

City of Key West Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
September 30, 2010



City of Key West, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

Prepared by:

Department of Finance
City of Key West

City of Key West, Florida

Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2010

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Introductory Section

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THE CITY OF KEY WEST

P.O. BOX 1409
KEY WEST, FL 33041-1409
KEYWESTCITY.COM

525 Angela Street
Key West, FL 33040

March 31, 2011

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, 2010, 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 the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

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

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe, McCullough & Co., LLP., CPA's and they have issued an unqualified opinion on the financial statements for the Fiscal Year ended September 30, 2010.

Generally accepted accounting principles (GAAP) require 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, solid waste, stormwater, marina, and mass transit services through enterprise funds.

Key to the Caribbean – Average yearly temperature 77 ° F.

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 Officers and Firefighters 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 originally created to facilitate the transfer of surplus naval property in the City of Key West. Subsequent to the transfer, the LRA manages the property in accordance with conveyance regulations. The LRA is presented in the financial statements as a special revenue fund.

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 425,000 annually in free sewer, sanitation, and stormwater 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 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 which comprise most of inhabited Monroe County. As evidenced below, tourism has slowly begun to improve.

The average hotel occupancy rate for the calendar year 2010 was 78.1%, which is slightly up from the previous calendar years of 77.2% in 2009 and 75.2% in 2008. Tourists arriving at Key West International Airport for Fiscal Year 2010 numbered 278,000, compared to 229,000 and 222,000 for the years 2009 and 2008, respectively.

A further economic indicator is cruise ship passenger disembarkments. Cruiseship passengers numbered 850,000 for 2010, as compared to 862,000 and 734,000 in 2009 and 2008, respectively. The downward trend appears to have leveled off and recovered from the 2008 low, a trend that had continued since the peak of 1,008,000 in 2005.

Most community leaders agree that tourism is the current and future foundation of the local economy. City user fees, sales tax revenue, gas tax proceeds, parking revenues and cruise ship disembarkation fees continue to provide a significant portion of total City government revenues. If Key West remains a desirable tourist destination, the revenue base will remain strong.

Recent declines in tourist volumes and overall economic conditions have stretched the City financial resources. In 2008 the City began to see a leveling off in the decline in tourism activity. Most tourism related revenues showed little growth or actually receded for the first time in many years. This trend however appears to be reversing for the year. As the country appears to be slowly recovering from the 2008 – 2009 recession, an increase in tourism activities appears evident based upon reporting statistics.

In the past the City has always fared favorably from the effects of the national economy due to its strong tourism base. However, the past few years have been very lean for the businesses and City government alike.

The City began its Fiscal Year 09-10 budget process in the middle of the 2009 Fiscal Year, a time when most of its major revenues sources were falling. The City had to be very conservative in the preparation of the 2010 budget

The factors below affected the development of the Fiscal Year 2009-10 budget. The downturn in the economy and the housing market has had a significant effect on the revenues of the City's General Fund.

Property values have declined from \$ 6,630,635,000 budgeted value in 2009 to \$ 5,858,474,000 budgeted value in 2010, a decline in property values of 12%, thereby creating the need for an increase to the millage rate to simply generate the same ad valorem tax revenue as the prior year.

Shared state revenues are another major revenue source for the City. According to state projections and current trends, the three major state revenue sources were projected to be lower than the previous year's budget. The half-cent sales tax down 15%, gas tax down 8% and discretionary sales tax down 13%.

In the Fiscal Year 2008-09 budget the City faced serious shortfalls. With the majority of the General Fund expenditures (72%) in personnel costs, some of which continue to rise for pension cost and health insurance, budget balancing had to come through a reduction in the number of full time positions. In order to reduce expenditures, 21 full time equivalent positions had to be eliminated.

With extraordinary cuts made to the Fiscal Year 2009 personnel budget, specific programs slated for the Fiscal Year 2010 budget had to be targeted for elimination or modification.

One such measure was the School Crossing Guard program. This program had been performed through a contract with the Monroe County Sheriff's Office. It was recommended that the City perform this program in house at a savings of approximately \$ 190,000. Other savings included eliminating a vacant contract's manager position, reduction in personnel cost in Code Compliance due to impending retirements and the savings realized from the favorable pricing obtained in the remarketing of the City's insurance programs.

After these and other adjustments were made, the City was still looking at a 2.5% increase above roll back in ad valorem taxes to balance the budget without the use of operating reserves. Due to local economic conditions and the associated hardships being felt by citizens and businesses alike, the City Commission wanted to pass a budget that did not have a tax increase. In order to achieve such, the City Commission authorized the use of approximately 3 days or \$ 315,000 of fund balance reserves.

After the General Fund was balanced, the Fiscal Year 2009-10 budget had increased 3% above prior year.

While the City of Key West is vulnerable to hurricanes every summer, it has not experienced a major event since Hurricane Wilma in 2005. However, another disaster threatened the Keys during the summer months of 2010, the Deep Water Horizon oil spill.

In April 2010 an explosion on an oil rig in the northern gulf triggered a massive oil spill that was not capped until July 2010. While no oil ever reached the Keys, the Keys were under threat of economic and environmental damage throughout the disaster period. While this had a negative effect to the Keys economy, during the period, the City feels that what could have been a major economic disaster was averted.

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. 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 Community Development Office Fund, and 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, debt service, aids to private organizations, and transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts expire at year-end but are reappropriated from carryforward amounts only if the amounts encumbered are material and the current years' budget is insufficient to absorb these commitments.

Relevant Financial Policies

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

Revenue Policy

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

Cash Management and Investments Policy

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

Cash temporarily idle during the year was primarily invested in Federal agency issues, non-negotiable certificate of deposits, and the City's bank deposit account. The maturities of the investments range from one to five years, with an average maturity of 1.63 years.

Debt Policy

The City seeks to maintain the highest bond rating to minimize borrowing costs. Debt is issued when necessary to finance capital projects, but is never used for current operations. The City reviews and evaluates its existing obligations and future borrowing needs regularly. During fiscal year 2010, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 (\$ 9,142,446). The proceeds from this indebtedness were used to currently refund the existing Marina Revenue Bonds, Series 1997. The City currently refunded the Series 1997, to reduce its total debt service over the next eight years by approximately \$ 758,200 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$ 661,400.

Fund Balance Policy

During fiscal year 2010, the City adopted a fund balance policy to ensure adequate fund balance and reserves for the City's governmental funds. The intent of this policy is to 1) provide sufficient cash flow for daily financial needs; 2) secure and maintain investment grade bond ratings; 3) offset significant economic downturns or revenue shortfalls; and 4) provide funds for unforeseen expenditures related to emergencies.

Major Initiatives

First quarter performance for Fiscal Year 10-11 is tracking well within established budgetary numbers. Tourism dependent revenues appear to be trending upward. The City was also the beneficiary of significant American Recovery and Reinvestment Act grant proceeds and has numerous storm water infrastructure projects ongoing. The City hopes the worst is over as tourism appears to be slowly recovering.

One of the most significant initiative funded in the FY 2010-11 is the renourishment of the City largest bathing beach Smather Beach. The project includes placing approximately 12,800 cubic yards of sand on the beach. The total project costs are estimated to be \$ 903,000 with over half being funded through grants from the Monroe County Tourist Development Council and the Florida Department of Environmental Protection.

For years, the City has been transferring infrastructure surtax proceeds for the construction of a new administration building to replace the current City Hall, City Hall Annex and Fire Station #2; the last scheduled payment will be made for this project in 2011. Steps are currently being taken to move current services to temporary accommodations so agency buildings can be demolished and new infrastructure planned.

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, 2009. This was the twenty-fourth 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.

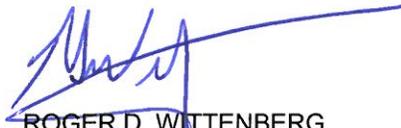
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for certification.

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 responsible, progressive manner.

Respectfully submitted,


JIM SCHOLL
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, 2009

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.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

City of Key West, Florida

List of Principal Officials

Elected Officials

Mayor	Craig Cates
Commissioner	Jimmy Weekley
Commissioner	Mark Rossi
Commissioner	Billy Wardlow
Commissioner	Barry Gibson
Commissioner	Teri Johnston
Commissioner	Clayton Lopez

Appointed Officials

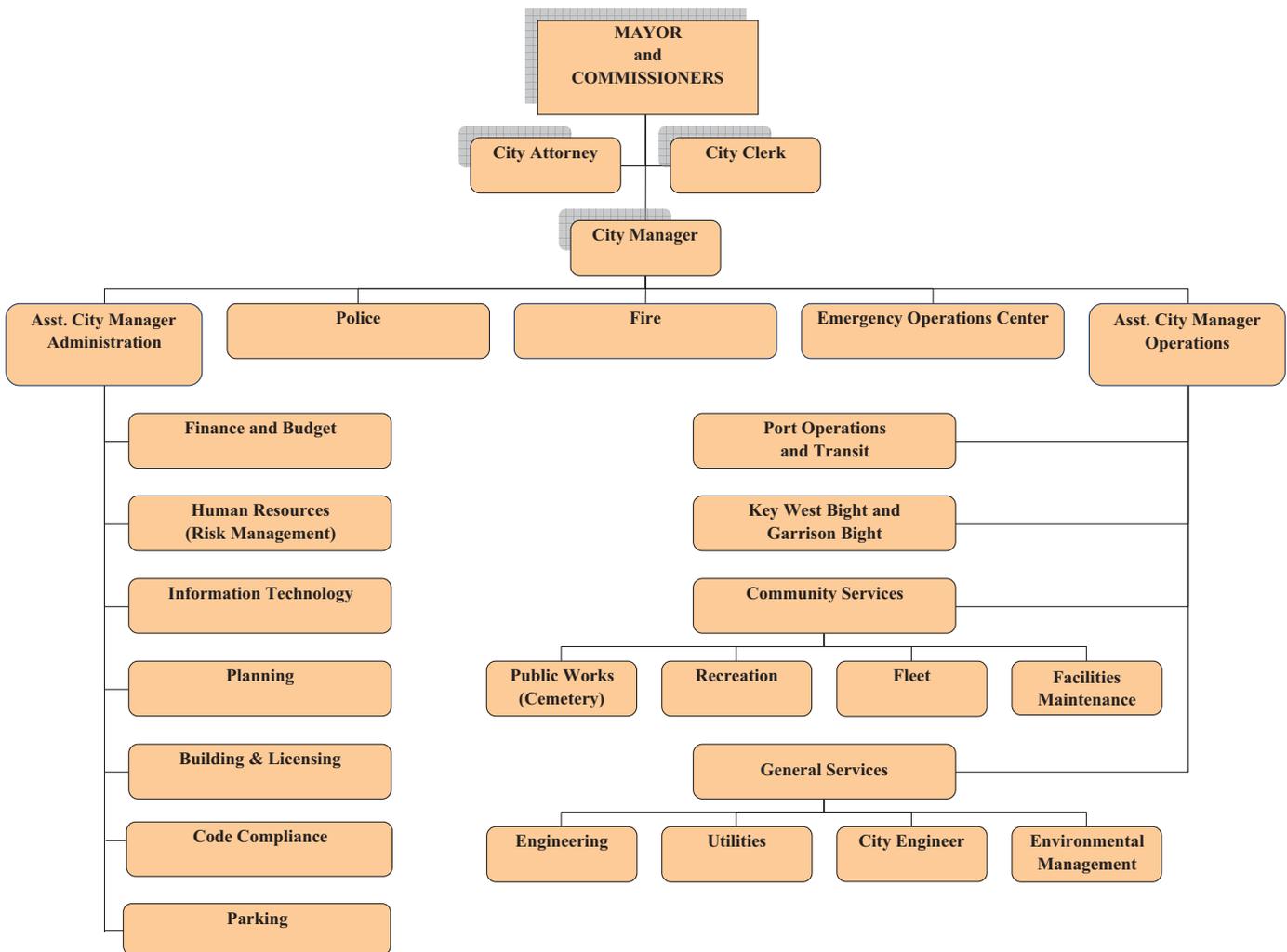
City Manager	Jim Scholl
City Clerk	Cheri Smith
City Attorney	Shawn Smith

Department Directors

Assistant City Manager - Administration	Mark Finigan
Assistant City Manager – Operations	E. David Fernandez
Building	John Woodson
Police Chief	Donald Lee, Jr.
Community Services	Greg Veliz
General Services	Vacant
Finance	Roger Wittenberg
Fire Chief	David Fraga
Human Resources	Sandy Gilbert
Management Information Systems	Patti McLauchlin
Planning	Amy Kimball-Murley
Port & Transit	Jim Fitton

CITY OF KEY WEST, FLORIDA

ORGANIZATIONAL CHART



City of Key West, Florida

VISION

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

MISSION

To preserve and protect our island.

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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commissioners and City Manager
City of Key West, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Key West, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 59%, 57%, and 56%, respectively, of the assets, net assets, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and the Infrastructure Surtax Fund 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 March 31, 2011, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the analysis of funding progress on pages 3 through 13 and 75 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Key West, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2011

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

On behalf of the City of Key West, Florida, management presents, to the readers of the City's financial statements, this narrative overview and analysis of financial activities for the Fiscal Year ending September 30, 2010. 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 i and the City's financial statements which begin on page 14.

Financial Highlights

- Total assets of the City exceeded its liabilities at the close of Fiscal Year 2010 by \$ 267,376,000, an increase of \$ 20,197,000 from the prior year. The majority of this increase is being generated in the City's Sanitary Sewer System (\$ 2.3 million), Stormwater (\$ 5.5 million) and Key West Bight (\$ 2.8 million) enterprise funds and its General Fund and sole Capital Projects Fund.
- During the year, the City had revenues of \$ 20,642,000 in governmental activities generated by program revenues and \$ 31,254,000 in general revenues for governmental activities resulting in total revenues of \$ 7,433,000 less than last fiscal year (Table 2). A significant portion of this decrease is in the Community Development Office Fund where, in the prior year, major community development block grants were received for use in the rehabilitation of various affordable housing complexes in Key West. All other governmental revenues were slowly recovering as a direct result of the flat, but improving, economic conditions affecting the entire country. The lone exception to recovery is interest earnings which continue to earn some of the lowest rates of all time.
- The General Fund reported an increase in fund balance of \$ 2,566,000, as all budgeted revenue categories recorded positive budget variances due to the improving economy for a total positive revenue variance of \$ 2,181,000.
- Business type unrestricted net assets increased by \$ 2,947,000 or 24.5 percent while total net assets increased by \$ 11,402,000 or 9.3 percent. The increase in unrestricted net assets is mainly due to the Key West Bight Fund having a successful operating year and also receiving a one-time \$ 900,000 settlement due to a tenant's early termination of their lease. The rest of the increase is in investment in capital assets, net of related debt, due to capital grant proceeds received in the Sanitary Sewer System and Stormwater Fund.

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 14 through 17) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 18. 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 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 solely acts as a trustee.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during Fiscal Year 2009-10?" 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 infrastructure, to assess the overall health of the City.

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

In the Statement of Net 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 and parks departments, as well as, general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit systems, as well as, City marina facilities are reported here.
- **Component units:** The City includes one separate legal entity in its report - The Housing Authority of the City of Key West, Florida (KWA). The KWA's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWA and is responsible to refund withdrawals from certain debt service accounts of the KWA, as more fully described in Note 12 of this report. KWA is considered a component unit of the City and is presented discretely in these financial statements.

Reporting the City's Most Significant Funds

The fund financial statements for each City fund begin on page 18 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help 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 types of funds (governmental and proprietary) use different accounting approaches.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

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

The City as Trustee

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

The City as a Whole

The City's combined net assets increased from \$ 247,179,000 to \$ 267,376,000 or 8.2 percent. The increase in the Governmental Activities is due to favorable operating results for the fiscal year as the economy begins to improve. The Capital Projects Fund continues to accumulate resources from transfers from the Infrastructure Surtax Fund for the acquisition/construction of a new City administration building.

The increase in Business-Type Activities net assets is mainly from capital acquisitions financed with proceeds of capital grants primarily from the Army Corps of Engineers for Sewer and Stormwater improvement projects.

Total net assets are comprised of \$ 202,274,000 invested in capital assets, net of related debt, \$ 35,582,000 restricted for capital projects, transportation, recreation and other purposes, and \$ 29,520,000 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.

**CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

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

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Current and other assets	\$ 61,569	\$ 59,429	\$ 30,227	\$ 27,330	\$ 91,796	\$ 86,759
Capital assets	<u>86,385</u>	<u>83,653</u>	<u>151,914</u>	<u>144,916</u>	<u>238,299</u>	<u>228,569</u>
Total assets	147,954	143,082	182,141	172,246	330,095	315,328
Long-term debt outstanding	1,173	1,320	34,296	35,886	35,469	37,206
Other liabilities	<u>14,004</u>	<u>17,780</u>	<u>13,246</u>	<u>13,163</u>	<u>27,250</u>	<u>30,943</u>
Total liabilities	15,177	19,100	47,542	49,049	62,719	68,149
Net assets:						
Invested in capital assets, net of debt	86,385	83,653	115,889	107,394	202,274	191,047
Restricted	31,822	30,675	3,760	3,800	35,582	34,475
Unrestricted	<u>14,570</u>	<u>9,654</u>	<u>14,950</u>	<u>12,003</u>	<u>29,520</u>	<u>21,657</u>
Total net assets	\$ <u>132,777</u>	\$ <u>123,982</u>	\$ <u>134,599</u>	\$ <u>123,197</u>	\$ <u>267,376</u>	\$ <u>247,179</u>

Net assets of the City's governmental activities are comprised of \$ 14,570,000 in unrestricted net assets - the part of net assets that can be used to finance day-to-day operations of the General Fund and other governmental activities. This amount has increased \$ 4,916,000. The majority of this increase is due to an increase in the General Fund of \$ 2,566,000 and Capital Projects Fund of \$ 2,660,000 in fund balance during the year. General Fund's increase is the result of a good year operationally. The increase in the Capital Projects Fund is the result of a transfer of \$ 3,075,000 from the Infrastructure Surtax Fund to help accumulate reserves for the construction of new city administration offices. Restricted net assets of \$ 31,822,000 are restricted to comply with the requirements of the special revenue funds or other legal requirements. Governmental activities also have \$ 86,385,000 invested in net capital assets, net of related debt.

Net assets of the City's business type activities increased by 9.3 percent or \$ 11,402,000 and are comprised of \$ 14,950,000 in unrestricted net assets, \$ 3,760,000 in assets restricted for debt service and economic development (renewal and replacement), and \$ 115,889,000 invested in net capital assets, net of related debt. The increase is mainly from capital acquisitions from the use of capital grants. The main source was the Army Corps of Engineers for Sewer and Stormwater improvement projects.

**CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

**Table 2
Change in Net Assets
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Revenues:						
Program Revenues:						
Charges for services	\$ 12,316	\$ 11,613	\$ 31,947	\$ 32,350	\$ 44,263	\$ 43,963
Operating grants and contributions	5,414	4,295	2,026	420	7,440	4,715
Capital grants and contributions	<u>2,912</u>	<u>12,334</u>	<u>9,210</u>	<u>1,429</u>	<u>12,122</u>	<u>13,763</u>
General Revenues:						
Taxes: property and other	29,039	28,626	-	-	29,039	28,626
Intergovernmental	663	115	-	-	663	115
Investment income	750	1,745	259	642	1,009	2,387
Other revenues	<u>802</u>	<u>601</u>	<u>1,137</u>	<u>174</u>	<u>1,939</u>	<u>775</u>
Total revenues	<u>51,896</u>	<u>59,329</u>	<u>44,579</u>	<u>35,015</u>	<u>96,475</u>	<u>94,344</u>
Program Expenses:						
General government	13,393	13,611	-	-	13,393	13,611
Public safety	20,554	21,896	-	-	20,554	21,896
Physical environment	304	314	-	-	304	314
Transportation	3,586	3,711	-	-	3,586	3,711
Economic environment	5,249	14,622	-	-	5,249	14,622
Culture and recreation	2,152	2,314	-	-	2,152	2,314
Human services	393	409	-	-	393	409
Sanitary Sewer System	-	-	11,574	10,833	11,574	10,833
Solid waste	-	-	7,337	7,105	7,337	7,105
Stormwater	-	-	2,239	3,053	2,239	3,053
Marinas (Key West and Garrison Bight)	-	-	6,422	6,911	6,422	6,911
Transit	<u>-</u>	<u>-</u>	<u>3,076</u>	<u>3,581</u>	<u>3,076</u>	<u>3,581</u>
Total expenses	<u>45,631</u>	<u>56,877</u>	<u>30,648</u>	<u>31,483</u>	<u>76,279</u>	<u>88,360</u>
Excess before transfers	6,265	2,452	13,931	3,532	20,196	5,984
Transfers (net)	<u>2,530</u>	<u>1,876</u>	<u>(2,530)</u>	<u>(1,876)</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u>\$ 8,795</u>	<u>\$ 4,328</u>	<u>\$ 11,401</u>	<u>\$ 1,656</u>	<u>\$ 20,196</u>	<u>\$ 5,984</u>

The City's total revenues reported are \$ 96,475,000, which in part represents \$ 44,263,000 in charges for services and \$ 29,039,000 in property and other taxes. Total expenses of \$ 76,279,000 are reported.

**CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

Governmental Activities

Total revenues for the City's governmental activities of \$ 51,896,000 include \$ 12,316,000 in fees, fines and charges for services, as well as, \$ 29,039,000 in property, state shared and local taxes.

For the year, the City's governmental revenues decreased \$ 7,433,000 or a 12.5 percent decrease. The large decrease of \$ 9,422,000 in capital grants and contributions, as shown in Table 2, accounted for most of this decrease. The large decrease in capital grants was the result of Community Development Block Grants' revenue of \$ 8,852,000 that was accounted for in the Community Development Office - Special Revenue Fund in the prior year.

Charges for services increased slightly for the year or \$ 703,000. This, in addition to the prior year's increase of \$ 477,000, still leaves charges for services well below the single year decrease of \$ 1,570,000 experienced in the 07-08 fiscal year (mainly from a drop in building permit fee revenue). Also, taxes were up \$ 413,000 mainly as a result of recovering state shared sales tax and gas tax collections.

The cost of all governmental activities this year was \$ 45,631,000. However, as shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 15,644,000 because \$ 12,316,000 of the cost was paid for by those who directly benefited from the programs and other governments and organizations that subsidized certain programs with grants and contributions provided \$ 8,326,000. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

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

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

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 10	FY 09	FY 10	FY 09
General government	\$ 13,393	\$ 13,611	\$ (10,809)	\$ (10,889)
Public safety	20,554	21,896	(17,521)	(18,969)
Culture and recreation	2,152	2,314	(1,525)	(145)
Transportation	3,586	3,711	6,199	4,532
Economic environment	5,249	14,622	(773)	(3,091)
All others	697	723	(560)	(73)
Totals	<u>\$ 45,631</u>	<u>\$ 56,877</u>	<u>\$ (24,989)</u>	<u>\$ (28,635)</u>

**CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by 27.3 percent (\$ 35,015,000 in 2009 compared to \$ 44,579,000 in 2010). The majority of this increase is the result of an increase of \$ 7,781,000 in capital grants. The slight decrease in charges for services occurred as a result of charges for service being down in all funds except the Sanitary Sewer System Fund. The Sanitary Sewer System Fund was up as a result of increased billings to the Navy for on-going construction projects. All other utility fund revenues remained flat or decreased slightly. Expenses also decreased by 2.7 percent, or \$ 835,000, primarily as a result of a decrease in usage in the utility funds and a reduction of routes in the Transit Fund.

Financial analysis of the City's funds

As stated previously, the City of Key West uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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. As of September 30, 2010, the City's governmental funds reported combined fund balances of \$ 43,082,000, which is an increase of \$ 3,713,000 in comparison with the prior fiscal year. This substantial increase is due to the increase in General Fund and Capital Projects Fund net assets as described previously.

The General Fund is the chief operating fund of the City. As of September 30, 2010, the unreserved fund balance account in the General Fund was \$ 8,801,000, an increase of \$ 2,623,000 from the previous year. The major contributing factor is the positive revenue variance found in all budgeted categories. The largest favorable variance is in license and permits (building permits \$ 491,000) and charges for services (parking meters \$ 419,000), both a result of improving economic conditions. This unreserved fund balance amount represents 24 percent of the total General Fund Fiscal Year 2010 actual expenditures, an increase from 13 percent in the previous year.

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>	Unrestricted Net Assets (Deficit)	
	<u>FY 10</u>	<u>FY 09</u>
Sanitary Sewer System	\$ 3,123,000	\$ 3,331,000
Solid Waste	6,773,000	6,139,000
Stormwater	(2,961,000)	(1,576,000)
Key West Bight	6,961,000	3,973,000
Garrison Bight	1,127,000	1,081,000
Transit System	(72,000)	(945,000)

For the year ending September 30, 2010, the Sanitary Sewer System Fund unrestricted net assets decreased by \$ 208,000; however, total net assets increased by \$ 2,298,000 or 3.5 percent. The increase was a result of capital grants received from the Army Corps of Engineers for various sewer improvement projects, which increased invested in capital assets by \$ 2,478,000.

**CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

While Solid Waste Fund unrestricted net assets increased by \$ 634,000, total net assets remained relatively the same only increasing by \$ 162,000.

The Stormwater Fund unrestricted net assets decreased by \$ 1,385,000; however, invested in capital assets, net of related debt, increased \$ 6,906,000 mainly due to capital construction grants received from other agencies and construction funded from loans/advances from other funds.

The Key West Bight Fund had an increase in total net assets of \$ 2,829,000. Operating results at the Bight have improved along with improving economic conditions. The Bight also received a \$ 900,000 settlement as a result for allowing early termination to a major tenant's long term lease.

Fiscal Year 2009-10 General Fund Budgetary Highlights

During the Fiscal Year 2010, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases in excess of \$ 20,000 were approved by the City Commission.

Unlike the previous year, when General Fund revenues fell short of budget in 3 of its 8 major categories, revenues exceeded budget in all major categories for this fiscal year.

General Fund revenues in total exceeded the budgeted amount by \$ 2,181,000. Licenses and permits revenues were \$ 508,000 over the budget due to an increase in building permit applications. Intergovernmental revenue had a positive budget variance of \$ 713,000, \$ 543,000 of this amount was the result of a state pension payment that flows in and out through the General Fund to the Police Officers and Firefighters Pension Fund that was not budgeted. The balance of the increase in intergovernmental revenue was due to an increase in state shared revenue and governmental grants. Charges for services had a positive budget variance for the year of \$ 454,000 due to strong revenues reported in cruise ship and parking revenues.

Total General Fund expenditures were lower than the budget by \$ 839,000. When you factor in the not budgeted pension fund flow through mentioned above, the favorable variance was closer to \$ 1,382,000. The majority of this "favorable" variance was recognized in the various operating cost line items throughout the General Fund due to overall financial savings and cost cutting measures city-wide.

Capital Assets

At the end of Fiscal Year 2010, the City had \$ 238,299,000 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.)

**Table 4
Capital Assets at Year-end
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Land	\$ 53,187	\$ 53,187	\$ 18,681	\$ 18,681	\$ 71,868	\$ 71,868
Buildings and improvements	14,076	13,861	48,574	47,771	62,650	61,632
Equipment	18,573	17,151	17,190	17,243	35,763	34,394
Infrastructure	36,503	31,553	138,642	132,175	175,145	163,728
Construction in progress	2,607	2,729	10,437	4,351	13,044	7,080
Depreciation	<u>(38,561)</u>	<u>(34,828)</u>	<u>(81,610)</u>	<u>(75,305)</u>	<u>(120,171)</u>	<u>(110,133)</u>
Totals	<u>\$ 86,385</u>	<u>\$ 83,653</u>	<u>\$ 151,914</u>	<u>\$ 144,916</u>	<u>\$ 238,299</u>	<u>\$ 228,569</u>

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

In the governmental activities, major additions included \$ 3,310,000 in renovations and repairs to the City owned cruise port dock. Also, street and sidewalk reconstruction to a portion of Flagler Avenue was \$ 1,551,000.

In the business type activity funds, major additions included:

- The Sanitary Sewer System Fund recorded a new diffused air system for \$ 3,606,000, HVAC system for the administration building \$ 342,000 and \$ 250,000 for a new "Vector" truck.
- The Stormwater Fund incurred \$ 9,000,000 in construction in progress for various projects aimed at reducing flooding and standing water.
- The Garrison Bight Fund completed a major upgrade to Amberjack Pier for \$ 1,489,000 and new dingy dock restrooms for \$ 519,000.

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

Debt Administration

At year-end, the City had \$ 37,345,000 in bonds and notes outstanding, including unamortized losses on early retirement and premiums/discounts, as shown in Table 5:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Promissory note	\$ 1,320	\$ 1,467	\$ 3,488	\$ 3,735	\$ 4,808	\$ 5,202
Revenue Bonds and Notes	-	-	32,537	33,787	32,537	33,787
Totals	<u>\$ 1,320</u>	<u>\$ 1,467</u>	<u>\$ 36,025</u>	<u>\$ 37,522</u>	<u>\$ 37,345</u>	<u>\$ 38,989</u>

On December 18, 2009, the city entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the outstanding principal amount and interest of the City's Capital Improvement/Marina Revenue Refunding Bonds, Series 1997 (\$ 9,086,982) and to pay the costs of issuing (\$ 55,464) the 2009 note. The subject bonds were called January 19, 2010. The resulting refunding generated a net present value savings of \$ 661,400.

The note is payable solely and secured by a pledge of the net revenue of the facilities, the half-cent sales tax collections, and the moneys in certain funds and accounts "pledged revenues" created pursuant to this agreement. Interest is due semi-annually, at a rate of 3.37 percent, with principal due annually at installments ranging from \$ 144,400 to \$ 1,419,816 through maturity on December 1, 2017.

Other obligations include accrued vacation pay and sick leave (compensated absences) and insurance claims payable. More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

Economic Factors and Next Year's Budgets and Rates

Budget Preparation

The following factors affected the development of the Fiscal Year 2010-11 budget. The downturn in the economy and the housing market had a significant effect on the revenues of the City's General Fund.

Property values continued to decline from \$ 5,858,474,000 budgeted value in 2010 to \$ 5,002,445,000 budgeted value in 2011, a decline in property values of 15 percent, thereby creating the need for a significant increase to the millage rate to simply generate the same ad valorem tax revenue as the prior year.

As the economy has slowly begun to turn around, there has also been recovery in State Shared revenues. Shared state revenues are another major revenue source for the City. According to state projections and current trends, the City was able to add another \$ 200,000 to its state revenue projections from the previous year's budget.

Budgeted revenue from building permits fees, once a significant source of revenues to the General Fund, was down 49 percent to \$ 898,000 in 2010. During 2010, the permit applications have picked back up and 2011 projected revenues were estimated to be \$ 1,212,000 at the time of budget preparation. This allowed the 2011 budget to be set \$ 314,000 more than 2010.

Charges for services also showed renewed growth in the 2010 budget year with the majority of the \$ 559,000 budgeted 2011 increase coming from parking meter growth. Over the past 2 years, the City has continued to add parking pay stations (25) to replace its aging meter head change machines. Each pay station replaces 10-20 meter heads depending upon the City block. New pay stations accept both cash (bills and coins) and credit cards and this combination appears to be working extremely well, as consumers that may not have sufficient change to pay at the old meters are now using their credit cards to pay for parking.

With an improved revenue outlook entering the 2011 fiscal year, balancing the expenditures became a little easier. Included in the expenditures for 2011 was an additional \$ 370,100 for beach renourishment sand on the City's Smather Beach. In addition, the City placed \$ 300,000 in a salary reserve account to assist in the renegotiation of expiring union contracts.

Cost saving measures included fully automating the City's Mallory Square parking lot. By installing two of the pay station type parking machines mentioned above, the City was able to substantially reduce the staffing needed to run and maintain the parking lot saving \$ 300,000. The City manager's contingency budget was also reduced by \$ 50,000.

After these and other adjustments were made, the City was able to balance the budget at "roll back" in ad valorem tax. Due to local economic conditions and the associated hardships being felt by citizens and businesses alike, the City Commission wanted to pass a budget that would afford its citizens some sort of tax relief. In order to achieve such relief, the City Commission authorized the use of 5 days or \$ 616,000 of fund balance reserves. With the use of such reserves, the City was able to reduce its millage rate to 5 percent below the rolled back rate.

After the General Fund was balanced, the Fiscal Year 2010-11 budget had increased 4 percent above prior year.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

Economic Outlook

The economy of Key West has slowly begun to pick up in Fiscal Year 2009-10. Building permits and parking revenues, both good indicators of economic trends, picked up in 2010. Building permits rebounded in 2010 recording revenues of \$ 1,388,000, substantially up from the 10 year low of \$ 958,000 recorded in the prior fiscal year. Parking meters also increased substantially to \$ 1,696,000 from \$ 1,507,000.

As discussed previously in the transmittal letter, tourism statistics point to a recovering tourism economy. The average hotel occupancy rate for the calendar year 2010 was 78.1 percent, which is slightly up from the previous calendar years of 77.2 percent in 2009 and 75.2 percent in 2008. Tourists arriving at Key West International Airport for Calendar Year 2010 numbered 278,000, compared to 229,000 and 222,000 for calendar years 2009 and 2008, respectively. The daily cruise ship passenger disembarkments have a significant effect on the business sector. Cruise ship passengers numbered 850,000 for 2010, as compared to 862,000 and 734,000 in 2009 and 2008, respectively. The downward trend appears to have leveled off and recovered from the 2008 low, a trend that had continued since the peak of 1,008,000 in 2005.

The return of tourism will not only help the local economy but benefits the City directly. Many visitors drive down the scenic overseas highway from the mainland. Parking meters, parking fines, and parking lots account for almost 10 percent of the general fund revenue sources. With the increase, sales tax collections, gas tax collection, and other state shared revenues will slowly begin to recover. In addition, the City leases many properties which rely on tourism. Many of these leases include rents based on sales volume that directly benefit the City as the sales of food, beverages and merchandise increase.

With what appears to be a return of Key West's economy, the City's revenue base should stabilize once again. With this stabilization, the City feels it is well positioned to endure and eventually recover from this economic downturn that has affected the Country and Key West.

Contacting the City's Financial Management

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

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Basic Financial Statements

**City of Key West, Florida
Statement of Net Assets
September 30, 2010**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Assets:				
Current assets:				
Cash, cash equivalents, and investments	\$ 48,531,091	\$ 20,614,960	\$ 69,146,051	\$ 6,831,104
Cash equivalents and investments (restricted)	304,816	4,984,373	5,289,189	2,803,388
Accounts receivable (net of allowances)	938,936	2,662,656	3,601,592	56,580
Interest receivable	-	-	-	1,832
Intergovernmental receivables	3,845,774	4,078,373	7,924,147	213,647
Inventories	5,663	614,799	620,462	63,759
Prepaid items and other assets	123,594	29,076	152,670	400,704
Mortgage notes receivable	25,258	-	25,258	26,425
Internal balances	3,123,572	(3,123,572)	-	-
Total current assets	<u>56,898,704</u>	<u>29,860,665</u>	<u>86,759,369</u>	<u>10,397,439</u>
Noncurrent assets:				
Net pension assets	3,271,020	-	3,271,020	-
Capital assets:				
Land	53,186,804	18,681,034	71,867,838	8,774,707
Buildings and improvements	14,075,499	48,573,753	62,649,252	47,973,794
Infrastructure	36,503,385	138,641,667	175,145,052	1,167,753
Machinery, equipment and furniture	18,572,903	17,190,561	35,763,464	935,363
Accumulated depreciation	(38,560,967)	(81,609,536)	(120,170,503)	(20,640,289)
Construction in progress	2,607,176	10,436,508	13,043,684	9,158,656
Other, including loans and mortgage receivable	1,399,675	365,981	1,765,656	2,720,504
Total noncurrent assets	<u>91,055,495</u>	<u>152,279,968</u>	<u>243,335,463</u>	<u>50,090,488</u>
Total assets	<u>\$ 147,954,199</u>	<u>\$ 182,140,633</u>	<u>\$ 330,094,832</u>	<u>\$ 60,487,927</u>

The accompanying notes are an integral part of the financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses \$	948,167	\$ 1,950,077	\$ 2,898,244	\$ 1,809,825
Accrued payroll and related expenses	895,711	144,418	1,040,129	-
Unearned revenue	1,377,237	545,170	1,922,407	-
Intergovernmental	591,021	6,659,104	7,250,125	365,979
Deposits	99,285	-	99,285	-
Insurance claims payable	2,156,052	-	2,156,052	-
Compensated absences	921,882	125,055	1,046,937	26,712
Retainage payable	186,233	58,989	245,222	-
Due to fiduciary funds	379,619	-	379,619	87,667
Liabilities payable from restricted assets:				
Accrued interest	-	1,206,642	1,206,642	316,354
Bonds and notes payable	147,058	1,729,270	1,876,328	998,841
Other	-	40,000	40,000	334,187
Total current liabilities	7,702,265	12,458,725	20,160,990	3,939,565
Noncurrent liabilities:				
Notes payable	1,172,640	3,233,863	4,406,503	29,593,987
Revenue bonds payable, net	-	31,061,974	31,061,974	-
Insurance claims payable	2,196,390	-	2,196,390	-
Landfill closure cost payable	-	183,333	183,333	-
Compensated absences	2,262,992	191,998	2,454,990	240,403
OPEB liability	725,599	90,983	816,582	-
Other	1,116,818	321,175	1,437,993	2,233,636
Total noncurrent liabilities	7,474,439	35,083,326	42,557,765	32,068,026
Total liabilities	15,176,704	47,542,051	62,718,755	36,007,591
Net assets:				
Invested in capital assets, net of related debt	86,384,800	115,888,880	202,273,680	16,777,156
Restricted for:				
Capital projects	19,805,996	1,500,000	21,305,996	-
Debt service	-	2,156,767	2,156,767	-
Landfill closure	-	102,608	102,608	-
Transportation	7,298,735	-	7,298,735	-
Recreation	1,026,164	-	1,026,164	-
Economic environment	3,480,387	-	3,480,387	2,471,542
Public safety	211,061	-	211,061	-
Unrestricted	14,570,352	14,950,327	29,520,679	5,231,638
Total net assets	\$ 132,777,495	\$ 134,598,582	\$ 267,376,077	\$ 24,480,336

City of Key West, Florida
Statement of Activities
For the year ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 13,354,775	\$ 2,416,619	\$ 166,981	\$ -
Public safety	20,552,580	2,667,209	98,358	266,007
Physical environment	304,338	76,763	-	-
Transportation	3,586,215	6,947,484	231,876	2,606,319
Economic environment	5,249,387	44,150	4,393,315	39,194
Culture and recreation	2,152,130	164,187	462,892	-
Human services	393,403	-	61,046	-
Interest	37,720	-	-	-
Total governmental activities	<u>45,630,548</u>	<u>12,316,412</u>	<u>5,414,468</u>	<u>2,911,520</u>
Business-Type Activities:				
Sanitary Sewer System	11,573,804	11,826,783	-	3,291,034
Solid Waste	7,337,157	8,996,588	-	-
Key West Bight	4,988,290	6,460,069	-	20,644
Stormwater	2,238,541	2,322,028	-	5,647,120
Garrison Bight	1,434,226	1,371,625	-	210,650
Transit System	3,075,622	970,008	2,026,294	40,325
Total business-type activities	<u>30,647,640</u>	<u>31,947,101</u>	<u>2,026,294</u>	<u>9,209,773</u>
Total primary government	<u>\$ 76,278,188</u>	<u>\$ 44,263,513</u>	<u>\$ 7,440,762</u>	<u>\$ 12,121,293</u>
COMPONENT UNIT:				
The Key West Housing Authority of of the City of Key West, Florida	\$ 13,365,254	\$ 6,694,855	\$ 13,763,499	\$ 35,702
Total component unit	<u>\$ 13,365,254</u>	<u>\$ 6,694,855</u>	<u>\$ 13,763,499</u>	<u>\$ 35,702</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	
Communications taxes	
Local business tax	
Municipal revenue sharing gas and cigarette tax	
One cent sales tax	
Half cent sales tax	
Local option gas tax	
Intergovernmental income (unrestricted)	
Payment in lieu of tax	
Investment earnings	
Other	
Transfers in (out)	
Total general revenues and transfers	
Change in net assets	

Net assets, October 1, as restated (component unit), Note 18

Net assets, September 30

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,771,175)	\$ -	\$ (10,771,175)	\$ -
(17,521,006)	-	(17,521,006)	-
(227,575)	-	(227,575)	-
6,199,464	-	6,199,464	-
(772,728)	-	(772,728)	-
(1,525,051)	-	(1,525,051)	-
(332,357)	-	(332,357)	-
(37,720)	-	(37,720)	-
<u>(24,988,148)</u>	<u>-</u>	<u>(24,988,148)</u>	<u>-</u>
-	3,544,013	3,544,013	-
-	1,659,431	1,659,431	-
-	1,492,423	1,492,423	-
-	5,730,607	5,730,607	-
-	148,049	148,049	-
-	(38,995)	(38,995)	-
-	<u>12,535,528</u>	<u>12,535,528</u>	-
<u>(24,988,148)</u>	<u>12,535,528</u>	<u>(12,452,620)</u>	<u>-</u>

7,128,802
7,128,802

15,644,189	-	15,644,189	-
1,724,675	-	1,724,675	-
1,315,625	-	1,315,625	-
1,026,371	-	1,026,371	-
5,200,353	-	5,200,353	-
2,794,092	-	2,794,092	-
1,333,212	-	1,333,212	-
662,732	-	662,732	-
604,913	-	604,913	-
750,459	259,128	1,009,587	27,193
196,682	1,136,636	1,333,318	841,639
<u>2,530,009</u>	<u>(2,530,009)</u>	<u>-</u>	<u>-</u>
<u>33,783,312</u>	<u>(1,134,245)</u>	<u>32,649,067</u>	<u>868,832</u>
8,795,164	11,401,283	20,196,447	7,997,634
<u>123,982,331</u>	<u>123,197,299</u>	<u>247,179,630</u>	<u>16,482,702</u>
<u>\$ 132,777,495</u>	<u>\$ 134,598,582</u>	<u>\$ 267,376,077</u>	<u>\$ 24,480,336</u>

City of Key West, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Infrastructure Surtax Fund
Assets:		
Cash, cash equivalents, and investments	\$ 9,644,045	\$ 4,931,482
Cash equivalents and investments (restricted)	-	-
Receivables:		
Accounts	441,563	-
Intergovernmental	570,030	587,886
Mortgage notes	-	-
Interfund receivables	1,033,005	361
Inventories	5,663	-
Advances to other funds	2,264,052	-
Prepays	47,412	-
Total assets	\$ 14,005,770	\$ 5,519,729
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 365,221	\$ 210,287
Accrued payroll	876,110	1,026
Retainage payable	-	-
Due to fiduciary fund	379,619	-
Intergovernmental	176,822	-
Deposits	99,285	-
Deferred revenue	849,236	-
Total liabilities	2,746,293	211,313
Fund balances:		
Reserved for:		
Inventories and prepaids	53,075	-
Receivables	-	-
Encumbrances	141,125	190,633
Advances	2,264,052	-
Unreserved, reported in:		
General Fund	8,801,225	-
Special Revenue Funds	-	5,117,783
Capital Projects Fund	-	-
Total fund balances	11,259,477	5,308,416
Total liabilities and fund balances	\$ 14,005,770	\$ 5,519,729

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

Community Development Office Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,035,009	\$ 14,512,720	\$ 11,584,650	\$ 41,707,906
-	-	304,816	304,816
-	-	400	441,963
123,780	-	126,287	1,407,983
1,424,933	-	-	1,424,933
-	-	5,590	1,038,956
-	-	-	5,663
-	-	-	2,264,052
1,103	-	-	48,515
<u>\$ 2,584,825</u>	<u>\$ 14,512,720</u>	<u>\$ 12,021,743</u>	<u>\$ 48,644,787</u>
\$ 108,849	\$ 15,140	\$ 228,787	\$ 928,284
-	-	8,759	885,895
136,264	-	49,969	186,233
-	-	-	379,619
414,199	-	-	591,021
-	-	-	99,285
1,211,440	-	431,954	2,492,630
<u>1,870,752</u>	<u>15,140</u>	<u>719,469</u>	<u>5,562,967</u>
1,103	-	-	54,178
282,860	-	-	282,860
-	106,129	2,181,135	2,619,022
-	-	-	2,264,052
-	-	-	8,801,225
430,110	-	9,121,139	14,669,032
-	14,391,451	-	14,391,451
<u>714,073</u>	<u>14,497,580</u>	<u>11,302,274</u>	<u>43,081,820</u>
\$ <u>2,584,825</u>	\$ <u>14,512,720</u>	\$ <u>12,021,743</u>	\$ <u>48,644,787</u>

City of Key West
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2010

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	43,081,820
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		86,384,800
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.		2,814,433
The net pension asset is not available to pay for current period expenditures and, therefore, is deferred in the funds.		3,271,020
Receivables in governmental funds are susceptible to full accrual on the government-wide statements. Intergovernmental		2,437,791
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:		
Other post employment benefits (OPEB) \$		(725,599)
Note payable		(1,319,698)
Compensated absences*		(3,167,072)
Liabilities - net		<u>(5,212,369)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>132,777,495</u></u>

* Not created in connection with terminated employees.

The accompanying notes are an integral part of the financial statements

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City of Key West, Florida
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the year ended September 30,2010

	General Fund	Infrastructure Surtax Fund
Revenues:		
Taxes	\$ 17,047,554	\$ 5,200,353
Licenses and permits	2,613,092	-
Intergovernmental	6,706,639	1,921,290
Charges for services	6,357,337	-
Fines and forfeitures	1,037,696	-
Investment earnings	239,820	67,803
Rental income	1,642,014	-
Contributions and other	185,389	10,828
Total revenues	35,829,541	7,200,274
Expenditures:		
Current:		
General government	13,743,035	263,455
Public safety	18,815,278	3,075
Physical environment	242,641	-
Transportation	1,216,867	-
Economic environment	154,682	-
Culture and recreation	1,816,544	-
Human services	393,167	-
Capital outlay	370,565	3,216,516
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	36,752,779	3,483,046
Excess (deficiency) of revenues over expenditures	(923,238)	3,717,228
Other financing sources (uses):		
Transfers in	4,491,191	157,813
Transfers out	(1,001,585)	(4,176,980)
Total other financing sources (uses)	3,489,606	(4,019,167)
Net change in fund balances	2,566,368	(301,939)
Fund balances, October 1	8,693,109	5,610,355
Fund balances, September 30	\$ 11,259,477	\$ 5,308,416

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

Community Development Office Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,145,362	\$ 24,393,269
-	-	-	2,613,092
4,250,005	-	569,799	13,447,733
-	-	1,054,106	7,411,443
-	-	130,774	1,168,470
3,513	232,216	207,107	750,459
-	-	-	1,642,014
37,423	-	70,826	304,466
<u>4,290,941</u>	<u>232,216</u>	<u>4,177,974</u>	<u>51,730,946</u>
-	-	-	14,006,490
-	-	53,319	18,871,672
-	-	-	242,641
-	-	1,936,968	3,153,835
4,463,202	-	631,503	5,249,387
-	-	-	1,816,544
-	-	-	393,167
-	646,868	2,403,576	6,637,525
-	-	147,059	147,059
-	-	37,720	37,720
<u>4,463,202</u>	<u>646,868</u>	<u>5,210,145</u>	<u>50,556,040</u>
<u>(172,261)</u>	<u>(414,652)</u>	<u>(1,032,171)</u>	<u>1,174,906</u>
-	3,075,000	1,452,012	9,176,016
-	-	(1,459,202)	(6,637,767)
-	<u>3,075,000</u>	<u>(7,190)</u>	<u>2,538,249</u>
(172,261)	2,660,348	(1,039,361)	3,713,155
<u>886,334</u>	<u>11,837,232</u>	<u>12,341,635</u>	<u>39,368,665</u>
<u>\$ 714,073</u>	<u>\$ 14,497,580</u>	<u>\$ 11,302,274</u>	<u>\$ 43,081,820</u>

City of Key West
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
Governmental Funds
For the year ended September 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 3,713,155
<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	\$ 6,637,525	
Less: Net book value of disposed assets	(4,675)	
Less: Current year depreciation	<u>(3,901,046)</u>	2,731,804
Repayment of a loan is an expenditure in the governmental funds, but the repayment is a reduction of a liability in the statement of net assets.		147,059
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		164,758
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.		
Other post employment benefits (OPEB)		(372,616)
The change in compensated absences not created by employee termination does not require adjustment of current financial resources and therefore is not reported in the governmental funds		38,972
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.		1,885,667
Net pension assets reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>486,365</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u><u>8,795,164</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 Balance
Budget and Actual - General Fund
For the year ended September 30, 2010

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 16,953,800	\$ 16,953,800	\$ 17,047,554	\$ 93,754
Licenses and permits	2,105,400	2,105,400	2,613,092	507,692
Intergovernmental	5,431,000	5,993,400	6,706,639	713,239
Charges for services	5,903,500	5,903,500	6,357,337	453,837
Fines and forfeitures	920,900	920,900	1,037,696	116,796
Investment earnings	125,000	125,000	239,820	114,820
Rental income	1,597,200	1,597,200	1,642,014	44,814
Contributions and other	48,500	49,500	185,389	135,889
Total revenues	<u>33,085,300</u>	<u>33,648,700</u>	<u>35,829,541</u>	<u>2,180,841</u>
Expenditures:				
Personal services	27,292,660	27,315,145	27,680,366	(365,221)
Operating	9,350,320	9,662,640	8,545,877	1,116,763
Capital outlay	122,610	546,990	370,565	176,425
Aid to private organizations	57,300	66,890	155,971	(89,081)
Total expenditures	<u>36,822,890</u>	<u>37,591,665</u>	<u>36,752,779</u>	<u>838,886</u>
Excess (deficiency) of revenues over expenditures	<u>(3,737,590)</u>	<u>(3,942,965)</u>	<u>(923,238)</u>	<u>3,019,727</u>
Other financing sources (uses):				
Transfers in	4,668,900	4,673,300	4,491,191	(182,109)
Transfers out	(1,004,200)	(1,001,585)	(1,001,585)	-
Total other financing sources (uses)	<u>3,664,700</u>	<u>3,671,715</u>	<u>3,489,606</u>	<u>(182,109)</u>
Net change in fund balance	(72,890)	(271,250)	2,566,368	2,837,618
Fund balance, October 1	<u>8,693,109</u>	<u>8,693,109</u>	<u>8,693,109</u>	<u>-</u>
Fund balance, September 30	<u>\$ 8,620,219</u>	<u>\$ 8,421,859</u>	<u>\$ 11,259,477</u>	<u>\$ 2,837,618</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 - Infrastructure Surtax Fund
For the year ended September 30, 2010

	Infrastructure Surtax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 5,019,800	\$ 5,019,827	\$ 5,200,353	\$ 180,526
Intergovernmental income	551,200	2,211,600	1,921,290	(290,310)
Investment earnings	75,000	75,000	67,803	(7,197)
Contributions and other	-	158,000	10,828	(147,172)
Total revenues	<u>5,646,000</u>	<u>7,464,427</u>	<u>7,200,274</u>	<u>(264,153)</u>
Expenditures:				
Personal services	44,640	45,160	45,142	18
Operating	39,760	1,219,450	221,388	998,062
Capital outlay	2,861,200	5,969,650	3,216,516	2,753,134
Total expenditures	<u>2,945,600</u>	<u>7,234,260</u>	<u>3,483,046</u>	<u>3,751,214</u>
Excess of revenues over expenditures	<u>2,700,400</u>	<u>230,167</u>	<u>3,717,228</u>	<u>3,487,061</u>
Other financing (uses):				
Transfers in	149,600	157,813	157,813	-
Transfers out	(4,176,900)	(4,176,980)	(4,176,980)	-
Total other financing (uses)	<u>(4,027,300)</u>	<u>(4,019,167)</u>	<u>(4,019,167)</u>	<u>-</u>
Net change in fund balance	(1,326,900)	(3,789,000)	(301,939)	3,487,061
Fund balance, October 1	<u>5,610,355</u>	<u>5,610,355</u>	<u>5,610,355</u>	<u>-</u>
Fund balance, September 30	<u>\$ 4,283,455</u>	<u>\$ 1,821,355</u>	<u>\$ 5,308,416</u>	<u>\$ 3,487,061</u>

The accompanying notes are an integral part of the financial statements

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City of Key West, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 5,681,715	\$ 6,411,688	\$ 7,095,031
Receivables, net of allowance for uncollectibles:			
Accounts	847,895	1,078,473	386,080
Intergovernmental	716,280	130,593	-
Interfund receivables	2,259,149	3,787	8,475
Prepaid expenses	-	-	21,951
Inventories	530,065	6,522	34,102
Total	<u>10,035,104</u>	<u>7,631,063</u>	<u>7,545,639</u>
Restricted assets:			
Cash equivalents and investments	<u>4,005,069</u>	<u>120,964</u>	<u>858,340</u>
Total current assets	<u>14,040,173</u>	<u>7,752,027</u>	<u>8,403,979</u>
Noncurrent assets:			
Deferred Charges:			
Unamortized bond cost, net	<u>321,389</u>	<u>-</u>	<u>44,592</u>
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	24,900,870	12,537,146	5,918,063
Infrastructure	105,453,249	910,308	9,007,149
Machinery, equipment and furniture	9,751,714	821,834	641,478
Construction in progress	556,423	-	161,612
Total	<u>140,668,736</u>	<u>18,014,315</u>	<u>30,607,829</u>
Less accumulated depreciation	<u>53,439,326</u>	<u>5,778,233</u>	<u>7,110,944</u>
Net property, plant and equipment	<u>87,229,410</u>	<u>12,236,082</u>	<u>23,496,885</u>
Other noncurrent assets:			
Advances to other funds	<u>15,054</u>	<u>-</u>	<u>294,836</u>
Total noncurrent assets	<u>87,565,853</u>	<u>12,236,082</u>	<u>23,836,313</u>
Total assets	<u>\$ 101,606,026</u>	<u>\$ 19,988,109</u>	<u>\$ 32,240,292</u>

The accompanying notes are an integral part of the financial statements

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 224,834	\$ 1,201,692	\$ 20,614,960	\$ 6,823,185
205,373	144,835	2,662,656	496,973
1,788,946	1,442,554	4,078,373	-
541	16,054	2,288,006	-
-	7,125	29,076	75,079
20,794	23,316	614,799	-
<u>2,240,488</u>	<u>2,835,576</u>	<u>30,287,870</u>	<u>7,395,237</u>
-	-	4,984,373	-
<u>2,240,488</u>	<u>2,835,576</u>	<u>35,272,243</u>	<u>7,395,237</u>
-	-	365,981	-
-	50,000	18,681,034	-
-	5,217,674	48,573,753	-
17,260,862	6,010,099	138,641,667	-
108,501	5,867,034	17,190,561	-
<u>9,083,080</u>	<u>635,393</u>	<u>10,436,508</u>	-
26,452,443	17,780,200	233,523,523	-
<u>5,021,868</u>	<u>10,259,165</u>	<u>81,609,536</u>	-
<u>21,430,575</u>	<u>7,521,035</u>	<u>151,913,987</u>	-
-	-	309,890	-
<u>21,430,575</u>	<u>7,521,035</u>	<u>152,589,858</u>	-
<u>\$ 23,671,063</u>	<u>\$ 10,356,611</u>	<u>\$ 187,862,101</u>	<u>\$ 7,395,237</u>

City of Key West, Florida
Statement of Net Assets
Proprietary Funds
(Continued)
September 30, 2010

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 455,553	\$ 452,699	\$ 104,499
Accrued payroll and related expenses	13,994	51,295	64,703
Accrued expenses	-	-	235,059
Retainage payable	-	-	-
Interfund payable	-	-	-
Insurance claims payable	-	-	-
Intergovernmental	6,611,005	48,099	-
Landfill closure costs payable, current	-	40,000	-
Deferred revenue	148,408	18,356	282,810
Total	<u>7,228,960</u>	<u>610,449</u>	<u>687,071</u>
Current liabilities:			
Payable from restricted assets:			
Accrued interest	521,026	-	685,616
Bonds and notes payable, current	1,254,364	-	474,906
Total	<u>1,775,390</u>	<u>-</u>	<u>1,160,522</u>
Total current liabilities	<u>9,004,350</u>	<u>610,449</u>	<u>1,847,593</u>
Noncurrent liabilities:			
Revenue bonds payable, net of discount	22,139,283	-	8,922,691
Note payable	3,233,863	-	-
Landfill closure costs payable	-	183,333	-
Advance from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	160,237
OPEB Liability	4,963	1,059	39,170
Compensated absences	14,457	81,223	37,877
Total noncurrent liabilities	<u>25,393,166</u>	<u>265,615</u>	<u>9,159,975</u>
Total liabilities	<u>34,397,516</u>	<u>876,064</u>	<u>11,007,568</u>
Net assets:			
Invested in capital assets, net of related debt	60,601,900	12,236,082	14,099,288
Restricted for debt service	1,984,043	-	172,724
Restricted for landfill long-term closure costs	-	102,608	-
Restricted for renewal and replacement	1,500,000	-	-
Unrestricted (deficit)	3,122,567	6,773,355	6,960,712
Total net assets	<u>67,208,510</u>	<u>19,112,045</u>	<u>21,232,724</u>
Total liabilities and net assets	<u>\$ 101,606,026</u>	<u>\$ 19,988,109</u>	<u>\$ 32,240,292</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 449,681	\$ 92,056	\$ 1,554,488	\$ 19,883
6,241	133,240	269,473	14,941
160,530	-	395,589	-
58,989	-	58,989	-
2,250,000	897,526	3,147,526	179,436
-	-	-	2,156,052
-	-	6,659,104	-
-	-	40,000	-
-	95,596	545,170	1,425
<u>2,925,441</u>	<u>1,218,418</u>	<u>12,670,339</u>	<u>2,371,737</u>
-	-	1,206,642	-
-	-	1,729,270	-
-	-	2,935,912	-
<u>2,925,441</u>	<u>1,218,418</u>	<u>15,606,251</u>	<u>2,371,737</u>
-	-	31,061,974	-
-	-	3,233,863	-
-	-	183,333	-
2,264,052	309,890	2,573,942	-
-	-	-	2,196,390
-	160,338	321,175	-
3,586	42,205	90,983	-
8,467	49,974	191,998	12,677
<u>2,276,105</u>	<u>562,407</u>	<u>37,657,268</u>	<u>2,209,067</u>
<u>5,201,546</u>	<u>1,780,825</u>	<u>53,263,519</u>	<u>4,580,804</u>
21,430,575	7,521,035	115,888,880	-
-	-	2,156,767	-
-	-	102,608	-
-	-	1,500,000	-
(2,961,058)	1,054,751	14,950,327	2,814,433
<u>18,469,517</u>	<u>8,575,786</u>	<u>134,598,582</u>	<u>2,814,433</u>
<u>\$ 23,671,063</u>	<u>\$ 10,356,611</u>	<u>\$ 187,862,101</u>	<u>\$ 7,395,237</u>

City of Key West, Florida
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2010

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Operating revenues:			
Charges for services	\$ 11,826,783	\$ 8,996,588	\$ 6,460,069
Total operating revenues	<u>11,826,783</u>	<u>8,996,588</u>	<u>6,460,069</u>
Operating expenses:			
Personal services	308,485	711,800	1,206,483
Other operating expenses	5,728,172	6,081,027	2,607,103
Depreciation and amortization	3,879,631	544,330	795,998
Total operating expenses	<u>9,916,288</u>	<u>7,337,157</u>	<u>4,609,584</u>
Operating income (loss)	<u>1,910,495</u>	<u>1,659,431</u>	<u>1,850,485</u>
Nonoperating revenues (expenses):			
Grant income (operating)	-	-	-
Investment earnings	86,083	81,337	68,608
Other income	5,968	10,448	991,593
Other expenses	(462,124)	-	-
Interest expense	(1,195,392)	-	(378,706)
Net nonoperating revenues (expenses)	<u>(1,565,465)</u>	<u>91,785</u>	<u>681,495</u>
Income (loss) before transfers and contributions	<u>345,030</u>	<u>1,751,216</u>	<u>2,531,980</u>
Transfers and contributions:			
Capital contributions	3,291,034	-	20,644
Transfers in	-	-	776,106
Transfers out	(1,338,000)	(1,589,190)	(500,000)
Total transfers and contributions	<u>1,953,034</u>	<u>(1,589,190)</u>	<u>296,750</u>
Change in net assets	2,298,064	162,026	2,828,730
Net assets, October 1	<u>64,910,446</u>	<u>18,950,019</u>	<u>18,403,994</u>
Net assets, September 30	<u>\$ 67,208,510</u>	<u>\$ 19,112,045</u>	<u>\$ 21,232,724</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,322,028	\$ 2,341,633	\$ 31,947,101	\$ 9,150,567
<u>2,322,028</u>	<u>2,341,633</u>	<u>31,947,101</u>	<u>9,150,567</u>
111,977	2,314,978	4,653,723	289,379
1,167,276	1,378,349	16,961,927	7,082,091
906,074	798,120	6,924,153	-
<u>2,185,327</u>	<u>4,491,447</u>	<u>28,539,803</u>	<u>7,371,470</u>
<u>136,701</u>	<u>(2,149,814)</u>	<u>3,407,298</u>	<u>1,779,097</u>
-	2,026,294	2,026,294	-
1,596	21,504	259,128	114,810
70	128,557	1,136,636	-
-	-	(462,124)	-
<u>(53,214)</u>	<u>(18,401)</u>	<u>(1,645,713)</u>	<u>-</u>
<u>(51,548)</u>	<u>2,157,954</u>	<u>1,314,221</u>	<u>114,810</u>
<u>85,153</u>	<u>8,140</u>	<u>4,721,519</u>	<u>1,893,907</u>
5,647,120	250,975	9,209,773	-
15,010	663,649	1,454,765	-
<u>(225,872)</u>	<u>(331,712)</u>	<u>(3,984,774)</u>	<u>(8,240)</u>
<u>5,436,258</u>	<u>582,912</u>	<u>6,679,764</u>	<u>(8,240)</u>
5,521,411	591,052	11,401,283	1,885,667
<u>12,948,106</u>	<u>7,984,734</u>	<u>123,197,299</u>	<u>928,766</u>
<u>\$ 18,469,517</u>	<u>\$ 8,575,786</u>	<u>\$ 134,598,582</u>	<u>\$ 2,814,433</u>

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2010

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Cash flows from operating activities:			
Cash received from customers	\$ 12,026,185	\$ 9,008,400	\$ 6,414,100
Cash paid to suppliers	(5,426,003)	(6,125,964)	(2,664,104)
Cash paid to employees	(321,782)	(683,325)	(1,191,741)
Other receipts	5,897	1,522	991,588
Net cash provided by (used in) operating activities	<u>6,284,297</u>	<u>2,200,633</u>	<u>3,549,843</u>
Cash flows from noncapital financing activities:			
Operating grants received	-	-	-
Advance/loan from (to) other funds	7,526	-	(329,220)
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	776,106
Transfers (out)	(1,338,000)	(1,589,190)	(500,000)
Net cash provided by (used in) noncapital financing activities	<u>(1,330,474)</u>	<u>(1,589,190)</u>	<u>(53,114)</u>
Cash flows from capital and related financing activities:			
Proceeds of capital grants	388,470	-	73,584
Acquisition and construction of capital assets	(5,150,905)	(145,629)	(347,702)
Principal paid on revenue bonds	(975,000)	-	(441,079)
Interest paid	(1,146,242)	-	(1,017,642)
Payments on notes	(246,247)	-	-
Impact fees	19,649	18,230	-
Net cash provided by (used in) capital and related financing activities	<u>(7,110,275)</u>	<u>(127,399)</u>	<u>(1,732,839)</u>
Cash flows from investing activities:			
Investment earnings	86,731	81,337	107,875
Net cash provided by (used in) investing activities	<u>86,731</u>	<u>81,337</u>	<u>107,875</u>
Net increase (decrease) in cash, cash equivalents and investments	(2,069,721)	565,381	1,871,765
Cash, cash equivalents and investments, October 1	<u>11,756,505</u>	<u>5,967,271</u>	<u>6,081,606</u>
Cash, cash equivalents and investments, September 30	<u>\$ 9,686,784</u>	<u>\$ 6,532,652</u>	<u>\$ 7,953,371</u>
RECONCILIATION TO STATEMENT OF OF NET ASSETS:			
Cash, cash equivalents and investments	\$ 5,681,715	\$ 6,411,688	\$ 7,095,031
Restricted cash equivalents and investments	4,005,069	120,964	858,340
Cash, cash equivalents and investments	<u>\$ 9,686,784</u>	<u>\$ 6,532,652</u>	<u>\$ 7,953,371</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,253,920	\$ 2,329,021	\$ 32,031,626	\$ 9,125,868
(914,542)	(1,774,681)	(16,905,294)	(8,091,961)
(108,905)	(2,334,741)	(4,640,494)	(285,640)
70	128,551	1,127,628	-
<u>1,230,543</u>	<u>(1,651,850)</u>	<u>11,613,466</u>	<u>748,267</u>
-	860,219	860,219	-
1,732,044	226,652	1,637,002	-
(182,214)	(57,669)	(239,883)	-
15,010	663,649	1,454,765	(8,240)
<u>(225,872)</u>	<u>(331,712)</u>	<u>(3,984,774)</u>	<u>-</u>
<u>1,338,968</u>	<u>1,361,139</u>	<u>(272,671)</u>	<u>(8,240)</u>
5,123,943	248,839	5,834,836	-
(7,520,216)	(529,049)	(13,693,501)	-
-	-	(1,416,079)	-
-	-	(2,163,884)	-
-	-	(246,247)	-
-	-	37,879	-
<u>(2,396,273)</u>	<u>(280,210)</u>	<u>(11,646,995)</u>	<u>-</u>
<u>1,596</u>	<u>21,504</u>	<u>299,043</u>	<u>114,810</u>
<u>1,596</u>	<u>21,504</u>	<u>299,043</u>	<u>114,810</u>
174,834	(549,417)	(7,158)	854,837
<u>50,000</u>	<u>1,751,109</u>	<u>25,606,491</u>	<u>5,968,348</u>
<u>\$ 224,834</u>	<u>\$ 1,201,692</u>	<u>\$ 25,599,333</u>	<u>\$ 6,823,185</u>
\$ 224,834	\$ 1,201,692	\$ 20,614,960	\$ 6,823,185
-	-	4,984,373	-
<u>\$ 224,834</u>	<u>\$ 1,201,692</u>	<u>\$ 25,599,333</u>	<u>\$ 6,823,185</u>

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
(Continued)
For the year ended September 30, 2010

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ <u>1,910,495</u>	\$ <u>1,659,431</u>	\$ <u>1,850,485</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	5,968	10,448	991,593
Depreciation and amortization	3,879,631	544,330	795,998
Decrease (increase) in assets:			
Accounts receivables	197,800	11,809	(43,920)
Interfund receivables	231	951	2,030
Prepaid expenses	-	-	917
Inventories	(56,582)	(2,338)	3,966
Increase (decrease) in liabilities:			
Accounts payable	358,680	(29,881)	(101,789)
Accrued payroll and related expenses	587	8,721	(21,501)
Accrued expenses	-	-	39,898
Interfund payables	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable	-	(40,000)	-
Deferred revenue	1,722	18,356	(1,323)
Customer deposits	(120)	-	(725)
OPEB liability	2,315	7	20,745
Compensated absences	(16,430)	18,799	13,469
Total adjustments	<u>4,373,802</u>	<u>541,202</u>	<u>1,699,358</u>
Net cash provided by (used in) operating activities	\$ <u><u>6,284,297</u></u>	\$ <u><u>2,200,633</u></u>	\$ <u><u>3,549,843</u></u>

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

<u>Stormwater</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 136,701	\$ (2,149,814)	\$ 3,407,298	\$ 1,779,097
70	128,557	1,136,636	-
906,074	798,120	6,924,153	-
(68,106)	4,343	101,926	48,875
76	4,344	7,632	-
-	304	1,221	6,280
6,433	4,255	(44,266)	-
85,767	(400,891)	(88,114)	(13,558)
3,266	(49,826)	(58,753)	-
160,530	-	200,428	-
-	-	-	(24,901)
-	-	-	(1,051,471)
-	-	(40,000)	-
-	(3,407)	15,348	205
-	(13,546)	(14,391)	-
1,928	18,099	43,094	-
(2,196)	7,612	21,254	3,740
<u>1,093,842</u>	<u>497,964</u>	<u>8,206,168</u>	<u>(1,030,830)</u>
\$ <u>1,230,543</u>	\$ <u>(1,651,850)</u>	\$ <u>11,613,466</u>	\$ <u>748,267</u>

City of Key West, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

Assets:	
Cash and cash equivalents	\$ 4,764,043
Investments, at fair value:	
Corporate and foreign bonds	15,871,153
U.S. government securities	12,319,246
Municipal obligations	2,356,167
Marketable equity securities	49,630,619
Alternative investments	5,081,987
Receivables:	
Interest and dividends	418,449
Due from governmental funds	379,619
State contributions	108,440
Other	33,449
Total assets	<u>90,963,172</u>
Liabilities:	
Accounts payable	143,355
Accrued expenses	197,806
Deferred retirement option plan payable	4,826,941
Total liabilities	<u>5,168,102</u>
Net assets:	
Held in trust for employees' pension benefits	\$ <u>85,795,070</u>

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, 2010

Additions:

Contributions:		
Employer	\$	3,222,243
Members		1,260,841
State police and fire		543,125
Total contributions		<u>5,026,209</u>

Investment earnings:		
Net appreciation (depreciation) in fair value of investments		4,234,177
Interest and dividends		2,370,330
		<u>6,604,507</u>

Less investment expenses 519,263

Deferred retirement option plan participants earnings (loss)		(260,597)
Net investment earnings		<u>5,824,647</u>

Total additions 10,850,856

Deductions:

Benefits paid		5,669,596
Administrative expense		285,366
Contributions refunded		216,373
		<u>6,171,335</u>

Total deductions 6,171,335

Changes in net assets 4,679,521

Net assets, October 1 81,115,549

Net assets, September 30 \$ 85,795,070

The accompanying notes are an integral part of the financial statements

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Individual Component Unit Disclosures

Discretely Presented Component Unit:

The Housing Authority of the City of Key West, Florida (KWA or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWA is to provide affordable housing to low income, elderly and disabled families in Key West. Programs are administered through the Department of Housing and Urban Development. The Authority's Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$ 425,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services and certain debt guarantees (Note 12), the City has no other obligations to KWA. KWA is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWA reflects a December 31, 2009 year-end. Further information regarding KWA, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

Other Organizations:

The Utility Board of the City of Key West, Florida, or Keys Energy Services, is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and maintain the electric utility servicing the citizens of Key West and the Lower Keys. The Board is elected by the voters of the community. In accordance with bond resolution requirements, the City annually receives a return 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 ended September 30, 2010, the City received payment of approximately \$ 393,400. 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

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. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined 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 it is collected within sixty days of the end of the current fiscal period. Intergovernmental revenues are considered measurable when in the hands of an intermediate government agency. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Deferred revenues are reported on the City's 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 the 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 the government-wide and enterprise 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 the same limitation. The City has elected not to follow subsequent private sector guidance.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administration expenses, and provision for depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

The 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. Currently the fund has accumulated sufficient assets, through transfers from the infrastructure fund, to begin the process of designing and constructing a new City Administration Building.

The City reports the following major proprietary funds:

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

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

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

The Stormwater Fund accounts for the operation of the City stormwater collection process. This fund receives a significant amount of State and Federal assistance in the form of grants.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

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

Enterprise Funds - These funds are used to account for operations that are (1) 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 and Transit System.

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

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

E. Budgets and Budgetary Accounting

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

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds nor does it adopt a budget for the Community Development Office Fund.

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 as the commitments will be honored during the subsequent year.

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

Budgetary Process:

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

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

F. Deposits and Investments

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

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

G. Receivables and Payables

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

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

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

H. Prepaid Items

Prepays are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefited. These amounts are reserved in the governmental fund financial statements.

I. Inventories

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

J. Restricted Assets

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

K. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furniture, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

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

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

Major outlays for capital assets and improvements are capitalized as construction progresses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Interest incurred by the City during the current fiscal year was \$ 1,683,433. There was no capitalized interest during the year.

L. Compensated Absences

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

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

The City is currently in compliance with all federal arbitrage regulations.

N. Bond Discount, Premium, Issuance Cost and Refunding

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.

For bond refundings resulting in the defeasance of debt reported in the proprietary fund types in the fund financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

O. Fund Balance

In the governmental funds, reservations of fund balances are reported to indicate that portion of fund balance that is legally segregated for specific purposes. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance that is available for future use.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. Summary of Significant Accounting Policies (continued)

P. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements for business-type activities and all proprietary funds at the governmental funds level. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Q. Estimates

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

2. Deposits and Investments

A. Deposits

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

The City's deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. In general, these deposits are insured by the FDIC up to \$ 500,000, \$ 250,000 for demand deposits and \$ 250,000 for time and savings deposits. Monies deposited in amounts greater than the insurance coverage are covered by the participation of the bank in the Florida Security for Public Deposits Act. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

At September 30, 2010, the carrying amount of the City's deposits was \$ 5,148,996, with a bank balance of \$ 5,776,222. Included in the carrying amount of deposits was \$ 6,500 cash on hand.

B. Investments

As of September 30, 2010, the carrying value of the City's cash, cash equivalents and investments, was as follows:

	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, cash equivalents and investments	\$ 5,148,996	\$ 7,950,098	\$ 56,046,957	\$ 69,146,051
Restricted cash equivalents and investments	-	3,155,176	2,134,013	5,289,189
	<u>\$ 5,148,996</u>	<u>\$ 11,105,274</u>	<u>\$ 58,180,970</u>	<u>\$ 74,435,240</u>

Investments maturing in 90 days or less from their purchase dates are classified as cash equivalents for financial reporting purposes.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

2. Deposits and Investments (continued)

As of September 30, 2010, the City's investment maturities and credit ratings were as follows:

	Market Value	Investment Maturities (in Months)					Credit Rating
		Less than 3	4 - 6	7 - 12	12 - 24	Over 25	
U.S. Government* and Government Sponsored Entity Bonds	\$ 48,747,461	\$ 1,306,326	\$ -	\$ 9,865,993	\$ 17,822,428	\$ 19,752,714	AAA
Certificates of Deposit**	100,000	-	100,000	-	-	-	Not Rated
Money Market Mutual Funds	11,034,048	11,034,048	-	-	-	-	AAAm
Municipal Obligations	1,261,062	-	-	-	-	1,261,062	AA+
Commercial Paper	8,072,448	6,864,601	1,207,847	-	-	-	A-1+
State Investment Pool							
Fund A	69,246	69,246	-	-	-	-	AAAm
Fund B	1,979	-	-	-	-	1,979	Not Rated
	<u>\$ 69,286,244</u>	<u>\$ 19,274,221</u>	<u>\$ 1,307,847</u>	<u>\$ 9,865,993</u>	<u>\$ 17,822,428</u>	<u>\$ 21,015,755</u>	

* Includes \$ 14,609,899 in U.S. Treasury Notes which are not rated..

** Under GASB 40 these instruments are considered deposits and therefore, required disclosures are covered under Section A of this footnote.

As of September 30, 2010, the City's investments are distributed among funds as follows:

	Cash Equivalents	Investments
Governmental Funds:		
General Fund	\$ 462,039	\$ 8,545,578
Infrastructure Surtax Fund	236,744	4,378,658
Capital Projects	696,706	12,885,831
Community Development Office Fund	-	100,000
Nonmajor Governmental Funds	570,773	10,556,646
	<u>1,966,262</u>	<u>36,466,713</u>
Enterprise Funds:		
Sanitary Sewer System	2,651,602	6,561,528
Solid Waste	313,598	5,800,114
Key West Bight	5,777,810	2,028,436
Stormwater	10,794	199,630
Nonmajor Enterprise Funds	57,650	1,066,249
	<u>8,811,454</u>	<u>15,655,957</u>
Internal Service Fund	<u>327,558</u>	<u>6,058,300</u>
Total	<u>\$ 11,105,274</u>	<u>\$ 58,180,970</u>

Interest Rate Risk – To the extent possible, the City's investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2010 meet the City's investment policy restrictions.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

2. Deposits and Investments (continued)

Credit Risk – The City’s investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds Trust Fund (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers’ acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers’ acceptances be rated A-1 by Standard & Poor’s (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2010, the City’s portfolio rating is in compliance with its investment policy.

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

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

At September 30, 2010, the City’s investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

<u>Issue:</u>	<u>Percent of Investment Portfolio</u>
Federal Instrumentalities -	
U.S. Government Sponsored Agencies	49.3%
U.S. Government Securities - Treasuries	21.1%
Money Market Mutual Funds	15.9%
Commercial Paper	11.7%
State and/or Local Government Debt (Municipal Obligations)	1.8%
Certificates of Deposit	0.1%
Florida Local Government Surplus Funds (SBA)	0.1%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal National Mortgage Association (Fannie Mae) are 16.66% (\$ 11,525,949), Federal Home Loan Mortgage Corporation (Freddie Mac) are 17.78% (\$ 12,303,443), Federal Home Loan Banks are 10.91% (\$ 7,549,494), and Credit Agricole NA, Commercial Paper are 7.33% (\$ 5,072,628). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

Custodial Credit Risk – The City’s investment policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be held in the City’s name. As of September 30, 2010, all of the City’s investments are held in a bank’s trust department in the City’s name, nominee registration.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

2. Deposits and Investments (continued)

C. Investments - Pension Plans

As of September 30, 2010, the City's pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Common stock	\$ 20,438,029	\$ 29,192,590
U.S. Government Securities	6,258,116	6,061,130
Municipal Obligations	783,028	1,573,139
Corporate Bonds	6,800,986	9,070,167
Alternative Investment	-	5,081,987
	<u>\$ 34,280,159</u>	<u>\$ 50,979,013</u>

As of September 30, 2010, the Plan's investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

	Market Value	Investment Maturities (in Years)				Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Treasuries	\$ 2,672,984	\$ -	\$ 653,152	\$ 1,488,191	\$ 531,641	AAA
U.S. Government Agencies	1,508,024	-	140,088	365,738	1,002,198	AAA
U.S. Government Agencies Investment Pools	2,077,108	-	-	229,493	1,847,615	Not Rated
Municipal Obligations	783,028	-	-	-	783,028	AAA through AA
Corporate and Foreign Bonds*	6,800,986	-	3,330,728	3,151,926	318,332	AA+ through BBB
	<u>\$ 13,842,130</u>	<u>\$ -</u>	<u>\$ 4,123,968</u>	<u>\$ 5,235,348</u>	<u>\$ 4,482,814</u>	

* Includes \$ 33,560 which is rated BBB. All other investments within this category are rated amongst the "A" rating.

The General Employees Pension Plan includes \$ 2,276,111 (money market fund - AAAM) and \$ 94,017 (equity mutual fund - not rated) in cash equivalents with a maturity of less than 3 months.

Police Officers and Firefighters Retirement Plan:

	Market Value	Investment Maturities (in Years)				Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Treasuries*	\$ 1,181,489	\$ -	\$ -	\$ 644,007	\$ 537,482	---
U.S. Government Agencies*	4,879,641	-	97,168	712,740	4,069,733	---
Municipal Obligations	1,573,139	-	-	-	1,573,139	AAA through A -
Corporate Bonds	9,070,167	-	5,136,814	3,758,804	174,549	AAA through A -
	<u>\$ 16,704,436</u>	<u>\$ -</u>	<u>\$ 5,233,982</u>	<u>\$ 5,115,551</u>	<u>\$ 6,354,903</u>	

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

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

2. Deposits and Investments (continued)

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

Concentration Credit Risk - The investment policies of the Plans contain limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The General Employees Retirement Plan and the Police Officers and Firefighters Retirement Plan had no total investments in any one issuer that represent 5% or more of the Plan's total investments.

Custodial Credit Risk - Consistent with the Plans' investment policies, the investments are held by the Plans' custodial bank and registered in the Plans' name, nominee registration. All of the Plans' deposits are insured and/or collateralized by a government agency separate from the Plan's depository financial institution.

D. COMPONENT UNIT:

Deposits - Demand and time deposits classified as cash and cash equivalents are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2009, the Authority's book balance of cash was \$ 9,478,696 and the bank balance was \$ 9,692,786.

As of December 31, 2009, cash and cash equivalents are reported as follows:

Cash - unrestricted	\$	6,675,308
Cash - restricted		<u>2,803,388</u>
		9,478,696
Certificates of deposit - unrestricted		<u>155,796</u>
Total	\$	<u><u>9,634,492</u></u>

In addition, the component unit's pension plan deposits amounting to \$ 122,681 are fully insured by the FDIC.

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

As of December 31, 2009, the Plan had the following investments:

Vanguard Index TR 500 Port Mutual Fund*	\$	1,191,715
Vanguard Total Intl Stock Index*		783,953
PIMCO Invest Grade Corp BD Instl*		993,818
PIMCO Total Resturn Instl*		990,020
Goldman Sachs Fin Sq Tt*		<u>11,094</u>
	\$	<u><u>3,970,600</u></u>

* Investment maturity is less than one year.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

2. Deposits and Investments (continued)

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

Concentration credit risk – The Plan had four investments in two organizations that exceeded five percent of its net plan investments at year-end and noted above.

3. Receivables

Receivables at September 30, 2010 consist of the following:

<u>Receivable Type</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ 418,449	\$ 418,449
Accounts	441,563	400	5,095,002	496,973	-	6,033,938
Mortgages	-	2,541,751	-	-	-	2,541,751
Intergovernmental	570,030	837,953	4,078,373	-	108,440	5,594,796
Other	-	-	-	-	33,449	33,449
Gross receivables	<u>1,011,593</u>	<u>3,380,104</u>	<u>9,173,375</u>	<u>496,973</u>	<u>560,338</u>	<u>14,622,383</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>2,432,346</u>	<u>-</u>	<u>-</u>	<u>3,549,164</u>
Net receivables	<u>\$ 1,011,593</u>	<u>\$ 2,263,286</u>	<u>\$ 6,741,029</u>	<u>\$ 496,973</u>	<u>\$ 560,338</u>	<u>\$ 11,073,219</u>

As of September 30, 2010, additional receivables were recorded under the government-wide financial statements as follows:

Intergovernmental:	
State of Florida Department of Transportation	\$ 2,125,531
Department of Homeland Security - FEMA	166,981
Florida Executive Office of the Governor	101,212
Monroe County of Tourist Development	43,094
State of Florida Department of Environmental Protection	<u>973</u>
	<u>\$ 2,437,791</u>

Property taxes are levied November 1st on property valued as of the previous 1st of January. The Tax Collector of Monroe County, Florida, bills and collects property taxes on behalf of the City. The tax rate, to finance general governmental services for the fiscal year ended September 30, 2010, was 2.6414 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 5,763,174,484. Property tax revenues are recognized when they become available. Available means 1) when due, or past due and receivable within the current period, and 2) collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Taxes relating to the current budget and collected within 60 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31st and become delinquent on April 1st. At September 30, 2010, there were no material property tax receivables.

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

3. Receivables (continued)

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

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

Frederick Douglas Square Project (HODAG)	\$	2,233,635
Homebuyer Assistance Program		199,633
Mayor's Revolving Loan Fund (Low Interest)		<u>108,483</u>
Gross mortgages receivable		2,541,751
Less allowance for uncollectible mortgages		<u>1,116,818</u>
Net mortgages receivable		<u><u>\$ 1,424,933</u></u>

COMPONENT UNIT:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 56,580 net of allowance for uncollectibles of \$ 7,371. Intergovernmental receivables of \$ 213,647 represent amounts due from the federal government.

4. Changes in Capital Assets

Capital asset activity for fiscal year ended September 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 53,186,804	\$ -	\$ -	\$ -	\$ 53,186,804
Construction in progress	<u>2,728,927</u>	<u>2,113,409</u>	<u>-</u>	<u>(2,235,160)</u>	<u>2,607,176</u>
Total capital assets, not being depreciated	<u>55,915,731</u>	<u>2,113,409</u>	<u>-</u>	<u>(2,235,160)</u>	<u>55,793,980</u>
Capital assets, being depreciated:					
Buildings and improvements	13,860,764	306,363	-	(91,628)	14,075,499
Machinery, equipment and furniture	17,150,833	1,595,120	(173,050)	-	18,572,903
Infrastructure	<u>31,553,964</u>	<u>2,622,633</u>	<u>-</u>	<u>2,326,788</u>	<u>36,503,385</u>
Total capital assets, being depreciated	<u>62,565,561</u>	<u>4,524,116</u>	<u>(173,050)</u>	<u>2,235,160</u>	<u>69,151,787</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

4. Changes in Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
Buildings and improvements	5,878,932	521,669	-	-	6,400,601
Machinery, equipment and furniture	11,257,663	1,860,505	(168,375)	-	12,949,793
Infrastructure	17,691,701	1,518,872	-	-	19,210,573
Total accumulated depreciation	<u>34,828,296</u>	<u>3,901,046</u>	<u>(168,375)</u>	<u>-</u>	<u>38,560,967</u>
Total capital assets, being depreciated, net	<u>27,737,265</u>	<u>623,070</u>	<u>(4,675)</u>	<u>2,235,160</u>	<u>30,590,820</u>
Governmental activities capital assets, net	<u>\$ 83,652,996</u>	<u>\$ 2,736,479</u>	<u>\$ (4,675)</u>	<u>\$ -</u>	<u>\$ 86,384,800</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	4,351,664	8,753,304	-	(2,668,460)	10,436,508
Total capital assets, not being depreciated	<u>23,032,698</u>	<u>8,753,304</u>	<u>-</u>	<u>(2,668,460)</u>	<u>29,117,542</u>
Capital assets, being depreciated:					
Buildings and improvements	47,771,433	112,858	-	689,462	48,573,753
Infrastructure	132,174,560	4,488,109	-	1,978,998	138,641,667
Machinery, equipment and furniture	17,242,677	509,974	(562,090)	-	17,190,561
Total capital assets, being depreciated	<u>197,188,670</u>	<u>5,110,941</u>	<u>(562,090)</u>	<u>2,668,460</u>	<u>204,405,981</u>
Less accumulated depreciation for:					
Buildings and improvements	23,796,803	1,737,090	-	(100,629)	25,433,264
Infrastructure	37,046,348	4,388,478	-	101,528	41,536,354
Machinery, equipment and furniture	14,462,284	740,623	(562,090)	(899)	14,639,918
Total accumulated depreciation	<u>75,305,435</u>	<u>6,866,191</u>	<u>(562,090)</u>	<u>-</u>	<u>81,609,536</u>
Total capital assets, being depreciated, net	<u>121,883,235</u>	<u>(1,755,250)</u>	<u>-</u>	<u>2,668,460</u>	<u>122,796,445</u>
Business-type activities capital assets, net	<u>\$ 144,915,933</u>	<u>\$ 6,998,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,913,987</u>

Total depreciation expense for the current fiscal year amounted to \$ 10,767,237. The estimated useful lives of the City's capital assets are as follows:

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

4. Changes in Capital Assets (continued)

For the year ended September 30, 2010, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,932,188
Public safety	1,077,784
Culture and recreation	342,584
Transportation	484,014
Physical environment	64,240
Human services	<u>236</u>
Total depreciation expense - governmental activities	\$ <u><u>3,901,046</u></u>
Business-type activities:	
Sanitary sewer system	\$ 3,845,076
Solid waste	544,330
Key West Bight	772,591
Stormwater	906,074
Garrison Bight	259,503
Transit system	<u>538,617</u>
Total depreciation expense - business-type activities	\$ <u><u>6,866,191</u></u>

COMPONENT UNIT:

The following summarizes capital assets from The Housing Authority of the City of Key West, Florida's proprietary fund at December 31, 2009:

Building and improvements	\$ 47,973,794
Infrastructure	1,167,753
Equipment	<u>935,363</u>
	50,076,910
Less accumulated depreciation	<u>20,640,289</u>
	29,436,621
Land	8,774,707
Construction in progress	<u>9,158,656</u>
Net capital assets	\$ <u><u>47,369,984</u></u>

Total depreciation expense for the current fiscal year amounted to \$ 1,228,744. The estimated useful lives of the Authority's capital assets are as follows:

Equipment	5-10 years
Buildings and improvements	15-40 years
Infrastructure	30-50 years

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

5. Restricted Assets

The use of certain assets of the Sanitary Sewer System and Key West Bight Funds are restricted by specific provisions of bond ordinances. These amounts are \$ 4,005,069 and \$ 858,340, respectively. The Solid Waste Fund has restricted assets of \$ 102,608 and \$ 18,356 as part of its landfill post closure care requirements and impact fee usage restrictions, respectively. The use of certain assets of the Gas Tax Fund is restricted by specific impact fee usage restrictions, these assets total \$ 304,816. Assets so designated are identified as restricted assets on the balance sheet and statement of net assets.

6. Pension Plans

General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan

Plan Descriptions - The City 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 sole and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the board 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 Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plans are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their fair value. Fair value is defined as the amount the plan would realize from a current sale to a willing buyer and is based on available market values. These retirement plans do not have long-term contracts for contributions.

Funding Policy and Annual Pension Cost - The Board of Trustees make plan amendment recommendations to the City Commission for approval. Employees' contribution rates are established through collective bargaining agreements. The City's contribution rate is determined annually through an actuarial evaluation. The Police Officers and Firefighters Retirement Plan also receives contributions from the State of Florida. The City received \$ 543,125 from the State that was generated from the insurance premium tax as part of the required funding for the Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate. The City's annual pension cost for the year ended September 30, 2010 and related information for the plans are provided herein.

For the year ended September 30, 2010, the retirement plans costs are as follows:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>
Contribution rates :		
City	6.4%	24.2%
State	0.0%	5.0%
Plan members	6.0%	7.0%
Annual City pension cost	\$ 659,894	\$ 2,619,109
City contributions made	\$ 1,163,828	\$ 2,601,540

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

6. Pension Plans (continued)

For the year ended September 30, 2010, the contribution information is as follows:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>
Annual Required Contribution (ARC)	\$ 640,444	\$ 2,612,238
Interest on net pension obligation (asset)	(176,619)	(45,577)
Adjustments to ARC	<u>196,069</u>	<u>52,448</u>
Annual pension cost	659,894	2,619,109
City and state contributions	<u>(1,163,828)</u>	<u>(2,601,540)</u>
(Increase) decrease in net pension obligation (asset)	(503,934)	17,569
Net pension obligation (asset), beginning of year	<u>(2,207,732)</u>	<u>(576,923)</u>
Net pension obligation (asset), end of year	\$ <u><u>(2,711,666)</u></u>	\$ <u><u>(559,354)</u></u>
Actuarial valuation date	10/01/2009	10/01/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar amount, closed	Layered amortization
Remaining amortization period	30 years	30 years
Asset valuation method	Five year smoothed market	Five year smoothed market
Actuarial assumptions:		
Investment rate of return	8.0%	7.90%
Projected salary increases	6.0%-25.0%	5.00%
Includes inflation at	4.0%	4.00%
Cost-of-living adjustment	None	None
Changes since last valuation	None	3 Changes as follows since 10/1/2008 valuation:
		1) Investment rate of return was 8.25%.
		2) Projected salary increases was 5.50%.
		3) Assumed withdrawal rates currently range from 0.0% to 55.8% compared to 0.0% to 34.9% in the prior year.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

6. Pension Plans (continued)

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<u>General Employees Retirement Plan:</u>			
9/30/08	\$ 904,782	147%	\$ (1,701,943)
9/30/09	\$ 760,081	167%	\$ (2,207,732)
9/30/10	\$ 659,894	176%	\$ (2,711,666)
<u>Police Officers and Firefighters Retirement Plan:</u>			
9/30/08	\$ 2,481,358	100%	\$ (581,815)
9/30/09	\$ 2,472,442	100%	\$ (576,923)
9/30/10	\$ 2,619,109	99%	\$ (559,354)

Schedule of Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last three plan years valuation dates) is as follows:

<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>
<u>General Employees Retirement Plan (dollars in thousands):</u>						
10/1/07	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/1/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/1/09	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)
<u>Police Officers and Firefighters Retirement Plan (dollars in thousands):</u>						
10/1/07	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/1/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%
10/1/09	\$ 55,884	\$ 68,384	\$ 12,500	81.7%	\$ 8,738	143.0%

A net pension asset has been recorded in the government-wide statements in accordance with the net pension valuations amounting to \$ 3,271,020.

COMPONENT UNIT:

Retirement System for Employees of The Housing Authority of the City of Key West, Florida

Plan Description – The Authority maintains a single-employer defined benefit pension plan (the “Plan”) administered by a Board of Trustees consisting of the Authority’s Executive Director, three employees, and its Chairman. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWHH holds the authority to establish and amend benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

6. Pension Plans (continued)

Plan investments are reported at their fair value. Securities and U.S. Government obligations traded on a national exchange or similar market are valued at the last reported sales price. The Plan does not have any long-term contracts for contributions.

Funding Policy and Annual Pension Cost - The contribution requirement of the KWA's Plan is approved annually by the KWA Board of Commissioners. Plan members shall not make any contributions to the Plan. KWA is required to contribute at an actuarially determined rate; the current rate is 16.5% of covered payroll. KWA's annual pension cost for the year ended December 31, 2009 and related information for the Plan is provided herein.

For the year ended December 31, 2009, the retirement plan costs are as follows:

	Housing Authority Employees Retirement Plan
Contribution rate:	
KWA	16.5%
Annual KWA pension cost	\$ 407,414
KWA contribution made	\$ 422,931

For the year ended December 31, 2009, the contribution information is as follows:

Annual Required Contribution (ARC)	\$	405,822
Interest on net pension obligation (asset)		(14,433)
Adjustments to ARC		16,025
Annual pension cost		407,414
KWA contributions		(422,931)
Increase (decrease) in net pension obligation (asset)		(15,517)
Net pension obligation (asset), beginning of year		(180,409)
Net pension obligation (asset), end of year	\$	(195,926)
Actuarial valuation date		01/01/09
Actuarial cost method		Entry Age Normal
Amortization method		Level dollar, closed
Remaining amortization period		30 years
Asset valuation method		Five year smoothed market
Actuarial assumptions:		
Investment rate of return		8.00%
Projected salary increases		4.50%
Includes inflation at		3.50%
Cost-of-living adjustment		1.50%
Change since last valuation		None

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

6. Pension Plans (continued)

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation(Asset)</u>
<u>Housing Authority Employees Retirement Plan:</u>			
12/31/07	\$ 309,766	121%	\$ (159,410)
12/31/08	\$ 342,045	106%	\$ (180,409)
12/31/09	\$ 407,414	104%	\$ (195,926)

Schedule of Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last three plan years valuation dates) is as follows:

<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>
<u>Housing Authority Employees Retirement Plan (dollars in thousands):</u>						
1/1/08	\$ 3,959	\$ 5,021	\$ 1,062	78.8%	\$ 2,277	46.6%
1/1/09	\$ 3,957	\$ 5,908	\$ 1,951	67.0%	\$ 2,461	79.3%
1/1/10	\$ 4,406	\$ 6,197	\$ 1,791	71.1%	\$ 2,697	66.4%

7. Other Post-Employment Health Care Benefits

GASB Statement No. 45: *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("OPEB"), establishes accounting standards for postretirement benefits. The statement does not require funding of OPEB expense, but any difference between the annual required contribution ("ARC") and the amount funded during the year is required to be recorded in the employer's Statement of Net Assets as an increase (or decrease) in the cumulative OPEB obligation. Recognition of the liability accumulated for prior years is phased in over 30 years, commencing with the 2009 liability.

Plan Description and Funding Policy

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan (medical and prescription) currently offered through the City at the "blended" employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life insurance and dental benefits are portable and the retiree must pay premiums to the carrier directly. As of September 30, 2010, there are 45 participating retirees in the group health program.

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

7. Other Post-Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed, and the change in the net OPEB obligation.

Development of Annual Required Contribution (ARC):	
Employer normal cost	\$ 382,494
Amortization of unfunded actuarial accrued liability	156,167
Total ARC	538,661
Adjustment to the ARC	2,673
Annual OPEB cost	541,334
Estimated employer contributions	(125,624)
Increase in net OPEB obligation	415,710
Net OPEB obligation, beginning of year	400,872
Net OPEB obligation, end of year	\$ 816,582

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation, trend information, are as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$ 498,267	19%	\$ 400,872
9/30/2010	\$ 541,333	23%	\$ 816,582

Funding Status and Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The funded status and an analysis of funding progress (the last plan year valuation date) is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability at Entry Age (b)</u>	<u>Unfunded Actuarial Accrued Liability (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>
* 9/30/09	\$ --	\$ 4,182,889	\$ 4,182,889	0.0%	\$ 19,091,382	21.9%

* Year of implementation

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

7. Other Post-Employment Health Care Benefits (continued)

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, is designed to provide multiyear trend information to show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. However, the City has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

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

Measurement Date:	September 30, 2009
Actuarial Cost Method:	Entry Age Normal
Amortized Method:	Level Percent, open
Amortized Period:	30 Years
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Investment rate of return	4.00%
Projected salary increases	5.50% - 25.00%
Payroll growth rate	4.00%
Discount Rate:	4.00%
Inflation Rate:	4.00%
Healthcare Cost Trent Assumption:	9.00% reduced linearly to 5.00% by 2018, and remaining at 4.50% for fiscal 2019 and thereafter.

8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation 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.

9. Risk Management

General Liability, Property, Worker Compensation and Other Claims -The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2010, a total of approximately \$ 2,129,000, was incurred/paid in benefits and claims. In fiscal year 2010, the fund provided coverage up to \$ 325,000 for each worker's compensation claim, \$ 100,000 per occurrence for public officials and employee benefits liability, \$ 25,000 per claim for crime coverage, \$ 100,000 for each auto/general liability claim, and \$ 50,000 for each property claim other than wind and flood. In general, 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, except for an \$ 8 million settlement in 2009 on violations of the Commerce Clause of the U.S. Constitution.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

9. Risk Management (continued)

Self insurance retention, per occurrence, for wind is 5% of building and/or contents with a \$ 75,000 minimum. Self insurance retention, per occurrence, for flood is 5% or excess amount as covered by the National Floor Insurance Program with a \$ 5,000,000 annual limit.

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

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

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for workers' compensation, general liability and property claims of \$ 4,352,442 is reported in the fund at September 30, 2010. This amount has been discounted to present value at an assumed investment rate of 3.0%, and an approximate 50% confidence level. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past three years ended September 30, 2010 are as follows (in thousands):

Fiscal Year	Beginning Liability	Claims Incurred	Estimates for Prior Claims	Claim Payments	Ending Liability
2008	\$ 4,837	\$ 2,102	\$ 435	(\$ 1,315)	\$ 6,059
2009	\$ 6,059	\$ 1,931	\$ 1,927	(\$ 3,672)	\$ 6,245
2010	\$ 6,245	\$ 1,894	\$ (400)	(\$ 2,684)	\$ 5,055

For a number of years the City has been experiencing a substantial growth in its workers compensation claims. These increases have now leveled off; however, management believes that they remain high. The current year reduction in claims liability is in part a result of a decrease in claims reserves from \$ 3,025,000 to \$ 1,936,000. This was due to the City's new third party administrator who performed a complete review of all outstanding claims and adjusted such reserves accordingly.

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

CITY OF KEY WEST, FLORIDA
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September 30, 2010

10. Accrued Compensated Absences

Accrued expenditures/expenses at September 30, 2010 include compensated absences based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Assets, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2010 was \$ 3,501,927 for all funds.

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

11. Construction and Other Significant Commitments

A. Construction Commitments

The following table presents the approximate significant construction commitments outstanding at September 30, 2010:

	Remaining Construction Commitment
Infrastructure Fund:	
Outer Mole Shelters	\$ 125,100
Gas Tax Fund:	
Flagler Avenue	\$ 184,100
Bahama Village Connectivity	\$ 288,100
United Street Paving	\$ 140,800
Southard Street Sidewalk	\$ 431,500
Duck Ave Sidewalks	\$ 165,500
Virgina St Sidewalks	\$ 235,100
Leon St Sidewalks	\$ 182,600
Eisenhower Dr Sidewalks	
Sanitary Sewer System Fund:	
Capacity expansion engineering	\$ 120,000
Stormwater Fund:	
White Street pump assist well	\$ 229,300
Transit System Fund:	
Bus facility engineering	\$ 552,900

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

11. Construction and Other Significant Commitments (continued)

B. Landfill Closure

The City had previously received notification from the Florida Department of Environmental Protection (FDEP) that its landfill had been considered officially closed as of April 26, 1996. For the current year, for FDEP financial assurance costs estimate purposes, the City chose to update the maximum cost estimate by using an inflationary factor of 1.010%. By using this factor, the City reported to the FDEP an inflation adjusted long-term care cost estimate of \$ 537,686 for the remaining 6 years. In accordance with the landfill long-term care escrow agreement between the City of Key West and the Florida Department of Environmental Protection, the City has set aside in a restricted cash account with First State Bank of the Florida Keys the amount of \$ 102,608 as of September 30 2010, which represents more than the required annual amount of \$ 89,614. There were no deposits or withdraws from this account during the fiscal year other than earned interest.

Based on historical information the City amortizes approximately \$ 40,000 per year in landfill closure cost payables (\$ 223,333 balance as of September 30, 2010) of which \$ 183,333 remain as a future long-term payable at September 30, 2010.

C. Operating Leases

In March 2010, the City entered into a three year operating lease for the use of office space. The agreement allows for the ability to be cancelled after two years, with six months prior written notice by the City. The agreement calls for rent payments of \$ 12 per square foot per year plus common area maintenance. Based on total office space available under the agreement, the current monthly installments are approximately \$21,800. As the additional build out of the office space is completed, the rent expense will increase in proportion to the increase in square feet available for use. The total rental expense in connection with this agreement was approximately \$ 78,000. In addition, the City leases office equipment under various agreements at approximately \$ 7,300 per month, plus excess usage charges, through April 2011 and at lesser amounts thereafter until December 2013.

Minimum future rental payments relative to these agreements at September 30, 2010 are approximately as follows:

<u>Year Ending</u> <u>September 30,</u>		
2011	\$	298,000
2012	\$	287,000
2013	\$	147,000
2014	\$	2,000
Thereafter	\$	NONE

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities

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

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Amortization/ Retirements</u>	<u>Balance September 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note payable	\$ 1,466,757	\$ -	\$ 147,059	\$ 1,319,698	\$ 147,058
Insurance claims payable	5,403,913	-	1,051,471	4,352,442	2,156,052
Compensated Absences	<u>3,221,245</u>	<u>894,656</u>	<u>931,027</u>	<u>3,184,874</u>	<u>921,882</u>
Total governmental activities	<u>\$ 10,091,915</u>	<u>\$ 894,656</u>	<u>\$ 2,129,557</u>	<u>\$ 8,857,014</u>	<u>\$ 3,224,992</u>
Business-Type Activities:					
Sewer Revenue Bonds, Series 2003	\$ 24,735,000	\$ -	\$ 975,000	\$ 23,760,000	\$ 1,000,000
Marina Revenue Bonds, Series 1993	685,568	-	355,062	330,506	330,506
Marina Revenue Bonds, Series 1997	9,085,000	-	9,085,000	-	-
Marina Revenue Note, Series 2009	-	9,142,446	-	9,142,446	144,400
Note payable, State Revolving Loan	3,734,474	-	246,247	3,488,227	254,364
Deferred amounts:					
Issuance discounts	(27,142)	-	(27,142)	-	-
Issuance premiums	180,019	-	16,547	163,472	-
Losses on early retirement	<u>(870,988)</u>	<u>(93,865)</u>	<u>(105,309)</u>	<u>(859,544)</u>	<u>-</u>
Total notes and bonds	37,521,931	9,048,581	10,545,405	36,025,107	1,729,270
Accrued compensated absences	<u>361,311</u>	<u>82,196</u>	<u>126,454</u>	<u>317,053</u>	<u>125,055</u>
Total business-type activities	<u>\$ 37,883,242</u>	<u>\$ 9,130,777</u>	<u>\$ 10,671,859</u>	<u>\$ 36,342,160</u>	<u>\$ 1,854,325</u>
Total long-term debt and liabilities	<u>\$ 47,975,157</u>	<u>\$ 10,025,433</u>	<u>\$ 12,801,416</u>	<u>\$ 45,199,174</u>	<u>\$ 5,079,317</u>

Additional long-term liabilities for governmental activities include unearned revenue of \$ 1,116,818 and OPEB liability \$ 725,599 of (Note 7) as of September 30, 2010.

Additional long-term liabilities for business-type activities include OPEB liability (Note 7), customer deposits and landfill closure cost payable amounting to \$ 90,983, \$ 321,175 and \$ 183,333, respectively, as of September 30, 2010.

General Obligation:

Promissory Note:

A promissory note was issued for the acquisition and rehabilitation of affordable housing in the City's redevelopment district. The note is to be repaid and secured by tax increment revenue which derives from such area. Issued at not to exceed \$ 2,500,000, and fully drawn down, on October 1, 2003, the City converted the then revolving facility to a term loan at a fixed interest rate of 2.56%. This note is payable in varying annual installments of principal and interest not exceeding \$ 180,887 through its maturity on October 1, 2019.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

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

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 147,058	\$ 33,829	\$ 180,887
2012	147,058	30,071	177,129
2013	147,058	26,612	173,670
2014	147,058	22,553	169,611
2015	147,058	18,794	165,852
2016-2019	584,408	37,588	621,996
	<u>\$ 1,319,698</u>	<u>\$ 169,447</u>	<u>\$ 1,489,145</u>

Revenue Obligation:

Sewer System Refunding Revenue Bonds, Series 2003:

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 System Fund. The limitations and restrictions of the bond ordinance are summarized later in this note. The Sewer System Refunding Revenue Bonds, Series 2003, were issued for \$ 29,315,000 in July 2003. Annual debt service installments not exceeding approximately \$ 2,020,000 are due through October 1, 2026, with interest payable semi-annually at rates ranging from 2.0% to 5.25%. The purpose for this issue was to refund the Series 1993 Sewer System Revenue Bonds which partially funded the City's "Advanced Wastewater Treatment Facility." These bonds are secured by a pledge of the net revenues of the system. Summary information on this indebtedness appears below:

Sewer System Refunding Revenue Bonds, Series 2003

Total bond obligation as of September 30, 2010	\$ 23,760,000
Less current portion	1,000,000
Less loss on early retirement	784,189
Plus unamortized bond premium	<u>163,472</u>
Total long-term Sewer System Refunding Revenue Bonds	<u>\$ 22,139,283</u>

Capital Improvement/Marina Revenue Bonds, Series 1993 and Note, Series 2009

In October 1997, the City issued \$ 9,495,000 in Capital Improvement/Marina Revenue Refunding Bonds, Series 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 Series 1993A bonds were originally issued to finance the acquisition of an approximately 8.8 acre site commonly known as the Key West Bight for the public purpose of constructing marina and related facilities, public parks and conservation areas thereon.

Defeasance of Bonds - In December 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the then outstanding principal amount (\$ 9,025,000) of the City's Tax-Exempt Capital Improvement/Marina Revenue Bonds, Series 1997 plus its accrued interest (\$ 61,982) and to pay for the costs of issuing (\$ 55,464) the 2009 note. The subject bonds were called on January 19, 2010.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$ 93,865. The amount is being netted against the new debt and amortized over the life of the new debt issued. The City currently refunded the Marina Revenue Bonds, Series 1997 to reduce its total debt service payments over the next eight years by approximately \$ 758,200 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$ 661,400.

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 is payable solely and secured by a pledge of the net revenue of the facilities, the half-cent sales tax collections, and the moneys in certain funds and accounts "pledged revenues" created pursuant to the agreement. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from \$ 144,400 to \$ 1,419,800 through maturity in December 2017.

Summary information on the Marina Revenue Bonds appears below:

<u>Capital Improvement/Marina Revenue Bonds and Note</u>	<u>Series 1993</u>	<u>Series 2009</u>	<u>Total</u>
Total obligation as of September 30, 2010	\$ 330,506	\$ 9,142,446	\$ 9,472,952
Less current portion	330,506	144,400	474,906
Less loss on early retirement	-	75,352	75,352
Total long-term Marina Revenue Bonds	<u>\$ -</u>	<u>\$ 8,922,694</u>	<u>\$ 8,922,694</u>

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

<u>Fiscal Year</u>	<u>Sewer System Refunding Revenue Bonds Series 2003</u>		<u>Capital Improvement / Marina Revenue Bonds, Series 1993 and Note, Series 1999</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 1,000,000	\$ 1,013,448	\$ 474,906	\$ 1,005,161	\$ 3,493,515
2012	1,030,000	984,697	1,158,217	283,748	3,456,662
2013	1,060,000	952,768	1,202,499	243,940	3,459,207
2014	1,095,000	918,317	1,240,273	202,779	3,456,369
2015	1,130,000	881,088	1,281,571	160,286	3,452,945
2016 - 2020	6,510,000	3,558,788	4,115,486	211,293	14,395,567
2021 - 2025	8,160,000	1,905,050	-	-	10,065,050
2026 - 2027	3,775,000	249,594	-	-	4,024,594
	<u>23,760,000</u>	<u>\$ 10,463,750</u>	9,472,952	<u>\$ 2,107,207</u>	<u>\$ 45,803,909</u>
Net amortized loss on early retirement	(784,189)		(75,355)		
Net unamortized premiums and (discounts)	<u>163,472</u>		<u>-</u>		
	<u>\$ 23,139,283</u>		<u>\$ 9,397,597</u>		

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

Continuing Disclosure – In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds, Series 2003 and the Capital Improvement/Marina “Key West Bight” Revenue Refunding Bonds, Series 1993 and Note, Series 2009. At September 30, 2010, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2010, are presented below:

Sanitary Sewer System:

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

	2009		2010		2011
Base Charge	\$ 22.91	\$	23.23	\$	23.23
Commodity Charge	\$ 4.54	\$	4.60	\$	4.60

- D. The payable to FEMA is discussed in the commitment and contingencies section of the footnotes (Note 16).
- E. Required historical debt service coverage information is presented in the statistical section of this report (Table 15).

Key West Bight Marina:

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

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

In connection with the City’s Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Refunding Revenue Bonds, Series 2003. Summary information on the state revolving loan appears below:

State Revolving Loan		Total
Total loan balance as of September 30, 2010	\$	3,488,227
Less current portion		254,364
Total long-term state revolving loan balance	\$	3,233,863

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 254,364	\$ 112,003	\$ 366,367
2012	262,749	103,618	366,367
2013	271,413	94,954	366,367
2014	280,361	86,006	366,367
2015	289,603	76,764	366,367
2016 - 2020	1,597,677	234,157	1,831,834
2021 - 2022	<u>532,060</u>	<u>17,492</u>	<u>549,552</u>
	<u>\$ 3,488,227</u>	<u>\$ 724,994</u>	<u>\$ 4,213,221</u>

Conduit debt obligation – The City through the Local Redevelopment Agency entered into an agreement to purchase certain housing facilities from the U.S. Navy known as “Poinciana Complex.” This agreement was subsequently assigned to The Housing Authority of the City of Key West, Florida (the “Authority”). The Authority entered into a first mortgage and security agreement amounting to \$ 16,000,000 under the Section 108 loan program from the Department of Housing and Urban Development to acquire the housing complex. In addition, the Authority entered into agreement with a local government agency in the principal amount of \$ 2,210,000 in order to facilitate the acquisition of the complex. The purchase closed in January 2004.

Under the \$ 16,000,000 mortgage note, the City entered into a guarantee and inter-local agreement with the Authority. The City is not liable on the note, as repayment of the note is the responsibility of the Authority and is secured by a mortgage on the housing facility. The note 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 Authority cannot meet the maximum required amount within the restoration period. The City maintains recourse against the Authority. Based on these circumstances, the City considers this to be conduit debt and accordingly, it is not recorded on the City’s books.

COMPONENT UNIT:

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2009:

	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2009</u>	<u>Due Within One Year</u>
Mortgages payable	\$ 3,882,274	\$ -	\$ 20,000	\$ 3,862,274	\$ 20,000
Revenue notes	25,122,712	-	771,888	24,350,824	809,111
Promissory note - land	2,210,000	-	-	2,210,000	-
Business loan	<u>169,730</u>	<u>-</u>	<u>-</u>	<u>169,730</u>	<u>169,730</u>
Total long-term debt and liabilities	<u>\$ 31,384,716</u>	<u>\$ -</u>	<u>\$ 791,888</u>	<u>\$ 30,592,828</u>	<u>\$ 998,841</u>
Accrued compensation	<u>\$ 263,509</u>	<u>\$ 3,606</u>	<u>\$ -</u>	<u>\$ 267,115</u>	<u>\$ 26,712</u>
Other noncurrent liability	<u>\$ 2,233,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,233,636</u>	<u>\$ -</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

On November 1, 2009, the Authority issued a Housing Revenue Bond, Series 2009 to a local banking institution in the principal amount of \$ 2,900,000 in order to demolish the existing structures and construct new rental units on the site "Key Plaza Site B." The Authority granted a first mortgage to the bank to collateralize the bond with the underlying land, project improvements and property located on the land. The bond bears interest at 4.00% for the first 12 months, payable interest only, 4.00% for the next 3 years and then 4.75% for the next 3 years. The bond will be amortized over 25 years but is due at the end of 7 years. As of December 31, 2009, the Authority has not drawn down any of the proceeds. The Authority expects to begin construction in 2010.

Mortgages payable as of December 31, 2009, are comprised of the following:

Mortgages Description

Second mortgage due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnership Program," payable in full in April 2018, non-interest bearing.	\$	1,819,720
Mortgage due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in May 2031, non-interest bearing.		1,500,000
First mortgage due to a governmental agency, collateralized by land, "Key Plaza Site – Home Investment Partnership Program," payable in full in April 2018, non-interest bearing.		382,554
First mortgage due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until May 2031, non-interest bearing.		<u>160,000</u>
	\$	<u><u>3,862,274</u></u>

Revenue Notes as of December 31, 2009 are comprised of the following:

Revenue Notes Description

Multifamily Housing Revenue Notes amortized over a 30-year period and bearing interest at 4.25%. These notes are due in January 2011 and are collateralized by the land, project improvements and property located on the land "Roosevelt Gardens." Series 2002 in the original amount of \$ 9,850,000 and Series 2003 in the original amount of \$ 2,000,000.	\$	10,780,824
First mortgage and security agreement related to its Housing Revenue Note Series 2003 in the principal amount of \$ 16,000,000 to acquire the housing complex known as "Poinciana Complex." This note is due in annual installments from August 2006 through August 2023 bearing interest at 5.28%. As noted previously, the City of Key West entered into a guarantee agreement whereby funds will be advanced if the debt service reserve cannot be restored to its maximum within its prescribed period.		<u>13,570,000</u>
	\$	<u><u>24,350,824</u></u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

12. Long-Term Debt and Liabilities (continued)

Promissory Note – Land as of December 31, 2009 consists of the following:

Promissory Note – Land Description

Second mortgage payable to a local government agency to facilitate the acquisition of the “Poinciana Complex” as discussed under the revenue notes section above and under the long-term debt and liability section of the primary government. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land. \$ 2,210,000

Business loan as of December 31, 2009 consists of the following:

Business Loan –Description

Revolving facility, with a financial institution, bearing interest at 7.351% with a limit of \$ 250,000. Payment of interest only, due monthly, with a final maturity of December 2010. \$ 169,730

The anticipated principal reductions under all agreements discussed for the component unit are as follows:

<u>Fiscal Year</u>	<u>Mortgages Payable</u>	<u>Revenue Notes</u>	<u>Promissory Note - Land</u>	<u>Business Loan</u>	<u>Total</u>
2010	\$ 20,000	\$ 809,111	\$ -	\$ 169,730	\$ 998,841
2011	20,000	848,777	-	-	868,777
2012	20,000	890,705	-	-	910,705
2013	20,000	933,515	-	-	953,515
2014	20,000	992,267	-	-	1,012,267
Thereafter	<u>3,762,274</u>	<u>19,876,449</u>	<u>2,210,000</u>	<u>-</u>	<u>25,848,723</u>
	<u>\$ 3,862,274</u>	<u>\$ 24,350,824</u>	<u>\$ 2,210,000</u>	<u>\$ 169,730</u>	<u>\$ 30,592,828</u>

The other noncurrent liability as of December 31, 2009 consists of the following:

In August 1989, the Authority entered into an agreement with the City whereby the City would provide the Authority \$ 2,233,636 which the City had received as part of a Housing Development Grant received from the U.S. Department of Housing and Urban Development. The Authority in turn loaned these moneys to Creative Choice Management, Inc. in order to develop an affordable/lower income housing project known as the Frederick Douglas Square project.

The Authority recorded a noncurrent receivable for the total amount loaned (\$ 2,233,636) to Creative Choice Management, Inc. The loan is not interest bearing and is to be repaid from rents collected over a period of 25 years.

The funding received from the City is non-interest bearing and is due 25 years from the date on which the first unit was available for occupancy.

13. Deferred Revenue

The City has recognized deferred revenue as described below. All balances remain unearned at September 30, 2010 from the sources described below.

General Fund - Occupational license renewals are sent out in August for the license year beginning October 1st. Revenues of \$ 810,775 collected in advance of the licensing year are reported as deferred revenue at year-end. Also, there were unspent Federal grant dollars in the amount of \$ 38,461 that have been appropriately classified as deferred revenue.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

13. Deferred Revenue (continued)

Special Revenue Funds - Certain special revenue funds are used to account for grants and awards activity. Grants and awards 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.

Special Revenue Funds	Total
Community Development Office (grants and awards)	\$ 1,211,440
Gas Tax (impact fees)	304,816
Local Redevelopment Agency (grants and awards)	127,138
Totals	\$ 1,643,394

Sanitary Sewer System Fund - Customer prepayments of \$ 128,613 for utility bills and impact fees of \$ 19,795 are reported as deferred revenue.

Solid Waste Fund – Impact fees of \$ 18,356 are reported as deferred revenue.

Key West Bight Fund - Tenant advance billings and payments of \$ 282,810 are reported as deferred revenue.

Garrison Bight Fund - Tenant advance billings and payments of \$ 95,596 are reported as deferred revenue.

Internal Service Fund - Insurance premiums collected in advance of \$ 1,425 are reported as deferred revenue.

14. Interfund Assets and Liabilities

A summary of interfund receivable and payable balances at September 30, 2010 are as follows:

Interfund Items (current)	Receivables	Payables
Governmental Funds:		
General	\$ 1,033,005	\$ -
Infrastructure Surtax	361	-
Nonmajor funds	5,590	-
Enterprise Funds:		
Sanitary Sewer System	2,259,149	-
Solid Waste	3,787	-
Key West Bight	8,475	-
Stormwater	541	2,250,000
Nonmajor funds	16,054	897,526
Internal Service Fund:		
Insurance Programs	-	179,436
Totals	\$ 3,326,962	\$ 3,326,962

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

14. Interfund Assets and Liabilities (continued)

The receivable balance in the General Fund is a result of overfunding the Insurance Programs Fund and short-term advances made to the Transit System Fund to cover temporary cash deficits at year-end. The other side of this transaction is evidenced in the Nonmajor Enterprise Funds. The receivable balance in the Sanitary Sewer System Fund is primarily due to short-term advances made to the Stormwater Fund in connection with construction projects. All of the above amounts are expected to be repaid shortly after year-end from available current assets, including governmental receivables from Federal and State sources.

A summary of advances (receivables and payables) at September 30, 2010 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 2,264,052	\$ -
Enterprise Funds:		
Sanitary Sewer System	15,054	-
Stormwater	-	2,264,052
Key West Bight	294,836	-
Nonmajor funds	<u>-</u>	<u>309,890</u>
Total	\$ <u><u>2,573,942</u></u>	\$ <u><u>2,573,942</u></u>

The advance in the General Fund is owed by the Stormwater Fund for start-up costs and prior year's working capital needs. The Nonmajor Enterprise Fund, the Transit System Fund, owes the Key West Bight Fund for rents as a result of a portion of its Park-n-Ride lot built on Key West Bight property. The above amounts are repaid as excess cash flows become available in the debtor fund.

15. Interfund Transfers

A summary of interfund transfers for the year ended September 30, 2010 is as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
Governmental Funds:		
General	\$ 4,491,191	\$ 1,001,585
Infrastructure Surtax	157,813	4,176,980
Capital Projects	3,075,000	-
Nonmajor funds	1,452,012	1,459,202
Enterprise Funds:		
Sanitary Sewer System	-	1,338,000
Solid Waste	-	1,589,190
Stormwater	15,010	225,872
Key West Bight	776,106	500,000
Nonmajor funds	663,649	331,712
Internal Service Fund:	<u>-</u>	<u>8,240</u>
Totals	\$ <u><u>10,630,781</u></u>	\$ <u><u>10,630,781</u></u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

15. Interfund Transfers (continued)

The General Fund received \$ 3,984,774 from the Enterprise Funds for payments in lieu of taxes. The General Fund made its annual transfer (\$ 695,662 in 2010) to the Bahama Village and Caroline Street Fund for tax increment funding. In addition, the General Fund made a \$ 156,350 transfer to cover salaries and operating costs in the Local Redevelopment Fund, along with \$ 149,573 to reimburse the Infrastructure Surtax Fund for repairs to the Mallory Square dock.

The Infrastructure Surtax Fund transferred a portion of the one-cent sales tax to the Capital Projects Fund. The transfer of \$ 3,075,000 is used to fund current and future projects that are accounted for within the fund. The Infrastructure Surtax Fund also made its annual transfer (\$ 600,000 in 2010) to the Gas Tax Fund to assist with certain street and sidewalk improvements. In addition, the Infrastructure Surtax Fund transferred \$ 501,980 to the General Fund representing 10% of the budgeted discretionary sales surtax revenues to be used for any lawful purpose.

The Nonmajor Governmental Fund transfers in are the result of the transfers mentioned above into the Gas Tax Fund (\$ 600,000), the Local Redevelopment Agency Fund (\$156,350) and the Bahama Village and Caroline Street Fund (\$ 695,662). The Nonmajor Governmental Funds transfers out are from the Gas Tax Fund to subsidize the Transit System Fund (\$ 663,649) and to reimburse the Stormwater Fund (\$ 15,010) for sidewalk repairs; and the Bahama Village and Caroline Street Fund annual transfer to the Key West Bight Fund (\$ 776,106 in 2010) to aid in the payment of debt service. In addition, the Navy Pier Payments Fund transferred \$ 4,437 to the General Fund to reimburse for certain indirect costs.

Lastly, the Internal Service Fund reimbursed (\$ 8,240) to the Infrastructure Surtax Fund for a vehicle replacement.

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

16. Contingencies

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

Due to land use plan and rate of growth of 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 2003, the City underwent an audit of FEMA Disaster No. 1306-DR-FL grant otherwise known as Hurricane Irene. The City has received official notification from the Florida Department of Community Affairs deb obligating approximately \$ 6,659,000 in claimed costs as a result of their audit. Due to the denial of a subsequent appeal, the City has recorded a liability in the financial statements. FEMA's basis for disallowing these costs is that the damage to the sewer system was preexisting and not as a result of the storm. The City is currently negotiating a repayment plan with the grantor agency.

The City is a defendant in a case involving a Virginia based shipyard "plaintiff". The plaintiff's claim against the City include allegations of breach of an oral contract arising from work performed by the shipyard on the vessel "U.S.S. Hoyt Vandenberg" to prepare the vessel for sinking as an artificial reef off the coast of Key West. According to City's management, the City held title to the ship at the time the work was performed; however, had no agreement with the plaintiff to pay for those services. Instead, a subcontractor had a written contract with the plaintiff to pay for the repair services, but defaulted on its obligations. The plaintiff now seeks to recover the unpaid balance from the City. The City is vigorously contesting liability which is estimated at approximately \$ 1,100,000 plus interest. The City's management believes to have a solid case and should prevail at trial.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

16. Contingencies (continued)

The City is also being challenged by a local community college for imposition of a stormwater utility user fee on property owned by the State of Florida and located on North Stock Island. Recently, a trial court granted a final summary judgment in favor of the local community college. The court ordered the City to refund user fees previously paid by the local community college. The City has responded vigorously defending the action and has filed an appeal. With respect to the claim preventing the City from collecting stormwater utility user fees, it is management's opinion that an adverse outcome is probable. With respect to the claim to a refund of fees previously paid by the local community college, it is management's opinion that an adverse outcome is possible but not probable. In the event of an adverse outcome with respect to the claim to a refund, the potential range of loss is estimated to be between \$ 200,000 and \$ 250,000. In addition, an action was brought against the City on behalf of certain North Stock Island property owners who allege that the City's imposition of stormwater utility user fee constitute an illegal tax. The City is vigorously defending the action. In the event of an adverse outcome, the property owners seek refund of certain stormwater utility user fees previously paid. The City's management believes that an unfavorable outcome is as likely as a favorable outcome. In the event of an adverse outcome, the potential loss is estimated to be between \$ 500,000 and \$ 1,000,000.

The City is also involved in an alleged wrongful termination in contravention of the Law Enforcement Officer's Bill of Rights. The City prevailed at the trial level but the court case is now on appeal. The City's management believes that an adverse outcome is possible but not probable. Based on limited information, the potential loss is estimated not to exceed \$ 100,000.

The City receives significant financial assistance from numerous Federal, state, and local governmental agencies in the form of grants and revenue sharing. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management and except as to the FEMA matter previously discussed, 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, 2010.

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.

17. Subsequent Events

COMPONENT UNIT:

In July 2010, the Authority acquired a 16 unit multifamily complex through the issuance of its Multifamily Housing Revenue Bonds, Series 2010 to a local banking institution in the principal amount of \$ 1,759,000. The bond bears interest at 4.50% and the principal is to be amortized over 20 years. The bond is due on July 1, 2017. In addition, the Authority borrowed \$ 1,636,000 (2 notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property. These loans do not bear interest and mature in 30 years.

18. Prior Period Adjustments

COMPONENT UNIT:

The Authority has recorded a prior period adjustment in order to capitalize certain expenditures made from Community Development Block Grant Funds that paid for improvements to its Public Housing Complexes. The total that should have been capitalized in prior years was \$ 1,780,684 which increased capital assets and increased net assets.

Required Supplementary Information

City of Key West, Florida

**Required Supplementary Information
(Unaudited)
Analysis of Funding Progress -
General Employees' Pension Trust Fund
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
10/01/03	\$ 22,407	\$ 21,964	\$ (443)	102.0%	\$ 8,689	(5.1%)
10/01/04	\$ 23,847	\$ 22,850	\$ (997)	104.4%	\$ 9,190	(10.8%)
10/01/05	\$ 25,673	\$ 26,954	\$ 1,281	95.2%	\$ 10,387	12.3%
10/01/06	\$ 28,266	\$ 28,258	\$ (8)	100.0%	\$ 10,882	(0.1%)
10/01/07	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/01/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/01/09	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)

Note: Financial report may be obtained by writing to the Pension Plan Administrator, Post Office Box 1409, Key West, FL 33041-1409

City of Key West, Florida

**Required Supplementary Information
(Unaudited)
Analysis of Funding Progress -
Police Officers' and Firefighters' Pension Trust Fund
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
10/01/03	\$ 39,160	\$ 43,515	\$ 4,355	90.0%	\$ 7,464	58.3%
10/01/04	\$ 39,488	\$ 45,713	\$ 6,225	86.4%	\$ 8,089	77.0%
10/01/05	\$ 40,679	\$ 51,732	\$ 11,053	78.6%	\$ 9,611	115.0%
10/01/06	\$ 48,066	\$ 57,645	\$ 9,579	83.4%	\$ 10,277	93.2%
10/01/07	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/01/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%
10/01/09	\$ 55,884	\$ 68,384	\$ 12,500	81.7%	\$ 8,738	143.1%

Note: Financial report may be obtained by writing to the Pension Plan Administrator, Post Office Box 1409, Key West, FL 33041-1409

City of Key West, Florida

**Required Supplementary Information
(Unaudited)
Analysis of Funding Progress -
Pay-As-You-Go Approach
Other Post Employment Health Care Benefits
(In Thousands)**

<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>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
* 9/30/2009	\$ -	\$ 4,183	\$ 4,183	0.0%	\$ 19,091	21.9%

* Year of GASB Statement No. 45 implementation. No prior information is available.

Combining and Individual Fund Statements and Schedules

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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 seven 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 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.

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

Navy Pier Payments Fund - To account for lease payments held in reserve.

City of Key West, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
Assets:				
Cash, cash equivalents, and investments	\$ 230,661	\$ 207,428	\$ 1,017,773	\$ 95,335
Cash equivalents and investments (restricted)	-	304,816	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Intergovernmental	-	117,896	8,391	-
Interfund receivables	-	1,442	-	-
Total assets	\$ 230,661	\$ 631,582	\$ 1,026,164	\$ 95,335
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,600	\$ 196,554	\$ -	\$ -
Accrued payroll	-	8,759	-	-
Retainage payable	-	49,969	-	-
Deferred revenue	-	304,816	-	-
Total liabilities	19,600	560,098	-	-
Fund balances:				
Reserved for encumbrances	1,605	2,085,580	-	-
Unreserved	209,456	(2,014,096)	1,026,164	95,335
Total fund balances	211,061	71,484	1,026,164	95,335
Total liabilities and fund balances	\$ 230,661	\$ 631,582	\$ 1,026,164	\$ 95,335

<u>Local Redevelopment Agency Fund</u>	<u>Bahama Village and Caroline Street Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Total</u>
\$ 2,176,447	\$ 629,755	\$ 7,227,251	\$ 11,584,650
-	-	-	304,816
400	-	-	400
-	-	-	126,287
902	3,246	-	5,590
<u>\$ 2,177,749</u>	<u>\$ 633,001</u>	<u>\$ 7,227,251</u>	<u>\$ 12,021,743</u>
\$ 7,174	\$ 5,459	\$ -	\$ 228,787
-	-	-	8,759
-	-	-	49,969
127,138	-	-	431,954
<u>134,312</u>	<u>5,459</u>	<u>-</u>	<u>719,469</u>
-	93,950	-	2,181,135
<u>2,043,437</u>	<u>533,592</u>	<u>7,227,251</u>	<u>9,121,139</u>
<u>2,043,437</u>	<u>627,542</u>	<u>7,227,251</u>	<u>11,302,274</u>
<u>\$ 2,177,749</u>	<u>\$ 633,001</u>	<u>\$ 7,227,251</u>	<u>\$ 12,021,743</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, 2010

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
Revenues:				
Taxes	\$ -	\$ 1,333,212	\$ -	\$ -
Intergovernmental	-	-	157,316	-
Charges for services	-	-	-	-
Fines and forfeitures	130,774	-	-	-
Investment earnings	3,649	17,208	16,019	1,913
Contributions and other	-	47,945	-	-
Total revenues	<u>134,423</u>	<u>1,398,365</u>	<u>173,335</u>	<u>1,913</u>
Expenditures:				
Current:				
Public safety	53,319	-	-	-
Transportation	-	1,016,906	-	-
Economic environment	-	-	-	40,000
Capital outlay	98,459	2,222,030	-	-
Debt service	-	-	-	-
Total expenditures	<u>151,778</u>	<u>3,238,936</u>	<u>-</u>	<u>40,000</u>
Excess (deficiency) of revenues over expenditures	<u>(17,355)</u>	<u>(1,840,571)</u>	<u>173,335</u>	<u>(38,087)</u>
Other financing sources (uses):				
Transfers in	-	600,000	-	-
Transfers out	-	(678,659)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(78,659)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,355)	(1,919,230)	173,335	(38,087)
Fund balances, October 1	<u>228,416</u>	<u>1,990,714</u>	<u>852,829</u>	<u>133,422</u>
Fund balances, September 30	<u>\$ 211,061</u>	<u>\$ 71,484</u>	<u>\$ 1,026,164</u>	<u>\$ 95,335</u>

	Local Redevelopment Agency Fund	Bahama Village and Caroline Street Fund	Navy Pier Payments Fund	Total
\$	-	\$ 812,150	\$ -	\$ 2,145,362
	39,194	-	373,289	569,799
	-	-	1,054,106	1,054,106
	-	-	-	130,774
	37,943	12,602	117,773	207,107
	17,868	-	5,013	70,826
	<u>95,005</u>	<u>824,752</u>	<u>1,550,181</u>	<u>4,177,974</u>
	-	-	-	53,319
	-	-	920,062	1,936,968
	145,127	446,376	-	631,503
	54,972	28,115	-	2,403,576
	-	184,779	-	184,779
	<u>200,099</u>	<u>659,270</u>	<u>920,062</u>	<u>5,210,145</u>
	<u>(105,094)</u>	<u>165,482</u>	<u>630,119</u>	<u>(1,032,171)</u>
	156,350	695,662	-	1,452,012
	-	(776,106)	(4,437)	(1,459,202)
	<u>156,350</u>	<u>(80,444)</u>	<u>(4,437)</u>	<u>(7,190)</u>
	51,256	85,038	625,682	(1,039,361)
	<u>1,992,181</u>	<u>542,504</u>	<u>6,601,569</u>	<u>12,341,635</u>
\$	<u><u>2,043,437</u></u>	<u><u>627,542</u></u>	<u><u>7,227,251</u></u>	<u><u>11,302,274</u></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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 12,900	\$ 41,000	\$ 130,774	\$ 89,774
Investment earnings	-	-	3,649	3,649
Total revenues	<u>12,900</u>	<u>41,000</u>	<u>134,423</u>	<u>93,423</u>
Expenditures:				
Operating	-	52,100	47,819	4,281
Capital outlay	-	98,470	98,459	11
Aid to private organizations	-	5,500	5,500	-
Total expenditures	<u>-</u>	<u>156,070</u>	<u>151,778</u>	<u>4,292</u>
Excess (deficiency) of revenues over expenditures	<u>12,900</u>	<u>(115,070)</u>	<u>(17,355)</u>	<u>97,715</u>
Net change in fund balance	12,900	(115,070)	(17,355)	97,715
Fund balance, October 1	<u>228,416</u>	<u>228,416</u>	<u>228,416</u>	<u>-</u>
Fund balance, September 30	<u>\$ 241,316</u>	<u>\$ 113,346</u>	<u>\$ 211,061</u>	<u>\$ 97,715</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,299,300	\$ 1,299,300	\$ 1,333,212	\$ 33,912
Intergovernmental income	491,500	4,983,100	-	(4,983,100)
Investment earnings	10,700	10,700	17,208	6,508
Contributions and other	350,900	358,000	47,945	(310,055)
Total revenues	<u>2,152,400</u>	<u>6,651,100</u>	<u>1,398,365</u>	<u>(5,252,735)</u>
Expenditures:				
Personal Services	220,820	220,820	210,569	10,251
Operating	1,296,900	1,827,571	806,337	1,021,234
Capital outlay	940,950	5,398,510	2,222,030	3,176,480
Total expenditures	<u>2,458,670</u>	<u>7,446,901</u>	<u>3,238,936</u>	<u>4,207,965</u>
Excess (deficiency) of revenue over expenditures	<u>(306,270)</u>	<u>(795,801)</u>	<u>(1,840,571)</u>	<u>(1,044,770)</u>
Other financing sources (uses):				
Transfers in	600,000	600,000	600,000	-
Transfers out	(678,700)	(678,659)	(678,659)	-
Total other financing sources (uses)	<u>(78,700)</u>	<u>(78,659)</u>	<u>(78,659)</u>	<u>-</u>
Net change in fund balance	(384,970)	(874,460)	(1,919,230)	(1,044,770)
Fund balance, October 1	<u>1,990,714</u>	<u>1,990,714</u>	<u>1,990,714</u>	<u>-</u>
Fund balance, September 30	<u>\$ 1,605,744</u>	<u>\$ 1,116,254</u>	<u>\$ 71,484</u>	<u>\$ (1,044,770)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental income	\$ 160,000	\$ 160,000	\$ 157,316	\$ (2,684)
Investment earnings	20,000	20,000	16,019	(3,981)
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>173,335</u>	<u>(6,665)</u>
Expenditures:	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>180,000</u>	<u>180,000</u>	<u>173,335</u>	<u>(6,665)</u>
Net change in fund balance	180,000	180,000	173,335	(6,665)
Fund balance, October 1	<u>852,829</u>	<u>852,829</u>	<u>852,829</u>	<u>-</u>
Fund balance, September 30	<u>\$ 1,032,829</u>	<u>\$ 1,032,829</u>	<u>\$ 1,026,164</u>	<u>\$ (6,665)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ 2,500	\$ 2,500	\$ 1,913	\$ (587)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,913</u>	<u>(587)</u>
Expenditures:				
Operating	-	40,000	40,000	-
Total expenditures	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>2,500</u>	<u>(37,500)</u>	<u>(38,087)</u>	<u>(587)</u>
Net change in fund balance	2,500	(37,500)	(38,087)	(587)
Fund balance, October 1	<u>133,422</u>	<u>133,422</u>	<u>133,422</u>	<u>-</u>
Fund balance, September 30	<u>\$ 135,922</u>	<u>\$ 95,922</u>	<u>\$ 95,335</u>	<u>\$ (587)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 664,250	\$ 39,194	\$ (625,056)
Investment earnings	-	-	37,943	37,943
Contributions and other	2,400	2,400	17,868	15,468
Total revenues	<u>2,400</u>	<u>666,650</u>	<u>95,005</u>	<u>(571,645)</u>
Expenditures:				
Personal services	127,530	128,530	128,505	25
Operating	28,820	32,520	16,622	15,898
Capital outlay	-	2,461,900	54,972	2,406,928
Total expenditures	<u>156,350</u>	<u>2,622,950</u>	<u>200,099</u>	<u>2,422,851</u>
Excess (deficiency) of revenues over expenditures	<u>(153,950)</u>	<u>(1,956,300)</u>	<u>(105,094)</u>	<u>1,851,206</u>
Other financing sources:				
Transfers in	156,400	156,350	156,350	-
Total other financing sources	<u>156,400</u>	<u>156,350</u>	<u>156,350</u>	<u>-</u>
Net change in fund balance	2,450	(1,799,950)	51,256	1,851,206
Fund balance, October 1	<u>1,992,181</u>	<u>1,992,181</u>	<u>1,992,181</u>	<u>-</u>
Fund balance, September 30	<u>\$ 1,994,631</u>	<u>\$ 192,231</u>	<u>\$ 2,043,437</u>	<u>\$ 1,851,206</u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Bahama Village and Caroline Street Special Revenue Fund
For the year ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 710,500	\$ 812,138	\$ 812,150	\$ 12
Investment earnings	-	-	12,602	12,602
Total revenues	<u>710,500</u>	<u>812,138</u>	<u>824,752</u>	<u>12,614</u>
Expenditures:				
Personal services	299,310	299,310	230,873	68,437
Operating	-	107,884	101,479	6,405
Capital outlay	-	28,120	28,115	5
Debt service	195,940	195,940	184,779	11,161
Aid to private organizations	-	460,350	114,024	346,326
Total expenditures	<u>495,250</u>	<u>1,091,604</u>	<u>659,270</u>	<u>432,334</u>
Excess (deficiency) of revenues over expenditures	<u>215,250</u>	<u>(279,466)</u>	<u>165,482</u>	<u>444,948</u>
Other financing sources (uses):				
Transfers in	698,200	695,662	695,662	-
Transfers out	(728,400)	(776,106)	(776,106)	-
Total other financing sources (uses)	<u>(30,200)</u>	<u>(80,444)</u>	<u>(80,444)</u>	<u>-</u>
Net change in fund balance	185,050	(359,910)	85,038	444,948
Fund balance, October 1	<u>542,504</u>	<u>542,504</u>	<u>542,504</u>	<u>-</u>
Fund balance, September 30	<u>\$ 727,554</u>	<u>\$ 182,594</u>	<u>\$ 627,542</u>	<u>\$ 444,948</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 425,000	\$ 373,289	\$ (51,711)
Charges for services	1,045,400	1,045,400	1,054,106	8,706
Investment earnings	75,000	75,000	117,773	42,773
Contributions and other	-	-	5,013	5,013
Total revenues	<u>1,120,400</u>	<u>1,545,400</u>	<u>1,550,181</u>	<u>4,781</u>
Expenditures:				
Operating	450,000	4,128,963	920,062	3,208,901
Capital	3,100,000	-	-	-
Total expenditures	<u>3,550,000</u>	<u>4,128,963</u>	<u>920,062</u>	<u>3,208,901</u>
Excess (deficiency) of revenues over expenditures	<u>(2,429,600)</u>	<u>(2,583,563)</u>	<u>630,119</u>	<u>3,213,682</u>
Other financing uses:				
Transfers out	-	(4,437)	(4,437)	-
Total other financing uses	<u>-</u>	<u>(4,437)</u>	<u>(4,437)</u>	<u>-</u>
Net change in fund balance	(2,429,600)	(2,588,000)	625,682	3,213,682
Fund balance, October 1	<u>6,601,569</u>	<u>6,601,569</u>	<u>6,601,569</u>	<u>-</u>
Fund balance, September 30	<u>\$ 4,171,969</u>	<u>\$ 4,013,569</u>	<u>\$ 7,227,251</u>	<u>\$ 3,213,682</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ 250,000	\$ 250,000	\$ 232,216	\$ (17,784)
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>232,216</u>	<u>(17,784)</u>
Expenditures:				
Capital outlay	<u>14,306,600</u>	<u>14,987,500</u>	<u>646,868</u>	<u>14,340,632</u>
Total expenditures	<u>14,306,600</u>	<u>14,987,500</u>	<u>646,868</u>	<u>14,340,632</u>
Excess (deficiency) of revenues over expenditures	<u>(14,056,600)</u>	<u>(14,737,500)</u>	<u>(414,652)</u>	<u>14,322,848</u>
Other financing sources:				
Transfers in	<u>3,075,000</u>	<u>3,075,000</u>	<u>3,075,000</u>	<u>-</u>
Total other financing sources	<u>3,075,000</u>	<u>3,075,000</u>	<u>3,075,000</u>	<u>-</u>
Net change in fund balance	(10,981,600)	(11,662,500)	2,660,348	14,322,848
Fund balance, October 1	<u>11,837,232</u>	<u>11,837,232</u>	<u>11,837,232</u>	<u>-</u>
Fund balance, September 30	<u>\$ 855,632</u>	<u>\$ 174,732</u>	<u>\$ 14,497,580</u>	<u>\$ 14,322,848</u>

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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 these funds, 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 six enterprise funds including the following two, which are considered nonmajor:

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

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

City of Key West, Florida
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2010

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 1,188,743	\$ 12,949	\$ 1,201,692
Receivables, net of allowance for uncollectibles:			
Accounts	96,404	48,431	144,835
Intergovernmental	204,857	1,237,697	1,442,554
Interfund receivables	5,049	11,005	16,054
Prepaid expenses	5,499	1,626	7,125
Inventories	-	23,316	23,316
Total current assets	<u>1,500,552</u>	<u>1,335,024</u>	<u>2,835,576</u>
Noncurrent assets:			
Property, plant and equipment:			
Land	-	50,000	50,000
Buildings and improvements	707,076	4,510,598	5,217,674
Infrastructure	5,779,307	230,792	6,010,099
Machinery, equipment and furniture	407,658	5,459,376	5,867,034
Construction in progress	65,000	570,393	635,393
Total	<u>6,959,041</u>	<u>10,821,159</u>	<u>17,780,200</u>
Less accumulated depreciation	<u>2,993,922</u>	<u>7,265,243</u>	<u>10,259,165</u>
Net property, plant and equipment	<u>3,965,119</u>	<u>3,555,916</u>	<u>7,521,035</u>
Total noncurrent assets	<u>3,965,119</u>	<u>3,555,916</u>	<u>7,521,035</u>
Total assets	<u>\$ 5,465,671</u>	<u>\$ 4,890,940</u>	<u>\$ 10,356,611</u>

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 27,558	\$ 64,498	\$ 92,056
Accrued payroll and related expenses	35,627	97,613	133,240
Interfund payable	7,526	890,000	897,526
Deferred revenue	95,596	-	95,596
Total current liabilities	<u>166,307</u>	<u>1,052,111</u>	<u>1,218,418</u>
Noncurrent liabilities:			
Advance from other funds	15,054	294,836	309,890
Customer deposits	156,838	3,500	160,338
OPEB liability	13,374	28,831	42,205
Compensated absences	22,243	27,731	49,974
Total noncurrent liabilities	<u>207,509</u>	<u>354,898</u>	<u>562,407</u>
Total liabilities	<u>373,816</u>	<u>1,407,009</u>	<u>1,780,825</u>
Net assets:			
Invested in capital assets, net of related debt	3,965,119	3,555,916	7,521,035
Unrestricted (deficit)	1,126,736	(71,985)	1,054,751
Total net assets	<u>5,091,855</u>	<u>3,483,931</u>	<u>8,575,786</u>
Total liabilities and net assets	<u>\$ 5,465,671</u>	<u>\$ 4,890,940</u>	<u>\$ 10,356,611</u>

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, 2010

	Garrison Bight	Transit System	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 1,371,625	\$ 970,008	\$ 2,341,633
Total operating revenues	<u>1,371,625</u>	<u>970,008</u>	<u>2,341,633</u>
Operating expenses:			
Personal services	651,244	1,663,734	2,314,978
Other operating expenses	523,479	854,870	1,378,349
Depreciation	259,503	538,617	798,120
Total operating expenses	<u>1,434,226</u>	<u>3,057,221</u>	<u>4,491,447</u>
Operating income (loss)	<u>(62,601)</u>	<u>(2,087,213)</u>	<u>(2,149,814)</u>
Nonoperating revenues (expenses):			
Grant income (operating)	-	2,026,294	2,026,294
Investment earnings	21,504	-	21,504
Other income	63,534	65,023	128,557
Interest expense	-	(18,401)	(18,401)
Net nonoperating revenues (expenses)	<u>85,038</u>	<u>2,072,916</u>	<u>2,157,954</u>
Income (loss) before transfers and contributions	<u>22,437</u>	<u>(14,297)</u>	<u>8,140</u>
Transfers and contributions:			
Capital contributions	210,650	40,325	250,975
Transfers in	-	663,649	663,649
Transfers out	(90,823)	(240,889)	(331,712)
Total transfers and contributions	<u>119,827</u>	<u>463,085</u>	<u>582,912</u>
Change in net assets	142,264	448,788	591,052
Total net assets, October 1	<u>4,949,591</u>	<u>3,035,143</u>	<u>7,984,734</u>
Total net assets, September 30	<u>\$ 5,091,855</u>	<u>\$ 3,483,931</u>	<u>\$ 8,575,786</u>

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended September 30, 2010

	Garrison Bight	Transit System	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,362,513	\$ 966,508	\$ 2,329,021
Cash paid to suppliers	(884,111)	(890,570)	(1,774,681)
Cash paid to employees	(660,463)	(1,674,278)	(2,334,741)
Other receipts	63,530	65,021	128,551
Net cash provided by (used in) operating activities	(118,531)	(1,533,319)	(1,651,850)
Cash flows from noncapital financing activities:			
Operating grants received	-	860,219	860,219
Advance/loan from (to) other funds	(7,526)	234,178	226,652
Interest paid on advances from other funds	-	(57,669)	(57,669)
Transfers in	-	663,649	663,649
Transfers (out)	(90,823)	(240,889)	(331,712)
Net cash flows provided by (used in) noncapital financing activities	(98,349)	1,459,488	1,361,139
Cash flows from capital and related financing activities:			
Proceeds of capital grants	99,014	149,825	248,839
Acquisition and construction of capital assets	(414,929)	(114,120)	(529,049)
Net cash flows provided by (used in) capital and related financing activities	(315,915)	35,705	(280,210)
Cash flows from investing activities:			
Investment earnings	21,504	-	21,504
Net cash flows provided by (used in) investing activities	21,504	-	21,504
Net increase (decrease) in cash, cash equivalents and investments	(511,291)	(38,126)	(549,417)
Cash, cash equivalents and investments, October 1	1,700,034	51,075	1,751,109
Cash, cash equivalents and investments, September 30	\$ 1,188,743	\$ 12,949	\$ 1,201,692
RECONCILIATION TO STATEMENT OF OF NET ASSETS:			
Cash, cash equivalents and investments	\$ 1,188,743	\$ 12,949	\$ 1,201,692
Restricted cash equivalents and investments	-	-	-
Cash, cash equivalents and investments	\$ 1,188,743	\$ 12,949	\$ 1,201,692

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
(continued)
For the year ended September 30, 2010

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ <u>(62,601)</u>	\$ <u>(2,087,213)</u>	\$ <u>(2,149,814)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	63,534	65,023	128,557
Depreciation	259,503	538,617	798,120
Decrease (increase) in assets:			
Accounts receivables	4,339	4	4,343
Interfund receivables	1,336	3,008	4,344
Prepaid expenses	223	81	304
Inventories	-	4,255	4,255
Increase (decrease) in liabilities:			
Accounts payable	(360,855)	(40,036)	(400,891)
Accrued payroll and related expenses	(7,310)	(42,516)	(49,826)
Deferred revenue	(3,407)	-	(3,407)
Customer deposits	(10,046)	(3,500)	(13,546)
Closure costs payable, noncurrent			-
OPEB liability	5,666	12,433	18,099
Compensated absences	(8,913)	16,525	7,612
Total adjustments	<u>(55,930)</u>	<u>553,894</u>	<u>497,964</u>
Net cash provided by (used in) operating activities	\$ <u><u>(118,531)</u></u>	\$ <u><u>(1,533,319)</u></u>	\$ <u><u>(1,651,850)</u></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 two trust funds:

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

City of Key West, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	<u>Pension Trust Funds</u>		
	<u>Police and Fire</u>	<u>General Employees</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,327,336	\$ 2,436,707	\$ 4,764,043
Investments, at fair value:			
Corporate bonds	9,070,167	6,800,986	15,871,153
U.S. government securities	6,061,130	6,258,116	12,319,246
Municipal obligations	1,573,139	783,028	2,356,167
Marketable equity securities	29,192,590	20,438,029	49,630,619
Alternative investments	5,081,987	-	5,081,987
Receivables:			
Interest and dividends	234,077	184,372	418,449
Due from governmental funds	379,619	-	379,619
State contributions	108,440	-	108,440
Other	33,449	-	33,449
Total assets	<u>54,061,934</u>	<u>36,901,238</u>	<u>90,963,172</u>
Liabilities:			
Accounts payable	69,292	74,063	143,355
Accrued expenses	197,806	-	197,806
Deferred retirement option plan payable	4,585,971	240,970	4,826,941
Total liabilities	<u>4,853,069</u>	<u>315,033</u>	<u>5,168,102</u>
Net Assets:			
Held in trust for employees' pension benefits	\$ <u>49,208,865</u>	\$ <u>36,586,205</u>	\$ <u>85,795,070</u>

City of Key West, Florida
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended September 30, 2010

	Pension Trust Funds		Total
	Police and Fire	General Employees	
Additions:			
Contributions:			
Employer	\$ 2,058,415	\$ 1,163,828	\$ 3,222,243
Members	648,267	612,574	1,260,841
State police and fire	543,125	-	543,125
Total contributions	<u>3,249,807</u>	<u>1,776,402</u>	<u>5,026,209</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	2,120,664	2,113,513	4,234,177
Interest and dividends	1,381,100	989,230	2,370,330
	<u>3,501,764</u>	<u>3,102,743</u>	<u>6,604,507</u>
Less investment expenses	339,366	179,897	519,263
Deferred retirement option plan participants earnings (loss)	(273,198)	12,601	(260,597)
Net investment earnings	<u>2,889,200</u>	<u>2,935,447</u>	<u>5,824,647</u>
Total additions	<u>6,139,007</u>	<u>4,711,849</u>	<u>10,850,856</u>
Deductions:			
Benefits paid	3,736,251	1,933,345	5,669,596
Administrative expense	153,163	132,203	285,366
Contributions refunded	216,373	-	216,373
Total deductions	<u>4,105,787</u>	<u>2,065,548</u>	<u>6,171,335</u>
Changes in net assets	2,033,220	2,646,301	4,679,521
Net assets, October 1	<u>47,175,645</u>	<u>33,939,904</u>	<u>81,115,549</u>
Net assets, September 30	<u>\$ 49,208,865</u>	<u>\$ 36,586,205</u>	<u>\$ 85,795,070</u>

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Statistical Section

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**City of Key West, Florida
Statistical Section**

For the Year Ended September 30, 2010

Overview

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

CONTENTS	<u>PAGES</u>
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	101-108
REVENUE CAPACITY	
These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	109-112
DEBT CAPACITY	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	113-117
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	118-120
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	121-123

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
Net Assets by Component**

**For the last eight fiscal years*
Accrual basis
(in thousands)**

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 35,962	\$ 35,936	\$ 84,281	\$ 83,047	\$ 84,399	\$ 83,450	\$ 83,653	\$ 86,385
Restricted	5,183	14,850	17,885	17,596	24,796	30,050	30,675	31,822
Unrestricted	19,986	61,128	11,651	14,948	13,791	6,155	9,654	14,570
Total governmental activities net assets	\$ 61,131	\$ 111,914	\$ 113,817	\$ 115,591	\$ 122,986	\$ 119,655	\$ 123,982	\$ 132,777
Business-type activities								
Invested in capital assets, net of related debt	\$ 87,514	\$ 82,941	\$ 83,682	\$ 92,102	\$ 94,073	\$ 103,294	\$ 107,394	\$ 115,889
Restricted	2,494	2,664	2,358	2,427	3,757	3,800	3,800	3,759
Unrestricted	18,689	16,458	18,926	14,997	18,295	14,446	12,003	14,951
Total business-type activities net assets	\$ 108,697	\$ 102,063	\$ 104,966	\$ 109,526	\$ 116,125	\$ 121,540	\$ 123,197	\$ 134,599
Primary government								
Invested in capital assets, net of related debt	\$ 123,476	\$ 118,877	\$ 167,963	\$ 175,149	\$ 178,472	\$ 186,744	\$ 191,047	\$ 202,274
Restricted	7,677	17,514	20,243	20,023	28,553	33,851	34,475	35,581
Unrestricted	38,675	77,586	30,577	29,945	32,843	20,600	21,657	29,521
Total primary government net assets	\$ 169,828	\$ 213,977	\$ 218,783	\$ 225,117	\$ 239,111	\$ 241,195	\$ 247,179	\$ 267,376

* Net asset information is not available for fiscal years preceding the implementation of GASB 34.

City of Key West, Florida

Table 2
Changes in Net Assets

For the last eight fiscal years*
Accrual basis
(in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 9,131	\$ 12,689	\$ 14,068	\$ 13,195	\$ 12,304	\$ 13,012	\$ 13,570	\$ 13,355
Public safety	16,871	15,985	20,332	23,059	22,278	22,272	21,896	20,553
Physical environment	128	160	284	220	321	588	314	304
Transportation	3,400	2,780	2,901	3,249	3,354	4,002	3,711	3,586
Economic environment	1,944	1,293	1,185	2,152	1,963	5,297	14,622	5,249
Human services	-	131	438	432	491	517	409	393
Culture and recreation	3,285	3,400	3,270	4,206	5,403	3,677	2,314	2,152
Interest	42	79	40	53	51	45	41	38
Total governmental activities expenses	34,801	36,517	42,518	46,566	46,224	49,410	56,877	45,630
Business type activities:								
Sewer System	11,384	17,991	10,885	10,030	10,121	10,704	10,833	11,574
Solid Waste	7,750	10,177	10,103	11,895	6,727	7,480	7,105	7,337
Key West Bight	3,780	4,520	5,451	6,008	6,374	6,980	5,485	4,988
Stormwater	850	1,192	1,003	3,031	1,757	2,871	3,053	2,239
Garrison Bight	1,040	1,097	1,196	1,225	1,063	1,207	1,426	1,434
Transit	2,658	3,152	3,087	3,917	3,818	4,026	3,581	3,076
Poinciana	1,520	1,594	-	-	-	-	-	-
Total business-type activities expenses	28,982	39,723	31,725	36,106	29,860	33,268	31,483	30,648
Total primary government expenses	\$ 63,783	\$ 76,240	\$ 74,243	\$ 82,672	\$ 76,084	\$ 82,678	\$ 88,360	\$ 76,278
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 3,283	\$ 1,394	\$ 1,520	\$ 1,594	\$ 1,551	\$ 1,686	\$ 2,257	\$ 2,417
Public safety	1,390	3,182	4,127	4,077	4,504	2,351	2,280	2,667
Physical environment	30	38	88	120	46	71	54	77
Transportation	6,831	6,368	8,000	7,352	7,568	7,002	6,840	6,947
Economic environment	-	-	-	-	-	-	-	44
Human Services	-	-	-	-	-	11	-	-
Culture and recreation	139	12	133	114	136	15	182	164
Operating grants and contributions	1,421	911	866	3,969	3,561	2,583	4,295	5,414
Capital grants and contributions	2,118	48,314	1,405	1,185	647	4,275	12,334	2,912
Total governmental activities program revenues	15,212	60,219	16,139	18,411	18,013	17,994	28,242	20,642

City of Key West, Florida

Table 2
Changes in Net Assets
(Continued)

For the last eight fiscal years*
Accrual basis
(in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Business type activities:								
Charges for services:								
Sanitary Sewer System	10,521	10,503	10,499	12,063	11,271	11,789	11,648	11,827
Solid Waste	8,025	8,274	8,293	8,591	8,837	9,343	9,283	8,997
Key West Bight	4,571	5,236	5,932	6,531	7,460	8,100	6,500	6,460
Stormwater	1,450	1,642	1,516	1,742	1,748	2,336	2,393	2,322
Garrison Bight	1,102	1,204	1,318	1,397	1,504	1,509	1,459	1,372
Transit	589	754	737	932	1,023	1,067	1,067	970
Poinciana	1,438	362	-	-	-	-	-	-
Operating grants and contributions	449	442	2,117	6,926	1,588	1,033	420	2,026
Capital grants and contributions	5,944	1,940	1,692	2,067	2,081	4,276	1,429	9,209
Total business type activities program revenues	34,089	30,357	32,104	40,248	35,512	39,453	34,199	43,183
Total primary government program revenues	\$ 49,301	\$ 90,576	\$ 48,243	\$ 58,659	\$ 53,525	\$ 57,447	\$ 62,441	\$ 63,825
Net (expense)/revenue								
Governmental activities	\$ (19,589)	\$ 23,702	\$ (26,379)	\$ (28,155)	\$ (29,521)	\$ (31,418)	\$ (28,635)	\$ (24,988)
Business type activities	5,107	(9,366)	379	4,142	5,652	6,184	2,716	12,535
Total primary government net expense	\$ (14,482)	\$ 14,336	\$ (26,000)	\$ (24,013)	\$ (23,869)	\$ (25,234)	\$ (25,919)	\$ (12,453)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 11,172	\$ 11,777	\$ 12,476	\$ 12,469	\$ 15,774	\$ 15,137	\$ 15,573	\$ 15,644
Sales taxes	8,032	9,177	9,048	9,352	9,263	9,001	8,052	7,994
Franchise and local business taxes	1,024	927	1,655	2,030	2,029	1,272	1,268	1,316
Communication tax	-	-	-	-	-	1,882	1,633	1,725
Cigarette and motor fuel taxes	2,017	2,580	2,548	2,500	2,266	2,225	2,099	2,360
Investment earnings	509	357	700	1,436	2,194	1,944	1,745	750
Miscellaneous	3,230	3,596	3,259	994	567	1,393	717	1,464
Extraordinary item	-	-	-	-	(1,250)	(6,750)	-	-
Transfers	(2,474)	(2,210)	(1,405)	1,146	2,002	1,982	1,876	2,530
Total governmental activities	23,510	26,204	28,281	29,927	32,845	28,086	32,963	33,783
Business type activities:								
Investment earnings	403	323	711	1,347	1,397	1,010	642	259
Transfers	2,474	2,210	1,405	(1,146)	(2,002)	(1,982)	(1,876)	(2,530)
Miscellaneous	84	199	408	217	561	204	174	1,137
Total business type activities	2,961	2,732	2,524	418	(44)	(768)	(1,060)	(1,134)
Total primary government	\$ 26,471	\$ 28,936	\$ 30,806	\$ 30,345	\$ 32,801	\$ 27,318	\$ 31,903	\$ 32,649
Change in Net Assets								
Governmental activities	\$ 3,921	\$ 49,906	\$ 1,903	\$ 1,772	\$ 3,324	\$ (3,332)	\$ 4,328	\$ 8,795
Business type activities	8,068	(6,633)	2,903	4,560	5,608	5,416	1,656	11,401
Total primary government	\$ 11,989	\$ 43,273	\$ 4,806	\$ 6,332	\$ 8,932	\$ 2,084	\$ 5,984	\$ 20,196

* Net asset information is not available for fiscal years preceding the implementation of GASB 34.

City of Key West, Florida

Table 3
Governmental Activities Tax Revenues By Source

For the last eight fiscal years*
Accrual basis
(in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise & Local Business Tax</u>	<u>Cigarette & Motor Fuel Tax</u>	<u>Communication Tax</u>	<u>Total</u>
2003	\$ 11,172	8,032	1,024	2,017	-	\$ 22,245
2004	\$ 11,777	9,177	927	2,580	-	\$ 24,461
2005	\$ 12,476	9,048	1,655	2,548	-	\$ 25,727
2006	\$ 12,469	9,352	2,030	2,500	-	\$ 26,351
2007	\$ 15,774	9,263	2,029	2,266	-	\$ 29,332
2008	\$ 15,137	9,001	1,272	2,225	1,882	\$ 29,517
2009	\$ 15,573	8,052	1,268	2,099	1,633	\$ 28,625
2010	\$ 15,644	7,994	1,316	2,360	1,725	\$ 29,039

* Net asset information is available from fiscal year 2003 forward.

City of Key West, Florida

Table 4
Fund Balances of Governmental Funds

For the last ten fiscal years
Modified accrual basis
(in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund										
Reserved	\$ 1,140	\$ 1,349	\$ 2,761	\$ 2,699	\$ 2,696	\$ 2,637	\$ 2,647	\$ 2,379	\$ 2,516	\$ 2,458
Unreserved	10,664	12,071	10,926	11,744	9,618	10,908	11,819	12,362	6,177	8,801
Total general fund	<u>\$ 11,804</u>	<u>\$ 13,420</u>	<u>\$ 13,687</u>	<u>\$ 14,443</u>	<u>\$ 12,314</u>	<u>\$ 13,545</u>	<u>\$ 14,466</u>	<u>\$ 14,741</u>	<u>\$ 8,693</u>	<u>\$ 11,259</u>
All other governmental funds										
Reserved	\$ 4,410	\$ 2,715	\$ 2,422	\$ 1,367	\$ 960	\$ 1,314	\$ 1,442	\$ 1,136	\$ 4,604	\$ 2,762
Unreserved, reported in:										
Special revenue funds	3,686	7,559	5,005	7,857	12,353	13,656	19,527	20,329	14,916	14,669
Capital projects funds	2,388	1,183	4,191	5,625	4,572	5,808	5,809	8,585	11,156	14,391
Total all other governmental funds	<u>\$ 10,484</u>	<u>\$ 11,457</u>	<u>\$ 11,618</u>	<u>\$ 14,849</u>	<u>\$ 17,885</u>	<u>\$ 20,778</u>	<u>\$ 26,778</u>	<u>\$ 30,050</u>	<u>\$ 30,676</u>	<u>\$ 31,822</u>

City of Key West, Florida

Table 5
Changes in Fund Balances of Governmental Funds

For the last ten fiscal years
Modified accrual basis
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 11,198	\$ 12,287	\$ 12,196	\$ 20,296	\$ 21,305	\$ 21,768	\$ 24,989	\$ 24,194	\$ 24,271	\$ 24,393
Licenses and permits	2,162	1,960	2,163	2,139	2,667	2,735	3,224	2,451	2,174	2,613
Intergovernmental income	14,614	16,658	13,607	6,481	6,754	10,056	9,092	11,130	20,190	13,448
Payment in lieu of taxes	2,880	2,470	2,603	2,603	2,603	-	-	-	-	-
Charges for services	4,584	6,004	7,104	6,565	8,226	7,584	7,827	7,245	7,067	7,411
Fines and forfeitures	832	1,060	1,044	1,035	1,245	1,134	1,049	1,153	1,252	1,169
Investment earnings	1,295	826	509	302	701	1,436	2,194	1,944	1,745	751
Rental income	1,065	1,315	1,336	1,306	1,359	1,437	1,441	1,384	1,784	1,642
Contributions and other	175	331	263	48,488	379	650	863	575	269	304
Total revenues	38,805	42,911	40,825	89,215	45,239	46,800	50,679	50,076	58,752	51,731
Expenditures										
General government (1)	9,460	8,685	9,791	10,928	14,162	12,774	13,229	13,376	21,921	14,006
Public safety	12,343	14,025	14,857	15,995	17,895	20,014	19,113	19,089	19,198	18,872
Physical environment	49	46	72	100	212	137	236	486	238	243
Transportation	4,613	2,236	2,897	2,307	2,326	2,897	2,865	3,594	3,253	3,154
Economic environment	1,241	1,348	1,925	1,293	1,108	2,229	1,963	5,278	14,622	5,249
Culture and recreation	1,637	1,852	2,128	2,644	2,765	3,653	4,687	2,949	1,886	1,817
Human services	-	-	-	131	438	423	497	513	407	393
Capital outlay	2,303	9,440	5,997	51,265	3,835	2,996	2,858	3,030	4,037	6,637
Debt service:										
Principal	625	-	-	294	147	147	206	147	147	147
Interest	60	-	42	79	40	53	51	49	41	38
Total expenditures	32,331	37,632	37,709	85,036	42,928	45,323	45,705	48,511	65,750	50,556
Excess (deficiency) of revenues over expenditures	6,474	5,279	3,116	4,179	2,311	1,478	4,973	1,565	(6,998)	1,175
Other financing sources (uses):										
Proceeds from financing	-	-	650	-	-	-	-	-	-	-
Transfers in	3,576	1,555	5,277	4,162	5,732	6,272	6,032	8,498	11,674	9,176
Transfers out	(4,611)	(4,247)	(9,221)	(5,902)	(7,137)	(5,126)	(4,030)	(6,517)	(10,098)	(6,638)
Total other financing sources (uses)	(1,035)	(2,692)	(3,294)	(1,740)	(1,405)	1,146	2,002	1,981	1,576	2,538
Net change in fund balances	\$ 5,439	\$ 2,587	\$ (178)	\$ 2,439	\$ 906	\$ 2,624	\$ 6,975	\$ 3,546	\$ (5,422)	\$ 3,713
Ratio of total debt service expenditures to total noncapital expenditures	0.02	-	-	0.01	-	-	0.01	-	-	-

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

City of Key West, Florida

Table 6
General Governmental Expenditures (1)
 For the last ten fiscal years

Fiscal Year	General Government	Public Safety	Physical Environ-ment	Transport-ation	Economic Environment	Culture and Recreation	Other	Total
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
2004	\$ 10,548,284	\$ 15,802,101	\$ 100,236	\$ 1,023,054	\$ 2,492,250	\$ 2,505,438	\$ 352,232	\$ 32,823,595
2005	\$ 13,006,947	\$ 17,780,422	\$ 206,122	\$ 1,132,120	\$ 103,300	\$ 2,406,903	\$ 1,149,686	\$ 35,785,500
2006	\$ 11,935,946	\$ 19,892,420	\$ 137,216	\$ 1,162,165	\$ 101,500	\$ 2,439,103	\$ 422,624	\$ 36,090,974
2007	\$ 12,858,911	\$ 19,024,792	\$ 155,387	\$ 1,214,718	\$ 80,500	\$ 3,680,251	\$ 498,399	\$ 37,512,958
2008	\$ 13,280,079	\$ 18,967,798	\$ 486,062	\$ 1,505,712	\$ 75,875	\$ 2,119,775	\$ 733,186	\$ 37,168,487
2009	\$ 20,967,021	\$ 18,946,855	\$ 238,268	\$ 1,214,366	\$ 2,546,639	\$ 1,781,975	\$ 684,512	\$ 46,379,636
2010	\$ 13,743,035	\$ 18,815,278	\$ 242,641	\$ 1,216,867	\$ 154,682	\$ 1,816,544	\$ 763,732	\$ 36,752,779

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

City of Key West, Florida

**Table 7
General Governmental Revenues and
Other Financing by Source (1)
For the last ten fiscal years**

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Payments in Lieu of Taxes	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
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
2004	\$ 12,293,708	\$ 2,138,922	\$ 4,933,486	\$ 2,603,100	\$ 7,477,406	\$ 985,764	\$ 2,192,871	\$ 32,625,257
2005	\$ 13,551,986	\$ 2,667,164	\$ 5,534,231	\$ 2,603,100	\$ 6,908,916	\$ 1,221,735	\$ 1,864,706	\$ 34,351,838
2006	\$ 13,778,074	\$ 2,734,730	\$ 8,160,794	\$ 3,472,008	\$ 6,504,436	\$ 1,092,883	\$ 2,600,679	\$ 38,343,604
2007	\$ 16,999,393	\$ 3,223,910	\$ 6,801,001	\$ 3,747,343	\$ 6,794,871	\$ 916,443	\$ 2,839,013	\$ 41,321,974
2008	\$ 16,397,107	\$ 2,451,347	\$ 5,756,244	\$ 3,999,948	\$ 6,141,451	\$ 1,030,830	\$ 2,694,967	\$ 38,471,894
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 3,984,774	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 41,546,085
2010	\$ 17,047,554	\$ 2,613,092	\$ 6,706,639	\$ 3,984,774	\$ 6,357,337	\$ 1,037,696	\$ 2,067,223	\$ 39,814,315

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

City of Key West, Florida

**Table 8
Property Tax Levies and Collections
For the last ten fiscal years**

Total Fiscal Year	Tax Levy	Current Tax	Percent of Levy	Collections Delinquent Tax	Total Tax	Percent of Levy
2001	\$ 10,853,760	\$ 10,410,929	95.9	\$ 13,570	\$ 10,424,499	96.0
2002	\$ 11,467,257	\$ 11,024,265	96.1	\$ 45,436	\$ 11,069,701	96.5
2003	\$ 11,482,644	\$ 11,145,859	97.1	\$ 22,652	\$ 11,168,511	97.3
2004	\$ 11,812,058	\$ 11,354,751	96.1	\$ 12,724	\$ 11,367,475	96.2
2005	\$ 12,248,266	\$ 11,901,020	97.2	\$ -	\$ 11,901,020	97.2
2006	\$ 12,146,013	\$ 11,752,575	96.8	\$ -	\$ 11,752,575	96.8
2007	\$ 15,448,634	\$ 14,970,043	96.9	\$ -	\$ 14,970,043	96.9
2008	\$ 14,927,005	\$ 14,299,402	95.8	\$ 46,791	\$ 14,346,193	96.1
2009	\$ 15,273,933	\$ 14,680,697	96.1	\$ 21,279	\$ 14,701,976	96.3
2010	\$ 15,222,849	\$ 14,789,792	97.2	\$ 42,251	\$ 14,832,043	97.4

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 9
Assessed and Estimated Value of Taxable Property
For the last ten fiscal years
(In Thousands)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Total Direct Tax Rate	Total Net Estimated True Value	Ratio Net Assessed to True Value
2001	\$ 5,800,494	\$ 281,045	\$ 3,087,068	\$ 2,994,471	3.6246	\$ 2,994,471	1.0
2002	\$ 5,873,413	\$ 326,466	\$ 2,836,850	\$ 3,363,029	3.4098	\$ 3,363,029	1.0
2003	\$ 6,290,554	\$ 321,668	\$ 2,631,664	\$ 3,980,558	3.1612	\$ 3,980,558	1.0
2004	\$ 6,752,625	\$ 318,063	\$ 2,730,286	\$ 4,340,402	2.9815	\$ 4,340,402	1.0
2005	\$ 9,273,128	\$ 322,287	\$ 4,236,380	\$ 5,359,035	2.6003	\$ 5,359,035	1.0
2006	\$ 10,718,386	\$ 360,504	\$ 4,227,713	\$ 6,851,177	2.0863	\$ 6,851,177	1.0
2007	\$ 12,301,233	\$ 369,917	\$ 4,208,873	\$ 8,462,277	2.3034	\$ 8,462,277	1.0
2008	\$ 11,507,171	\$ 375,730	\$ 5,182,044	\$ 6,700,857	2.0354	\$ 6,700,857	1.0
2009	\$ 10,347,911	\$ 371,594	\$ 4,894,185	\$ 5,825,320	2.2794	\$ 5,825,320	1.0
2010	\$ 8,706,431	\$ 368,616	\$ 4,101,589	\$ 4,973,458	2.6414	\$ 4,973,458	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, CFA, Property Appraiser, Monroe County, Florida.

City of Key West, Florida

**Table 10
Property Tax Rates
Direct and Overlapping Governments
For the last ten fiscal years**

Fiscal Year	City of Key West	Overlapping Rates (1)					Total
		Monroe County	School Board	S. Florida Water Mgt District	FL Keys Mosquito Control District	Other	
2001	3.6246	4.2181	5.1840	0.2840	0.6641	0.4130	14.3878
2002	3.4098	4.1407	4.9890	0.2840	0.6641	0.4130	13.9006
2003	3.1612	3.9455	4.7130	0.2840	0.6641	0.4130	13.1808
2004	2.9815	3.5238	4.4220	0.2840	0.6641	0.4130	12.2884
2005	2.6003	3.1736	3.9320	0.2840	0.6090	0.4130	11.0119
2006	2.0863	2.8001	3.3820	0.2840	0.6090	0.4130	9.5744
2007	2.3034	2.5609	3.0610	0.2840	0.5505	0.4130	9.1728
2008	2.0354	2.2656	2.9460	0.2549	0.4175	0.3691	8.2885
2009	2.2794	2.6883	2.9220	0.2549	0.3798	0.3691	8.8935
2010	2.6414	3.0837	3.3870	0.2549	0.4262	0.3691	10.1623

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

The property tax rates above (all inclusive) do not have a debt service millage component.

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

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

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

City of Key West, Florida

**Table 11
Principal Taxpayers
Current Year and Ten Years Ago**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2010 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2000 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Galleon Condominium Assoc Inc	Condominium	\$ 67,920,197	1	1.37	\$ -	-	-
Hyatt Vacation Management	Timeshare	52,211,530	2	1.05	-	-	-
City of Key West	Municipality - Marina	45,986,577	3	0.92	-	-	-
Windward Point	Resort Hotel	45,938,354	4	0.92	-	-	-
JLW Key West 1 LLC	Hotel	32,026,702	5	0.64	-	-	-
SH5 LTD	Condominium	36,800,134	6	0.74	-	-	-
Tannex Development Corp.	Condominium	28,403,518	7	0.57	-	-	-
Steamplant Condominiums	Condominium	28,108,038	8	0.57	-	-	-
Hyatt Equities	Resort Hotel	26,378,463	9	0.53	17,975,756	10	0.60
Parrot Key Associates	Resort Hotel	26,300,528	10	0.53	32,128,154	2	1.07
Casa Marina	Resort Hotel	-	-	-	51,302,073	1	1.71
Pier House	Resort Hotel	-	-	-	25,813,926	3	0.86
Sheraton Suites	Resort Hotel	-	-	-	23,852,031	4	0.79
Southernmost Beach LP	Resort Hotel	-	-	-	22,526,655	5	0.75
Holiday Inn	Resort Hotel	-	-	-	22,105,391	6	0.73
Bellsouth (Southern Bell)	Utility	-	-	-	21,745,792	7	0.72
Reach	Resort Hotel	-	-	-	19,927,612	8	0.66
Ocean Key House	Resort Hotel	-	-	-	18,051,514	9	0.60
	Totals	<u>\$ 390,074,041</u>		<u>7.84</u>	<u>\$ 255,428,904</u>		<u>8.49</u>

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

City of Key West, Florida

Table 12
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita
For the last ten fiscal years

Fiscal Year	Popula- tion (1)	Net Assessed Value (2) (000's)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2001	25,478	\$ 2,994,471	-	-	-	-	-
2002	25,853	\$ 3,363,029	-	-	-	-	-
2003	25,811	\$ 3,980,558	-	-	-	-	-
2004	26,215	\$ 4,340,402	-	-	-	-	-
2005	25,811	\$ 5,359,035	-	-	-	-	-
2006	23,935	\$ 6,851,177	-	-	-	-	-
2007	23,262	\$ 8,462,277	-	-	-	-	-
2008	23,024	\$ 6,700,857	-	-	-	-	-
2009	23,922	\$ 5,825,320	-	-	-	-	-
2010	24,649	\$ 4,973,458	-	-	-	-	-

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

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

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

City of Key West, Florida

Table 13
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 Expenditures</u>
2001	-	-	-	\$ 24,578,307	-
2002	-	-	-	\$ 26,604,062	-
2003	-	-	-	\$ 28,781,072	-
2004	-	-	-	\$ 32,823,595	-
2005	-	-	-	\$ 35,785,500	-
2006	-	-	-	\$ 36,090,974	-
2007	-	-	-	\$ 37,512,958	-
2008	-	-	-	\$ 37,168,487	-
2009	-	-	-	\$ 46,379,636	-
2010	-	-	-	\$ 36,752,779	-

(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 14
Computation of Direct and Estimated Overlapping
Governmental Activities Debt
September 30, 2010**

	<u>Debt Outstanding</u>	<u>Applicable to City of Key West</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Key West (1)	\$ -	100.00%	\$ -
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>17,117,000</u>	25.33% (3)	<u>4,335,072</u>
Total ad valorem tax supported debt	<u>\$ 17,117,000</u>		<u>\$ 4,335,072</u>
<u>Ratios:</u>			
Overall debt to 2010 taxable valuation			0.09%
Overall debt per capita			\$ 175.87

(1) City of Key West direct debt does not include revenue bonds.

(2) Monroe County School Board debt is as of June 30, 2010, and does not include revenue bonds.

(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

City of Key West, Florida

Table 15
Revenue Bond Coverage
Sanitary Sewer System Fund
For the last ten fiscal years
(In Thousands)

Fiscal Year	Gross Revenues (1)	Cost of Operation and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2001	\$ 12,859	\$ 5,435	\$ 7,424	\$ 525	\$ 1,683	\$ 2,208	3.36
2002	\$ 10,753	\$ 4,944	\$ 5,809	\$ 550	\$ 1,658	\$ 2,208	2.63
2003	\$ 10,588	\$ 6,448	\$ 4,140	\$ 575	\$ 1,732	\$ 2,307	1.79
2004	\$ 10,503	\$ 7,227	\$ 3,276	\$ 885	\$ 1,132	\$ 2,017	1.62
2005	\$ 10,499	\$ 6,275	\$ 4,224	\$ 895	\$ 1,115	\$ 2,010	2.10
2006	\$ 12,062	\$ 5,409	\$ 6,653	\$ 915	\$ 1,110	\$ 2,025	3.29
2007	\$ 11,659	\$ 5,516	\$ 6,143	\$ 935	\$ 1,079	\$ 2,014	3.05
2008	\$ 11,886	\$ 5,720	\$ 6,166	\$ 950	\$ 1,060	\$ 2,010	3.07
2009	\$ 11,755	\$ 5,722	\$ 6,033	\$ 975	\$ 1,039	\$ 2,014	3.00
2010	\$ 11,839	\$ 6,037	\$ 5,802	\$ 1,000	\$ 1,013	\$ 2,013	2.88

(1) Gross revenues exclude impact fees, connection fees and federal and state grants.

(2) Total operating expenses exclude payments in lieu of taxes, depreciation and amortization, principal, interest expense, and gain (loss) on the disposal of capital assets.

(3) Debt service shown above includes principal and interest of refunded bonds only (Series 2003).

City of Key West, Florida

Table 16
Revenue Bond Coverage
Key West Bight
For the last ten fiscal years
(In Thousands)

<u>Fiscal Year</u>	<u>Net Revenue of Facilities (1)</u>	<u>Local Government Half Cent Tax Revenues</u>	<u>Guaranteed Entitlement</u>	<u>Total Pledge Revenues</u>	<u>Maximum Annual Debt Service on Bonds</u>	<u>Pro Forma Debt Service Coverage</u>
2001	\$ 2,173,931	\$ 2,864,063	\$ 392,780	\$ 5,430,774	\$ 1,562,963	3.47
2002	\$ 2,135,051	\$ 2,909,065	\$ 392,780	\$ 5,436,896	\$ 1,562,963	3.48
2003	\$ 2,231,122	\$ 3,044,041	\$ 392,780	\$ 5,667,943	\$ 1,562,963	3.63
2004	\$ 2,072,275	\$ 3,309,692	\$ 392,780	\$ 5,774,747	\$ 1,562,963	3.69
2005	\$ 2,003,005	\$ 3,205,706	\$ 392,780	\$ 5,601,491	\$ 1,562,963	3.58
2006	\$ 2,182,372	\$ 3,342,178	\$ 392,780	\$ 5,917,330	\$ 1,562,963	3.79
2007	\$ 3,119,535	\$ 3,278,954	\$ 392,780	\$ 6,791,269	\$ 1,562,963	4.35
2008	\$ 2,901,413	\$ 3,174,398	\$ 392,780	\$ 6,468,591	\$ 1,562,963	4.14
2009	\$ 2,819,092	\$ 2,833,706	\$ 392,780	\$ 6,045,578	\$ 1,562,963	3.87
2010	\$ 4,035,336	\$ 2,794,092	-	\$ 6,829,428	\$ 1,446,439	4.72

(1) Gross revenues - excluding grants, contributions and donations, less operating expenses - excluding extraordinary items, depreciation and interest.

City of Key West, Florida

Table 17
Demographic Statistics
For the last ten fiscal years

Fiscal Year	Population (1)	Per Capita Income (1)	Total Personal Income (in thousands)	Median Age (1)	Public School Enrollment (2)	Unemployment Rate (3)
2001	25,478	\$ 37,144	\$ 940,937	N/A	4,063	N/A
2002	25,853	\$ 37,029	\$ 936,282	43	4,063	N/A
2003	25,811	\$ 27,966	\$ 958,401	39	4,056	2.3%
2004	26,215	\$ 40,203	\$ 1,003,682	N/A	N/A	N/A
2005	25,811	N/A	N/A	N/A	N/A	N/A
2006	23,935	\$ 26,316	\$ 622,310	39	4,056	2.6%
2007	23,262	\$ 26,316	\$ 604,812	39	4,038	2.8%
2008	23,024	\$ 32,662	\$ 736,768	43	3,868	4.3%
2009	23,922	\$ 33,549	\$ 789,426	43	3,791	6.8%
2010	24,649	\$ 34,174	\$ 838,066	44	3,792	7.2%

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

(2) Source: Monroe County School Board.

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

Note: Informational items are not consistently available for every year, and are reported significantly after the reporting period.

City of Key West, Florida

Table 18
Principal Employers*
September 30, 2010

Employer	<u>Employees</u>
Public Sector:	
US Armed Forces	2,882
Monroe County Schools	1,316
Monroe County Sheriff's Office	580
Monroe County Government	485
City of Key West	456
Florida Keys Aqueduct Authority	258
Florida Keys Community College	254
Keys Energy Services	159
Private Sector:	
Ocean Reef Club (600 year round)	900
Health Management Associations	618
Hawk's Cay Resort	306
Casa Marina Resort / Reach Resort	300
Historic Tours of America	288
Spottswood Properties	203
First State Bank of the Keys	180
Cheeca Lodge	178

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

City of Key West, Florida

Table 19
Property Value and Construction
For the last ten fiscal years
(Dollars in Thousands)

Fiscal Year	Property Value (1)			Construction (2)	
	Real/Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Number of Permits	Value
2001	\$ 6,081,539	\$ 3,087,068	\$ 2,994,471	6,308	\$ 769,332
2002	\$ 6,199,879	\$ 2,836,850	\$ 3,363,029	5,251	\$ 253,354
2003	\$ 6,612,222	\$ 2,631,664	\$ 3,980,558	6,484	\$ 86,694
2004	\$ 7,070,688	\$ 2,730,286	\$ 4,340,402	6,012	\$ 67,899
2005	\$ 9,595,415	\$ 4,236,380	\$ 5,359,035	5,306	\$ 96,236
2006	\$ 11,078,890	\$ 4,227,713	\$ 6,851,177	7,003	\$ 149,062
2007	\$ 12,671,150	\$ 4,208,873	\$ 8,462,277	7,529	\$ 168,984
2008	\$ 11,882,901	\$ 5,182,044	\$ 6,700,857	4,971	\$ 23,721
2009	\$ 10,719,505	\$ 4,894,185	\$ 5,825,320	4,215	\$ 16,389
2010	\$ 9,075,047	\$ 4,101,589	\$ 4,973,458	4,297	\$ 43,322

(1) Figures here are derived from Table 9 of this Statistical Section.
(2) Source: City of Key West Building and Zoning Department.

City of Key West, Florida

**Table 20
Operating Indicators by Function/Program
For the last eight fiscal years**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010
General government:								
Building permits issued	6,484	6,012	5,306	7,003	7,529	4,971	4,215	4,297
Building inspections performed	9,186	11,546	10,169	10,622	12,547	11,275	7,392	8,128
Occupational licenses	8,321	9,224	8,824	9,031	8,673	8,990	9,072	8,296
Fire:								
Emergency responses	*	1,962	2,417	1,925	1,935	2,160	1,206	2,613
Inspections	*	523	514	986	1,844	1,440	779	2,481
Police:								
Physical arrests	2,119	2,053	1,979	1,801	1,101	2,031	2,166	2,075
Parking violations	42,151	38,081	49,260	47,036	48,820	48,312	46,893	37,047
Traffic violations	4,708	6,501	9,109	6,030	6,409	5,040	4,331	4,313
Cemetery:								
Burials	*	104	120	123	113	95	86	124
Sewer:								
Average daily flow (millions of gallons per day)	5	4	5	5	5	4	4	4
Solid Waste:								
Refuse annually tons	57,144	59,907	60,799	62,729	55,624	58,296	50,594	45,402
Recycle annual in tons	2,344	2,045	2,122	1,894	2,095	2,484	2,517	3,607
Marinas:								
Key West Bight:								
Diesel gallons pumped	232,552	364,884	380,446	270,702	429,871	354,378	349,664	315,515
Gas gallons pumped	*	79,008	123,372	116,432	122,633	79,114	78,872	63,058
Transient customers	1,053	1,392	1,297	1,108	1,202	1,436	986	1,011
Ferry terminal:								
Boat landings	**	*	*	435	431	508	393	479
Passenger disembarkments	**	*	88,820	81,709	96,796	85,134	148,300	144,617
Diesel gallons pumped	**	283,471	280,267	153,849	447,104	412,360	137,631	81,807
Garrison Bight:								
Transient customers	388	*	338	431	586	496	396	362
Mooring field monthly permits	39	61	66	38	49	49	165	76
Ramp usage	4,469	4,059	4,217	5,202	4,951	4,437	4,879	4,142
Cars parked overnight	4,786	4,710	5,475	6,238	5,787	5,050	N/A	N/A
Transportation:								
Cruiseship passengers	*	897,551	1,008,076	859,089	831,063	733,910	862,043	804,845
Sidewalks repaired/replaced sf	*	*	37,887	53,196	19,535	36,296	61,719	107,243

* Incomplete data

** Ferry Terminal Opened in 2004

City of Key West, Florida

**Table 21
Capital Asset Statistics by Function/program
For the last eight fiscal years**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010
Fire:								
Fire Stations	3	3	3	3	3	3	3	3
Engines	6	6	6	6	6	7	7	7
Aerial	1	1	1	1	1	1	1	1
Light duty rescue	0	1	1	1	1	1	1	1
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units	96	100	100	100	98	89	105	95
Parking enforcement units	7	7	7	7	7	7	7	7
Parks and Recreation:								
Acreage	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25
Playgrounds	2	2	2	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1
Sewer:								
Length of system	58	58	58	58	58	58	58	58
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10
Storm Water:								
Length of system	11	11	11	11	11	11	11	11
Key West Bight:								
Slips:								
Transient slips	79	84	85	90	92	92	92	92
Commerical slips	45	43	43	43	42	42	42	42
Other slips	25	22	21	16	15	15	15	15
Fuel capacity (gallons):								
Gasoline	4,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	12,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Leaseable retail space:								
(square feet)	78,266	75,723	88,728	88,164	86,938	86,407	86,407	86,407
Ferry Terminal:								
Commerical slips	4	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garrison Bight:								
Transient slips	47	47	29	35	35	29	29	29
Liveaboard/pleasure	136	136	154	145	146	148	148	148
Other slips	37	37	37	40	39	43	43	43
Mooring field	81	149	149	149	149	149	149	149
Transportation:								
Number of buses	15	15	15	15	15	17	17	17
Cruiseports	3	3	3	3	3	3	3	3
Ferry terminals	0	1	1	1	1	1	1	1

City of Key West, Florida

Table 22
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM
For the last eight fiscal years

	2003	2004	2005	2006	2007	2008	2009	2010
City Commission	5	5	5	5	5	5	5	5
City Management	2	2	2	2	2	3	3	4
Management services and other	86	83	84	81	79	82	80	78
Recreation	35	35	35	35	39	33	31	31
Fire	73	73	73	73	73	71	71	71
Public Works	32	33	36	34	36	30	34	29
Police protection	133	133	137	137	133	122	122	123
Building	22	23	23	23	26	28	17	17
Capital	11	11	14	16	14	5	1	1
Roads and Sidewalks	0	0	0	0	0	3	4	4
Sewer	18	10	9	9	9	7	4	4
Stormwater	0	0	2	3	3	2	2	2
Solid waste	34	34	11	12	12	12	10	10
Recreation marinas	22	23	25	26	39	44	42	40
Redevelopment	0	0	6	5	5	6	7	6
Transportation	29	31	32	40	41	44	44	31
Total	502	496	494	501	516	497	477	456

