earning	-	-	14,549	14,549
Contributions and other	-	-	100,626	100,626
<b>Total revenues</b>	<u>245,870</u>	<u>245,870</u>	<u>665,702</u>	<u>419,832</u>
<b>Expenditures:</b>				
Personal	-	-	-	-
Operating	230,870	252,870	252,709	161
Aid to private organizations	-	525,000	524,516	484
<b>Total expenditures</b>	<u>230,870</u>	<u>777,870</u>	<u>777,225</u>	<u>645</u>
Excess (deficiency) of revenues over expenditures	15,000	(532,000)	(111,523)	420,477
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(15,000)	(21,000)	(20,756)	244
Net change in fund balance	-	(553,000)	(132,279)	420,721
<b>Fund balance, October 1</b>	<u>950,871</u>	<u>950,871</u>	<u>950,869</u>	<u>950,869</u>
<b>Fund balance, September 30</b>	<u>\$ 950,871</u>	<u>\$ 397,871</u>	<u>\$ 818,590</u>	<u>\$ 1,371,590</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Affordable Housing Special Revenue Fund**  
**For the year ended September 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment earning	\$ 2,046	\$ 2,046	\$ 1,283	\$ (763)
Contributions and other	-	-	9,000	9,000
<b>Total revenues</b>	<u>2,046</u>	<u>2,046</u>	<u>10,283</u>	<u>8,237</u>
<b>Expenditures:</b>				
Personal services	-	-	-	-
Operating	-	-	-	-
Capital	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2,046	2,046	10,283	8,237
<b>Other financing sources (uses):</b>				
Operating transfers (out)	-	-	-	-
Net change in fund balance	2,046	2,046	10,283	8,237
<b>Fund balance, October 1</b>	<u>68,585</u>	<u>68,585</u>	<u>68,585</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 70,631</u>	<u>\$ 70,631</u>	<u>\$ 78,868</u>	<u>8,237</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Local Redevelopment Agency Special Revenue Fund**  
For the year ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 40,000	\$ 39,143	\$ (857)
Contributions and other	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>40,000</u>	<u>39,143</u>	<u>(857)</u>
<b>Expenditures:</b>				
Personal services	116,997	116,997	102,492	14,505
Operating	78,222	118,222	117,896	326
Capital	-	-	-	-
<b>Total expenditures</b>	<u>195,219</u>	<u>235,219</u>	<u>220,388</u>	<u>14,831</u>
Excess (deficiency) of revenues over expenditures	(195,219)	(195,219)	(181,245)	13,974
<b>Other financing sources (uses):</b>				
Operating transfers in	<u>195,219</u>	<u>195,219</u>	<u>164,402</u>	<u>(30,817)</u>
Net change in fund balance	-	-	(16,843)	(16,843)
<b>Fund balance, October 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,843)</u>	<u>\$ (16,843)</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Bahama Village and Caroline Street**  
**For the year ended September 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental income	\$ 365,263	\$ 365,263	\$ 374,309	\$ 9,046
Interest income	31,874	31,874	7,774	(24,100)
Other income	-	-	-	-
<b>Total revenues</b>	<u>397,137</u>	<u>397,137</u>	<u>382,083</u>	<u>(15,054)</u>
<b>Expenditures:</b>				
Operating	-	17,000	16,875	125
Capital	-	31,000	30,778	222
Debt service	46,250	46,250	42,249	4,001
Aid to private organizations	59,083	764,083	762,125	1,958
<b>Total expenditures</b>	<u>105,333</u>	<u>858,333</u>	<u>852,027</u>	<u>6,306</u>
Excess (deficiency) of revenues over expenditures from operations	<u>291,804</u>	<u>(461,196)</u>	<u>(469,944)</u>	<u>(8,748)</u>
<b>Other financing sources (uses):</b>				
Proceeds from financing	-	650,000	650,000	-
Operating transfers in	290,100	290,100	299,903	9,803
Operating transfers (out)	(326,113)	(326,253)	(326,253)	-
<b>Total other financing sources (uses)</b>	<u>(36,013)</u>	<u>613,847</u>	<u>623,650</u>	<u>9,803</u>
<b>Net change in fund balance</b>	255,791	152,651	153,706	1,055
<b>Fund balance, October 1</b>	<u>606,388</u>	<u>606,388</u>	<u>606,388</u>	<u>-</u>
<b>Fund balance, September 30</b>	<u>\$ 862,179</u>	<u>\$ 759,039</u>	<u>\$ 760,094</u>	<u>\$ 1,055</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Navy Pier Payments Special Revenue Fund**  
For the year ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Interest income			685	685
Other income				-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>685</u>	<u>685</u>
<b>Expenditures:</b>				
Personal services			-	-
Operating			-	-
Capital	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures from operations	<u>-</u>	<u>-</u>	<u>685</u>	<u>685</u>
<b>Other financing sources (uses):</b>				
Proceeds from financing				-
Operating transfers in		271,028	271,028	-
Operating transfers (out)				-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>271,028</u>	<u>271,028</u>	<u>-</u>
Net change in fund balance		271,028	271,713	685
<b>Fund equity (deficit), October 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund equity, September 30</b>	<u>\$ -</u>	<u>\$ 271,028</u>	<u>\$ 271,713</u>	<u>\$ 685</u>

**City of Key West, Florida**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund**

For the year ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental income	\$ -	\$ 60,000	\$ 800,867	\$ 740,867
Interest income	28,087	28,087	64,926	36,839
Other income			-	-
<b>Total revenues</b>	<u>28,087</u>	<u>88,087</u>	<u>865,793</u>	<u>777,706</u>
<b>Expenditures:</b>				
Personal services			-	-
Operating			-	-
Capital	4,543,390	4,543,390	2,008,214	2,535,176
<b>Total expenditures</b>	<u>4,543,390</u>	<u>4,543,390</u>	<u>2,008,214</u>	<u>2,535,176</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(4,515,303)</u>	<u>(4,455,303)</u>	<u>(1,142,421)</u>	<u>3,312,882</u>
<b>Other financing sources (uses):</b>				
Proceeds from financing				-
Operating transfers in	3,402,390	3,402,390	3,285,116	(117,274)
Operating transfers (out)		(60,000)	(56,932)	3,068
<b>Total other financing sources (uses)</b>	<u>3,402,390</u>	<u>3,342,390</u>	<u>3,228,184</u>	<u>(114,206)</u>
Net change in fund balance			2,085,763	2,085,763
<b>Fund equity (deficit), October 1</b>	<u>2,431,375</u>	<u>2,431,375</u>	<u>2,431,375</u>	<u>-</u>
<b>Fund equity, September 30</b>	<u>\$2,431,375</u>	<u>\$ 2,431,375</u>	<u>\$ 4,517,138</u>	<u>\$ 2,085,763</u>

## City of Key West, Florida

### Nonmajor Enterprise Funds

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly supported by user charges. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing, and related debt service (where applicable). The significant characteristics of enterprise funds are that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable activities in private enterprise. Thus, the reports of enterprise funds are self-contained, and creditors, legislators, or the general public can evaluate the performance of the particular municipal enterprise on the same basis as they can the performance of an investor-owned enterprise in the same industry. The City maintains three nonmajor enterprise funds to account for the following activities:

**Garrison Bight Fund** - To account for the provision of marina services at Garrison Bight to the residents and visitors of the City.

**Transit System Fund** - To account for the provision of mass transit services within the City limits to the residents and visitors of the City.

**Poinciana Housing Fund** - To account for costs associated with the City's affordable housing project, which was a result of the Navy turning over excess property to the City.

**City of Key West, Florida**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
September 30, 2003

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Poinciana Housing</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,290,942	\$ 1,213	\$ 84,591	\$ 1,376,746
Investments	-	-	-	-
Receivables, net of allowance for uncollectibles:				
Interest	-	-	-	-
Accounts	85,289	-	285	85,574
Intergovernmental	-	2,223,336	5,850	2,229,186
Interfund receivables	4,108	12,324	-	16,432
Prepaid expense	4,029	1,291	92,598	97,918
Inventory	-	6,020	14,424	20,444
<b>Total current assets</b>	<u>1,384,368</u>	<u>2,244,184</u>	<u>197,748</u>	<u>3,826,300</u>
<b>Restricted assets:</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Interest receivable	-	-	-	-
<b>Total restricted assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Charges</b>				
Unamortized bond cost, net	-	-	-	-
<b>Property, plant and equipment:</b>				
Land	-	50,000	-	50,000
Buildings	188,301	4,511,293	147,252	4,846,846
Improvements other than buildings	3,026,282	213,720	1,429,513	4,669,515
Machinery, equipment and furniture	301,197	4,660,111	97,166	5,058,474
Construction in progress	16,006	-	-	16,006
<b>Total</b>	<u>3,531,786</u>	<u>9,435,124</u>	<u>1,673,931</u>	<u>14,640,841</u>
Less accumulated depreciation	<u>1,706,902</u>	<u>2,629,281</u>	<u>365,025</u>	<u>4,701,208</u>
<b>Net property, plant and equipment</b>	<u>1,824,884</u>	<u>6,805,843</u>	<u>1,308,906</u>	<u>9,939,633</u>
<b>Non current assets:</b>				
Accounts receivable	-	-	-	-
Advance to other funds	-	-	-	-
<b>Total other assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 3,209,252</u>	<u>\$ 9,050,027</u>	<u>\$ 1,506,654</u>	<u>\$ 13,765,933</u>

**City of Key West, Florida**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
September 30, 2003

	Garrison Bight	Transit System	Poinciana Housing	Total Nonmajor Enterprise Funds
<b>Liabilities and Equity</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 48,862	\$ 74,955	\$ 9,440	\$ 133,257
Accrued payroll and related expenses	36,531	119,703	-	156,234
Accrued expenses	-	-	104,471	104,471
Retainage payable	-	-	-	-
Interfund payable	7,526	2,103,500	93,731	2,204,757
Deferred revenue	76,179	-	-	76,179
<b>Total</b>	<u>169,098</u>	<u>2,298,158</u>	<u>207,642</u>	<u>2,674,898</u>
<b>Current liabilities:</b>				
<b>Payable from restricted assets:</b>				
Accounts payable	-	-	-	-
Retainage payable	-	-	-	-
Closure costs payable, current	-	-	-	-
Accrued interest	-	-	-	-
Bonds and notes payable, current	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable, net of discount	-	-	-	-
Note payable	-	-	-	-
Closure costs	-	-	-	-
Advance from other funds	67,736	212,853	-	280,589
Deferred revenues	-	-	-	-
Customer deposits	121,220	-	67,280	188,500
Accrued interest	-	-	-	-
Accrued compensated absences	10,601	39,261	-	49,862
<b>Total</b>	<u>199,557</u>	<u>252,114</u>	<u>67,280</u>	<u>518,951</u>
<b>Total liabilities</b>	<u>368,655</u>	<u>2,550,272</u>	<u>274,922</u>	<u>3,193,849</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,824,884	6,805,843	1,308,906	9,939,633
Reserved for revenue bond	-	-	-	-
Current debt service	-	-	-	-
Renewal & replacement	-	-	-	-
Unreserved	1,015,713	(306,088)	(77,174)	632,451
<b>Total</b>	<u>2,840,597</u>	<u>6,499,755</u>	<u>1,231,732</u>	<u>10,572,084</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,209,252</u>	<u>\$ 9,050,027</u>	<u>\$ 1,506,654</u>	<u>\$ 13,765,933</u>

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**City of Key West, Florida**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
For the year ended September 30, 2003

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Poinciana Housing</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>				
Charges for services	\$ 1,101,773	\$ 588,881	\$ 1,438,263	\$ 3,128,917
<b>Total operating revenues</b>	<u>1,101,773</u>	<u>588,881</u>	<u>1,438,263</u>	<u>3,128,917</u>
<b>Operating expenses:</b>				
Personal services	354,907	1,295,666	-	1,650,573
Other operating expenses	499,135	794,278	1,336,802	2,630,215
Depreciation and amortization	186,176	555,848	103,167	845,191
<b>Total operating expenses</b>	<u>1,040,218</u>	<u>2,645,792</u>	<u>1,439,969</u>	<u>5,125,979</u>
<b>Operating income (loss)</b>	<u>61,555</u>	<u>(2,056,911)</u>	<u>(1,706)</u>	<u>(1,997,062)</u>
<b>Nonoperating revenues (expenses):</b>				
Grant income	-	219,059	-	219,059
Investment earnings	20,034	-	1,752	21,786
Other income	53,669	13,334	5,980	72,983
Other expense			(80,532)	(80,532)
Interest expense	-	(12,355)	-	(12,355)
Loss on disposal/abandonment	(479)	(26,629)		(27,108)
<b>Net nonoperating revenues (expenses)</b>	<u>73,224</u>	<u>193,409</u>	<u>(72,800)</u>	<u>193,833</u>
<b>Income (loss) before contributions and transfers</b>	<u>134,779</u>	<u>(1,863,502)</u>	<u>(74,506)</u>	<u>(1,803,229)</u>
Capital contributions	66,875	1,923,539	-	1,990,414
Operating transfers in	-	1,256,936	-	1,256,936
Operating transfers (out)	-	-	(32,364)	(32,364)
<b>Total transfers and contributions</b>	<u>66,875</u>	<u>3,180,475</u>	<u>(32,364)</u>	<u>3,214,986</u>
<b>Change in net assets</b>	<u>201,654</u>	<u>1,316,973</u>	<u>(106,870)</u>	<u>1,411,757</u>
<b>Total net assets, October 1</b>	<u>2,638,943</u>	<u>5,182,782</u>	<u>1,338,602</u>	<u>9,160,327</u>
<b>Total net assets, September 30</b>	<u>\$ 2,840,597</u>	<u>\$ 6,499,755</u>	<u>\$ 1,231,732</u>	<u>\$ 10,572,084</u>

**City of Key West, Florida**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the year ended September 30, 2003

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Poinciana Housing</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,108,870	\$ 588,881	\$ 1,449,361	\$ 3,147,112
Cash paid to suppliers	(494,639)	(740,528)	(1,229,536)	(2,464,703)
Cash paid to employees	(329,582)	(1,278,189)	-	(1,607,771)
Other receipts	53,669	13,334	5,980	72,983
Other expenses	-	-	(86,382)	(86,382)
<b>Net cash provided by (used in) operating activities</b>	<u>338,318</u>	<u>(1,416,502)</u>	<u>139,423</u>	<u>(938,761)</u>
<b>Cash flows from noncapital financing activities:</b>				
Interest Paid	-	(6,271)	-	(6,271)
Operating grants received	-	100,999	-	100,999
Advance/loan to other funds	-	-	-	-
Advance/loan from other funds	(7,526)	2,048,000	(188,625)	1,851,849
Operating transfers in	-	1,256,936	(32,364)	1,224,572
Operating transfers (out)	-	-	-	-
<b>Net cash flows from noncapital financing activities</b>	<u>(7,526)</u>	<u>3,399,664</u>	<u>(220,989)</u>	<u>3,171,149</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds of capital grants	66,875	42,229	-	109,104
Acquisition and construction of capital assets	(89,875)	(2,035,793)	-	(2,125,668)
Principal paid on revenue bonds	-	-	-	-
Interest paid	-	-	-	-
Proceeds from note payable	-	-	-	-
Construction cost reimbursed	-	-	-	-
Payments on notes	-	-	-	-
Impact fees	-	-	-	-
<b>Net cash flows from capital and related financing activities</b>	<u>(23,000)</u>	<u>(1,993,564)</u>	<u>-</u>	<u>(2,016,564)</u>
<b>Cash flows from investing activities:</b>				
Investment earnings	20,034	-	1,752	21,786
Loans to customers	-	-	-	-
Purchase of investment securities	-	-	-	-
Proceeds from sale and maturities of investment securities	-	-	-	-
Loan payments from customers	-	-	-	-
<b>Net cash flows from investing activities</b>	<u>20,034</u>	<u>-</u>	<u>1,752</u>	<u>21,786</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	327,826	(10,402)	(79,814)	237,610
<b>Cash &amp; equivalents, October 1</b>	<u>963,116</u>	<u>11,615</u>	<u>164,405</u>	<u>1,139,136</u>
<b>Cash &amp; equivalents, September 30</b>	<u>\$ 1,290,942</u>	<u>\$ 1,213</u>	<u>\$ 84,591</u>	<u>\$ 1,376,746</u>

**City of Key West, Florida**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows (Continued)**  
For the year ended September 30, 2003

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Poinciana Housing</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Cash and cash equivalents at End of Year</b>	<u>\$ 1,290,942</u>	<u>\$ 1,213</u>	<u>\$ 84,591</u>	<u>\$ 1,376,746</u>
<b>Classified as:</b>				
Current	1,290,942	1,213	84,591	1,376,746
Restricted	-	-	-	-
<b>Total</b>	<u>1,290,942</u>	<u>1,213</u>	<u>84,591</u>	<u>1,376,746</u>
<b>Reconciliation of operating income (loss) to net cash provided by (applied to) operating activities:</b>				
<b>Operating income (loss)</b>	<u>61,555</u>	<u>(2,056,911)</u>	<u>(1,706)</u>	<u>1,563,180</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (applied to) operating activities:</b>				
Other nonoperating revenues	53,669	13,334	5,980	72,983
Other nonoperating expenses			(86,382)	(86,382)
Depreciation and amortization	186,176	555,848	103,167	845,191
<b>Decrease (increase) in assets:</b>				
Accounts receivable	2,487	-	10,743	13,230
Interfund receivables	1,434	4,300	-	5,734
Intergovernmental receivables	-	-	137,512	137,512
Prepaid items	-	(189)	(14,424)	(14,613)
Inventories	(690)	(2,514)	-	(3,204)
Advance	-	-	-	-
<b>Increase (decrease) in liabilities:</b>				
Accounts payable	5,186	56,452	(11,430)	50,208
Accrued items	13,290	15,035	(4,392)	23,933
Interfund payables	-	-	355	355
Customer deposits	7,061	-	-	7,061
Closure costs payable, noncurrent	-	-	-	-
Accrued compensated absences, noncurrent	10,601	(1,857)	-	8,744
Advance	-	-	-	-
Deferred revenue	(2,451)	-	-	(2,451)
<b>Total adjustments</b>	<u>276,763</u>	<u>640,409</u>	<u>141,129</u>	<u>1,058,301</u>
<b>Net cash provided by (applied to) operating activities</b>	<u>338,318</u>	<u>(1,416,502)</u>	<u>139,423</u>	<u>2,621,481</u>
<b>Schedule of noncash investing, capital, and financing activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## City of Key West, Florida

### Internal Service Fund

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis. The City maintains one internal service fund for the following purpose:

**Insurance Programs Fund** - To account for the payment and administration of all insurance programs of the City. Revenue to this fund is derived from billings to user departments of the City. Prior to 1989, only workers compensation activity was reflected in this fund. During the fiscal year ended September 30, 1992, the fund was expanded to reflect the health insurance activity of the City.

**City of Key West, Florida**  
**Internal Service Fund**  
**Statement of Net Assets**  
September 30, 2003

	<b>Insurance Programs Fund</b>
<b>Assets</b>	
<b>Current:</b>	
Cash/Health	\$ 205,846
Cash/Workers compensation and General	2,037,258
Investments	2,564,062
Interfund receivable	93,731
Accounts receivable	145,839
<b>Total current assets</b>	<b>5,046,736</b>
<b>Property, plant and equipment:</b>	
Machinery, equipment and furniture	-
Construction in progress	-
<b>Total</b>	-
Less accumulated depreciation	-
<b>Net property, plant and equipment</b>	-
<b>Total assets</b>	<b>5,046,736</b>
<b>Liabilities and Equity</b>	
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	35,451
Accrued payroll	7,689
Accrued compensated absences	8,639
Interfund payable	205,402
Benefits and claims payable	-
Workers compensation and General	1,341,828
<b>Total current liabilities</b>	<b>1,599,009</b>
<b>Noncurrent liabilities:</b>	
Benefits and claims payable	-
Workers compensation and General	449,258
<b>Total noncurrent liabilities</b>	<b>449,258</b>
<b>Total liabilities</b>	<b>2,048,267</b>
<b>Net assets</b>	
Net Assets	2,998,469
<b>Total liabilities and net assets</b>	<b>\$ 5,046,736</b>

**City of Key West, Florida**  
**Internal Service Fund**  
**Statement of Revenues,**  
**Expenses and Changes in Net Assets**  
For the year ended September 30, 2003

	<b>Insurance Programs Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 6,840,712
Other income	-
<b>Total operating revenues</b>	<b>6,840,712</b>
<b>Operating expenses:</b>	
Personal services	136,809
Insurance premiums and other	5,921,500
Depreciation	-
Benefits and claims	1,082,743
<b>Total operating expenses</b>	<b>7,141,052</b>
<b>Operating income (loss)</b>	<b>(300,340)</b>
<b>Nonoperating revenues (expenses):</b>	
Investment earning	32,353
<b>Net income before operating transfers</b>	<b>(267,987)</b>
<b>Operating Transfers</b>	
Operating transfer in	1,470,000
Operating transfer (out)	-
<b>Total operating transfers</b>	<b>1,470,000</b>
<b>Change in net assets</b>	<b>1,202,013</b>
<b>Total net assets, October 1</b>	<b>1,796,456</b>
<b>Total net assets, September 30</b>	<b>\$ 2,998,469</b>

**City of Key West, Florida**  
**Statement of Cash Flows**  
**Internal Service Fund**  
For the year ended September 30, 2003

	<u>Insurance Programs Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 6,769,038
Cash paid to suppliers	(6,774,915)
Cash paid to employees	(128,053)
<b>Net cash (used) by operating activities</b>	<u>(133,930)</u>
<b>Cash flows from noncapital financing activities:</b>	
Loan repayment from other fund	174,159
Operating transfer in	1,470,000
<b>Net cash flows from noncapital financing activities:</b>	<u>1,644,159</u>
<b>Cash flows from investing activities:</b>	
Investment earning	72,034
Sale of investment securities	2,140,000
Purchase of investment securities	(2,553,950)
<b>Net cash flows from investing activities</b>	<u>(341,916)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,168,313
Cash and cash equivalents, October 1	<u>1,074,791</u>
<b>Cash and cash equivalents, September 30</b>	<u><u>2,243,104</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
<b>Operating income (loss)</b>	<u>(300,340)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>	
<b>Decrease (increase) in assets:</b>	
Accounts receivable	477,867
Interfund receivables	-
<b>Increase (decrease) in liabilities:</b>	
Accounts payable	5,375
Accrued expenses	8,756
Interfund payables	(71,674)
Deferred benefits and claims payable, current	375,830
Deferred benefits and claims payable, noncurrent	(629,744)
<b>Total adjustments</b>	<u>166,410</u>
<b>Net cash (used) by operating activities</b>	<u><u>(133,930)</u></u>
<b>Schedule of noncash investing, capital, and financing activities:</b>	
Change in fair value of investments	<u>\$ (24,000)</u>

## City of Key West, Florida

### Fiduciary Funds

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 three 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. Also presented is information for the Retirement System for Employees of the Housing Authority of the City of Key West, a discretely presented component unit.

**City of Key West, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2003**

	<b>Pension Trust Funds</b>		<b>Component Unit</b>	<b>Total</b>
	<b>Police and Fire</b>	<b>General Employees</b>	<b>Key West Housing Authority</b>	
<b>Assets</b>				
Cash	\$ 906,102	\$ 648,970	\$96,883	\$1,651,955
Investments	39,844,799	19,978,670	2,463,837	62,287,306
Receivables:				
Interest	218,954	108,385	-	327,339
Due from trustee	56,240	-	-	56,240
Intergovernmental	68,139	-	5,664	73,803
Equipment	4,274	5,227	-	9,501
Accumulated depreciation	(2,512)	(5,227)	-	(7,739)
<b>Total assets</b>	<u>41,095,996</u>	<u>20,736,025</u>	<u>2,566,384</u>	<u>64,398,405</u>
<b>Liabilities:</b>				
Accrued Expenses	97,169	27,455	-	124,624
Interfund payable	-	-	-	-
Deferred compensation benefits payable	-	-	-	-
<b>Total liabilities</b>	<u>97,169</u>	<u>27,455</u>	<u>-</u>	<u>124,624</u>
<b>Net Assets</b>				
Assets held in trust for pension benefits	<u>40,998,827</u>	<u>20,708,570</u>	<u>2,566,384</u>	<u>64,273,781</u>
<b>Total net assets</b>	<u>40,998,827</u>	<u>20,708,570</u>	<u>2,566,384</u>	<u>64,273,781</u>
<b>Total liabilities and net assets</b>	<u>\$ 41,095,996</u>	<u>\$ 20,736,025</u>	<u>\$ 2,566,384</u>	<u>\$ 64,398,405</u>

**City of Key West, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

For the year ended September 30, 2003

	Pension Trust Funds		Component Unit	Total
	Police and Fire	General Employees	Key West Housing Authority	
<b>Additions</b>				
Contributions				
Employer	\$ 906,374	\$ 924,817	\$ 362,279	\$ 2,193,470
Member	542,066	531,715	-	1,073,781
State	513,707	-	-	513,707
Total contributions	<u>1,962,147</u>	<u>1,456,532</u>	<u>362,279</u>	<u>3,780,958</u>
Net investment Income				
Net appreciation in fair value of investments	4,208,443	1,996,572	(321,385)	5,883,630
Interest	890,703	407,799	68,229	1,366,731
Dividends	349,706	223,211	28,911	601,828
	<u>5,448,852</u>	<u>2,627,582</u>	<u>(224,245)</u>	<u>7,852,189</u>
Less investment expense	177,852	73,468	38,901	290,221
	<u>5,271,000</u>	<u>2,554,114</u>	<u>(263,146)</u>	<u>7,561,968</u>
<b>Total additions</b>	<u>7,233,147</u>	<u>4,010,646</u>	<u>99,133</u>	<u>11,342,926</u>
<b>Deductions</b>				
Benefits paid	1,937,233	699,666	313,877	2,950,776
Administrative expense	111,310	98,684	22,368	232,362
Contributions refunded	167,306	123,113	13,520	303,939
Depreciation	816	-	-	816
Total deductions	<u>2,216,665</u>	<u>921,463</u>	<u>349,765</u>	<u>3,487,893</u>
<b>Changes in net assets</b>	<u>5,016,482</u>	<u>3,089,183</u>	<u>(250,632)</u>	<u>7,855,033</u>
<b>Net assets - beginning</b>	<u>35,982,345</u>	<u>17,619,387</u>	<u>2,817,016</u>	<u>56,418,748</u>
<b>Net assets - ending</b>	<u>\$ 40,998,827</u>	<u>\$ 20,708,570</u>	<u>\$ 2,566,384</u>	<u>\$ 64,273,781</u>

**Capital Assets Used in the Operation of Governmental  
Funds**

**City of Key West, Florida**  
**Schedule of General Fixed Assets - By Source**  
September 30, 2003

<b>Governmental funds capital assets</b>	<u><b>Total</b></u>
Land	\$ 6,163,725
Buildings	10,848,523
Improvements other than buildings	17,635,423
Machinery and equipment	11,391,488
Infrastrucure	5,952,390
Construction in progress	<u>1,215,282</u>
 <b>Total governmental funds capital assets</b>	 <u><u>53,206,831</u></u>
 <b>Investment in governmental funds capital assets by source:</b>	
General fund	14,855,205
Special revenue funds	7,908,388
Capital projects fund	28,648,165
Donations	<u>1,795,073</u>
	 <u><u>\$ 53,206,831</u></u>

**City of Key West, Florida**  
**Schedule of General Fixed Assets**  
**By Function and Activity**

September 30, 2003

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
<b>General government:</b>							
Commission	\$ -	\$ -	\$ -	\$ 12,732		\$ -	12,732
Manager				63,744			63,744
Clerk		127,586		39,941			167,527
Finance				67,215			67,215
Information Technologies				1,473,734			1,473,734
Garage	0	4,063	4,256	569,586		0	577,905
Public Works		6,425	19,023	697,013			722,461
General Government	4,577,030	1,583,930	78,034	367,061		115,926	6,721,981
<b>Total general government</b>	<u>4,577,030</u>	<u>1,722,004</u>	<u>101,313</u>	<u>3,291,026</u>		<u>115,926</u>	<u>9,807,299</u>
<b>Public safety:</b>							
Police	0	4,594,326	64,826	4,539,508		207,431	9,406,091
Fire	0	2,591,718	1,056,923	2,288,940		0	5,937,581
Other	0	0	9,493	243,909		0	253,402
<b>Total public safety</b>	<u>0</u>	<u>7,186,044</u>	<u>1,131,242</u>	<u>7,072,357</u>		<u>207,431</u>	<u>15,597,074</u>
<b>Physical environment</b>	132,320	0	619,221	26,039			777,580
<b>Transportation</b>			6,000,835	275,674	5,952,390	143,847	12,372,746
<b>Culture and recreation</b>	1,454,375	1,940,475	9,782,812	726,392		748,078	14,652,132
<b>Total governmental funds capital assets</b>	<u>\$ 6,163,725</u>	<u>\$ 10,848,523</u>	<u>\$ 17,635,423</u>	<u>\$ 11,391,488</u>	<u>\$ 5,952,390</u>	<u>\$ 1,215,282</u>	<u>\$ 53,206,831</u>

**City of Key West, Florida**  
**Schedule of Changes in General Fixed Assets**  
**By Function and Activity**  
For the year ended September 30, 2003

<b>Function and Activity</b>	<b>October 1, 2002</b>	<b>Additions</b>	<b>Deletions</b>	<b>September 30, 2003</b>
<b>General government:</b>				
Commission	\$ 3,582	\$ 9,150	\$ -	\$ 12,732
Manager	55,040	8,704		63,744
Clerk	167,527	0		167,527
Finance	60,568	6,647		67,215
Information Technologies	1,579,351	132,371	237,988	1,473,734
Garage	619,733	4,579	46,407	577,905
Public Works	694,418	59,269	31,226	722,461
General Government	6,580,955	145,013	3,987	6,721,981
<b>Total general government</b>	<u>9,761,174</u>	<u>365,733</u>	<u>319,608</u>	<u>9,807,299</u>
<b>Public safety:</b>				
Police	6,974,813	2,480,966	49,688	9,406,091
Fire	5,820,970	142,955	26,344	5,937,581
Other	155,645	97,807	50	253,402
<b>Total public safety</b>	<u>12,951,428</u>	<u>2,721,728</u>	<u>76,082</u>	<u>15,597,074</u>
Physical environment	602,564	175,016		777,580
Transportation	10,888,668	1,484,859	781	12,372,746
Culture and recreation:	13,404,863	1,249,305	2,036	14,652,132
<b>Total governmental funds capital assets</b>	<u>\$ 47,608,697</u>	<u>\$ 5,996,641</u>	<u>\$ 398,507</u>	<u>\$ 53,206,831</u>

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# City of Key West, Florida

## Statistical Section

### Overview and Sources

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 social and economic information, financial trends, and the fiscal capacity 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 auditors' 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.

#### ***Sources of Data:***

City of Key West Audited Financial Statements (and supporting records)

City of Key West Planning Department

City of Key West Building and Zoning Department

Monroe County Tax Collector

Monroe County Property Appraiser

Monroe County School Board

Florida Keys Aqueduct Authority

Keys Energy Services

City of Key West, Florida

**Table 1**  
**General Governmental Expenditures and**  
**Other Uses by Function (1)**  
**For the last ten fiscal years**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environ-ment</b>	<b>Transportation (2)</b>	<b>Economic Environment</b>	<b>Culture and Recreation</b>	<b>Other</b>	<b>Total</b>
1994	\$6,276,195	\$10,167,845	\$39,276	\$407,430	\$82,300	\$909,152	\$876,631	\$18,758,829
1995	\$6,692,255	\$10,058,387	\$39,726	\$371,844	\$82,920	\$977,329	\$1,858,763	\$20,081,224
1996	\$6,180,996	\$10,263,055	\$44,820	\$727,381	\$84,075	\$1,081,426	\$824,488	\$19,206,241
1997	\$6,868,746	\$10,465,094	\$42,351	\$1,513,040	\$84,300	\$1,190,873	\$624,893	\$20,789,297
1998	\$8,535,877	\$10,694,276	\$43,476	\$1,634,772	\$82,300	\$1,165,380	\$1,005,284	\$23,161,365
1999	\$7,631,220	\$11,769,777	\$238,054	\$1,873,907	\$98,160	\$1,369,816	\$1,455,189	\$24,436,123
2000	\$9,377,707	\$11,722,345	\$45,943	\$2,003,693	\$84,250	\$1,536,339	\$747,847	\$25,518,124
2001	\$8,410,884	\$12,297,822	\$49,129	\$1,331,922	\$84,165	\$1,633,428	\$770,957	\$24,578,307
2002	\$8,513,067	\$14,006,103	\$45,942	\$1,608,593	\$194,969	\$1,850,504	\$384,884	\$26,604,062
2003	\$9,455,008	\$14,778,086	\$71,623	\$1,909,772	\$148,675	\$2,124,501	\$293,407	\$28,781,072

(1) Expenditures and other uses include General Fund only.

(2) Transportation expenditures resulted from the inclusion of Mallory Square cruiseport.

City of Key West, Florida

**Table 2**  
**General Governmental Revenues and**  
**Other Financing by Source (1)**  
**For the last ten fiscal years**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter-governmental</b>	<b>Payments in Lieu of Taxes</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Investment Earnings and Other</b>	<b>Total</b>
1994	\$7,876,048	\$1,333,462	\$3,579,376	\$2,426,113	\$1,811,534	\$475,756	\$990,006	\$18,492,295
1995	\$8,012,465	\$1,406,805	\$3,773,817	\$2,301,100	\$1,904,617	\$315,257	\$1,137,598	\$18,851,659
1996	\$8,009,980	\$1,532,884	\$3,877,128	\$2,311,100	\$2,720,044	\$397,052	\$1,266,549	\$20,114,737
1997	\$8,244,138	\$1,405,888	\$4,279,982	\$2,356,100	\$3,974,965	\$512,042	\$1,306,320	\$22,079,435
1998	\$8,487,497	\$1,590,253	\$4,470,296	\$2,456,099	\$4,739,393	\$585,539	\$3,215,594	\$25,544,671
1999	\$9,998,381	\$1,785,303	\$4,990,222	\$2,461,276	\$5,030,529	\$625,800	\$1,496,610	\$26,388,121
2000	\$10,566,144	\$2,109,864	\$5,220,328	\$2,453,100	\$5,726,942	\$872,021	\$1,951,911	\$28,900,310
2001	\$11,198,006	\$2,162,492	\$4,820,611	\$2,879,700	\$4,584,258	\$713,580	\$1,944,046	\$28,302,693
2002	\$12,287,197	\$1,960,006	\$4,389,928	\$2,470,200	\$6,003,909	\$961,811	\$2,030,944	\$30,103,995
2003	\$12,196,152	\$2,163,112	\$4,706,826	\$2,603,100	\$7,103,614	\$1,000,347	\$1,880,122	\$31,653,273

(1) Revenues and other sources include General Fund only.

City of Key West, Florida

**Table 3**  
**Property Tax Levies and Collections**  
**For the last ten fiscal years**

<b>Total Fiscal Year</b>	<b>Tax Levy</b>	<b>Current Tax</b>	<b>Percent of Levy</b>	<b>Collections Delinquent Tax</b>	<b>Total Tax</b>	<b>Percent of Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Levy</b>
1994	\$7,542,870	\$7,271,651	96.4	\$63,987	\$7,335,638	97.3	\$87,614	1.2
1995	\$7,579,558	\$7,326,591	96.7	\$93,935	\$7,420,526	97.9	\$34,430	0.5
1996	\$7,623,882	\$7,388,505	96.9	\$36,311	\$7,424,816	97.4	\$21,114	0.3
1997	\$7,786,956	\$7,546,928	96.9	\$13,186	\$7,560,114	97.1	\$7,362	0.1
1998	\$8,065,917	\$7,812,087	96.9	\$24,914	\$7,837,001	97.2	\$14,648	0.2
1999	\$9,658,019	\$8,859,877	91.7	\$11,716	\$8,871,593	91.9	\$9,382	0.1
2000	\$10,211,992	\$9,825,364	96.2	\$17,565	\$9,842,929	96.4	\$16,171	0.2
2001	\$10,873,760	\$10,410,929	95.7	\$13,570	\$10,424,499	95.9	\$21,822	0.2
2002	\$11,467,257	\$11,024,265	96.1	\$45,436	\$11,069,701	96.5	\$23,909	0.2
2003	\$11,482,644	\$11,145,859	97.1	\$22,652	\$11,168,511	97.3	\$31,357	0.3

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.  
 Source: Danise Henriquez, Tax Collector, Monroe County, Florida.

**City of Key West, Florida**

**Table 4**  
**Assessed and Estimated Value of Property**  
**For the last ten fiscal years**  
(In Thousands)

<b>Fiscal Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Exemptions Allowed for Real/Personal Property</b>	<b>Total Net Assessed Value</b>	<b>Total Net Estimated True Value</b>	<b>Ratio Net Assessed to True Value</b>
1994	\$3,112,005	\$252,205	\$1,565,853	\$1,798,357	\$1,674,006	1.1
1995	\$3,176,438	\$265,049	\$1,719,319	\$1,722,168	\$1,722,168	1.0
1996	\$3,296,619	\$285,263	\$1,776,548	\$1,805,334	\$1,805,334	1.0
1997	\$3,409,443	\$284,015	\$1,623,827	\$2,069,631	\$2,069,631	1.0
1998	\$3,821,369	\$263,274	\$1,921,844	\$2,162,799	\$2,162,799	1.0
1999	\$4,198,557	\$271,155	\$2,083,045	\$2,386,667	\$2,386,668	1.0
2000	\$5,344,327	\$282,994	\$2,939,300	\$2,688,021	\$2,688,021	1.0
2001	\$5,800,494	\$281,045	\$3,087,068	\$2,994,471	\$2,994,471	1.0
2002	\$5,873,413	\$326,466	\$2,836,850	\$3,363,029	\$3,363,029	1.0
2003	\$6,290,554	\$321,668	\$2,631,664	\$3,651,348	\$3,651,348	1.0

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

Also Note: The significant increases in recent years in net assessed value result from reassessments.

Source: Ervin Higgs, Property Appraiser, Monroe County, Florida.

# City of Key West, Florida

**Table 5**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**For the last ten fiscal years**

<u>Fiscal Year</u>	<u>City</u>	<u>County</u>	<u>School Board</u>	<u>Other</u>	<u>Total</u>
1994	4.5005	8.5727	6.0900	4.2638	23.4270
1995	4.3966	9.3728	6.2050	2.7000	22.6744
1996	4.2172	8.6879	6.4330	3.9661	23.3042
1997	4.1097	8.4094	6.2530	3.9690	22.7411
1998	3.7220	8.5193	5.9040	4.5450	22.6903
1999	4.0402	8.3660	6.0730	7.1077	25.5869
2000	3.7912	8.1068	5.6550	6.7669	24.3199
2001	3.6246	8.1247	5.1840	9.4483	26.3816
2002	3.4098	7.4576	4.9890	9.2989	25.1553
2003	3.1612	7.1602	4.7130	9.9673	25.0017

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

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

Source: Danise Henriquez, Tax Collector, Monroe County, Florida.

City of Key West, Florida

**Table 6  
Principal Taxpayers**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Value</u>	<u>Percent of Total Assessed Valuation</u>
Casa Marina	Resort Hotel	\$57,302,161	1.69
Hilton Resorts and Marina	Resort Hotel	38,857,543	1.15
Pier House	Resort Hotel	29,358,197	0.87
Sheraton Suites	Resort Hotel	27,720,848	0.82
Southernmost Beach LP	Resort Hotel	25,929,378	0.77
Southern Bell	Utility	24,324,260	0.72
Holiday Inn Key West	Resort Hotel	22,053,094	0.66
Reach	Resort Hotel	22,045,307	0.66
Ocean Key House	Resort Hotel	20,242,234	0.60
Hyatt Key West	Resort Hotel	20,033,365	0.60
Ocean Walk	Apartments	17,314,083	0.51
Hampton Inn	Resort Hotel	16,811,410	0.50
Overseas Market	Shopping Center	14,467,450	0.43
La Concha	Resort Hotel	14,243,293	0.42
Quality Inn	Resort Hotel	11,343,825	0.34
Key Plaza Shopping Center	Shopping Center	8,794,319	0.26
SearsTown	Shopping Center	7,953,217	0.24
	Totals	<u>\$378,793,984</u>	<u>11.24</u>

Source: Ervin Higgs, Property Appraiser, Monroe County, Florida.

City of Key West, Florida

**Table 7**  
**Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita**  
**For the last ten fiscal years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Net Assessed Value (2) (000's)</b>	<b>Gross Bonded Debt (3)</b>	<b>Debt Service Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1994	26,417	\$1,798,357	-	-	-	-	-
1995	26,842	\$1,722,168	-	-	-	-	-
1996	27,009	\$1,805,334	-	-	-	-	-
1997	27,305	\$2,069,631	-	-	-	-	-
1998	27,522	\$2,162,799	-	-	-	-	-
1999	27,698	\$2,386,667	-	-	-	-	-
2000	25,478	\$2,688,021	-	-	-	-	-
2001	(4)	\$2,994,471	-	-	-	-	-
2002	25,853	\$3,363,029	-	-	-	-	-
2003	25,811	\$3,651,348	-	-	-	-	-

- (1) Source: City of Key West Planning Department.
- (2) Figures are from Table 4 of this Statistical Section.
- (3) Gross bonded debt amount here excludes revenue bonds.
- (4) Population information for fiscal year 2001 is unavailable.

City of Key West, Florida

**Table 8**  
**Ratio of Annual Debt Service Expenditures for**  
**General Obligation Bonded Debt**  
**to Total General Governmental Expenditures (1)**  
**For the last ten fiscal years**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditure</u>
1994	-	-	-	\$18,758,829	-
1995	-	-	-	\$20,081,224	-
1996	-	-	-	\$19,206,241	-
1997	-	-	-	\$20,789,297	-
1998	-	-	-	\$23,161,365	-
1999	-	-	-	\$24,436,123	-
2000	-	-	-	\$25,518,124	-
2001	-	-	-	\$24,578,307	-
2002	-	-	-	\$26,604,062	-
2003	-	-	-	\$28,781,072	-

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

(2) General expenditures include General Fund only.

City of Key West, Florida

**Table 9**  
**Computation of Direct and Estimated Overlapping Debt**  
**September 30, 2003**

	Debt Outstanding	Applicable to City of Key West	
		Percentage	Amount
Direct debt:			
City of Key West (1)	\$ -	100.00%	\$ -
Estimated overlapping debt:			
Monroe County, District School Board (2)	\$ 21,525,000	32.25% (3)	\$ 6,940,768
Total ad valorem tax supported debt	<u>\$ 21,525,000</u>		<u>\$ 6,940,768</u>
<u>Ratios:</u>			
Overall debt to 2003 taxable valuation			0.21%
Overall debt per capita			\$ 268.47

- (1) City of Key West direct debt does not include revenue bonds.
- (2) Monroe County School Board debt is as of June 30, 2003
- (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 10**  
**Revenue Bond Coverage**  
**Sanitary Sewer System Fund**  
**For the last ten fiscal years**  
(In Thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1994	\$10,315	\$4,632	\$5,683	\$200	\$1,055	\$1,255	4.53
1995	\$10,395	\$4,735	\$5,660	\$420	\$1,804	\$2,224	2.54
1996	\$8,624	\$4,544	\$4,080	\$435	\$1,792	\$2,227	1.83
1997	\$11,090	\$4,908	\$6,182	\$445	\$1,776	\$2,221	2.78
1998	\$11,112	\$5,003	\$6,109	\$465	\$1,759	\$2,224	2.75
1999	\$11,610	\$9,867	\$1,743	\$485	\$1,739	\$2,224	0.78
2000	\$14,671	\$6,717	\$7,954	\$505	\$1,718	\$2,223	3.58
2001	\$13,168	\$6,485	\$6,683	\$525	\$1,695	\$2,220	3.01
2002	\$10,855	\$6,205	\$4,650	\$550	\$1,671	\$2,221	2.09
2003	\$10,588	\$6,448	\$4,140	\$575	\$1,732	\$2,307	1.79

- (1) Total revenues include interest and grant income.
- (2) Total operating expenses include nonoperating expenses-other, and exclude depreciation and amortization.  
Operating expenses in fiscal year 1999 included a non-cash loss on disposal of \$4.5 million.
- (3) Debt service shown above includes principal and interest of revenue bonds only.

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# City of Key West, Florida

**Table 11**  
**Demographic Statistics**  
**For the last ten fiscal years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (1)</b>	<b>Median Age (1)</b>	<b>Education Level (2)</b>	<b>Public School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
1994	26,417	\$12,539	34	N/A	4,092	3.7%
1995	26,842	\$13,305	34	N/A	4,175	3.4%
1996	27,009	\$15,547	34	N/A	4,085	2.7%
1997	27,305	\$22,421	34	N/A	4,285	2.4%
1998	27,522	\$28,959	40	N/A	4,087	2.2%
1999	27,698	\$29,657	40	N/A	4,073	2.0%
2000	25,478	N/A	39	N/A	4,027	2.0%
2001	N/A	N/A	N/A	N/A	4,063	N/A
2002	25,853	\$35,423	43	N/A	4,063	N/A
2003	25,811	\$35,423	39	N/A	4,056	2.3%

(1) Sources: City of Key West Planning Department and Bureau of Economic and Business Research, University of Florida.

(2) No Data was available for the City of Key West or Monroe County.

(3) Source: Monroe County School Board.

(4) Source: FDLES, Bureau of Labor. Market information was calculated by calendar year.

Note: Fiscal year 2001 information was unavailable.

**City of Key West, Florida**

**Table 12**  
**Property Value, Construction, and Bank Deposits**  
**For the last ten fiscal years**  
(Dollars in Thousands)

Fiscal Year	Property Value (1)			Construction (2)		Bank Deposits (3)
	Real/Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Number of Permits	Value	
1994	\$3,364,210	\$1,565,853	\$1,798,357	3,995	\$52,963	\$408,523
1995	\$3,441,487	\$1,719,319	\$1,722,168	4,328	\$100,905	\$337,043
1996	\$3,581,882	\$1,776,548	\$1,805,334	5,322	\$79,070	\$371,261
1997	\$3,693,458	\$1,623,827	\$2,069,631	4,740	\$85,649	\$364,913
1998	\$4,084,643	\$1,921,844	\$2,162,799	4,847	\$73,331	\$396,620
1999	\$4,469,712	\$2,083,045	\$2,386,667	5,779	\$114,175	\$410,398
2000	\$5,627,321	\$2,939,300	\$2,688,021	5,423	\$247,173	\$454,990
2001	\$6,081,539	\$3,087,068	\$2,994,471	6,308	\$769,332	\$515,952
2002	\$6,199,879	\$2,836,850	\$3,363,029	5,251	\$253,354	\$566,652
2003	\$6,612,222	\$2,631,664	\$3,980,558	6,484	\$86,694	\$626,458

(1) Figures here are derived from Table 4 of this Statistical Section.

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

(3) Source: Florida Bankers Association

# City of Key West, Florida

## Table 13 Miscellaneous Statistics September 30, 2003

Date of incorporation	1828
Form of government	Commission-Manager
Number of employees (excluding fire and police)	339
Area in square miles	5
<b>City of Key West facilities and services:</b>	
Miles of streets	85
Number of street lights	2,566
Number of traffic lights	61
<b>Culture and recreation:</b>	
Parks	8
Golf courses	1
Community swimming pools	1
Tennis courts	5
Ball fields	9
Museums	8
Libraries	1
Number of volumes	70,000
<b>Fire protection:</b>	
Number of stations	4
Number of fire trucks	6
Number of fire personnel	68
<b>Police protection:</b>	
Number of stations	1
Number of patrol units (including motorcycles)	100
Number of police personnel	78
<b>Sewerage system:</b>	
Miles of sanitary sewers	57
Miles of storm sewers	10
Number of treatment plants, operational 1990	1
Permitted sewage treatment capacity (annual average)	10.0 MGD
<b>Water system:</b>	
Miles of water mains	98
Number of service connections	12,116
Number of fire hydrants	311
Daily average consumption in gallons	12.9 MGD
<b>Education:</b>	
Number of public elementary schools	5
Number of public middle schools	1
Number of public secondary schools	1
Number of private schools	4
Public school enrollment	4,056
<b>Hospitals:</b>	
Number of hospitals	1
Number of patient beds	167
<b>Ambulance services:</b>	
Number of providers	1
Number of units	5

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

The Honorable Mayor  
and City Commissioners  
City of Key West, Florida

Jack D. Niles, Jr., C.P.A.  
Guy A. Willis, C.P.A.  
Sharon A. Moore, C.P.A.

We have audited the financial statements of City of Key West, Florida, as of and for the year ended September 30, 2003, and have issued our report thereon dated May 12, 2004. 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.

### Compliance

As part of obtaining reasonable assurance about whether City of Key West, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of City of Key West, Florida in a separate letter dated May 12, 2004.

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### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Key West, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of City of Key West, Florida in a separate letter dated May 12, 2004.

This report is intended solely for the information and use of the Mayor, City Commission members and management of the City of Key West, Florida, the Auditor General, State of Florida, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Niles, Willis & Moore, P.A.*  
NILES, WILLIS & MOORE, P.A.

May 12, 2004



**City of Key West, Florida**  
**Schedule of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**For the Year Ended September 30, 2003**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	CSFA Number	Federal or State Grant Contract Number	Expenditures
<b>FEDERAL AWARDS</b>				
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>				
<b>National Oceanic and Atmospheric Administration</b>				
Coastal Impact Assistance Program	11.419	N/A	G0005	\$ 200,000
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>				
<b>Direct Program:</b>				
Housing Opportunities for Persons with AIDS	14.241	N/A	FLH010021	535,629
<b>Pass-through Florida Department of Community Affairs</b>				
Community Development Block Grant - Small Cities	14.219	N/A	99DB-4Z-11-54-02-E74	2,266
Community Development Block Grant - State Program	14.228	N/A	04DB-1Q-11-54-02-H02	9,327
<b><u>U.S. DEPARTMENT OF INTERIOR</u></b>				
<b>National Park Service</b>				
<b>Pass-through Florida Department of State</b>				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	F0308	391
<b>Fish and Wildlife Service</b>				
<b>Pass-through Florida Department of Environmental Protection</b>				
Clean Vessel Act	15.616	N/A	LE389	50,000
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<b>Direct Programs:</b>				
Local Law Enforcement Block Grant	16.592	N/A	2000-LB-BX-0445	3,298
Local Law Enforcement Block Grant	16.592	N/A	2001-LB-BX-2238	6,107
Bulletproof Vest Partnership Program	16.607	N/A	01008275	1,733
Bulletproof Vest Partnership Program	16.607	N/A	02012832	4,232
<b>Pass through South Florida HIDTA:</b>				
High Intensity Drug Trafficking	16.592	N/A	I2PMIP5114	17,707
High Intensity Drug Trafficking	16.592	N/A	I3PMIP5114	28,191
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<b>Pass through Florida Department of Transportation:</b>				
Highway Planning and Construction	20.205	N/A	AL108	218,680
Port Security Program	20.401	N/A	DTMA1G02070	386,228
Formula Grants for Other Than Urbanized Areas	20.509	N/A	AN239	141,342
Formula Grants for Other Than Urbanized Areas	20.509	N/A	A1254	1,843,810
State and Community Highway Safety	20.600	N/A	AM807	23,399
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>				
<b>Pass through Florida Department of Community Affairs:</b>				
Flood Mitigation Assistance Program Funds	83.536	N/A	03-FM-59-115402333	8,726
Public Assistance Grants	83.544	N/A	99-RM-23-115402043	602,609
Hazard Mitigation Grant	83.548	N/A	01-HM-4L-115415037	61,610
Hazard Mitigation Grant	83.548	N/A	01-HM-4L-115415044	397,105
Hazard Mitigation Grant	83.548	N/A	01-HM-3N-115415005	98,096
Hazard Mitigation Grant	83.548	N/A	01-HM-3N-115415004	255,237
Hazard Mitigation Grant	83.548	N/A	03-HM-4L-115402002	219,503
Hazard Mitigation Grant	83.548	N/A	03-HM-4L-115402003	101,714
Hazard Mitigation Grant	83.548	N/A	01-HM-4L-115415023	36,336
<b>Total Federal Awards Expenditures</b>				<b>\$ 5,253,276</b>

**City of Key West, Florida**  
**Schedule of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**For the Year Ended September 30, 2003**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	CSFA Number	Federal or State Grant Contract Number	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>				
<b><u>FLORIDA DEFENSE INFRASTRUCTURE</u></b>				
Enterprise Florida, Inc.	N/A	31.003	DIG-00-07	42,001
Enterprise Florida, Inc.	N/A	31.003	DIG-00-06	6,380
Enterprise Florida, Inc.	N/A	31.003	DIG-00-04	187,726
Enterprise Florida, Inc.	N/A	31.003	CDG-01-11	4,292
<b><u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u></b>				
Beach Erosion Control Program	N/A	37.003	01M01	11,534
Florida Recreation Development Assistance Program	N/A	37.017	F02218	64,601
Surface Water Restoration and Wastewater Projects	N/A	37.039	LP0334	1,281,554
<b><u>FLORIDA DEPARTMENT OF STATE</u></b>				
Acquisition, Restoration of Historic Properties	N/A	45.032	SC236	66,518
<b><u>FLORIDA DEPARTMENT OF TRANSPORTATION</u></b>				
Seaport Grants	N/A	55.005	AM950	68,540
Seaport Grants	N/A	55.005	AM951	195,469
Public Transit Block Grant Program	N/A	55.010	AL504	39,971
Public Transit Service Development Program	N/A	55.012	AM090	37,748
Intermodal Development Program	N/A	55.014	AL108	947,525
Urban Capital	N/A	55.017	AN195	37,500
<b>Total State Financial Assistance Expenditures</b>				<b><u>\$ 2,991,359</u></b>

# City of Key West, Florida

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance For the Year Ended September 30, 2003

### 1. Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Key West, Florida (the City), except as described below.

The City's reporting entity is defined in Note 1 to the City's general-purpose financial statements. The City's reporting entity includes the Key West Housing Authority (KWHHA) which receives federal financial assistance directly from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Health and Human Services (HHS). KWHHA's federal financial assistance has been excluded from the accompanying Schedule of Expenditures of Federal Awards based on the following:

- a) This federal financial assistance is already being reported to HUD directly by KWHHA. This reporting includes annual financial and compliance audits in accordance with HUD guidelines; and
- b) Although the governmental accounting rules require the inclusion of KWHHA in the City's general-purpose financial statements, KWHHA is still a separate legal entity controlled by a separate board and separate management.

During the year ended December 31, 2002 (KWHHA's most recently audited fiscal year), KWHHA received \$2,957,848 of federal financial assistance from HUD. KWHHA received \$229,406 from state sources during the same time period.

All other federal financial assistance passed through other government agencies is included on the accompanying schedule.

The total amount paid to subrecipients with federal funds was \$505,534 from the Housing Opportunities for Persons with AIDS federal program and \$8,726 from the Flood Mitigation Assistance Program. Other federal programs do not utilize subrecipients. There were no subrecipients from state financial assistance programs.

### 2. State Financial Assistance

The accompanying Schedule of State Financial Assistance presents the activity of all financial assistance projects provided to the City by the State of Florida, including pass-through of federal financial assistance.

### 3. Basis of Accounting / Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting, described in Note 1 to the City's general-purpose financial statements. A summary of significant accounting policies also appears under that note.

### 4. Summary Schedule of Prior Audit Findings

Federal Programs – None

State Projects – None

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

The Honorable Mayor  
and City Commissioners  
City of Key West, Florida

Jack D. Niles, Jr., C.P.A.  
Guy A. Willis, C.P.A.  
Sharon A. Moore, C.P.A.

2432 Flagler Avenue  
Key West, FL 33040  
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**Compliance**

We have audited the compliance of the City of Key West, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *State of Florida, Executive Office of the Governor's State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003. The City of Key West, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedules of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Key West, Florida's management. Our responsibility is to express an opinion on the City of Key West, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Key West, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Key West, Florida's compliance with those requirements.

In our opinion, the City of Key West, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003.

**Internal Control Over Compliance**

The management of the City of Key West, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Key West, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Members:  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accountants

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Commission members and management of the City of Key West, Florida, the Auditor General, State of Florida, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Niles, Willis & Moore, P.A.*  
**NILES, WILLIS & MOORE, P.A.**

May 12, 2004

**City of Key West, Florida  
 Schedule of Findings and Questioned Costs  
 Relating to Federal Awards  
 For the Year Ended September 30, 2003**

**Section I -- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified not considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified not considered to be material weaknesses? None

Type of auditors' report issued on compliance for major programs? Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Transportation
		Pass-through Florida Department of Transportation
	20.401	Port Security Program
		Federal Emergency Management Agency
		Pass-through Florida Department of Community Affairs
	83.548	Hazard Mitigation

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II -- Financial Statement Findings**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Section III -- Federal Award Findings and Questioned Costs**

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

**City of Key West, Florida**  
**Schedule of Findings and Questioned Costs**  
**Relating to State Financial Assistance**  
**For the Year Ended September 30, 2003**

**Section I -- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

    Reportable condition(s) identified? No

    Reportable condition(s) identified considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

**State Financial Assistance Awards**

Internal control over major projects:

    Reportable condition(s) identified? No

    Reportable condition(s) identified considered to be material weaknesses? None

Type of auditors' report issued on compliance for major projects? Unqualified

Any audit findings disclosed that are required to be reported in accordance with  
*Rules of the Auditor General*, Chapter 10.554 (1) (j) (4)? No

Findings required to be reported in a management letter pursuant to  
*Rules of the Auditor General*, Chapter 10.554 (1) (g)? None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
	37.039	Florida Department of Environmental Protection Surface Water Restoration and Wastewater projects
	55.014	Florida Department of Transportation Intermodal Development Program

Dollar threshold used to distinguish between Type A and Type B projects: \$300,000

**Section II -- Financial Statement Findings**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Section III -- State Financial Assistance Findings and Questioned Costs**

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554 (1) (j) (4).