

COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Key West, Florida

Fiscal Year Ended September 30, 2012

THE CITY OF KEY WEST, FLORIDA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

September 30, 2012

Prepared by:
Department of Finance

**CITY OF KEY WEST, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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INTRODUCTORY SECTION



THE CITY OF KEY WEST

Post Office Box 1409
Key West, FL 33041-1409
KeyWestCity.com

March 27, 2013

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, 2012, 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, 2012.

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

Financial Reporting Entity

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

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

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 485,000 annually in free sewer, sanitation and stormwater services, which constitutes a financial benefit/burden relationship. Given the overall materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

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

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, the tourism industry continues to demonstrate a solid recovery from the "troubled" years of 2007 through 2009.

The hotel bed tax collected in Key West increased by 13 percent over that of the previous fiscal year, ending up at \$ 14,646,000, which is significantly higher than the previous year and almost double the annual collections the years of 2004 through 2007. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,720,600,000 for Fiscal Year 2012 as compared to \$ 2,508,500,000 from the previous year, again evidence of a much improved local economy.

Tourists arriving at Key West International Airport for the current fiscal year numbered 360,400, compared to 325,000 for the prior period, up 11 percent and the highest annual arrival numbers ever recorded. Daily cruise ship passengers have a significant impact on the downtown business sector. Cruise ship passengers have been declining since 2003 for a couple of reasons. A weak economy in 2007-2009 and recently emerging markets in Europe and Australia have caused cruise lines to divert ships away from Caribbean routes thus bypassing Key West. In recent years, the number of passengers has stabilized around 850,000 annually. The number of passengers for 2012 was 832,900 as compared to 852,700 in 2011.

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 City government's revenue base. If Key West remains a desirable tourist destination, the revenue base will remain strong.

Past declines in tourist volumes and the effects of an overall sluggish economy appear to be over in the City of Key West. In 2008, the City began to see either a leveling off of major tourism related revenue sources or an actual decline in others. This trend unfortunately continued on through Fiscal Year 2009. However, in Fiscal Year 2010 most major tourism based revenues started to show a rebound over the last three years. As shown above, tourism statistics point to continued growth and an improving economy.

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 couple of years have been very lean for the businesses and City government alike.

The City began its Fiscal Year 2012 budget process in the middle of the 2011 Fiscal Year, a time when most of its major revenue sources were showing signs of improvement and were exceeding expectations. This apparent turnaround in the local economy set the stage for the 2012 budget.

The following factors affected the development of the Fiscal Year 2011-12 budget:

- Property values have continued to decline over the past four years for a total of 28 percent. The current year values were stable, which one hopes would signal a stabilization of property tax assessments.
- It appears that the economy has slowly begun to turn around and revenues are beginning to show a recovery. Shared state revenues appear to be stabilizing; however, no significant growth could be forecasted.
- Building permit fees, while better than their 2009 low of \$ 958,000, continues to struggle. A rebound in 2010 to approximately \$ 1,389,000 was met with a decline to approximately \$ 1,159,000 in 2011. Because of this decline, the building permit fee budget remains constant for 2012 with no growth projected.
- Charges for services also showed increasing growth in the 2012 budget year with the majority of the approximately \$ 327,000 budgeted 2012 increase coming from parking. Over the past two years, the City has continued to add parking pay stations to replace its aging meter head change machines. Each pay station replaces 10 to 20 meter heads, depending upon the city block. Pay stations accept both change and credit cards and this combination appears to be working extremely well, as consumers that may or may not have sufficient change to pay the old meters are now using their credit cards to pay for parking and avoid the possibility of receiving a parking ticket. As a result of making it easier to pay, parking fines have decreased from approximately \$ 750,000 to \$ 460,000 over the past two years.
- Cost saving measures included a newly awarded ambulance services contract for the City and a reduction in self-insurance funding. In the newly negotiated emergency transport services contract, the City was able to avoid the necessity of annual subsidy that was previously costing upwards of \$ 700,000 per year, instead enjoying a contract that requires no subsidy. With the cost of the City's self-insured claims decreasing, and a sufficient buildup of reserves in the self-insurance fund, the City, was able to decrease its contribution to the insurance fund by approximately 10 percent. This represented a saving to the General Fund of approximately \$ 254,000.

- Completion of the Smather Beach renourishment project in 2011 for \$ 965,000 saved the City the grant match funding of approximately \$ 430,000 in 2012. This is a significant savings and it is hoped the renourishment will survive any tropical storms ensuring a sizable investment will continue for some time.
- A significant cost in the budget is the rent that is required for the City administrative office space. With the pending construction of the new City administration building, expiring rent and deteriorating office environment, the City was required to rent administrative office space for its staff. The cost of the rent is approximately \$ 500,000 annually.
- Included in the expenditures, the City placed \$ 400,000 in a salary reserve account to assist in the renegotiation of expiring union contracts and recognized an additional \$ 159,500 for new positions and reclassifications.

After these and other adjustments were made, the City was able to balance the budget at 1 percent below the “roll back” in ad valorem tax. The General Fund budget for the fiscal year 2012 was 1.8 percent below the original adopted budget for 2011.

As you will see in the financial sections, the operating results for 2012 were positive. Although the General Fund change in the fund balance was only approximately \$ 832,000, it was a positive indication of a successful fiscal year and almost doubled the change in fund balance from fiscal year 2011.

First quarter performance for Fiscal Year 2013 is tracking well within established budgetary numbers. Tourism-dependent revenues appear to be trending upward and there appears to be no surprise thus far into the 2013 fiscal year.

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 year’s 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, commercial paper, and the City's bank deposit account. The maturities of the investments range from one to five years, with an average maturity of 1.8 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.

Fund Balances

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

Major Initiatives

One of the most significant initiatives funded in Fiscal Year 2013 involves the cleaning and up keep of the City's right of ways. During the preparation of the 2013 budget, it became apparent that the City Commission was interested in a cleaner Key West. Through a 2 percent increase in ad valorem tax and increases in the parking rates the City was able to budget almost \$ 400,000 for 9 new public works employees and equipment solely dedicated to the cleaning and maintaining the City's right of ways.

The City's Department of Transportation is located in a building that is undersized and in poor condition. The 2013 budget includes the construction of a new transit facility with administrative offices, fueling, washing and maintenance facilities. Budget for the facility is approximately \$ 8,500,000 with close to 100 percent of project being paid for with Federal Transit Administration and Florida Department of Transportation grants.

Certificate of Achievement Award

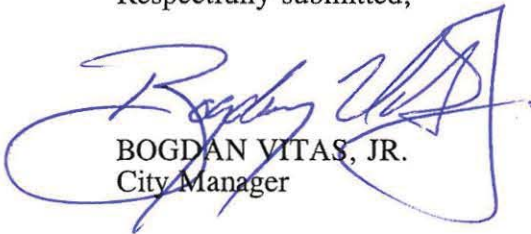
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the Fiscal Year ended September 30, 2011. This was the twenty-sixth consecutive 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,



BOGDAN VITAS, JR.
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, 2011

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.



Christopher P. Morrell

President

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	Tony Yaniz
Commissioner	Teri Johnston
Commissioner	Clayton Lopez

Appointed Officials

City Manager	Bogdan Vitas, Jr.
City Clerk	Cheri Smith
City Attorney	Shawn Smith

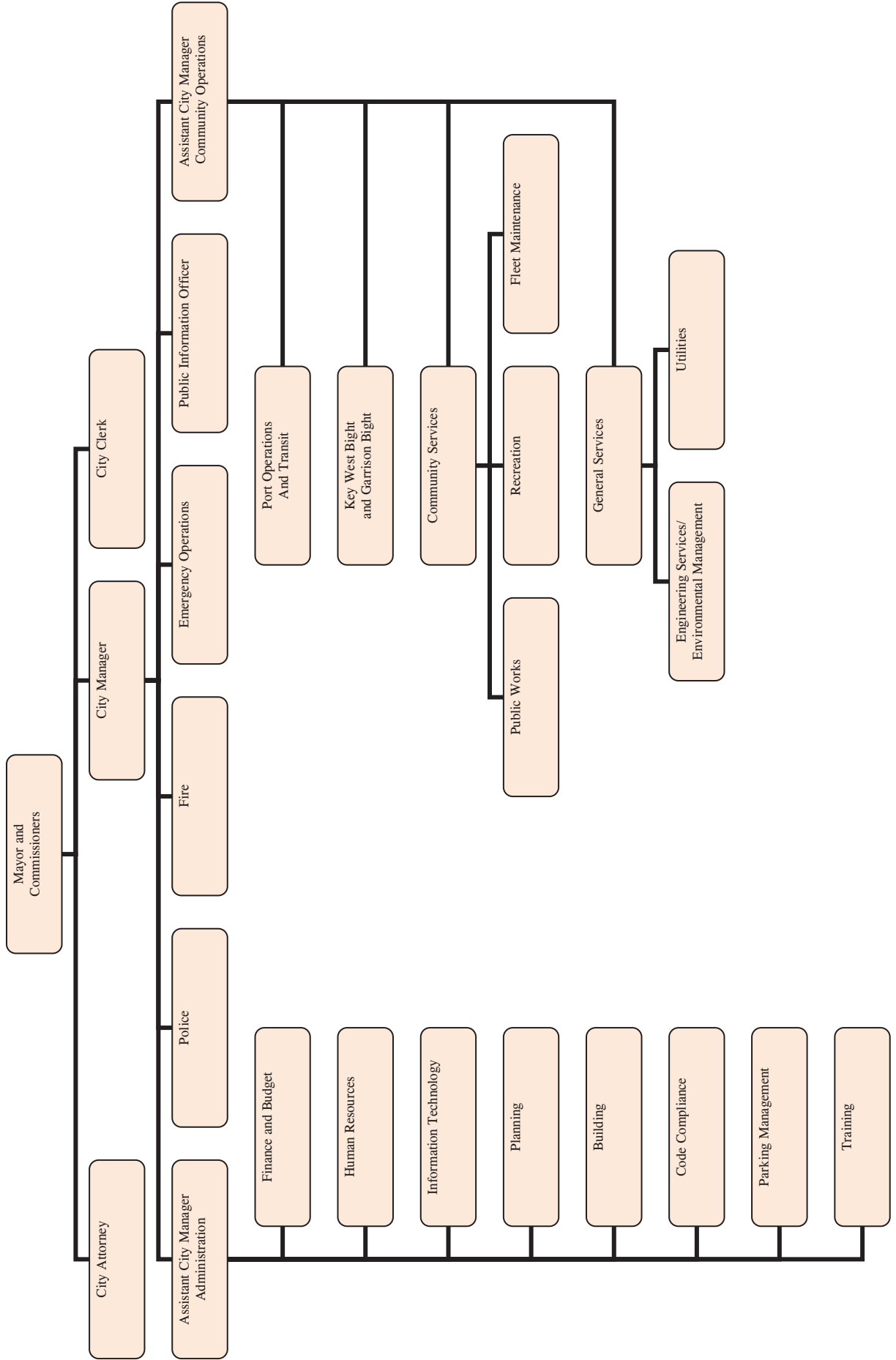
Department Directors

Assistant City Manager - Administration	Mark Finigan
Assistant City Manager – Community Operations	E. David Fernandez
Building	John Woodson
Police Chief	Donald J. Lee, Jr.
Community Services	Greg Veliz
General Services	Doug Bradshaw
Finance and Budget	Roger D. Wittenberg
Fire Chief	David Fraga
Human Resources	Sandy Gilbert (retired)
Management Information Systems	Patti McLauchlin
Planning	Don Craig
Port Operations and Transportation	Jim Fitton
Code Compliance	Jim Young

CITY OF KEY WEST, FLORIDA

FISCAL YEAR 2011-2012

ORGANIZATIONAL CHART



CITY OF KEY WEST, FLORIDA

VISION

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

MISSION

To preserve and protect our island.

FINANCIAL SECTION



INDEPENDENT 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, 2012, 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 61%, 59%, and 67%, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, 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 14 and 80 through 82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 basic 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 27, 2013

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

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, 2012. We are offering this discussion and analysis in order to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter on page i and the City's financial statements which begin on page 15.

Financial Highlights

- Total assets of the City exceeded its liabilities at the close of Fiscal Year 2012 by \$ 288,813,529, an increase of \$ 8,747,151 from the prior year. The majority of this increase is being generated in the City's Key West Bight (\$ 1,893,424) enterprise fund and its Infrastructure Surtax Fund (\$ 5,331,949).
- During the year, the City had revenues of \$ 19,685,763 in governmental activities generated by program revenues and \$ 32,483,411 in general revenues for governmental activities. As a result, the total revenues were \$ 1,805,713 more than last fiscal year (Table 2). A significant portion of the increase was due to an increase in the discretionary sales tax in the Infrastructure Surtax Fund and grant revenue in the Capital Projects Fund.
- The General Fund reported an increase in fund balance of \$ 832,084 in 2012. In 2012, budgeted revenues had a positive budget variance of \$ 809,810 due to the improving economy.
- Business type unrestricted net assets increased by \$ 8,124,617 or 46.6 percent while total net assets increased by \$ 3,361,691 or 2.4 percent. The increase in unrestricted net assets is mainly due to the Sanitary Sewer System Fund increasing by \$ 5,487,813.

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 15 through 18) 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 19. 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.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 15. 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 2011-12?" 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.

CITY OF KEY WEST, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

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 ("KWHHA"). The KWHHA's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWHHA and is responsible to refund withdrawals from certain debt service accounts of the KWHHA, as more fully described in Note 12 of this report. KWHHA 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 19 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.

- **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.

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- 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 \$ 280,066,378 to \$ 288,813,529. Governmental activities increased \$ 5,385,460. Most of this increase is the result of a buildup of fund balance in the Infrastructure Surtax Fund of \$ 5,331,949 for capital projects. Business type activities increased \$ 3,361,691 of which \$ 1,893,424 was the result of operations in the Key West Bight Fund.

Total net assets are comprised of \$ 201,142,301 invested in capital assets, net of related debt, \$ 45,689,602 restricted for capital projects, transportation, housing initiatives and other purposes, and \$ 41,981,626 in unrestricted funds. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Current and other assets	\$ 74,762,709	\$ 68,249,762	\$ 33,889,851	\$ 31,941,035	\$ 108,652,560	\$ 100,190,797
Capital assets	88,024,379	87,053,642	149,179,555	152,750,525	237,203,934	239,804,167
Total assets	<u>162,787,088</u>	<u>155,303,404</u>	<u>183,069,406</u>	<u>184,691,560</u>	<u>345,856,494</u>	<u>339,994,964</u>
Long-term debt outstanding	878,521	1,025,581	33,527,722	31,923,286	34,406,243	32,948,867
Other liabilities	16,142,798	13,897,514	6,493,924	13,082,205	22,636,722	26,979,719
Total liabilities	<u>17,021,319</u>	<u>14,923,095</u>	<u>40,021,646</u>	<u>45,005,491</u>	<u>57,042,965</u>	<u>59,928,586</u>
Net assets:						
Invested in capital assets, net of debt	88,024,379	87,053,642	113,117,922	118,376,272	201,142,301	205,429,914
Restricted	41,327,816	36,703,702	4,361,786	3,866,362	45,689,602	40,570,064
Unrestricted	16,413,574	16,622,965	25,568,052	17,443,435	41,981,626	34,066,400
Total net assets	<u>\$ 145,765,769</u>	<u>\$ 140,380,309</u>	<u>\$ 143,047,760</u>	<u>\$ 139,686,069</u>	<u>\$ 288,813,529</u>	<u>\$ 280,066,378</u>

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Governmental Activities – Net Assets

The \$ 145,765,769 in net assets of the City's governmental activities are comprised of \$ 88,024,379 invested in capital assets, net of related debt, \$ 41,327,816 in restricted assets and \$ 16,413,574 in unrestricted net assets, which is the part of net assets that can be used to finance day-to-day operations of the General Fund and other governmental activities.

The invested in capital assets increased slightly from the previous year by \$ 970,737. This is primarily the result of new additions of \$ 4,441,560 netted against current year depreciation of \$ 3,414,843.

Restricted net assets of \$ 41,327,816 are restricted to comply with the requirements of the special revenue funds or other legal requirements. The increase in restricted net assets was \$ 4,624,114. The majority of this increase is due to an increase in the Infrastructure Surtax Fund's net assets as a result of the accumulation of resources for the development Truman Waterfront.

Unrestricted net assets decreased by \$ 209,391. Contribution factors were an increase of \$ 534,737 in other post-employment benefits (OPEB) and a \$ 222,236 increase in compensated absences.

Business-Type Activities – Net Assets

The \$ 143,047,760 in net assets of the City's business type activities are comprised of \$ 113,117,922 invested in capital assets, net of related debt, \$ 4,361,786 in restricted assets and \$ 25,568,052 in unrestricted net assets. This is an increase of 2.4 percent in net assets.

The invested in capital assets decreased from the previous year by \$ 5,258,350. This is primarily the result of new additions of \$ 3,857,085 netted against current year depreciation of \$ 7,362,121. Restricted net assets of \$ 4,361,786 are restricted to comply with the requirements of the sewer bond issues and the requirement of Florida Department of Environmental Protection as it relates to the closure of the landfill. Unrestricted net assets increased \$ 8,124,617. The increase in unrestricted net assets was the result of a liability payable to FEMA being financed by the issuance of the Sewer System Revenue Bonds, Series 2012 for the repayment of capital projects subsequently disallowed by FEMA.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Revenues:						
Program Revenues:						
Charges for services	\$ 12,118,961	\$ 12,562,686	\$ 32,791,159	\$ 33,388,454	\$ 44,910,120	\$ 45,951,140
Operating grants and contributions	3,970,832	3,828,559	1,274,318	1,486,649	5,245,150	5,315,208
Capital grants and contributions	3,595,970	3,272,380	1,435,875	2,632,737	5,031,845	5,905,117
General Revenues:						
Taxes: property and other	30,402,111	28,876,860	-	-	30,402,111	28,876,860
Intergovernmental	775,924	649,792	-	-	775,924	649,792
Investment earnings	437,365	530,078	240,920	313,517	678,285	843,595
Other revenues	868,011	643,106	254,230	718,613	1,122,241	1,361,719
Total revenues	<u>52,169,174</u>	<u>50,363,461</u>	<u>35,996,502</u>	<u>38,539,970</u>	<u>88,165,676</u>	<u>88,903,431</u>

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Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Program Expenses:						
General government	15,550,150	14,830,564	-	-	15,550,150	14,830,564
Public safety	22,859,420	21,737,551	-	-	22,859,420	21,737,551
Transportation	5,339,267	3,363,600	-	-	5,339,267	3,363,600
Economic environment	3,762,187	2,955,957	-	-	3,762,187	2,955,957
Culture and recreation	2,599,679	2,320,962	-	-	2,599,679	2,320,962
Human services	398,751	394,499	-	-	398,751	394,499
Sanitary Sewer System	-	-	10,710,125	11,151,202	10,710,125	11,151,202
Solid waste	-	-	7,268,169	7,444,222	7,268,169	7,444,222
Stormwater	-	-	2,534,695	2,665,738	2,534,695	2,665,738
Marinas (Key West and Garrison Bight)	-	-	5,833,344	6,543,394	-	6,543,394
Transit	-	-	2,562,738	2,805,441	2,562,738	2,805,441
	<u>50,509,454</u>	<u>45,603,133</u>	<u>28,909,071</u>	<u>30,609,997</u>	<u>79,418,525</u>	<u>76,213,130</u>
Total expenses						
Excess before transfers	1,659,720	4,760,328	7,087,431	7,929,973	8,747,151	12,690,301
Transfers (net)	<u>3,725,740</u>	<u>2,842,486</u>	<u>(3,725,740)</u>	<u>(2,842,486)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 5,385,460</u>	<u>\$ 7,602,814</u>	<u>\$ 3,361,691</u>	<u>\$ 5,087,487</u>	<u>\$ 8,747,151</u>	<u>\$ 12,690,301</u>

The City's total revenues reported are \$ 88,165,676, which in part represents \$ 44,910,120 in charges for services and \$ 30,402,111 in property and other taxes. Total operating expenses of \$ 79,418,525 are reported. As shown above, while revenues have remained constant, expenses have increased for the year. The major areas that expenditures increased were in public safety due to increases in salary and pension contributions and transportation related to the Navy and the outer mole pier rehabilitation.

Governmental Activities – Change in Net Assets

Total revenues for the City's governmental activities of \$ 52,169,174 include \$ 12,118,961 in fees, fines and charges for services, as well as, \$ 30,402,111 in property, state shared and local taxes.

For the year, the City's governmental revenues increased \$ 1,805,713 or a 3.6 percent increase. The increase of \$ 1,525,251 is mainly due to an increase in state shared revenue made up of the half cent and one cent sales tax collections.

Other items of note are charges for services decreased for the year by \$ 443,725. Although parking fees increased almost \$ 150,000, it was a reduction in cruise ship passengers that caused this revenue category to decrease for the year. Cruise ship disembarkation fees for the year were down \$ 427,383. As described in the transmittal letter, cruise ship revenues are one of the few revenues of the City that have continued to decline in recent years.

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The cost of all governmental activities this year was \$ 50,509,454. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 14,428,961. This is because \$ 12,118,961 of the cost was paid for by those who directly benefited from the programs as well as other governments and organizations that subsidized certain programs with grants and contributions, providing \$ 7,566,802. 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

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 12	FY 11	FY 12	FY 11
General government	\$ 15,550,150	\$ 14,830,564	\$ (12,699,837)	\$ (12,183,843)
Public safety	22,859,420	21,737,551	(20,101,223)	(19,025,349)
Culture and recreation	2,599,679	2,320,962	(1,939,412)	(929,254)
Transportation	5,339,267	3,363,600	4,705,986	6,845,777
Economic environment	3,762,187	2,955,957	(414,931)	(324,385)
All others	398,751	394,499	(374,274)	(322,454)
Totals	<u>\$ 50,509,454</u>	<u>\$ 45,603,133</u>	<u>\$ (30,823,691)</u>	<u>\$ (25,939,508)</u>

Business-Type Activities – Changes in Net Assets

Revenues of the City's business-type activities (see Table 2) decreased by 6.6 percent (\$ 38,539,970 in 2011 compared to \$ 35,996,502 in 2012). The majority of this decrease is the result of a decrease of \$ 1,196,862 in capital grants. The majority of this decrease in capital grants can be attributed to the Sanitary Sewer System Fund where grant revenue dropped by \$ 1,248,997 due to the completion of the American Recovery and Reinvestment Act (ARRA) funded projects. Charges for services also decreased from the prior fiscal year by \$ 597,295. A major contributor is the \$ 1,077,761 decrease in the Sewer Fund. This reduction is a direct result of the Navy sewer billings. The billings are significantly down due to the completion of billable capital projects and a 5 percent reduction in Navy flow.

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.

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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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2012, the City's governmental funds reported combined fund balances of \$ 53,445,428, which is an increase of \$ 5,025,482 in comparison with the prior fiscal year. This substantial increase can be attributed to the increase in the Infrastructure Surtax Fund as described previously.

The General Fund is the chief operating fund of the City. As of September 30, 2012, the unassigned fund balance account in the General Fund was \$ 10,202,439, an increase of \$ 941,999 from the previous year. The current year's increase in unassigned fund balance is greater than the prior year's increase of \$ 459,215. This unassigned fund balance amount represents 25.8 percent of the 2012 General Fund budgeted expenditures, excluding capital outlay. This put the unassigned fund balance at the high end of the City's fund balance policy of between 20 percent and 25 percent of budgeted expenditures.

Total General Fund revenues remained basically the same as the previous year, total expenditures increased \$ 475,052, or 1.2 percent. This increase is due to many significant factors. The major drivers of General Fund expenditures are always personal service costs. The City's required contribution to the Police Officers' and Firefighters' Pension Fund increased by approximately \$ 291,000 over last year's required contribution. As noted in the transmittal letter, significant cost saving measures were implemented in the General Fund, to include a rebid of the ambulance service contract that resulted in a savings of over \$ 700,000. Reductions in grant funding match for beach renourishment project completed in FY 2011 saved the City \$ 430,000 and a reduction in required self-insurance funding saved \$ 245,000.

During fiscal year 2012, the City adopted an indirect cost allocation model. The model consisted of three elements of costs: indirect cost for services provided to other funds by the General Fund, payment in lieu of taxes and a right of way/franchise element. The net effect of the implementation of the plan on the General Fund was to increase the funds full time equivalent employees by 7 or approximately \$ 575,000 in personal service related expenditures. However, on the revenue side, transfers in from other funds increased by about \$ 750,000 as a result of the new cost allocation methods adopted.

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

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

<u>Fund</u>	<u>Unrestricted Net Assets (Deficit)</u>	
	<u>FY 12</u>	<u>FY 11</u>
Sanitary Sewer System	\$ 7,505,030	\$ 2,017,217
Solid Waste	8,270,852	7,223,766
Stormwater	(2,123,476)	(2,378,390)
Key West Bight	9,433,168	8,783,118
Garrison Bight	1,833,288	1,563,480
Transit System	649,190	234,244
	<u>\$ 25,568,052</u>	<u>\$ 17,443,435</u>

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For the year ending September 30, 2012, the Sanitary Sewer System Fund unrestricted net assets increased by \$ 5,487,813. The increase in unrestricted net assets was the result of a liability payable to FEMA being financed by the issuance of the Sewer System Revenue Bonds, Series 2012. The repayment to FEMA was required due to the disallowance of previously funded capital projects. A decrease in invested in capital assets, net of related debt was the offsetting result.

While Solid Waste Fund unrestricted net assets increased by \$ 1,047,086, total net assets remained relatively the same, only increasing by \$ 523,679.

The Stormwater Fund unrestricted net assets (deficit) increased by \$ 254,914; while invested in capital assets, net of related debt, increased by \$ 638,213 mainly due to capital construction grants received from other agencies. Overall, Stormwater total net assets increased by \$ 893,127.

The Key West Bight Fund had an increase in total net assets of \$ 1,893,424. Operating results at the Bight have improved along with improving economic conditions.

Fiscal Year 2011-12 General Fund Budgetary Highlights

During the Fiscal Year 2012, 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.

General Fund revenues fell short from budget in four categories: Taxes, Charges for Services, Fines and Forfeitures and Contributions and Other; were all short of budgeted expectations. In addition, five of the major categories posted revenues that were less than the year before.

General Fund revenues in total exceeded the budgeted amount by \$ 809,810. Taxes were \$ 94,730 less than budget and \$ 338,174 less than last year. Intergovernmental revenues were \$ 1,063,572 over budget and \$ 493,766 above last year's collections due in part by approximately \$ 585,000 more collected in half cent sales tax in fiscal year 2012. Also contributing to this increase is the Police and Fire state pension pass through of \$ 641,624 as described below. Charges for Services are down from budget \$ 222,489 due largely in part to decreasing cruise ship passengers. Fines and Forfeitures were under budget by \$ 185,568 and \$ 104,437 less than the prior year. The majority of this decline is attributable to a decrease in parking fines, approximately \$ 116,000. The City has installed 57 parking pay stations over the last few years and removed the old coin operated meters. The new pay stations take both coins and debit/credit cards where the old meters only took coins. Now, because it is much easier for the consumer to pay for parking, fine revenue has declined over the past three years by \$298,000 while parking revenues increased \$ 545,000.

Total General Fund expenditures were lower than the budget by \$ 752,651. Personal Services were \$ 307,163 over budget due to the factors discussed herein. To properly record the receipt of funds of Florida Statutes Chapter 175 and 185 into the Police Officers' and Firefighters' Pension Fund, an entry was recorded to recognize the revenue of \$ 641,624, and the related expense, in personal service costs. As this funding is a direct pass through to the Pension Fund, the revenue and related expenditure was not budgeted. The operating expenditures budget had a positive variance of \$ 917,737 which was made up of a number of positive variances throughout the category. Some of the more significant variances were professional services in the planning department, \$ 104,885 due to delays in finishing various plan amendments, and approximately \$ 166,000 in repairs and maintenance in which funds were budgeted to perform environmental cleanup at the Truman Waterfront that the Navy assumed responsibility for. While the decline in cruise ship passengers has a negative effect on revenue it had a positive effect on expenditures. A savings of approximately \$ 170,000 was realized in transportation and security costs as it is related to the decline in number of passengers disembarking.

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Capital Assets

At the end of Fiscal Year 2012, the City had \$ 237,203,934 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below).

Table 4
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Land	\$ 53,186,804	\$ 53,186,804	\$ 18,681,034	\$ 18,681,034	\$ 71,867,838	\$ 71,867,838
Buildings and improvements	13,950,991	13,950,991	48,571,007	48,573,753	62,521,998	62,524,744
Machinery, equipment and furniture	19,087,529	18,698,483	17,210,390	17,574,727	36,297,919	36,273,210
Infrastructure	41,945,261	38,036,785	153,192,955	148,834,988	195,138,216	186,871,773
Construction in progress	4,343,478	4,772,013	6,784,399	7,565,809	11,127,877	12,337,822
Depreciation	(44,489,684)	(41,591,434)	(95,260,230)	(88,479,786)	(139,749,914)	(130,071,220)
Totals	<u>\$ 88,024,379</u>	<u>\$ 87,053,642</u>	<u>\$ 149,179,555</u>	<u>\$ 152,750,525</u>	<u>\$ 237,203,934</u>	<u>\$ 239,804,167</u>

This year's major additions included:

In the Governmental funds, major additions included approximately \$ 3,100,000 in sidewalk renovations and installation as a result of ARRA funding. The City also invested over \$ 450,000 in police patrol cars to replace some of its aging fleet.

In the Business-Type Activities:

- The Sanitary Sewer System Fund invested and additional \$ 645,000 in the headworks project, to complete this project in fiscal year 2012. The total cost for this project was approximately \$ 3,650,000 over a three year period.
- The Stormwater Fund incurred approximately \$ 1,900,000 in various projects, aimed at reducing flooding and standing water.
- The Key West Bight Fund funded approximately \$ 965,000 towards the completion of various ongoing projects at the marina.

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

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Debt Administration

At year-end, the City had \$ 34,406,243 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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Promissory note	\$ 878,521	\$ 1,025,581	\$ 2,699,700	\$ 2,971,112	\$ 3,578,221	\$ 3,996,693
Revenue bonds and notes	-	-	30,828,022	28,952,174	30,828,022	28,952,174
Totals	<u>\$ 878,521</u>	<u>\$ 1,025,581</u>	<u>\$ 33,527,722</u>	<u>\$ 31,923,286</u>	<u>\$ 34,406,243</u>	<u>\$ 32,948,867</u>

In February 2012, the City closed on \$ 4,065,000 in Sewer System Revenue Bonds, Series 2012. The proceeds from these bonds were used, coupled with existing reserves, to repay approximately \$ 6,300,000 to the Federal Emergency Management Agency ("FEMA") for cost that were subsequently disallowed relating to Hurricane Irene.

The bonds are secured by a pledge of the net revenue of the Sanitary Sewer System Fund operating activities. The bonds mature October 1, 2021 and are payable semi-annually on April 1, and October 1. The bonds bear interest at a rate of 2.07 percent.

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

Economic Factors and Next Year's Budgets and Rates

Budget Preparation

The following factors affected the development of the Fiscal Year 2012-13 budget, as revenues of the City appear to have stabilized and show signs of improvement.

Property values have continued to decline over the past five years for a total of 28 percent. The current year 2013 decline was approximately 1 percent, which has been the smallest in five years and which one hopes would signal a stabilization of property tax assessments.

Building permit fees, continued their slow growth from the 2009 low of \$ 958,000. Because of the unpredictable nature of the fees, the building permit fee budget remains constant for 2013 with no growth projected.

Charges for services also showed a decline in growth in the proposed 2013 budget year with the decrease in cruise ships of \$ 584,000 leading the way. The City has continued to add parking pay stations to replace its aging meter head change machines. Each pay station replaces 10 to 20 meter heads, depending upon the city block. The ability to add new pay stations that will continue to produce the results as seen in the past has diminished. The remaining meter heads are scattered around the town and do not produce the same returns. Because of this and the declining cruise ship dollars, management found it necessary to recommend a twenty-five cent per hour increase in the parking rate which is expected to generate approximately \$ 300,000 annually.

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Some relief was found in State shared revenue that continues to produce reasonable annual increases of late.

On the expenditure side, several sizable increases were expected. The City's health care provider proposed a 20 percent increase in annual premium to the City. This would have amounted to an approximately \$ 700,000 increase. Through plan changes, the City was able to reduce the increase down to 12 percent. This represented a slightly over \$ 400,000 increase to the General Fund health insurance premium costs. In order to meet the estimated police and fire pension contribution requirements a budgeted increase of almost \$ 800,000 over that of fiscal year 2012 was necessary.

Along with the budgeted step increases for police and fire of approximately \$ 487,000, the City placed approximately \$ 465,000 in a salary reserve account to assist in the renegotiation of expiring union contracts and to support increases to the teamsters and exempt employees that have no step plan in place. This amounted to a 2 percent increase.

For the second straight year, the City was able to decrease its self-insured claims funding. With sufficient buildup of reserves in the self-insurance fund, the City was able to decrease its contribution to its insurance fund by approximately 10 percent. This represented a saving to the General Fund of approximately \$ 254,000.

With no new revenue source available and significant increases in key expenditures, management proposed a 2 percent increase above the rolled back rate in order to balance the budget.

At the final hearing, prior to the adoption of the budget, the City Commission made some significant changes. In order to meet the demands of their constituents for a cleaner city, the City Commission added nine (9) new public works right-of-way employees and associated equipment totaling approximately \$ 400,000. In order to pay for these improvements the City Commission increased the hourly parking rate by an additional twenty-five cents, bringing the total increase on the hourly rate to fifty cents.

The City Commission also added approximately another \$ 232,000 to the salary reserve contingency. To balance the final changes the City Commission authorized the use of slightly over two days' worth of General Fund reserves. This still left reserves at the high end of the fund balance policy and the millage rate 2 percent above the rolled back rate.

Economic Outlook

The economy of Key West has begun to pick up in 2012. All tourism revenues have shown increases. Building permits are slowly recovering and parking is still strong. Cruise ship revenue is the only revenue source that continues to struggle, but a lot of that is being controlled by the cruise lines themselves in their marketing strategies.

As previously discussed in the transmittal letter, tourism statistics point to a recovering tourism economy. The hotel bed tax collected in Key West increased by 13 percent over that of the previous fiscal year, ending up at \$ 14,646,000, which is significantly higher than the previous year. Tourists arriving at Key West International Airport for the fiscal year numbered 360,400, compared to 325,000 – an increase of 11 percent and the highest total ever recorded. The daily cruise ship passengers have a significant effect on the downtown business sector. Local sales tax collection increased significantly in 2012, with both the half cent sales and one cent sales tax recording significant growth.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

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 benefits the City as the sales of food, beverages and merchandise increase. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,720,600,000 compared to \$ 2,508,500,000 from the previous year.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF KEY WEST, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2012

	<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	\$ 62,339,134	\$ 24,584,697	\$ 86,923,831	\$ 3,317,669
Cash, cash equivalents and investments (restricted)	-	4,978,363	4,978,363	3,131,869
Accounts receivable (net of allowances)	984,747	3,310,527	4,295,274	37,882
Interest receivable	-	-	-	924
Intergovernmental receivables	4,190,960	2,088,838	6,279,798	1,548,583
Inventories	10,995	593,369	604,364	67,386
Prepaid items and other assets	117,555	30,007	147,562	721,893
Mortgage notes receivable	8,600	-	8,600	-
Internal balances	2,035,780	(2,035,780)	-	-
Total current assets	<u>69,687,771</u>	<u>33,550,021</u>	<u>103,237,792</u>	<u>8,826,206</u>
Noncurrent assets:				
Net pension assets	3,702,190	-	3,702,190	-
Capital assets:				
Land	53,186,804	18,681,034	71,867,838	10,783,641
Buildings and improvements	13,950,991	48,571,007	62,521,998	60,204,086
Infrastructure	41,945,261	153,192,955	195,138,216	1,167,753
Machinery, equipment and furniture	19,087,529	17,210,390	36,297,919	1,197,410
Accumulated depreciation	(44,489,684)	(95,260,230)	(139,749,914)	(23,741,317)
Construction in progress	4,343,478	6,784,399	11,127,877	4,799,848
Other, including loans and mortgage notes receivable	1,372,748	339,830	1,712,578	618,372
Total noncurrent assets	<u>93,099,317</u>	<u>149,519,385</u>	<u>242,618,702</u>	<u>55,029,793</u>
Total assets	<u>\$ 162,787,088</u>	<u>\$ 183,069,406</u>	<u>\$ 345,856,494</u>	<u>\$ 63,855,999</u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,439,005	\$ 1,415,651	\$ 3,854,656	\$ 1,047,317
Accrued wages and benefits	1,342,045	137,753	1,479,798	-
Unearned revenue	1,169,201	658,515	1,827,716	-
Intergovernmental	266,559	-	266,559	280,818
Deposits	102,319	-	102,319	-
Insurance claims payable	1,391,258	-	1,391,258	-
Retainage payable	355,547	105,626	461,173	-
Due to fiduciary fund	878,326	-	878,326	82,907
Compensated absences	1,957,360	124,559	2,081,919	29,142
Accrued interest	-	619,783	619,783	293,818
Bonds and notes payable	147,059	2,533,911	2,680,970	952,418
Other	-	40,000	40,000	363,683
Total current liabilities	10,048,679	5,635,798	15,684,477	3,050,103
Noncurrent liabilities:				
Notes payable	878,521	2,699,700	3,578,221	7,059,545
Revenue bonds payable	-	30,828,022	30,828,022	24,657,914
Insurance claims payable	1,835,862	-	1,835,862	-
Landfill closure costs payable	-	103,333	103,333	-
Compensated absences	1,351,570	121,820	1,473,390	262,266
OPEB liability	1,789,869	172,332	1,962,201	77,852
Other	1,116,818	460,641	1,577,459	-
Total noncurrent liabilities	6,972,640	34,385,848	41,358,488	32,057,577
Total liabilities	17,021,319	40,021,646	57,042,965	35,107,680
NET ASSETS:				
Invested in capital assets, net of related debt	88,024,379	113,117,922	201,142,301	21,741,544
Restricted for:				
Infrastructure and capital projects	30,714,473	1,500,000	32,214,473	-
Debt service	-	2,757,535	2,757,535	-
Landfill closure	-	104,251	104,251	-
Transportation	6,231,863	-	6,231,863	-
Natural resources	1,282,641	-	1,282,641	-
Housing initiatives and urban redevelopment	2,846,903	-	2,846,903	1,421,841
Law enforcement	251,936	-	251,936	-
Unrestricted	16,413,574	25,568,052	41,981,626	5,584,934
Total net assets	\$ 145,765,769	\$ 143,047,760	\$ 288,813,529	\$ 28,748,319

CITY OF KEY WEST, FLORIDA
STATEMENT OF ACTIVITIES
For the Year ended September 30, 2012

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	\$ 15,520,146	\$ 2,717,004	\$ 133,309	\$ -
Public safety	22,859,420	2,149,732	71,723	536,742
Transportation	5,339,267	7,021,023	-	3,024,230
Economic environment	3,762,187	25,904	3,321,352	-
Culture and recreation	2,599,679	205,298	419,971	34,998
Human services	398,751	-	24,477	-
Interest	30,004	-	-	-
Total governmental activities	50,509,454	12,118,961	3,970,832	3,595,970
Business-Type Activities:				
Sanitary Sewer System	10,710,125	11,639,472	-	-
Solid Waste	7,268,169	9,186,577	-	-
Key West Bight	4,588,373	6,973,937	-	-
Stormwater	2,534,695	2,467,541	-	1,406,305
Garrison Bight	1,244,971	1,453,649	-	-
Transit System	2,562,738	1,069,983	1,274,318	29,570
Total business-type activities	28,909,071	32,791,159	1,274,318	1,435,875
Total primary government	\$ 79,418,525	\$ 44,910,120	\$ 5,245,150	\$ 5,031,845
COMPONENT UNIT:				
The Key West Housing Authority of of the City of Key West, Florida	\$ 12,297,298	\$ 6,891,150	\$ 6,376,864	\$ 1,011,484
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, Note 17)				
NET ASSETS, September 30				

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (12,669,833)	\$ -	\$ (12,669,833)	\$ -
(20,101,223)	-	(20,101,223)	-
4,705,986	-	4,705,986	-
(414,931)	-	(414,931)	-
(1,939,412)	-	(1,939,412)	-
(374,274)	-	(374,274)	-
(30,004)	-	(30,004)	-
<u>(30,823,691)</u>	<u>-</u>	<u>(30,823,691)</u>	<u>-</u>
-	929,347	929,347	-
-	1,918,408	1,918,408	-
-	2,385,564	2,385,564	-
-	1,339,151	1,339,151	-
-	208,678	208,678	-
-	(188,867)	(188,867)	-
<u>-</u>	<u>6,592,281</u>	<u>6,592,281</u>	<u>-</u>
<u>(30,823,691)</u>	<u>6,592,281</u>	<u>(24,231,410)</u>	<u>-</u>
			<u>1,982,200</u>
14,428,961	-	14,428,961	-
1,609,600	-	1,609,600	-
1,462,852	-	1,462,852	-
1,057,723	-	1,057,723	-
6,742,101	-	6,742,101	-
3,617,422	-	3,617,422	-
1,483,452	-	1,483,452	-
775,924	-	775,924	-
445,759	-	445,759	-
437,365	240,920	678,285	8,289
422,252	254,230	676,482	922,717
<u>3,725,740</u>	<u>(3,725,740)</u>	<u>-</u>	<u>-</u>
<u>36,209,151</u>	<u>(3,230,590)</u>	<u>32,978,561</u>	<u>931,006</u>
5,385,460	3,361,691	8,747,151	2,913,206
<u>140,380,309</u>	<u>139,686,069</u>	<u>280,066,378</u>	<u>25,835,113</u>
<u>\$ 145,765,769</u>	<u>\$ 143,047,760</u>	<u>\$ 288,813,529</u>	<u>\$ 28,748,319</u>

CITY OF KEY WEST, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	<u>General Fund</u>	<u>Community Development Office Fund</u>	<u>Infrastructure Surtax Fund</u>
ASSETS:			
Cash, cash equivalents, and investments	\$ 12,419,766	\$ 563,211	\$ 13,707,461
Receivables (net of allowance for uncollectibles):			
Accounts	380,599	29	-
Intergovernmental	656,036	185,081	533,329
Mortgage notes	-	1,381,348	-
Interfund receivables	611,008	-	-
Inventories	10,995	-	-
Advances to other funds	2,032,039	-	-
Prepays	32,157	727	-
<u>Total assets</u>	<u>\$ 16,142,600</u>	<u>\$ 2,130,396</u>	<u>\$ 14,240,790</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 439,090	\$ 2,557	\$ 507,555
Accrued payroll	1,328,829	-	-
Retainage payable	-	-	-
Due to fiduciary fund	878,326	-	-
Due to other funds	-	-	-
Intergovernmental	83,163	183,396	-
Deposits	102,319	-	-
Deferred revenue	762,545	1,323,855	109,938
<u>Total liabilities</u>	<u>3,594,272</u>	<u>1,509,808</u>	<u>617,493</u>
FUND BALANCES:			
Nonspendable:			
Inventories	10,995	-	-
Long-term advances/notes	2,032,039	161,308	-
Prepays	32,157	727	-
Restricted for:			
Infrastructure and capital projects	-	-	13,623,297
Housing initiatives and urban redevelopment	-	458,553	-
Law enforcement	-	-	-
Transportation	-	-	-
Natural resources	-	-	-
Committed to:			
Culture and recreation	147,943	-	-
Assigned to:			
Subsequent year's budget	122,755	-	-
Unassigned	10,202,439	-	-
<u>Total fund balances</u>	<u>12,548,328</u>	<u>620,588</u>	<u>13,623,297</u>
<u>Total liabilities and fund balances</u>	<u>\$ 16,142,600</u>	<u>\$ 2,130,396</u>	<u>\$ 14,240,790</u>

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

<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 17,379,356	\$ 10,559,761	\$ 54,629,555
-	-	380,628
-	1,151,424	2,525,870
-	-	1,381,348
-	484	611,492
-	-	10,995
-	-	2,032,039
-	-	32,884
<u>\$ 17,379,356</u>	<u>\$ 11,711,669</u>	<u>\$ 61,604,811</u>
\$ 288,180	\$ 1,158,138	\$ 2,395,520
-	7,649	1,336,478
-	355,547	355,547
-	-	878,326
-	539,000	539,000
-	-	266,559
-	-	102,319
-	89,296	2,285,634
<u>288,180</u>	<u>2,149,630</u>	<u>8,159,383</u>
-	-	10,995
-	-	2,193,347
-	-	32,884
17,091,176	-	30,714,473
-	2,226,315	2,684,868
-	251,936	251,936
-	6,231,863	6,231,863
-	1,282,641	1,282,641
-	-	147,943
-	-	122,755
-	(430,716)	9,771,723
<u>17,091,176</u>	<u>9,562,039</u>	<u>53,445,428</u>
<u>\$ 17,379,356</u>	<u>\$ 11,711,669</u>	<u>\$ 61,604,811</u>

CITY OF KEY WEST, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
September 30, 2012

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 53,445,428

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. 88,024,379

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. 5,042,431

The net pension asset is not available to pay for current period expenditures and, therefore, is deferred in the funds. 3,702,190

Receivables in governmental funds are susceptible to full accrual on the government-wide statements:

Intergovernmental 1,665,090

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)	\$ (1,789,869)	
Note payable	(1,025,580)	
Compensated absences*	(3,298,300)	(6,113,749)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 145,765,769

* Not created in connection with terminated employees.

The accompanying notes to financial statements are an integral part of these 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, 2012

	<u>General Fund</u>	<u>Community Development Office Fund</u>
REVENUES:		
Taxes	\$ 15,858,710	\$ -
Licenses and permits	2,666,151	-
Intergovernmental	7,164,507	3,304,833
Charges for services	6,619,211	-
Fines and forfeitures	672,932	-
Investment earnings	173,919	1,772
Rental income	1,921,652	25,904
Contributions and other	45,703	-
	<u>35,122,785</u>	<u>3,332,509</u>
Total revenues		
EXPENDITURES:		
Current:		
General government	14,805,682	-
Public safety	20,536,741	-
Transportation	954,495	-
Economic environment	136,300	3,368,908
Culture and recreation	2,107,099	-
Human services	398,545	-
Capital outlay	319,959	-
Debt service:		
Principal	-	-
Interest	-	-
	<u>39,258,821</u>	<u>3,368,908</u>
Total expenditures		
Excess (deficiency) of revenues over expenditures	<u>(4,136,036)</u>	<u>(36,399)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	5,575,170	-
Transfers out	(607,050)	-
	<u>4,968,120</u>	<u>-</u>
Total other financing sources (uses)		
Net change in fund balances	832,084	(36,399)
Fund balances, October 1	<u>11,716,244</u>	<u>656,987</u>
Fund balances, September 30	<u>\$ 12,548,328</u>	<u>\$ 620,588</u>

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

Infrastructure Surtax Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,742,101	\$ -	\$ 2,193,184	\$ 24,793,995
-	-	-	2,666,151
33,465	744,236	2,970,908	14,217,949
-	-	794,991	7,414,202
-	-	43,513	716,445
70,175	111,199	80,300	437,365
-	-	-	1,947,556
-	67	380,632	426,402
<u>6,845,741</u>	<u>855,502</u>	<u>6,463,528</u>	<u>52,620,065</u>
40,730	293,770	145,277	15,285,459
-	-	23,104	20,559,845
-	-	3,948,770	4,903,265
-	-	256,979	3,762,187
-	-	-	2,107,099
-	-	-	398,545
814,392	75,039	3,232,170	4,441,560
-	-	147,059	147,059
-	-	30,004	30,004
<u>855,122</u>	<u>368,809</u>	<u>7,783,363</u>	<u>51,635,023</u>
<u>5,990,619</u>	<u>486,693</u>	<u>(1,319,835)</u>	<u>985,042</u>
-	-	607,050	6,182,220
<u>(658,670)</u>	<u>(28,700)</u>	<u>(847,360)</u>	<u>(2,141,780)</u>
<u>(658,670)</u>	<u>(28,700)</u>	<u>(240,310)</u>	<u>4,040,440</u>
5,331,949	457,993	(1,560,145)	5,025,482
<u>8,291,348</u>	<u>16,633,183</u>	<u>11,122,184</u>	<u>48,419,946</u>
\$ <u><u>13,623,297</u></u>	\$ <u><u>17,091,176</u></u>	\$ <u><u>9,562,039</u></u>	\$ <u><u>53,445,428</u></u>

CITY OF KEY WEST, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
September 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	5,025,482
<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	\$	4,441,560
Less: Net book value of disposed assets		(55,980)
Less: Current year depreciation		(3,414,843)
		970,737
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.		(450,891)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.</p>		
Other post employment benefits (OPEB)		(534,737)
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.		(231,585)
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.		457,268
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.		2,127
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	5,385,460

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

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 15,953,440	\$ 15,953,440	\$ 15,858,710	\$ (94,730)
Licenses and permits	2,567,800	2,567,800	2,666,151	98,351
Intergovernmental	5,494,100	6,100,935	7,164,507	1,063,572
Charges for services	6,841,700	6,841,700	6,619,211	(222,489)
Fines and forfeitures	858,500	858,500	672,932	(185,568)
Investment earnings	135,000	135,000	173,919	38,919
Rental income	1,802,900	1,802,900	1,921,652	118,752
Contributions and other	52,700	52,700	45,703	(6,997)
	Total revenues	33,706,140	34,312,975	35,122,785
			809,810	
EXPENDITURES:				
Personal services	29,181,060	30,317,712	30,624,875	(307,163)
Operating	8,538,200	9,095,424	8,177,687	917,737
Capital outlay	274,700	457,036	319,959	137,077
Aid to private organizations	57,300	141,300	136,300	5,000
	Total expenditures	38,051,260	40,011,472	39,258,821
			752,651	
Excess (deficiency) of revenues over expenditures	(4,345,120)	(5,698,497)	(4,136,036)	1,562,461
OTHER FINANCING SOURCES (USES):				
Transfers in	5,575,170	5,757,384	5,575,170	(182,214)
Transfers out	(613,300)	(607,050)	(607,050)	-
	Total other financing sources (uses)	4,961,870	4,968,120	(182,214)
				1,380,247
Net change in fund balance	\$ 616,750	\$ (548,163)	\$ 832,084	\$ 1,380,247
FUND BALANCE, October 1			11,716,244	
FUND BALANCE, September 30			\$ 12,548,328	

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

CITY OF KEY WEST, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
ASSETS:			
Current assets:			
Cash, cash equivalents and investments	\$ 3,524,584	\$ 7,731,964	\$ 10,003,293
Receivables, (net of allowance for uncollectibles):			
Accounts	1,307,921	1,297,131	289,225
Intergovernmental	-	-	-
Interfund receivables	553	1,520	2,695
Prepaid expenses	-	-	23,088
Inventories	492,947	8,378	34,817
Total	<u>5,326,005</u>	<u>9,038,993</u>	<u>10,353,118</u>
Restricted assets:			
Cash equivalents and investments	4,789,251	189,112	-
Total current assets	<u>10,115,256</u>	<u>9,228,105</u>	<u>10,353,118</u>
Noncurrent assets:			
Deferred charges:			
Unamortized bond cost, net	315,423	-	24,407
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	24,900,870	12,537,145	5,915,318
Infrastructure	110,287,203	910,308	9,369,300
Machinery, equipment and furniture	9,700,936	1,026,831	630,836
Construction in progress	2,393,440	-	923,753
Total	<u>147,288,929</u>	<u>18,219,311</u>	<u>31,718,734</u>
Less accumulated depreciation	<u>61,530,027</u>	<u>6,798,828</u>	<u>8,397,466</u>
Net property, plant and equipment	<u>85,758,902</u>	<u>11,420,483</u>	<u>23,321,268</u>
Other noncurrent assets:			
Advances to other funds	2,095,616	-	209,444
Total noncurrent assets	<u>88,169,941</u>	<u>11,420,483</u>	<u>23,555,119</u>
Total assets	<u>\$ 98,285,197</u>	<u>\$ 20,648,588</u>	<u>\$ 33,908,237</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,184,778	\$ 2,140,078	\$ 24,584,697	\$ 7,709,579
283,165	133,085	3,310,527	604,119
1,082,669	1,006,169	2,088,838	-
69	4,422	9,259	-
-	6,919	30,007	84,671
25,969	31,258	593,369	-
<u>2,576,650</u>	<u>3,321,931</u>	<u>30,616,697</u>	<u>8,398,369</u>
-	-	4,978,363	-
<u>2,576,650</u>	<u>3,321,931</u>	<u>35,595,060</u>	<u>8,398,369</u>
-	-	339,830	-
-	50,000	18,681,034	-
-	5,217,674	48,571,007	-
26,548,617	6,077,527	153,192,955	-
108,501	5,743,286	17,210,390	-
2,634,296	832,910	6,784,399	-
29,291,414	17,921,397	244,439,785	-
<u>7,216,346</u>	<u>11,317,563</u>	<u>95,260,230</u>	<u>-</u>
<u>22,075,068</u>	<u>6,603,834</u>	<u>149,179,555</u>	<u>-</u>
-	-	2,305,060	-
<u>22,075,068</u>	<u>6,603,834</u>	<u>151,824,445</u>	<u>-</u>
<u>\$ 24,651,718</u>	<u>\$ 9,925,765</u>	<u>\$ 187,419,505</u>	<u>\$ 8,398,369</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(continued)
September 30, 2012

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 43,105	\$ 497,292	\$ 163,389
Accrued payroll and related expenses	9,570	24,705	31,315
Compensated absences	5,881	37,506	32,441
Accrued expenses	-	-	188,502
Accrued interest	531,716	-	88,067
Retainage payable	-	-	-
Interfund payable	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable, current	-	40,000	-
Deferred revenue	155,355	84,861	307,770
Bonds and notes payable, current	1,331,412	-	1,202,499
	<u>2,077,039</u>	<u>684,364</u>	<u>2,013,983</u>
Noncurrent liabilities:			
Revenue bonds payable, net of discount	24,231,936	-	6,596,086
Note payable	2,699,700	-	-
Landfill closure costs payable	-	103,333	-
Advances from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	255,077
OPEB liability	13,416	3,980	64,696
Compensated absences	4,087	61,325	22,544
	<u>26,949,739</u>	<u>168,638</u>	<u>6,938,403</u>
Total noncurrent liabilities	<u>26,949,739</u>	<u>168,638</u>	<u>6,938,403</u>
Total liabilities	<u>29,026,778</u>	<u>853,002</u>	<u>8,952,386</u>
NET ASSETS:			
Invested in capital assets, net of related debt	57,495,854	11,420,483	15,522,683
Restricted for debt service	2,757,535	-	-
Restricted for landfill long-term closure costs	-	104,251	-
Restricted for renewal and replacement	1,500,000	-	-
Unrestricted (deficit)	7,505,030	8,270,852	9,433,168
	<u>69,258,419</u>	<u>19,795,586</u>	<u>24,955,851</u>
Total net assets	<u>69,258,419</u>	<u>19,795,586</u>	<u>24,955,851</u>
Total liabilities and net assets	<u>\$ 98,285,197</u>	<u>\$ 20,648,588</u>	<u>\$ 33,908,237</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 266,433	\$ 62,235	\$ 1,032,454	\$ 43,485
1,909	70,254	137,753	5,567
2,940	45,791	124,559	6,272
194,695	-	383,197	-
-	-	619,783	-
105,626	-	105,626	-
-	13,000	13,000	68,751
-	-	-	1,391,258
-	-	40,000	-
-	110,529	658,515	385
-	-	2,533,911	-
<u>571,603</u>	<u>301,809</u>	<u>5,648,798</u>	<u>1,515,718</u>
-	-	30,828,022	-
-	-	2,699,700	-
-	-	103,333	-
4,120,129	216,970	4,337,099	-
-	-	-	1,835,862
-	204,964	460,641	-
6,351	83,889	172,332	-
2,043	31,821	121,820	4,358
<u>4,128,523</u>	<u>537,644</u>	<u>38,722,947</u>	<u>1,840,220</u>
<u>4,700,126</u>	<u>839,453</u>	<u>44,371,745</u>	<u>3,355,938</u>
22,075,068	6,603,834	113,117,922	-
-	-	2,757,535	-
-	-	104,251	-
-	-	1,500,000	-
<u>(2,123,476)</u>	<u>2,482,478</u>	<u>25,568,052</u>	<u>5,042,431</u>
<u>19,951,592</u>	<u>9,086,312</u>	<u>143,047,760</u>	<u>5,042,431</u>
<u>\$ 24,651,718</u>	<u>\$ 9,925,765</u>	<u>\$ 187,419,505</u>	<u>\$ 8,398,369</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
OPERATING REVENUES:			
Charges for services	\$ 11,639,472	\$ 9,186,577	\$ 6,973,937
Total operating revenues	<u>11,639,472</u>	<u>9,186,577</u>	<u>6,973,937</u>
OPERATING EXPENSES:			
Personal services	237,568	677,926	890,972
Other operating expenses	5,165,293	6,066,152	2,601,403
Depreciation and amortization	4,140,356	524,091	809,409
Total operating expenses	<u>9,543,217</u>	<u>7,268,169</u>	<u>4,301,784</u>
Operating income (loss)	<u>2,096,255</u>	<u>1,918,408</u>	<u>2,672,153</u>
NONOPERATING REVENUES (EXPENSES):			
Grant income (operating)	-	-	-
Investment earnings	109,481	48,227	61,847
Other income	25,215	1,354	129,493
Interest expense	(1,166,908)	-	(286,589)
Net nonoperating revenues (expenses)	<u>(1,032,212)</u>	<u>49,581</u>	<u>(95,249)</u>
Income (loss) before transfers and contributions	<u>1,064,043</u>	<u>1,967,989</u>	<u>2,576,904</u>
TRANSFERS AND CONTRIBUTIONS:			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(1,285,140)	(1,444,310)	(683,480)
Total transfers and contributions	<u>(1,285,140)</u>	<u>(1,444,310)</u>	<u>(683,480)</u>
Change in net assets	(221,097)	523,679	1,893,424
NET ASSETS, October 1	<u>69,479,516</u>	<u>19,271,907</u>	<u>23,062,427</u>
NET ASSETS, September 30	<u>\$ 69,258,419</u>	<u>\$ 19,795,586</u>	<u>\$ 24,955,851</u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 2,467,541	\$ 2,523,632	\$ 32,791,159	\$ 7,679,816
<u>2,467,541</u>	<u>2,523,632</u>	<u>32,791,159</u>	<u>7,679,816</u>
44,151	1,838,510	3,689,127	135,838
1,090,711	1,292,916	16,216,475	6,822,777
<u>1,259,375</u>	<u>674,606</u>	<u>7,407,837</u>	<u>-</u>
<u>2,394,237</u>	<u>3,806,032</u>	<u>27,313,439</u>	<u>6,958,615</u>
<u>73,304</u>	<u>(1,282,400)</u>	<u>5,477,720</u>	<u>721,201</u>
-	1,274,318	1,274,318	-
7,446	13,919	240,920	50,767
-	98,168	254,230	-
<u>(140,458)</u>	<u>(1,677)</u>	<u>(1,595,632)</u>	<u>-</u>
<u>(133,012)</u>	<u>1,384,728</u>	<u>173,836</u>	<u>50,767</u>
<u>(59,708)</u>	<u>102,328</u>	<u>5,651,556</u>	<u>771,968</u>
1,406,305	29,570	1,435,875	-
-	659,850	659,850	-
<u>(453,470)</u>	<u>(519,190)</u>	<u>(4,385,590)</u>	<u>(314,700)</u>
<u>952,835</u>	<u>170,230</u>	<u>(2,289,865)</u>	<u>(314,700)</u>
893,127	272,558	3,361,691	457,268
<u>19,058,465</u>	<u>8,813,754</u>	<u>139,686,069</u>	<u>4,585,163</u>
\$ <u><u>19,951,592</u></u>	\$ <u><u>9,086,312</u></u>	\$ <u><u>143,047,760</u></u>	\$ <u><u>5,042,431</u></u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 11,649,175	\$ 9,009,038	\$ 7,090,069
Cash paid to suppliers	(4,552,497)	(6,076,877)	(2,614,804)
Cash paid to employees	(240,037)	(679,884)	(897,122)
Other receipts	<u>25,215</u>	<u>1,354</u>	<u>129,493</u>
Net cash provided by (used in) operating activities	<u>6,881,856</u>	<u>2,253,631</u>	<u>3,707,636</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received	-	-	-
Advance/loan from (to) other funds	89,876	-	43,322
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	-
Transfers (out)	<u>(1,285,140)</u>	<u>(1,444,310)</u>	<u>(683,480)</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,195,264)</u>	<u>(1,444,310)</u>	<u>(640,158)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of debt	4,065,000	-	-
Cost of issuance	(63,631)	-	-
Proceeds of capital grants *	-	-	-
Acquisition and construction of capital assets	(1,078,085)	(207,845)	(887,546)
Principal paid on revenue bonds	(1,030,000)	-	(1,158,217)
Interest paid	(1,083,335)	-	(283,718)
Payments on notes	(262,750)	-	-
Repayment of capital grant	<u>(6,199,578)</u>	<u>(69,051)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(5,652,379)</u>	<u>(276,896)</u>	<u>(2,329,481)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	<u>109,481</u>	<u>48,227</u>	<u>61,847</u>
Net cash provided by (used in) investing activities	<u>109,481</u>	<u>48,227</u>	<u>61,847</u>
Net increase (decrease) in cash, cash equivalents and investments	143,694	580,652	799,844
CASH, CASH EQUIVALENTS AND INVESTMENTS, October 1	<u>8,170,141</u>	<u>7,340,424</u>	<u>9,203,449</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, September 30	<u>\$ 8,313,835</u>	<u>\$ 7,921,076</u>	<u>\$ 10,003,293</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:			
Cash, cash equivalents and investments	\$ 3,524,584	\$ 7,731,964	\$ 10,003,293
Restricted cash equivalents and investments	<u>4,789,251</u>	<u>189,112</u>	<u>-</u>
Cash, cash equivalents and investments	<u>\$ 8,313,835</u>	<u>\$ 7,921,076</u>	<u>\$ 10,003,293</u>

* Capital contributions for the year ended September 30, 2012 are all associated with cash transactions.

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,383,866	\$ 2,546,534	\$ 32,678,682	\$ 7,614,305
(1,141,917)	(1,289,506)	(15,675,601)	(7,450,052)
(50,136)	(1,850,635)	(3,717,814)	(150,400)
<u>-</u>	<u>98,168</u>	<u>254,230</u>	<u>-</u>
<u>1,191,813</u>	<u>(495,439)</u>	<u>13,539,497</u>	<u>13,853</u>
-	1,141,248	1,141,248	-
(200,069)	(299,850)	(366,721)	-
(140,458)	(1,677)	(142,135)	-
-	659,850	659,850	-
<u>(453,470)</u>	<u>(519,190)</u>	<u>(4,385,590)</u>	<u>(314,700)</u>
<u>(793,997)</u>	<u>980,381</u>	<u>(3,093,348)</u>	<u>(314,700)</u>
-	-	4,065,000	-
-	-	(63,631)	-
1,325,555	54,036	1,379,591	-
(1,715,669)	(272,580)	(4,161,725)	-
-	-	(2,188,217)	-
-	-	(1,367,053)	-
-	-	(262,750)	-
<u>-</u>	<u>-</u>	<u>(6,268,629)</u>	<u>-</u>
<u>(390,114)</u>	<u>(218,544)</u>	<u>(8,867,414)</u>	<u>-</u>
<u>7,446</u>	<u>13,919</u>	<u>240,920</u>	<u>50,767</u>
<u>7,446</u>	<u>13,919</u>	<u>240,920</u>	<u>50,767</u>
15,148	280,317	1,819,655	(250,080)
<u>1,169,630</u>	<u>1,859,761</u>	<u>27,743,405</u>	<u>7,959,659</u>
\$ <u>1,184,778</u>	\$ <u>2,140,078</u>	\$ <u>29,563,060</u>	\$ <u>7,709,579</u>
\$ 1,184,778	\$ 2,140,078	\$ 24,584,697	\$ 7,709,579
<u>-</u>	<u>-</u>	<u>4,978,363</u>	<u>-</u>
\$ <u>1,184,778</u>	\$ <u>2,140,078</u>	\$ <u>29,563,060</u>	\$ <u>7,709,579</u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)
For the Year Ended September 30, 2012

	<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>2,096,255</u>	\$ <u>1,918,408</u>	\$ <u>2,672,153</u>
ADJUSTMENTS TO RECONCILE OPERATING			
INCOME (LOSS) TO NET CASH PROVIDED BY			
(USED IN) OPERATING ACTIVITIES:			
Other nonoperating revenues	25,215	1,354	129,493
Depreciation and amortization	4,140,356	524,091	809,409
Decrease (increase) in assets:			
Accounts receivables, net	684,118	(209,434)	50,034
Interfund receivables, net	525	1,579	3,097
Prepaid expenses	-	-	(1,684)
Inventories	(1,404)	(1,813)	8,860
Increase (decrease) in liabilities:			
Accounts payable	(76,073)	31,088	(34,147)
Accrued payroll and related expenses	(205)	(341)	(5,128)
Accrued expenses	-	-	13,570
Interfund payable	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable	-	(40,000)	-
Deferred revenue	15,858	31,895	13,021
Customer deposits	-	-	53,077
OPEB liability	4,153	2,436	11,723
Compensated absences	(6,942)	(5,632)	(15,842)
Total adjustments	<u>4,785,601</u>	<u>335,223</u>	<u>1,035,483</u>
NET CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES	\$ <u><u>6,881,856</u></u>	\$ <u><u>2,253,631</u></u>	\$ <u><u>3,707,636</u></u>

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

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>73,304</u>	\$ <u>(1,282,400)</u>	\$ <u>5,477,720</u>	\$ <u>721,201</u>
-	98,168	254,230	-
1,259,375	674,606	7,407,837	-
(153,901)	(19,039)	351,778	(68,656)
335	5,687	11,223	-
-	(377)	(2,061)	(17,211)
(3,289)	3,302	5,656	-
(11,856)	485	(90,503)	(401,144)
(1,547)	(5,655)	(12,876)	(5,213)
34,165	-	47,735	-
-	-	-	(64,815)
-	-	-	(140,264)
-	-	(40,000)	-
-	9,848	70,622	(696)
-	32,093	85,170	-
1,436	21,356	41,104	-
<u>(6,209)</u>	<u>(33,513)</u>	<u>(68,138)</u>	<u>(9,349)</u>
<u>1,118,509</u>	<u>786,961</u>	<u>8,061,777</u>	<u>(707,348)</u>
\$ <u><u>1,191,813</u></u>	\$ <u><u>(495,439)</u></u>	\$ <u><u>13,539,497</u></u>	\$ <u><u>13,853</u></u>

CITY OF KEY WEST, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

ASSETS:

Cash and cash equivalents	\$ 6,189,382
Investments, at fair value:	
Equity securities	58,631,437
Corporate and foreign bonds, and bond funds	22,178,786
Alternative investments	6,373,376
U.S. government securities	2,820,006
Municipal obligations	1,423,564
Real estate	3,854,719
Receivables:	
Interest and dividends	347,938
Due from governmental funds	878,326
State contributions	<u>171,896</u>
Total assets	<u>102,869,430</u>

LIABILITIES:

Accounts payable and accrued expenses	138,060
Payable for securities purchased	69,820
Deferred retirement option plan payable	<u>6,816,684</u>
Total liabilities	<u>7,024,564</u>

NET ASSETS:

Held in trust for employees' pension benefits	\$ <u><u>95,844,866</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2012

ADDITIONS:

Contributions:	
Employer	\$ 3,572,138
Members	1,277,384
State police and fire	641,624
	<u>5,491,146</u>
Total contributions	<u>5,491,146</u>

Investment earnings:

Net appreciation (depreciation) in fair value of investments	12,309,017
Interest and dividends	2,907,147
	<u>15,216,164</u>
Total investment earnings	<u>15,216,164</u>

Less investment expenses	537,044
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Deferred retirement option plan participants earnings (losses)	(301,621)
	<u>(301,621)</u>

Net investment earnings	<u>14,377,499</u>
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Total additions	<u>19,868,645</u>
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DEDUCTIONS:

Benefits paid	6,311,500
Administrative expenses	272,219
Contributions refunded	53,004
	<u>6,636,723</u>

Total deductions	<u>6,636,723</u>
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Changes in net assets	13,231,922
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NET ASSETS, October 1	<u>82,612,944</u>
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NET ASSETS, September 30	<u>\$ 95,844,866</u>
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The accompanying notes to financial statements are an integral part of these statements.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 (KWHHA or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWHHA 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 \$ 485,000 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 KWHHA. KWHHA is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWHHA reflects a December 31, 2011 year-end. Further information regarding KWHHA, 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.

Blended Component Unit:

There are no presented blended component units for the City.

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, 2012, the City received payment of approximately \$ 424,000. Keys Energy Services is not considered a component unit of the City.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, OPEB liabilities, 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 the revenue recognition criteria is 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 surtax fund, to continue 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.

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, 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

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.

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

The legal level of control is at the major category level; i.e., 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.

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

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

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

Key dates affecting the annual budget for the fiscal year ended September 30, 2012 were as follows:

- The Monroe County tax certificate sale for delinquent properties was held on June 1, 2011.
- The City received the Certification of Taxable Value from the County on June 28, 2011.
- The City Manager submitted proposed budgets to the Commission for public input at workshops held as follows:
 - General and other Funds review July 25, 2011
 - Capital and Transit Funds review July 26, 2011
 - Utility Funds review July 26, 2011
- The Proposed Millage was filed with the Property Appraiser on July 28, 2011.
- The Notice of Proposed Property Taxes was sent to taxpayers by the County on August 12, 2011, which included the date for the first public hearing.
- The first public hearing on the tentative millage and budget was held on September 8, 2011.
- Newspaper advertisements providing a summary of all proposed budgets, a Notice of Tax Increase, and the date for the second public hearing were published on September 16, 2011.
- The second public hearing was held on September 20, 2011, at which the final property tax (millage) rate and budget were adopted.
- The TRIM (Truth in Millage) Certificate of Compliance package was submitted to the State of Florida October 13, 2011.

The General Fund reports personal services in excess of appropriations by \$ 307,163 due to the \$ 641,624 in Police Officers and Firefighters Retirement Plan contribution from the State of Florida which is required to be recorded as a revenue and expense in the General Fund prior to their transfer to the Pension Fund. Sufficient budget existed in other categories within the General Fund, as a whole, to cover these expenditures.

The Infrastructure Surtax Fund reports operating expenditures in excess of appropriations by \$ 15,830 due to unbudgeted beach repairs as a result of passing tropical storms. Sufficient budget existed in the capital outlay category to cover these expenditures.

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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 reported as nonspendable fund balance, which indicates that the amounts reserved do not constitute expendable available resources and are therefore not available for appropriation.

H. Prepaid Items

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

I. Inventories

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

J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees also are classified as restricted due to statutory limitations on their usage. Other accounts are restricted by local ordinance or other regulatory requirements, 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 an estimated useful life in excess of two years. All assets are depreciated using the straight-line method of depreciation. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 \$ 1,625,636. 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.

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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

O. Fund Balance

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted into cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and note receivable, as well as property acquired for resale. In fiscal year 2012, this represents \$ 2,237,226.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2012, this represents \$ 41,165,781.

Committed: This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Resources accumulated pursuant to stabilization arrangements are reported in this category. In fiscal year 2012, this represents \$ 147,943.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through resolution by the Commission authorizing this responsibility to the City Manager. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally can only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment. In fiscal year 2012, assigned fund balance for subsequent year's budget amounted to \$ 122,755, representing those encumbrances that lapsed in 2012 and re-appropriated in 2013.

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. In fiscal year 2012, this represents \$ 9,771,723.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

P. Minimum Fund Balance Policy

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flows and reduce the susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City Commission has adopted a policy that requires the City to maintain unassigned fund balance equivalent to a minimum ranging from 20% to 25% of the subsequent year's budget operating expenditures and transfers out. In 2012, the minimum fund balance required by the City Commission at the close of the fiscal year ranges from approximately \$ 8,006,000 to \$ 10,008,000; therefore, unassigned fund balance is within the prescribed limits.

Q. 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.

R. 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.

S. Deficit Fund Balance

At September 30, 2012, the City had a deficit fund balance in the Gas Tax Fund of \$ 430,716. The deficit is due to grant receivables that have not been collected within sixty days of the end of the current fiscal year and are therefore not available. In the opinion of management, future grant reimbursements will eliminate the deficit.

T. Date of Management Review

Subsequent events were evaluated by management through March 27, 2013, which is the date the financial statements were available to be issued.

2. Deposits and Investments

A. Deposits

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

2. Deposits and Investments (continued)

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

At September 30, 2012, the carrying amount of the City's deposits was \$ 11,792,790, with a bank balance of \$ 13,125,141. Included in the carrying amount of deposits was \$ 4,100 cash on hand.

B. Investments

As of September 30, 2012, 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	\$ 11,792,790	\$ 162,377	\$ 74,968,664	\$ 86,923,831
Restricted cash equivalents and investments	-	<u>2,326,624</u>	<u>2,651,739</u>	<u>4,978,363</u>
	<u>\$ 11,792,790</u>	<u>\$ 2,489,001</u>	<u>\$ 77,620,403</u>	<u>\$ 91,902,194</u>

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

As of September 30, 2012, the City's investment maturities and credit ratings were as follows:

	<u>Market Value</u>	<u>Investment Maturities (in Months)</u>					<u>S & P Credit Rating</u>
		<u>Less than 3</u>	<u>3 - 6</u>	<u>7 - 12</u>	<u>12 - 24</u>	<u>Over 24</u>	
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 68,959,950	\$ -	\$ -	\$ 5,602,417	\$ 31,553,466	\$ 31,804,067	AA+
Certificates of Deposit	100,000	-	100,000	-	-	-	Not Rated
Money Market							
Mutual Funds	2,417,382	2,417,382	-	-	-	-	AAAm
Municipal Obligations	2,554,617	-	-	1,261,663	1,292,954	-	AA or AA+
Commercial Paper	6,005,836	1,339,491	4,666,345	-	-	-	A-1 or A-1+
State Investment Pool:							
Florida Prime	70,325	70,325	-	-	-	-	AAAm
Fund B	1,294	-	-	-	-	1,294	Not Rated
	<u>\$ 80,109,404</u>	<u>\$ 3,827,198</u>	<u>\$ 4,766,345</u>	<u>\$ 6,864,080</u>	<u>\$ 32,846,420</u>	<u>\$ 31,805,361</u>	

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

2. Deposits and Investments (continued)

As of September 30, 2012, the City's investments are distributed among funds as follows:

	Cash Equivalents	Investments
Governmental Funds:		
General Fund	\$ 22,647	\$ 10,811,849
Community Development Office Fund	-	100,000
Infrastructure Surtax Fund	25,008	11,938,832
Capital Projects Fund	31,706	15,136,954
Nonmajor Governmental Funds	19,265	9,197,269
	98,626	47,184,904
Enterprise Funds:		
Sanitary Sewer System	2,337,547	5,214,701
Solid Waste	14,451	6,898,828
Key West Bight	18,248	8,711,991
Stormwater	2,161	1,031,910
Nonmajor Enterprise Funds	3,903	1,863,232
	2,376,310	23,720,662
Internal Service Fund	14,065	6,714,837
Total	\$ 2,489,001	\$ 77,620,403

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, 2012 meet the City's investment policy restrictions.

Credit risk - The City's investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds 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, 2012, 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:

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

2. Deposits and Investments (continued)

<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 Federal Instrumentalities - U.S.	50%	25%
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, 2012, the City's investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

<u>Issue:</u>	<u>Percent of Investment Portfolio</u>
U.S. Government Securities - Treasuries	43.9%
Federal Instrumentalities - U.S. Government Sponsored Agencies	42.2%
Commercial Paper	7.5%
State and/or Local Government Debt (Municipal Obligations)	3.2%
Money Market Mutual Funds	3.0%
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 Home Loan Mortgage Corporation (Freddie Mac) are 21.93% (\$ 17,544,637), Federal National Mortgage Association (Fannie Mae) are 14.27% (\$ 11,421,123) and Federal Home Loan Banks are 6.08% (\$ 4,862,643). 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, 2012, 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, 2012

2. Deposits and Investments (continued)

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

C. Investments - Pension Plans

As of September 30, 2012, the City’s pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Equity Securities	\$ 22,717,041	\$ 35,914,396
Corporate and Foreign Bonds, and Bond Funds	9,719,194	12,459,592
Alternative Investments	1,023,056	5,350,320
U.S. Government Securities	2,359,562	460,444
Municipal Obligations	808,643	614,921
Real estate	-	3,854,719
	\$ 36,627,496	\$ 58,654,392

As of September 30, 2012, the Plan’s investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Treasuries - Bonds and Notes	\$ 787,524	\$ -	\$ 234,633	\$ 552,891	\$ -	Aaa**
U.S. Government Agencies - Investment Pools	1,572,038	-	63,796	201,302	1,306,940	Not Rated
Municipal Obligations	808,643	-	-	-	808,643	AAA through AA
Corporate and Foreign Bonds*	9,719,194	-	3,606,317	5,744,650	368,227	AA+ through BBB
	\$ 12,887,399	\$ -	\$ 3,904,746	\$ 6,498,843	\$ 2,483,810	

* Includes \$ 1,512,861 which is rated BBB and \$ 1,042,115 which is rated BBB+. All other investments within this category are rated amongst the “A” rating.

** Not rated by S & P; therefore, provided by Moody’s credit rating.

The General Employees’ Pension Plan includes \$ 3,496,911 (money market fund - AAAM) in cash equivalents with a maturity of less than 3 months.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

2. Deposits and Investments (continued)

Police Officers and Firefighters Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating**
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities *	\$ 460,444	\$ -	\$ -	\$ 460,444	\$ -	-
Corporate and Foreign Bonds, and Bond Funds	12,459,592	101,417	6,851,806	5,098,038	408,331	AAA through B
Municipal Obligations	614,921	-	11,357	603,564	-	AAA through B
	<u>\$ 13,534,957</u>	<u>\$ 101,417</u>	<u>\$ 6,863,163</u>	<u>\$ 6,162,046</u>	<u>\$ 408,331</u>	

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

** Includes \$ 4,392,423 rated amongst the "B" rating group.

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

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

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

D. Component Unit:

Deposits - Demand and time deposits classified as cash are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2011, the Authority's book balance of cash was \$ 5,114,294 and the bank balance was \$ 5,317,401.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

2. Deposits and Investments (continued)

As of December 31, 2011, cash is reported as follows:

Cash - unrestricted	\$	3,317,669
Cash - restricted		1,796,625
Total		5,114,294

In addition, the component unit's pension plan deposits amounting to \$ 413,120 (\$ 359,962 bank balance) are fully insured by the FDIC and collateralized.

Investments - The component unit invests excess cash in state and local government securities (SLGS). SLGS are issued directly by the United States Treasury. The component unit invests in demand deposit securities that are one day certificates of indebtedness. The component unit is not exposed to any significant risks related to foreign currency risk, interest rate risk, or credit risk. Investments (restricted) as of December 31, 2011, approximate their fair value at \$ 1,335,244.

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

As of December 31, 2011, the Plan had the following investments:

Vanguard Index TR 500		
Port Mutual Fund * (1)	\$	1,261,953
Vanguard Total Intl Stock Index* (1)		560,627
PIMCO All Asset Fund* (1)		605,676
PIMCO Invest Grade Corp BD Instl* (1)		818,172
PIMCO Total Return Instl* (1)		754,324
Nuveen Tradewinds Glbl A/C-R* (1)		543,692
Goldman Sachs Fin Sq Tt*		2,000
	\$	4,546,444

* Investment maturity is less than one year.

(1) Investment subject to concentration credit risk.

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

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

3. Receivables

Receivables at September 30, 2012 consist of the following:

Receivable Type	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,938	\$ 347,938
Accounts	380,599	29	-	5,540,060	604,119	-	6,524,807
Mortgages	-	2,498,166	-	-	-	-	2,498,166
Intergovernmental	656,036	1,336,505	533,329	2,768,337	-	171,896	5,466,103
Gross receivables	<u>1,036,635</u>	<u>3,834,700</u>	<u>533,329</u>	<u>8,308,397</u>	<u>604,119</u>	<u>519,834</u>	<u>14,837,014</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>-</u>	<u>2,909,032</u>	<u>-</u>	<u>-</u>	<u>4,025,850</u>
Net receivables	<u>\$ 1,036,635</u>	<u>\$ 2,717,882</u>	<u>\$ 533,329</u>	<u>\$ 5,399,365</u>	<u>\$ 604,119</u>	<u>\$ 519,834</u>	<u>\$ 10,811,164</u>

As of September 30, 2012, additional receivables were recorded under the government-wide financial statements as follows:

Intergovernmental:	
State of Florida Department of Transportation	\$ 1,318,566
Department of Homeland Security - FEMA	294,753
Monroe County, Tourist Development Council	27,897
The Housing Authority of the City of Key West, Florida	22,174
Human Service Associates, Inc.	<u>1,700</u>
	<u>\$ 1,665,090</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, 2012, was 2.8627 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 4,968,809,423. 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, 2012, 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.

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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

3. Receivables (continued)

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

Frederick Douglas Square Project (HODAG)		\$	2,233,635
Homebuyer Assistance Program			179,633
Mayor's Revolving Loan Fund (low interest)			<u>84,898</u>
Gross mortgages receivable			2,498,166
Less allowance for uncollectible mortgages			<u>1,116,818</u>
Net mortgages receivable		\$	<u><u>1,381,348</u></u>

COMPONENT UNIT:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 37,882, net of allowance for uncollectibles of \$ 2,447. Intergovernmental receivables of \$ 1,548,543 represent amounts due from the federal and other governments.

4. Change In Capital Assets

Capital asset activity for fiscal year ended September 30, 2012 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>4,772,013</u>	<u>3,488,761</u>	<u>(48,814)</u>	<u>(3,868,482)</u>	<u>4,343,478</u>
Total capital assets, not being depreciated	<u>57,958,817</u>	<u>3,488,761</u>	<u>(48,814)</u>	<u>(3,868,482)</u>	<u>57,530,282</u>
Capital assets, being depreciated:					
Buildings and improvements	13,950,991	-	-	-	13,950,991
Machinery, equipment and furniture	18,698,483	888,346	(499,300)	-	19,087,529
Infrastructure	<u>38,036,785</u>	<u>64,453</u>	<u>(24,459)</u>	<u>3,868,482</u>	<u>41,945,261</u>
Total capital assets, being depreciated	<u>70,686,259</u>	<u>952,799</u>	<u>(523,759)</u>	<u>3,868,482</u>	<u>74,983,781</u>
Less accumulated depreciation for:					
Buildings and improvements	6,869,005	461,777	-	-	7,330,782
Machinery, equipment and furniture	13,805,676	1,479,043	(492,134)	-	14,792,585
Infrastructure	<u>20,916,753</u>	<u>1,474,023</u>	<u>(24,459)</u>	<u>-</u>	<u>22,366,317</u>
Total accumulated depreciation	<u>41,591,434</u>	<u>3,414,843</u>	<u>(516,593)</u>	<u>-</u>	<u>44,489,684</u>
Total capital assets, being depreciated, net	<u>29,094,825</u>	<u>(2,462,044)</u>	<u>(7,166)</u>	<u>3,868,482</u>	<u>30,494,097</u>
Governmental activities capital assets, net	<u>\$ 87,053,642</u>	<u>\$ 1,026,717</u>	<u>\$ (55,980)</u>	<u>\$ -</u>	<u>\$ 88,024,379</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

4. Change In Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/ Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	<u>7,565,809</u>	<u>3,735,319</u>	<u>-</u>	<u>(4,516,729)</u>	<u>6,784,399</u>
Total capital assets, not being depreciated	<u>26,246,843</u>	<u>3,735,319</u>	<u>-</u>	<u>(4,516,729)</u>	<u>25,465,433</u>
Capital assets, being depreciated:					
Buildings and improvements	48,573,753	-	(130,198)	127,452	48,571,007
Infrastructure	148,834,988	95,622	(126,932)	4,389,277	153,192,955
Machinery, equipment and furniture	<u>17,574,727</u>	<u>26,144</u>	<u>(390,481)</u>	<u>-</u>	<u>17,210,390</u>
Total capital assets, being depreciated	<u>214,983,468</u>	<u>121,766</u>	<u>(647,611)</u>	<u>4,516,729</u>	<u>218,974,352</u>
Less accumulated depreciation for:					
Buildings and improvements	27,123,547	1,687,387	(84,902)	-	28,726,032
Infrastructure	46,236,050	5,169,292	(109,226)	-	51,296,116
Machinery, equipment and furniture	<u>15,120,189</u>	<u>505,442</u>	<u>(387,549)</u>	<u>-</u>	<u>15,238,082</u>
Total accumulated depreciation	<u>88,479,786</u>	<u>7,362,121</u>	<u>(581,677)</u>	<u>-</u>	<u>95,260,230</u>
Total capital assets, being depreciated, net	<u>126,503,682</u>	<u>(7,240,355)</u>	<u>(65,934)</u>	<u>4,516,729</u>	<u>123,714,122</u>
Business-type activities capital assets, net	<u>\$ 152,750,525</u>	<u>\$ (3,505,036)</u>	<u>\$ (65,934)</u>	<u>\$ -</u>	<u>\$ 149,179,555</u>

Total depreciation expense for the current fiscal year amounted to \$ 10,776,964. 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

For the year ended September 30, 2012, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,747,606
Public safety	943,456
Transportation	423,689
Culture and recreation	299,886
Human services	<u>206</u>
Total depreciation expense - governmental activities	<u>\$ 3,414,843</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

4. Change In Capital Assets (continued)

Business-type activities:	
Sanitary sewer system	\$ 4,104,038
Stormwater	1,259,375
Key West Bight	800,011
Solid waste	524,091
Garrison Bight	358,867
Transit system	<u>315,739</u>
 Total depreciation expense - business-type activities	 \$ <u><u>7,362,121</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, 2011:

Building and improvements	\$ 60,204,086
Infrastructure	1,167,753
Equipment	<u>1,197,410</u>
	<u>62,569,249</u>
 Less accumulated depreciation	 <u>23,741,317</u>
	<u>38,827,932</u>
 Land	 10,783,641
Construction in progress	<u>4,799,848</u>
 Net capital assets	 \$ <u><u>54,411,421</u></u>

Total depreciation expense for the current fiscal year amounted to \$ 1,598,825. 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

5. Restricted Assets

The Sanitary Sewer System has restricted assets of \$ 4,789,251 that are restricted by specific provisions of bond ordinances. The Solid Waste Fund has restricted assets of \$ 104,251 and \$ 84,861 as part of its landfill post closure care requirements and impact fee usage restrictions, respectively. Assets so designated are identified as restricted assets on the balance sheet and statement of net assets.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 \$ 641,624 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, 2012 and related information for the plans are provided herein.

For the year ended September 30, 2012, the retirement plans costs are as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Contribution rates:		
City	9.1%	28.5%
State	0.0%	4.9%
Plan members	6.0%	7.0%
Annual City pension cost	\$ 870,173	\$ 3,220,999
City contributions made	\$ 879,008	\$ 3,214,291

The General Fund is typically used to liquidate the annual net pension obligations of the City.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

6. Pension Plans (continued)

For the year ended September 30, 2012, the contribution information is as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
	<u> </u>	<u> </u>
Annual Required Contribution (ARC)	\$ 842,538	\$ 3,214,291
Interest on net pension obligation (asset)	(250,944)	(44,498)
Adjustments to ARC	<u>278,579</u>	<u>51,206</u>
Annual pension cost	870,173	3,220,999
City and state contributions	<u>(879,008)</u>	<u>(3,214,291)</u>
(Increase) decrease in net pension obligation (asset)	(8,835)	6,708
Net pension obligation (asset), beginning of year	<u>(3,136,800)</u>	<u>(563,263)</u>
Net pension obligation (asset), end of year	\$ <u><u>(3,145,635)</u></u>	\$ <u><u>(556,555)</u></u>
Actuarial valuation date	10/01/2011	10/01/2011
Actuarial cost method	Aggregate	Entry age normal
Amortization method	N/A	Layered amortization
Remaining amortization period	N/A	7 - 30 years
Equivalent single amortization period	N/A	28.563 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.0%	7.9%
Projected salary increases	6.0%-25.0%	5.0%
Includes inflation at	4.0%	4.0%
Cost-of-living adjustment	None	None
Changes since last valuation	*	None

* The mortality assumption has been updated to reflect future improvement. The actuarial cost method is updated to the Aggregate Actuarial Cost Method.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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>
<i><u>General Employees Retirement Plan :</u></i>			
9/30/2010	\$ 659,894	176 %	\$ (2,711,666)
9/30/2011	\$ 708,043	160 %	\$ (3,136,800)
9/30/2012	\$ 870,173	101 %	\$ (3,145,635)
<i><u>Police Officers and Firefighters Retirement Plan :</u></i>			
9/30/2010	\$ 2,554,528	100 %	\$ (570,052)
9/30/2011	\$ 2,877,330	100 %	\$ (563,263)
9/30/2012	\$ 3,220,999	100 %	\$ (556,555)

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 plan year valuation date) 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>
<i><u>General Employees Retirement Plan (dollars in thousands) :</u></i>						
10/1/2011	\$ 39,352	\$ 37,474	\$ (1,878)	105.0%	\$ 9,609	(19.5)%
<i><u>Police Officers and Firefighters Retirement Plan (dollars in thousands) :</u></i>						
10/1/2011	\$ 55,594	\$ 74,581	\$ 18,987	74.5%	\$ 9,645	196.9%

A net pension asset has been recorded in the government-wide statements in accordance with the net pension valuations amounting to \$ 3,702,190.

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. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWHA 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

6. Pension Plans (continued)

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.

Plan investments are reported at their fair value. The investments 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 KWHAs Plan is approved annually by the KWHAs Board of Commissioners. Plan members shall not make any contributions to the Plan. KWHAs is required to contribute at an actuarially determined rate; the current rate is 15.3% of covered payroll. KWHAs annual pension cost for the year ended December 31, 2011 and related information for the Plan is provided herein.

For the year ended December 31, 2011, the retirement plan costs are as follows:

		Housing Authority Employees Retirement Plan
		<u>Plan</u>
Contribution rate - KWHAs		15.3%
Annual KWHAs pension cost	\$	455,852
KWHAs contribution made	\$	481,432

For the year ended December 31, 2011, the contribution information is as follows:

Annual Required Contribution (ARC)	\$	453,984
Interest on net pension obligation (asset)		(15,536)
Adjustments to ARC		<u>17,404</u>
Annual pension cost		455,852
KWHAs contributions		<u>(481,432)</u>
Increase (decrease) in net pension obligation (asset)		(25,580)
Net pension obligation (asset), beginning of year		<u>(194,196)</u>
Net pension obligation (asset), end of year	\$	<u><u>(219,776)</u></u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

6. Pension Plans (continued)

Actuarial valuation date	01/01/11
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5-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

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>
<i>Housing Authority Employees Retirement Plan :</i>			
12/31/2009	\$ 407,414	104%	\$ (195,926)
12/31/2010	\$ 472,739	100%	\$ (194,196)
12/31/2011	\$ 455,852	106%	\$ (219,776)

Schedule of Funding Progress:

The schedule of funding progress 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 year's 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>
<i>Housing Authority Employees Retirement Plan (dollars in thousands) :</i>						
1/1/2010	\$ 4,406	\$ 6,197	\$ 1,791	71.1%	\$ 2,697	66.4%
1/1/2011	\$ 4,831	\$ 6,825	\$ 1,994	70.8%	\$ 3,140	63.5%
1/1/2012	\$ 5,211	\$ 7,191	\$ 1,980	72.5%	\$ 2,873	68.9%

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012, there are 24 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.

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.

Required Contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual required contribution	\$ 729,561
Interest on net OPEB obligation	55,454
Adjustment to annual required contribution	(77,089)
Annual OPEB cost	<u>707,926</u>
Estimated employer contributions	<u>(132,085)</u>
Increase in net OPEB obligation	575,841
Net OPEB obligation, beginning of year	1,386,360
Net OPEB obligation, end of year	<u><u>\$ 1,962,201</u></u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the Plan, the net OPEB obligation and 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>
9/30/2010	\$ 541,333	23%	\$ 816,582
9/30/2011	\$ 684,761	17%	\$ 1,386,360
9/30/2012	\$ 707,926	19%	\$ 1,962,201

Other post-employment benefit obligations attributable to governmental activities are generally liquidated by the General Fund or by the appropriate proprietary fund for business-type activities.

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. An analysis of funding progress (the last plan year valuation date) 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>
9/30/2011	\$ -	\$ 5,076,907	\$ 5,076,907	0.0%	\$ 22,517,525	22.5%

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, 2011
Actuarial Cost Method:	Projected Unit Credit (level dollar)
Amortized Method:	Level dollar, open
Remaining Amortized Period:	30 Years

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

Asset Valuation Method:	Not applicable
Actuarial Assumptions:	
Return on plan assets	Not applicable
Salary scale	Not applicable
Discount Rate	4.00%
Inflation Rate	8.50% in 2011 graded down to 4.50% in 2019.

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 2012, a total of approximately \$ 1,367,000 was incurred/paid in benefits and claims. In fiscal year 2012, the fund provided coverage up to \$ 325,000 for each worker's compensation claim, \$ 100,000 per occurrence for public officials, general liability, 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.

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 Flood 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

9. Risk Management (continued)

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 \$ 3,227,120 is reported in the fund at September 30, 2012. This amount has been discounted to present value at an assumed investment rate of 3.0%, and an approximate 50% to 55% confidence level. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past three years are as follows (in thousands):

Fiscal Year	Beginning Liability	Claims Incurred	Estimated Prior Claims	Claims (Paid) Adjustments	Ending Liability
2010	\$ 6,245	\$ 1,894	\$ (400)	\$ (2,684)	\$ 5,055
2011	\$ 5,055	\$ 825	\$ (2,443)	\$ 504	\$ 3,941
2012	\$ 3,941	\$ 844	\$ 1,545	\$ (2,590)	\$ 3,740

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

10. Accrued Compensated Absences

At September 30, 2012, compensated absences are based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net 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, 2012 was \$ 3,555,309 for all funds.

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

11. Construction And Other Significant Commitments

A. Construction Commitments

The following table presents the approximate significant construction commitments outstanding at September 30, 2012:

	<u>Remaining Construction Commitment</u>
Infrastructure Surtax Fund:	
Truman Annex Master Plan	\$ 330,000
Gas Tax Fund:	
South Roosevelt Boulevard engineering	\$ 112,000
Glenn Archer Drive improvements	\$ 1,128,300
Gerald Adams sidewalks	\$ 154,700
Capital Projects Fund:	
Angela Street fire station engineering	\$ 182,200
Sanitary Sewer System Fund:	
Fleming Key bridge improvements	\$ 106,400
Stormwater Fund:	
East Front Street drainage	\$ 140,300
Ashby Street outfall	\$ 461,400
George Street outfall	\$ 3,000,100
Key West Bight Fund:	
Key West Bight building improvements	\$ 225,100
Transit System Fund:	
Bus farm facility	\$ 368,200
Bahama Village and Caroline Street Fund:	
Trumbo Road enhancement	\$ 161,700
Navy Pier Payments Fund:	
Bulkhead improvements	\$ 2,193,000
Outer mole security cameras	\$ 342,700
Fencing	\$ 1,445,300

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 1.02%. By using this factor, the City reported to the FDEP an inflation adjusted long-term care cost estimate of \$ 369,283 for the remaining 4 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 \$ 104,251 as of September 30, 2012, which represents more than the required annual amount of \$ 92,321. 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 (\$ 143,333 balance as of September 30, 2012) of which \$ 103,333 remain as a future long-term payable at September 30, 2012.

C. Operating Leases

The City currently has an operating lease agreement for the use of office space through December 2013, with two (one-year) option renewals. The agreement calls for rent payments of \$ 12 per square foot per year, increased by 3.5% every twelve months after the first eighteen months, plus common area maintenance. Based on total office space available under the agreement, the current monthly installments are approximately \$ 38,000. The total rental expense in connection with this agreement in 2012 was approximately \$ 457,000. In addition, the City leases office equipment under various agreements at approximately \$ 4,700 per month, plus excess usage charges, through February 2013 and at lesser amounts thereafter until June 2015.

Minimum estimated base future rental payments relative to these agreements at September 30, 2012 are approximately as follows:

<u>Year Ending</u> <u>September 30.</u>		
2013	\$	522,000
2014	\$	153,000
2015	\$	11,000
Thereafter	\$	NONE

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2011</u>	<u>Additions</u>	<u>Amortization/ Retirements</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note payable	\$ 1,172,639	\$ -	\$ 147,059	\$ 1,025,580	\$ 147,059
Insurance claims payable	3,367,384	-	140,264	3,227,120	1,391,258
Compensated absences	<u>3,086,694</u>	<u>2,173,324</u>	<u>1,951,088</u>	<u>3,308,930</u>	<u>1,957,360</u>
Total governmental activities	<u>\$ 7,626,717</u>	<u>\$ 2,173,324</u>	<u>\$ 2,238,411</u>	<u>\$ 7,561,630</u>	<u>\$ 3,495,677</u>
Business-Type Activities:					
Sewer System Refunding Revenue Bonds, Series 2003	\$ 22,760,000	\$ -	\$ 1,030,000	\$ 21,730,000	\$ 1,060,000
Marina Refunding Revenue Note, Series 2009	8,998,046	-	1,158,217	7,839,829	1,202,499
Sewer System Revenue Bonds, Series 2012	-	4,065,000	-	4,065,000	-
Note payable, State Revolving Loan	3,233,862	-	262,750	2,971,112	271,412
Deferred amounts:					
Issuance premiums	147,621	-	15,135	132,486	-
Losses on early retirement	<u>(765,276)</u>	<u>-</u>	<u>(88,482)</u>	<u>(676,794)</u>	<u>-</u>
Total notes and bonds	34,374,253	4,065,000	2,377,620	36,061,633	2,533,911
Accrued compensated absences	<u>314,517</u>	<u>72,396</u>	<u>140,534</u>	<u>246,379</u>	<u>124,559</u>
Total business-type activities	<u>\$ 34,688,770</u>	<u>\$ 4,137,396</u>	<u>\$ 2,518,154</u>	<u>\$ 36,308,012</u>	<u>\$ 2,658,470</u>
Total long-term debt and liabilities	<u>\$ 42,315,487</u>	<u>\$ 6,310,720</u>	<u>\$ 4,756,565</u>	<u>\$ 43,869,642</u>	<u>\$ 6,154,147</u>

Additional long-term liabilities for governmental activities include unearned revenue of \$ 1,116,818 and OPEB liability \$ 1,789,869 of (Note 7) as of September 30, 2012.

Additional long-term liabilities for business-type activities include OPEB liability (Note 7), customer deposits and landfill closure cost payable amounting to \$ 172,332, \$ 460,641 and \$ 103,333, respectively, as of September 30, 2012.

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 \$ 173,371 through its maturity on October 1, 2019.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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>
2013	\$ 147,059	\$ 26,312	\$ 173,371
2014	147,059	22,553	169,612
2015	147,059	18,794	165,853
2016	147,059	15,035	162,094
2017	147,059	11,276	158,335
2018-2019	290,285	11,277	301,562
	<u>\$ 1,025,580</u>	<u>\$ 105,247</u>	<u>\$ 1,130,827</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 3.10% 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:

<u>Sewer System Refunding Revenue Bonds, Series 2003</u>	
Total bond obligation as of September 30, 2012	\$ 21,730,000
Less: current portion	1,060,000
Less: unamortized loss on early retirement	635,550
Plus: unamortized bond premium	<u>132,486</u>
Total long-term Sewer System Refunding Revenue Bonds	<u>\$ 20,166,936</u>

Marina Refunding Revenue Note, Series 2009:

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

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

12. Long-Term Debt and Liabilities (continued)

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 is payable solely and secured by a pledge of the net revenue of the facilities and the half-cent sales tax collections. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from approximately \$ 1,202,500 to \$ 1,419,800 through maturity in December 2017.

Summary information on this indebtedness appears below:

<u>Marina Refunding Revenue Note, Series 2009</u>	
Total obligation as of September 30, 2012	\$ 7,839,829
Less: current portion	1,202,499
Less: unamortized loss on early retirement	<u>41,244</u>
Total long-term Marina Refunding Revenue Note	\$ <u><u>6,596,086</u></u>

Sewer System Revenue Bonds, Series 2012:

In February 2012, the City entered into agreement with a financial institution for the issuance of the Sewer System Revenue Bonds, Series 2012 in the amount of \$ 4,065,000. The proceeds from this indebtedness were used to repay a grant from the State of Florida Department of Emergency Management, the proceeds of which were used to finance the costs of certain capital improvements to the City's sewer system. Interest is due semiannually, at a rate of 2.07%, with principal due annually at installments ranging from \$ 415,000 to \$ 490,000 through maturity on October 1, 2021. These bonds were issued on a parity basis with the City's Sewer System Refunding Revenue Bonds, Series 2003.

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

Fiscal Year	Sewer System Refunding Revenue Bonds, Series 2003		Marina Refunding Revenue Note, Series 2009 Series 2009		Sewer System Revenue Bonds, Series 2012		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 1,060,000	\$ 952,768	\$ 1,202,499	\$ 243,940	\$ -	\$ 84,146	3,543,353
2014	1,095,000	918,317	1,240,273	202,779	415,000	75,555	3,946,924
2015	1,130,000	881,088	1,281,571	160,285	425,000	66,757	3,944,701
2016	1,175,000	841,537	1,323,085	116,396	435,000	57,753	3,948,771
2017	1,235,000	779,850	1,372,585	70,976	440,000	48,645	3,947,056
2018 - 2022	7,170,000	2,901,976	1,419,816	23,921	2,350,000	99,360	13,965,073
2023 - 2027	8,865,000	1,190,069	-	-	-	-	10,055,069
	<u>21,730,000</u>	<u>\$ 8,465,605</u>	<u>7,839,829</u>	<u>\$ 818,297</u>	<u>4,065,000</u>	<u>\$ 432,216</u>	<u>\$ 43,350,947</u>
Net unamortized loss on early retirement	(635,550)		(41,244)		-		
Net unamortized premium	<u>132,486</u>		<u>-</u>		<u>-</u>		
	<u>\$ 21,226,936</u>		<u>\$ 7,798,585</u>		<u>\$ 4,065,000</u>		

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

12. Long-Term Debt and Liabilities (continued)

Continuing disclosure - In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds. At September 30, 2012, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2012, 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, except for the Series 2012 Revenue Bonds.

C. Current and proposed rate schedules:

	2011		2012		2013
Base charge	\$ 23.23	\$	23.23	\$	23.23
Commodity charge	\$ 4.60	\$	4.60	\$	4.60

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

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

In connection with the City’s Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Refunding Revenue Bonds, Series 2003 and 2012.

Summary information on this indebtedness appears below:

State Revolving Loan	Total
Total loan balance as of September 30, 2012	\$ 2,971,112
Less current portion	271,412
	\$ 2,699,700
Total long-term state revolving loan balance	\$ <u>2,699,700</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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>
2013	\$ 271,413	\$ 94,954	\$ 366,367
2014	280,361	86,006	366,367
2015	289,603	76,764	366,367
2016	299,149	67,218	366,367
2017	309,013	57,354	366,367
2018-2022	<u>1,521,573</u>	<u>127,078</u>	<u>1,648,651</u>
	<u>\$ 2,971,112</u>	<u>\$ 509,374</u>	<u>\$ 3,480,486</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, 2011:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>	<u>Due Within One Year</u>
Notes payable	\$ 7,214,595	\$ -	\$ 76,216	\$ 7,138,379	\$ 78,834
Revenue notes	<u>26,235,861</u>	<u>1,165,852</u>	<u>1,870,215</u>	<u>25,531,498</u>	<u>873,584</u>
Total long-tem debt and liabilities	<u>\$ 33,450,456</u>	<u>\$ 1,165,852</u>	<u>\$ 1,946,431</u>	<u>\$ 32,669,877</u>	<u>\$ 952,418</u>
Compensated absences	<u>\$ 306,644</u>	<u>\$ -</u>	<u>\$ 15,236</u>	<u>\$ 291,408</u>	<u>\$ 29,142</u>
OPEB liability	<u>\$ 105,535</u>	<u>\$ -</u>	<u>\$ 27,683</u>	<u>\$ 77,852</u>	<u>\$ -</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

12. Long-Term Debt and Liabilities (continued)

Notes as of December 31, 2011, are comprised of the following:

Notes Payable Description:

<p>Multifamily Housing Revenue Bond, Series 2010, in the principal amount of \$ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.50%. The bond is due in July 2017. In addition, The Authority borrowed \$ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property "Washington Street." These loans do not bear interest and mature in 30 years.</p>	<p>\$ 3,316,105</p>
<p>Second mortgage note due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.</p>	<p>1,819,720</p>
<p>Mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in May 2031, non-interest bearing.</p>	<p>1,500,000</p>
<p>First mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site A - Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.</p>	<p>382,554</p>
<p>First mortgage due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until December 2017, non-interest bearing.</p>	<p><u>120,000</u></p>
	<p><u>\$ 7,138,379</u></p>

Revenue Notes as of December 31, 2011 are comprised of the following:

Revenue Notes Description:

<p>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 ranging annual installments 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.</p>	<p>\$ 12,415,000</p>
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CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

12. Long-Term Debt and Liabilities (continued)

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. 9,256,498

Second mortgage payable to a local government agency to facilitate the acquisition of the "Poinciana Complex" as previously discussed 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

Housing Revenue Bond, Series 2009, issued to a local banking institution in the principal amount of \$ 2,900,000 to demolish existing structures and construct new rental units on the site "Key Plaza Site B." Collateralized by first mortgage on land, project improvements and property located on the land; bearing interest at rates ranging from 4.00% to 4.75%. The bond is amortized over a 25-year period with a 7-year balloon. At December 31, 2011, the Authority has drawn down proceeds of \$ 1,650,000. 1,650,000

\$ 25,531,498

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

Fiscal Year	Revenue Notes		Notes Payable	
	Principal	Interest	Principal	Interest
2012	\$ 78,834	\$ 75,385	\$ 873,584	\$ 1,113,064
2013	81,573	72,645	921,189	1,101,646
2014	84,440	69,779	966,223	1,057,388
2015	87,440	66,778	1,012,714	1,010,190
2016	90,580	63,638	1,061,679	959,472
2017-2021	2,245,079	265,733	7,337,728	3,704,626
2022-2026	508,939	162,153	6,322,549	1,620,753
2027-2031	2,325,494	93,932	2,172,823	758,729
2032-2036	-	-	4,863,009	278,546
2037-2041	<u>1,636,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,138,379</u>	<u>\$ 870,043</u>	<u>\$ 25,531,498</u>	<u>\$ 11,604,414</u>

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

13. Deferred Revenue

The City has recognized deferred revenue as described below. All balances remain unearned at September 30, 2012 from the sources described below.

General Fund - Occupational license renewals are sent out in August for the license year beginning October 1st. Revenues of \$ 762,545 collected in advance of the licensing year are reported as deferred revenue at year-end.

Special Revenue and Capital Project Funds - 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.

<u>Special Revenue and Capital Projects Funds</u>	<u>Total</u>
Community Development Office (grants and awards)	\$ 1,323,855
Infrastructure Surtax Fund (grants and awards)	109,938
Gas Tax (impact fees)	89,296
Totals	\$ 1,523,089

Sanitary Sewer System Fund - Customer prepayments of \$ 155,355 for utility bills are reported as deferred revenue.

Solid Waste Fund - Impact fees of \$ 84,861 are reported as deferred revenue.

Key West Bight Fund - Tenant advance billings and payments of \$ 307,770 are reported as deferred revenue.

Garrison Bight Fund - Tenant advance billings and payments of \$ 110,529 are reported as deferred revenue.

Internal Service Fund - Insurance premiums collected in advance of \$ 385 are reported as deferred revenue.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

14. Interfund Assets and Liabilities

A summary of interfund receivable and payable balances at September 30, 2012 are as follows:

<u>Interfund Items (current)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 611,008	\$ -
Nonmajor funds	484	539,000
Enterprise Funds:		
Sanitary Sewer System	553	-
Solid Waste	1,520	-
Key West Bight	2,695	-
Stormwater	69	-
Nonmajor funds	4,422	13,000
Internal Service Fund:		
Insurance Programs	-	68,751
Totals	\$ <u>620,751</u>	\$ <u>620,751</u>

The receivable balance in the General Fund is a result of overfunding the Insurance Programs Fund and a short-term advance made to the Gas Tax Fund to cover for temporary cash deficits at year-end. 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, 2012 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 2,032,039	\$ -
Enterprise Funds:		
Sanitary Sewer System	2,095,616	-
Stormwater	-	4,120,129
Key West Bight	209,444	-
Nonmajor funds	-	216,970
Totals	\$ <u>4,337,099</u>	\$ <u>4,337,099</u>

The advance in the General Fund is owed by the Stormwater Fund in connection with prior year's working capital needs. The receivable balance in the Sanitary Sewer System Fund is primarily due to long-term advances made to the Stormwater Fund in connection with construction projects. The 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.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

15. Interfund Transfers

A summary of interfund transfers for the year ended September 30, 2012 is as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
Governmental Funds:		
General	\$ 5,575,170	\$ 607,050
Infrastructure Surtax	-	658,670
Capital Projects	-	28,700
Nonmajor funds	607,050	847,360
Enterprise Funds:		
Sanitary Sewer System	-	1,285,140
Solid Waste	-	1,444,310
Key West Bight	-	683,480
Stormwater	-	453,470
Nonmajor funds	659,850	519,190
Internal Service Fund:		
Insurance Programs	-	314,700
Totals	\$ <u>6,842,070</u>	\$ <u>6,842,070</u>

The General Fund received \$ 4,385,590 from the Enterprise Funds for payments in lieu of taxes; \$ 658,670 from the Infrastructure Surtax Fund representing 12% of the budgeted discretionary sales surtax revenues to be used for any lawful purpose; and \$ 530,910 from various funds for the cost allocation and recovery of its services. The Bahama Village and Caroline Street (nonmajor fund) received its annual transfer (\$ 607,050) for tax increment funding from the General Fund. In addition, the Transit System Fund (nonmajor fund) received \$ 659,850 from the Gas Tax Fund to subsidize transit programs/projects.

16. Contingencies

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

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.

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 fees constitutes an illegal tax. The court ruled the City cannot collect a fee, but did not determine the amount of fees to be refunded. The City has authorized an appeal once the amount of the refund is determined. In the event of an adverse outcome, the potential loss is estimated to be between \$ 150,000 and \$ 400,000.

CITY OF KEY WEST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

16. Contingencies (continued)

The City is also involved in an alleged wrongful termination in contravention of the Law Enforcement Officer's Bill of Rights. 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. In addition, the City is also involved in an alleged wrongful termination in violation of the Family Medical Leave Act. The City's management believes that an adverse outcome is reasonably possible. In the event of an adverse outcome, the potential loss is estimated to be between \$ 50,000 and \$ 150,000.

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, if any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at September 30, 2012.

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. Prior Period Adjustment

COMPONENT UNIT:

During fiscal year 2011, the Authority re-evaluated their contract to manage the City's Community Development Office. The determination was made that certain programs and activities are the operation of the City, and as such will continue to be accounted for in the annual financial statement of the City. As of December 31, 2011, the Authority restated and reduced its fund balance by \$ 812,870. This net adjustment did not have a financial impact in the City's annual financial statements.

18. Subsequent Event

On November 7, 2012, the City sold real estate property located at 529 Front Street for \$ 7,500,000. The net closing proceeds were placed in the Capital Projects Fund, with internal restrictions for use until such time the City Commission directs management on which capital projects to appropriate such proceeds to, and that the reimbursement of appraisal and associated fees, totaling \$ 30,100, be deposited in the General Fund.

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)
10/1/2006	\$ 28,266	\$ 28,258	\$ (8)	100.0%	\$ 10,882	(0.1%)
10/1/2007	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/1/2008	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/1/2009	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)
10/1/2010	\$ 38,582	\$ 34,789	\$ (3,793)	110.9%	\$ 9,939	(38.2%)
10/1/2011	\$ 39,352	\$ 37,474	\$ (1,878)	105.0%	\$ 9,609	(19.5%)

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)
10/1/2006	\$ 48,066	\$ 57,645	\$ 9,579	83.4%	\$ 10,277	93.2%
10/1/2007	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/1/2008	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%
10/1/2009	\$ 55,884	\$ 68,384	\$ 12,500	81.7%	\$ 8,738	143.1%
10/1/2010	\$ 56,361	\$ 72,192	\$ 15,831	78.1%	\$ 9,681	163.5%
10/1/2011	\$ 55,594	\$ 74,581	\$ 18,987	74.5%	\$ 9,645	196.9%

CITY OF KEY WEST, FLORIDA
REQUIRES 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%
9/30/2011	\$ -	\$ 5,077	\$ 5,077	0.0%	\$ 22,518	22.5%

* Year of GASB Statement No. 45 implementation.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW

Special Revenue Funds

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

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.

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**CITY OF KEY WEST, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012**

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
ASSETS:				
Cash, cash equivalents and investments	\$ 253,592	\$ 91,074	\$ 1,304,243	\$ 96,862
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	1,140,621	10,803	-
Interfund receivables	-	484	-	-
	-	484	-	-
Total assets	\$ 253,592	1,232,179	\$ 1,315,046	\$ 96,862
 LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 1,656	\$ 829,230	\$ 32,405	\$ -
Accrued payroll	-	7,649	-	-
Retainage payable	-	197,720	-	-
Due to other funds	-	539,000	-	-
Deferred revenue	-	89,296	-	-
	-	89,296	-	-
Total liabilities	1,656	1,662,895	32,405	-
 FUND BALANCES:				
Restricted for:				
Law enforcement	251,936	-	-	-
Natural resources	-	-	1,282,641	-
Housing initiatives and urban redevelopment	-	-	-	96,862
Transportation	-	-	-	-
Unassigned	-	(430,716)	-	-
	-	(430,716)	-	-
Total fund balances	251,936	(430,716)	1,282,641	96,862
Total liabilities and fund balances	\$ 253,592	\$ 1,232,179	\$ 1,315,046	\$ 96,862

<u>Bahama Village and Caroline Street Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Total</u>
\$ 2,186,414	\$ 6,627,576	\$ 10,559,761
-	-	1,151,424
-	-	484
<u>\$ 2,186,414</u>	<u>\$ 6,627,576</u>	<u>\$ 11,711,669</u>
\$ 56,961	\$ 237,886	\$ 1,158,138
-	-	7,649
-	157,827	355,547
-	-	539,000
-	-	89,296
<u>56,961</u>	<u>395,713</u>	<u>2,149,630</u>
-	-	251,936
-	-	1,282,641
2,129,453	-	2,226,315
-	6,231,863	6,231,863
-	-	(430,716)
<u>2,129,453</u>	<u>6,231,863</u>	<u>9,562,039</u>
<u>\$ 2,186,414</u>	<u>\$ 6,627,576</u>	<u>\$ 11,711,669</u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	Special Revenue Funds			
	Law Enforcement Trust Fund	Gas Tax Fund	Fort Taylor Fund	Affordable Housing Escrow Fund
REVENUES:				
Taxes	\$ -	\$ 1,483,452	\$ -	\$ -
Intergovernmental	-	2,774,657	196,251	-
Charges for services	-	-	-	-
Fines and forfeitures	43,513	-	-	-
Investment earnings	1,659	232	8,267	635
Contributions and other	-	35,284	-	-
Total revenues	<u>45,172</u>	<u>4,293,625</u>	<u>204,518</u>	<u>635</u>
EXPENDITURES:				
Current:				
General government	-	-	145,277	-
Public safety	23,104	-	-	-
Transportation	-	1,340,704	-	-
Economic environment	-	-	-	-
Capital outlay	10,000	3,097,610	-	-
Debt service	-	-	-	-
Total expenditures	<u>33,104</u>	<u>4,438,314</u>	<u>145,277</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>12,068</u>	<u>(144,689)</u>	<u>59,241</u>	<u>635</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,360)	(788,520)	(2,360)	-
Total other financing sources (uses)	<u>(1,360)</u>	<u>(788,520)</u>	<u>(2,360)</u>	<u>-</u>
Net change in fund balances	10,708	(933,209)	56,881	635
FUND BALANCE, October 1	<u>241,228</u>	<u>502,493</u>	<u>1,225,760</u>	<u>96,227</u>
FUND BALANCE, September 30	<u>\$ 251,936</u>	<u>\$ (430,716)</u>	<u>\$ 1,282,641</u>	<u>\$ 96,862</u>

<u>Bahama Village and Caroline Street Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Total</u>
\$ 709,732	\$ -	\$ 2,193,184
-	-	2,970,908
-	794,991	794,991
-	-	43,513
14,181	55,326	80,300
345,348	-	380,632
<u>1,069,261</u>	<u>850,317</u>	<u>6,463,528</u>
-	-	145,277
-	-	23,104
-	2,608,066	3,948,770
256,979	-	256,979
124,560	-	3,232,170
177,063	-	177,063
<u>558,602</u>	<u>2,608,066</u>	<u>7,783,363</u>
<u>510,659</u>	<u>(1,757,749)</u>	<u>(1,319,835)</u>
607,050	-	607,050
(20,380)	(34,740)	(847,360)
<u>586,670</u>	<u>(34,740)</u>	<u>(240,310)</u>
1,097,329	(1,792,489)	(1,560,145)
<u>1,032,124</u>	<u>8,024,352</u>	<u>11,122,184</u>
<u>\$ 2,129,453</u>	<u>\$ 6,231,863</u>	<u>\$ 9,562,039</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 43,513	\$ 43,513
Investment earnings	-	-	1,659	1,659
Total revenues	<u>-</u>	<u>-</u>	<u>45,172</u>	<u>45,172</u>
EXPENDITURES:				
Operating	59,100	59,100	23,104	35,996
Capital outlay	54,500	64,500	10,000	54,500
Aid to private organizations	10,000	10,000	-	10,000
Total expenditures	<u>123,600</u>	<u>133,600</u>	<u>33,104</u>	<u>100,496</u>
Excess (deficiency) of revenues over expenditures	<u>(123,600)</u>	<u>(133,600)</u>	<u>12,068</u>	<u>145,668</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,360)	(1,360)	(1,360)	-
Total other financing sources (uses)	<u>(1,360)</u>	<u>(1,360)</u>	<u>(1,360)</u>	<u>-</u>
Net change in fund balance	<u>\$ (124,960)</u>	<u>\$ (134,960)</u>	10,708	<u>\$ 145,668</u>
FUND BALANCE, October 1			<u>241,228</u>	
FUND BALANCE, September 30			<u>\$ 251,936</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,458,100	\$ 1,458,100	\$ 1,483,452	\$ 25,352
Intergovernmental	372,100	5,482,988	2,774,657	(2,708,331)
Investment earnings	-	-	232	232
Contributions and other	-	60,000	35,284	(24,716)
Total revenues	<u>1,830,200</u>	<u>7,001,088</u>	<u>4,293,625</u>	<u>(2,707,463)</u>
EXPENDITURES:				
Personal Services	204,800	204,800	187,803	16,997
Operating	1,096,200	1,355,918	1,152,901	203,017
Capital outlay	1,186,600	5,916,792	3,097,610	2,819,182
Total expenditures	<u>2,487,600</u>	<u>7,477,510</u>	<u>4,438,314</u>	<u>3,039,196</u>
Excess (deficiency) of revenue over expenditures	<u>(657,400)</u>	<u>(476,422)</u>	<u>(144,689)</u>	<u>331,733</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(788,520)</u>	<u>(788,520)</u>	<u>(788,520)</u>	<u>-</u>
Total other financing sources (uses)	<u>(788,520)</u>	<u>(788,520)</u>	<u>(788,520)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,445,920)</u>	<u>\$ (1,264,942)</u>	(933,209)	<u>\$ 331,733</u>
FUND BALANCE, October 1			<u>502,493</u>	
FUND BALANCE, September 30			<u>\$ (430,716)</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, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 196,251	\$ 16,251
Investment earnings	6,000	6,000	8,267	2,267
	Total revenues	186,000	204,518	18,518
EXPENDITURES:				
Operating	130,000	274,640	145,277	129,363
	Total expenditures	274,640	145,277	129,363
	Excess (deficiency) of revenue over expenditures	56,000	59,241	147,881
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,360)	(2,360)	(2,360)	-
	Total other financing sources (uses)	(2,360)	(2,360)	-
	Net change in fund balance	\$ 53,640	56,881	\$ 147,881
		\$ 53,640	56,881	\$ 147,881
FUND BALANCE, October 1			1,225,760	
FUND BALANCE, September 30			\$ 1,282,641	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Investment earnings	\$ 500	\$ 500	\$ 635	\$ 135
Total revenues	500	500	635	135
EXPENDITURES:				
	-	-	-	-
Excess (deficiency) of revenues over expenditures	500	500	635	135
Net change in fund balance	\$ 500	\$ 500	635	\$ 135
FUND BALANCE, October 1			96,227	
FUND BALANCE, September 30			\$ 96,862	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 709,300	\$ 709,750	\$ 709,732	\$ (18)
Investment earnings	-	-	14,181	14,181
Contributions and other	-	-	345,348	345,348
	709,300	709,750	1,069,261	359,511
EXPENDITURES:				
Operating	3,800	4,500	3,837	663
Capital outlay	495,000	1,592,386	124,560	1,467,826
Debt service	177,200	177,200	177,063	137
Aid to private organizations	615,200	1,306,557	253,142	1,053,415
	1,291,200	3,080,643	558,602	2,522,041
Excess (deficiency) of revenues over expenditures	(581,900)	(2,370,893)	510,659	2,881,552
OTHER FINANCING SOURCES (USES):				
Transfers in	613,300	607,050	607,050	-
Transfers out	(20,380)	(20,380)	(20,380)	-
	592,920	586,670	586,670	-
Net change in fund balance	\$ 11,020	\$ (1,784,223)	1,097,329	\$ 2,881,552
FUND BALANCE, October 1			1,032,124	
FUND BALANCE, September 30			\$ 2,129,453	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 937,300	\$ 937,300	\$ 794,991	\$ (142,309)
Investment earnings	42,900	42,900	55,326	12,426
Total revenues	<u>980,200</u>	<u>980,200</u>	<u>850,317</u>	<u>(129,883)</u>
EXPENDITURES:				
Operating	3,000,000	10,420,766	2,608,066	7,812,700
Total expenditures	<u>3,000,000</u>	<u>10,420,766</u>	<u>2,608,066</u>	<u>7,812,700</u>
Excess (deficiency) of revenues over expenditures	<u>(2,019,800)</u>	<u>(9,440,566)</u>	<u>(1,757,749)</u>	<u>7,682,817</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(34,740)	(34,740)	(34,740)	-
Total other financing sources (uses)	<u>(34,740)</u>	<u>(34,740)</u>	<u>(34,740)</u>	<u>-</u>
Net change in fund balance	<u>\$ (2,054,540)</u>	<u>\$ (9,475,306)</u>	(1,792,489)	<u>\$ 7,682,817</u>
FUND BALANCE, October 1			<u>8,024,352</u>	
FUND BALANCE, September 30			<u>\$ 6,231,863</u>	

CITY OF KEY WEST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - INFRASTRUCTURE SURTAX FUND
A CAPITAL PROJECTS FUND
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 5,490,100	\$ 5,490,100	\$ 6,742,101	\$ 1,252,001
Intergovernmental	1,200,000	1,221,230	33,465	(1,187,765)
Investment earnings	26,500	26,500	70,175	43,675
Total revenues	<u>6,716,600</u>	<u>6,737,830</u>	<u>6,845,741</u>	<u>107,911</u>
EXPENDITURES:				
Operating	2,400	24,900	40,730	(15,830)
Capital outlay	6,512,500	6,729,218	814,392	5,914,826
Total expenditures	<u>6,514,900</u>	<u>6,754,118</u>	<u>855,122</u>	<u>5,898,996</u>
Excess (deficiency) of revenues over expenditures	<u>201,700</u>	<u>(16,288)</u>	<u>5,990,619</u>	<u>6,006,907</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(658,670)</u>	<u>(658,670)</u>	<u>(658,670)</u>	<u>-</u>
Total other financing sources (uses)	<u>(658,670)</u>	<u>(658,670)</u>	<u>(658,670)</u>	<u>-</u>
Net change in fund balance	<u>\$ (456,970)</u>	<u>\$ (674,958)</u>	<u>5,331,949</u>	<u>\$ 6,006,907</u>
FUND BALANCE, October 1			<u>8,291,348</u>	
FUND BALANCE, September 30			<u>\$ 13,623,297</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ 744,800	\$ 744,236	\$ (564)
Investment earnings	85,000	85,000	111,199	26,199
Contributions and other	-	-	67	67
Total revenues	<u>85,000</u>	<u>829,800</u>	<u>855,502</u>	<u>25,702</u>
EXPENDITURES:				
Operating	-	302,652	293,770	8,882
Capital outlay	17,456,300	17,088,982	75,039	17,013,943
Total expenditures	<u>17,456,300</u>	<u>17,391,634</u>	<u>368,809</u>	<u>17,022,825</u>
Excess (deficiency) of revenues over expenditures	<u>(17,371,300)</u>	<u>(16,561,834)</u>	<u>486,693</u>	<u>17,048,527</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(28,700)	(28,700)	(28,700)	-
Total other financing sources (uses)	<u>(28,700)</u>	<u>(28,700)</u>	<u>(28,700)</u>	<u>-</u>
Net change in fund balance	<u>\$ (17,400,000)</u>	<u>\$ (16,590,534)</u>	457,993	<u>\$ 17,048,527</u>
FUND BALANCE, October 1			<u>16,633,183</u>	
FUND BALANCE, September 30			<u>\$ 17,091,176</u>	

NONMAJOR ENTERPRISE FUNDS OVERVIEW

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.

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CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
September 30, 2012

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS:			
Current assets:			
Cash, cash equivalents and investments \$	2,138,532	\$ 1,546	\$ 2,140,078
Receivables, net of allowance for uncollectibles:			
Accounts	112,944	20,141	133,085
Intergovernmental	-	1,006,169	1,006,169
Interfund receivables	1,451	2,971	4,422
Prepaid expenses	5,416	1,503	6,919
Inventories	-	31,258	31,258
	<u>2,258,343</u>	<u>1,063,588</u>	<u>3,321,931</u>
Total current assets			
	<u>2,258,343</u>	<u>1,063,588</u>	<u>3,321,931</u>
Noncurrent assets:			
Property, plant and equipment:			
Land	-	50,000	50,000
Buildings and improvements	707,076	4,510,598	5,217,674
Infrastructure	5,789,092	288,435	6,077,527
Machinery, equipment and furniture	508,516	5,234,770	5,743,286
Construction in progress	138,602	694,308	832,910
	<u>7,143,286</u>	<u>10,778,111</u>	<u>17,921,397</u>
Total property, plant and equipment			
	<u>7,143,286</u>	<u>10,778,111</u>	<u>17,921,397</u>
Less accumulated depreciation	<u>3,667,693</u>	<u>7,649,870</u>	<u>11,317,563</u>
Net property, plant and equipment			
	<u>3,475,593</u>	<u>3,128,241</u>	<u>6,603,834</u>
Total noncurrent assets			
	<u>3,475,593</u>	<u>3,128,241</u>	<u>6,603,834</u>
Total assets	<u>\$ 5,733,936</u>	<u>\$ 4,191,829</u>	<u>\$ 9,925,765</u>

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 30,613	\$ 31,622	\$ 62,235
Accrued payroll and related expenses	16,068	54,186	70,254
Compensated absences	23,156	22,635	45,791
Interfund payable	-	13,000	13,000
Deferred revenue	110,529	-	110,529
	<u>180,366</u>	<u>121,443</u>	<u>301,809</u>
Noncurrent liabilities:			
Advances from other funds	7,526	209,444	216,970
Customer deposits	201,464	3,500	204,964
OPEB liability	19,607	64,282	83,889
Compensated absences	16,092	15,729	31,821
	<u>244,689</u>	<u>292,955</u>	<u>537,644</u>
	<u>425,055</u>	<u>414,398</u>	<u>839,453</u>
NET ASSETS:			
Invested in capital assets,			
net of related debt	3,475,593	3,128,241	6,603,834
Unrestricted	1,833,288	649,190	2,482,478
	<u>5,308,881</u>	<u>3,777,431</u>	<u>9,086,312</u>
Total liabilities and net assets	<u>\$ 5,733,936</u>	<u>\$ 4,191,829</u>	<u>\$ 9,925,765</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, 2012

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES:			
Charges for services	\$ 1,453,649	\$ 1,069,983	\$ 2,523,632
Total operating revenues	<u>1,453,649</u>	<u>1,069,983</u>	<u>2,523,632</u>
OPERATING EXPENSES:			
Personal services	452,543	1,385,967	1,838,510
Other operating expenses	433,561	859,355	1,292,916
Depreciation	358,867	315,739	674,606
Total operating expenses	<u>1,244,971</u>	<u>2,561,061</u>	<u>3,806,032</u>
Operating income (loss)	<u>208,678</u>	<u>(1,491,078)</u>	<u>(1,282,400)</u>
NONOPERATING REVENUES (EXPENSES):			
Grant income (operating)	-	1,274,318	1,274,318
Investment earnings	13,138	781	13,919
Other income	54,699	43,469	98,168
Interest expense	-	(1,677)	(1,677)
Net nonoperating revenues (expenses)	<u>67,837</u>	<u>1,316,891</u>	<u>1,384,728</u>
Income (loss) before transfers and contributions	<u>276,515</u>	<u>(174,187)</u>	<u>102,328</u>
TRANSFERS AND CONTRIBUTIONS:			
Capital contributions	-	29,570	29,570
Transfers in	-	659,850	659,850
Transfers out	(191,940)	(327,250)	(519,190)
Total transfers and contributions	<u>(191,940)</u>	<u>362,170</u>	<u>170,230</u>
Change in net assets	<u>84,575</u>	<u>187,983</u>	<u>272,558</u>
NET ASSETS, October 1	<u>5,224,306</u>	<u>3,589,448</u>	<u>8,813,754</u>
NET ASSETS, September 30	<u>\$ 5,308,881</u>	<u>\$ 3,777,431</u>	<u>\$ 9,086,312</u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2012

	Garrison Bight	Transit System	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,474,206	\$ 1,072,328	\$ 2,546,534
Cash paid to suppliers	(451,285)	(838,221)	(1,289,506)
Cash paid to employees	(460,472)	(1,390,163)	(1,850,635)
Other receipts	54,699	43,469	98,168
	617,148	(1,112,587)	(495,439)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received	-	1,141,248	1,141,248
Advance/loan from (to) other funds	(7,528)	(292,322)	(299,850)
Interest paid on advances from other funds	-	(1,677)	(1,677)
Transfers in	-	659,850	659,850
Transfers (out)	(191,940)	(327,250)	(519,190)
	(199,468)	1,179,849	980,381
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of capital grants *	31,852	22,184	54,036
Acquisition and construction of capital assets	(182,018)	(90,562)	(272,580)
	(150,166)	(68,378)	(218,544)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	13,138	781	13,919
	13,138	781	13,919
Net increase (decrease) in cash, cash equivalents and investments	280,652	(335)	280,317
CASH, CASH EQUIVALENTS AND INVESTMENTS, October 1	1,857,880	1,881	1,859,761
CASH, CASH EQUIVALENTS AND INVESTMENTS, September 30	\$ 2,138,532	\$ 1,546	\$ 2,140,078

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
(continued)
For the Year Ended September 30, 2012

	<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)	\$ 208,678	\$ (1,491,078)	\$ (1,282,400)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	54,699	43,469	98,168
Depreciation	358,867	315,739	674,606
Decrease (increase) in assets:			
Accounts receivables, net	(21,384)	2,345	(19,039)
Interfund receivables, net	1,782	3,905	5,687
Prepaid expenses	(205)	(172)	(377)
Inventories	-	3,302	3,302
Increase (decrease) in liabilities:			
Accounts payable	(17,519)	18,004	485
Accrued payroll and related expenses	(2,358)	(3,297)	(5,655)
Deferred revenue	9,848	-	9,848
Customer deposits	32,093	-	32,093
OPEB liability	3,214	18,142	21,356
Compensated absences	(10,567)	(22,946)	(33,513)
Total adjustments	<u>408,470</u>	<u>378,491</u>	<u>786,961</u>
Net cash provided by (used in) operating activities	<u>\$ 617,148</u>	<u>\$ (1,112,587)</u>	<u>\$ (495,439)</u>

* Capital contributions for the year ended September 30, 2012 are all associated with cash transactions.

FIDUCIARY FUNDS OVERVIEW

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

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

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	<u>Pension Trust Funds</u>		
	<u>General</u>	<u>Police</u>	
	<u>Employees</u>	<u>and Fire</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 3,641,862	\$ 2,547,520	\$ 6,189,382
Investments, at fair value:			
Equity securities	22,717,041	35,914,396	58,631,437
Corporate and foreign bonds, and bond funds	9,719,194	12,459,592	22,178,786
Alternative investments	1,023,056	5,350,320	6,373,376
U.S. government securities	2,359,562	460,444	2,820,006
Municipal obligations	808,643	614,921	1,423,564
Real estate	-	3,854,719	3,854,719
Receivables:			
Interest and dividends	151,954	195,984	347,938
Due from governmental funds	-	878,326	878,326
State contributions	-	171,896	171,896
	<u>40,421,312</u>	<u>62,448,118</u>	<u>102,869,430</u>
Total assets			
LIABILITIES:			
Accounts payable and accrued expenses	64,393	73,667	138,060
Payable for securities purchased	-	69,820	69,820
Deferred retirement option plan payable	587,194	6,229,490	6,816,684
	<u>651,587</u>	<u>6,372,977</u>	<u>7,024,564</u>
Total liabilities			
NET ASSETS:			
Held in trust for employees' pension benefits	\$ <u>39,769,725</u>	\$ <u>56,075,141</u>	\$ <u>95,844,866</u>

CITY OF KEY WEST, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2012

	Pension Trust Funds		Total
	General Employees	Police and Fire	
ADDITIONS:			
Contributions:			
Employer	\$ 879,008	\$ 2,693,130	\$ 3,572,138
Members	610,375	667,009	1,277,384
State police and fire	-	641,624	641,624
	1,489,383	4,001,763	5,491,146
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	3,975,758	8,333,259	12,309,017
Interest and dividends	1,146,063	1,761,084	2,907,147
	5,121,821	10,094,343	15,216,164
Less investment expenses	157,131	379,913	537,044
Deferred retirement option plan participants earnings (losses)	83,240	(384,861)	(301,621)
	5,047,930	9,329,569	14,377,499
Total additions	6,537,313	13,331,332	19,868,645
DEDUCTIONS:			
Benefits paid	2,173,953	4,137,547	6,311,500
Administrative expenses	112,818	159,401	272,219
Contributions refunded	-	53,004	53,004
	2,286,771	4,349,952	6,636,723
Total deductions	2,286,771	4,349,952	6,636,723
Changes in net assets	4,250,542	8,981,380	13,231,922
NET ASSETS, October 1	35,519,183	47,093,761	82,612,944
NET ASSETS, September 30	\$ 39,769,725	\$ 56,075,141	\$ 95,844,866

STATISTICAL SECTION

CITY OF KEY WEST, FLORIDA
STATISTICAL SECTION
For the Year Ended September 30, 2012

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.

<u>CONTENTS</u>	<u>PAGES</u>
FINANCIAL TRENDS:	106-115
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
REVENUE CAPACITY:	116-119
<p>These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.</p>	
DEBT CAPACITY:	120-124
<p>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.</p>	
DEMOGRAPHIC AND ECONOMIC INFORMATION:	125-127
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
OPERATING INFORMATION:	128-130
<p>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.</p>	

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 TEN FISCAL YEARS
ACCURAL BASIS
(in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 87,054	\$ 88,024
Restricted	5,183	14,850	17,885	17,596	24,796	30,050	30,675	31,822	36,703	41,328
Unrestricted	19,986	61,128	11,651	14,948	13,791	6,155	9,654	14,570	16,623	16,414
Total governmental activities net assets	\$ 61,131	\$ 111,914	\$ 113,817	\$ 115,591	\$ 122,986	\$ 119,655	\$ 123,982	\$ 132,777	\$ 140,380	\$ 145,766
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	\$ 118,376	\$ 113,118
Restricted	2,494	2,664	2,358	2,427	3,757	3,800	3,800	3,759	3,867	4,362
Unrestricted	18,689	16,458	18,926	14,997	18,295	14,446	12,003	14,951	17,443	25,568
Total business-type activities net assets	\$ 108,697	\$ 102,063	\$ 104,966	\$ 109,526	\$ 116,125	\$ 121,540	\$ 123,197	\$ 134,599	\$ 139,686	\$ 143,048
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	\$ 205,430	\$ 201,142
Restricted	7,677	17,514	20,243	20,023	28,553	33,850	34,475	35,581	40,570	45,690
Unrestricted	38,675	77,586	30,577	29,945	32,086	20,601	21,657	29,521	34,066	41,982
Total primary government net assets	\$ 169,828	\$ 213,977	\$ 218,783	\$ 225,117	\$ 239,111	\$ 241,195	\$ 247,179	\$ 267,376	\$ 280,066	\$ 288,814

CITY OF KEY WEST, FLORIDA
TABLE 2
CHANGES IN NET ASSETS
FOR THE LAST TEN YEARS
ACCURAL BASIS
(in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 9,131	\$ 12,689	\$ 14,068	\$ 13,195	\$ 12,363	\$ 13,012	\$ 13,570	\$ 13,355	\$ 14,797	\$ 15,520
Public safety	16,871	15,985	20,332	23,059	22,278	22,272	21,896	20,553	21,737	22,859
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	3,364	5,339
Economic environment	1,944	1,293	1,185	2,152	1,963	5,297	14,622	5,249	2,956	3,762
Human services	-	131	438	432	491	517	409	393	394	399
Culture and recreation	3,285	3,400	3,270	4,206	5,403	3,677	2,314	2,152	2,321	2,600
Interest	42	79	40	53	51	45	41	38	34	30
Total governmental activities expenses	34,801	36,517	42,518	46,566	46,224	49,410	56,877	45,630	45,603	50,509
Business type activities:										
Sewer System	11,384	17,991	10,885	10,030	10,121	10,704	10,833	11,574	11,151	10,710
Solid Waste	7,750	10,177	10,103	11,895	6,727	7,480	7,105	7,337	7,444	7,268
Key West Bight	3,780	4,520	5,451	6,008	6,374	6,980	5,485	4,988	5,192	4,588
Stormwater	850	1,192	1,003	3,031	1,757	2,871	3,053	2,239	2,666	2,535
Garrison Bight	1,040	1,097	1,196	1,225	1,063	1,207	1,426	1,434	1,351	1,245
Transit	2,658	3,152	3,087	3,917	3,818	4,026	3,581	3,076	2,806	2,563
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	30,610	28,909
Total primary government expenses	\$ 63,783	\$ 76,240	\$ 74,243	\$ 82,672	\$ 76,084	\$ 82,678	\$ 88,360	\$ 76,278	\$ 76,213	\$ 79,418

CITY OF KEY WEST, FLORIDA
TABLE 2
CHANGES IN NET ASSETS
(continued)
FOR THE LAST TEN YEARS
ACCURAL BASIS
(in Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Fiscal Year									
Program Revenues:										
Governmental activities:										
Fees, fines and charges for services:										
General government	\$ 3,283	\$ 1,394	\$ 1,520	\$ 1,594	\$ 1,551	\$ 1,686	\$ 2,257	\$ 2,417	\$ 2,647	\$ 2,717
Public safety	1,390	3,182	4,127	4,077	4,504	2,351	2,280	2,667	2,131	2,150
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	7,557	7,021
Economic environment	-	-	-	-	-	-	-	44	26	26
Human Services	-	-	-	-	-	11	-	-	-	-
Culture and recreation	139	12	133	114	136	15	182	164	202	205
Operating grants and contributions	1,421	911	866	3,969	3,561	2,583	4,295	5,414	3,829	3,971
Capital grants and contributions	2,118	48,314	1,405	1,185	647	4,275	12,334	2,912	3,272	3,596
Total governmental activities program revenues	15,212	60,219	16,139	18,411	18,013	17,994	28,242	20,642	19,664	19,686
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	12,717	11,640
Solid Waste	8,025	8,274	8,293	8,591	8,837	9,343	9,283	8,997	9,122	9,187
Key West Bight	4,571	5,236	5,932	6,531	7,460	8,100	6,500	6,460	6,825	6,974
Stormwater	1,450	1,642	1,516	1,742	1,748	2,336	2,393	2,322	2,342	2,468
Garrison Bight	1,102	1,204	1,318	1,397	1,504	1,509	1,459	1,372	1,400	1,453
Transit	589	754	737	932	1,023	1,067	1,067	970	982	1,070
Poinciana	1,438	362	-	-	-	-	-	-	-	-
Operating grants and contributions	449	442	2,117	6,926	1,588	1,033	420	2,026	1,487	1,274
Capital grants and contributions	5,944	1,940	1,692	2,067	2,081	4,276	1,429	9,209	2,633	1,436
Total business type activities program revenues	34,089	30,357	32,104	40,248	35,512	39,453	34,199	43,183	37,508	35,502
Total primary government program revenues	\$ 49,301	\$ 90,576	\$ 48,243	\$ 58,659	\$ 53,525	\$ 57,447	\$ 62,441	\$ 63,825	\$ 57,172	\$ 55,188

CITY OF KEY WEST, FLORIDA

TABLE 2

CHANGES IN NET ASSETS

(continued)

FOR THE LAST TEN YEARS

ACCURAL BASIS

(in Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	\$ (19,589)	\$ 23,702	\$ (26,379)	\$ (28,155)	\$ (28,211)	\$ (31,416)	\$ (28,635)	\$ (24,988)	\$ (25,939)	\$ (30,823)
Business type activities	5,107	(9,366)	379	4,142	5,652	6,185	2,716	12,535	6,898	6,593
Total primary government net expense	\$ (14,482)	\$ 14,336	\$ (26,000)	\$ (24,013)	\$ (22,559)	\$ (25,231)	\$ (25,919)	\$ (12,453)	\$ (19,041)	\$ (24,230)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,172	\$ 11,777	\$ 12,476	\$ 12,469	\$ 15,774	\$ 15,136	\$ 15,572	\$ 15,644	\$ 14,816	\$ 14,429
Sales taxes	8,032	9,177	9,048	9,352	9,263	9,001	8,052	7,994	8,663	10,360
Franchise and local business taxes	1,024	927	1,655	2,030	2,029	1,272	1,268	1,316	1,394	1,463
Communication taxes	-	-	-	-	-	1,882	1,633	1,725	1,613	1,610
Cigarette and motor fuel taxes	2,017	2,580	2,548	2,500	2,266	2,225	2,099	2,360	2,391	2,541
Investment earnings	509	357	700	1,436	2,194	1,944	1,745	750	530	437
Miscellaneous	3,230	3,596	3,259	994	567	1,393	717	1,464	1,293	1,643
Extraordinary item	-	-	-	-	(1,250)	(6,750)	-	-	-	-
Transfers	(2,474)	(2,210)	(1,405)	1,146	2,002	1,982	1,876	2,530	2,842	3,726
Total governmental activities	23,510	26,204	28,281	29,927	32,845	28,085	32,962	33,783	33,542	36,209
Business type activities:										
Investment earnings	403	323	711	1,347	1,397	1,008	643	260	312	241
Transfers	2,474	2,210	1,405	(1,146)	(2,002)	(1,982)	(1,876)	(2,530)	(2,842)	(3,726)
Miscellaneous	84	199	408	217	561	204	174	1,137	719	254
Total business-type activities	2,961	2,732	2,524	418	(44)	(770)	(1,059)	(1,133)	(1,811)	(3,231)
Total primary government	\$ 26,471	\$ 28,936	\$ 30,805	\$ 30,345	\$ 32,801	\$ 27,315	\$ 31,903	\$ 32,650	\$ 31,731	\$ 32,978

CITY OF KEY WEST, FLORIDA
TABLE 2
CHANGES IN NET ASSETS
(continued)
FOR THE LAST TEN YEARS
ACCURAL BASIS
(in Thousands)

	2003	2004	2005	2006	Fiscal Year		2009	2010	2011	2012
					2007	2008				
Change in net assets:										
Governmental activities	\$ 3,921	\$ 49,906	\$ 1,902	\$ 1,772	\$ 4,634	\$ (3,331)	\$ 4,327	\$ 8,795	\$ 7,603	\$ 5,386
Business type activities	8,068	(6,634)	2,903	4,560	5,608	5,415	1,657	11,402	5,087	3,362
Total primary government	\$ 11,989	\$ 43,272	\$ 4,805	\$ 6,332	\$ 10,242	\$ 2,084	\$ 5,984	\$ 20,197	\$ 12,690	\$ 8,748

CITY OF KEY WEST, FLORIDA
TABLE 3
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN FISCAL YEARS
ACCRUAL BASIS
(in Thousands)

Fiscal Year	Property Taxes	Sales Taxes	Franchise and Local Business Taxes	Cigarette and Motor Fuel Taxes	Communication Taxes	Total
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	\$ 15,136	\$ 9,001	\$ 1,272	\$ 2,225	\$ 1,882	\$ 29,516
2009	\$ 15,572	\$ 8,052	\$ 1,268	\$ 2,099	\$ 1,633	\$ 28,624
2010	\$ 15,644	\$ 7,994	\$ 1,316	\$ 2,360	\$ 1,725	\$ 29,039
2011	\$ 14,816	\$ 8,663	\$ 1,394	\$ 2,391	\$ 1,613	\$ 28,877
2012	\$ 14,429	\$ 10,360	\$ 1,463	\$ 2,541	\$ 1,610	\$ 30,403

CITY OF KEY WEST, FLORIDA
TABLE 4
FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS
(in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 2,761	\$ 2,699	\$ 2,696	\$ 2,637	\$ 2,647	\$ 2,379	\$ 2,516	\$ 2,458	\$ -	\$ -
Unreserved	10,926	11,744	9,618	10,908	11,819	12,362	6,177	8,801	-	-
Nonspendable	-	-	-	-	-	-	-	-	2,191	2,075
Committed	-	-	-	-	-	-	-	-	110	148
Assigned	-	-	-	-	-	-	-	-	155	123
Unassigned	-	-	-	-	-	-	-	-	9,260	10,202
Total general fund	\$ 13,687	\$ 14,443	\$ 12,314	\$ 13,545	\$ 14,466	\$ 14,741	\$ 8,693	\$ 11,259	\$ 11,716	\$ 12,548
All other governmental funds:										
Reserved	\$ 2,422	\$ 1,367	\$ 960	\$ 1,314	\$ 1,442	\$ 1,136	\$ 4,604	\$ 2,762	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,005	7,857	12,353	13,656	19,527	20,329	14,916	14,669	-	-
Capital projects funds	4,191	5,625	4,572	5,808	5,809	8,585	11,156	14,391	-	-
Nonspendable	-	-	-	-	-	-	-	-	180	162
Restricted	-	-	-	-	-	-	-	-	36,524	41,166
Unassigned	-	-	-	-	-	-	-	-	-	(431)
Total all other governmental funds	\$ 11,618	\$ 14,849	\$ 17,885	\$ 20,778	\$ 26,778	\$ 30,050	\$ 30,676	\$ 31,822	\$ 36,704	\$ 40,897

Note: Information for fiscal years 2003-2010 have not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 classification.

CITY OF KEY WEST, FLORIDA
TABLE 5
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS
(in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES:										
Taxes	\$ 12,196	\$ 20,296	\$ 21,305	\$ 21,768	\$ 24,989	\$ 24,194	\$ 24,271	\$ 24,393	\$ 23,940	\$ 24,794
Licenses and permits	2,163	2,139	2,667	2,735	3,224	2,451	2,174	2,613	2,456	2,666
Intergovernmental	13,607	6,481	6,754	10,056	9,092	11,130	20,190	13,448	12,730	14,218
Payment in lieu of taxes	2,603	2,603	2,603	-	-	-	-	-	-	-
Charges for services	7,104	6,565	8,226	7,584	7,827	7,245	7,067	7,411	7,954	7,414
Fines and forfeitures	1,044	1,035	1,245	1,134	1,049	1,153	1,252	1,169	878	717
Investment earnings	509	302	701	1,436	2,194	1,944	1,745	751	530	437
Rental income	1,336	1,306	1,359	1,437	1,441	1,384	1,784	1,642	1,842	1,948
Contributions and other	263	48,488	379	650	863	575	269	304	355	426
Total revenues	40,825	89,215	45,239	46,800	50,679	50,076	58,752	51,731	50,685	52,620
EXPENDITURES:										
General government (1)	9,791	10,928	14,162	12,774	13,229	13,375	21,921	14,006	15,138	15,285
Public safety	14,857	15,995	17,895	20,014	19,113	19,089	19,198	18,873	19,982	20,560
Physical environment	72	100	212	137	236	486	238	243	-	-
Transportation	2,897	2,307	2,326	2,897	2,865	3,594	3,253	3,154	2,867	4,903
Economic environment	1,925	1,293	1,108	2,229	1,963	5,278	14,622	5,249	2,956	3,762
Culture and recreation	2,128	2,644	2,765	3,653	4,687	2,949	1,886	1,817	1,954	2,107
Human services	-	131	438	423	497	513	407	393	394	399
Capital outlay	5,997	51,265	3,835	2,996	2,858	3,030	4,037	6,637	4,717	4,442
Debt service:										
Principal	-	294	147	147	206	147	147	147	147	147
Interest	42	79	40	53	51	49	41	38	34	30
Total expenditures	37,709	85,036	42,928	45,323	45,705	48,510	65,750	50,557	48,189	51,635
Excess (deficiency) of revenues over expenditures	3,116	4,179	2,311	1,477	4,974	1,566	(6,998)	1,174	2,496	985
OTHER FINANCING SOURCES (USES):										
Proceeds from financing	650	-	-	-	-	-	-	-	-	-
Transfers in	5,277	4,162	5,732	6,272	6,032	8,498	11,674	9,176	10,153	6,182
Transfers out	(9,221)	(5,902)	(7,137)	(5,126)	(4,030)	(6,517)	(10,098)	(6,638)	(7,310)	(2,142)
Total other financing sources (uses)	(3,294)	(1,740)	(1,405)	1,146	2,002	1,981	1,576	2,538	2,843	4,040
Net change in fund balances	(178)	2,439	906	2,623	6,976	3,547	(5,422)	3,712	5,339	5,025
Ratio of total debt service expenditures to total noncapital expenditures	0.13%	1.10%	0.48%	0.47%	0.60%	0.43%	0.30%	0.42%	0.42%	0.38%

(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 Environment (2)	Transportation	Economic Environment	Culture and Recreation	Other	Total
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
2011	\$ 15,035,634	\$ 19,918,755	\$ -	\$ 1,196,146	\$ 70,778	\$ 1,953,546	\$ 608,910	\$ 38,783,769
2012	\$ 14,805,682	\$ 20,536,741	\$ -	\$ 954,495	\$ 136,300	\$ 2,107,099	\$ 718,504	\$ 39,258,821

(1) Expenditures include General Fund only.

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

CITY OF KEY WEST, FLORIDA
TABLE 7
GENERAL GOVERNMENTAL REVENUES (1)
For the Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
2003	\$ 12,196,152	\$ 2,163,112	\$ 4,706,826	\$ 7,103,614	\$ 1,000,347	\$ 1,880,122	\$ 29,050,173
2004	\$ 12,293,708	\$ 2,138,922	\$ 4,933,486	\$ 7,477,406	\$ 985,764	\$ 2,192,871	\$ 30,022,157
2005	\$ 13,551,986	\$ 2,667,164	\$ 5,534,231	\$ 6,908,916	\$ 1,221,735	\$ 1,864,706	\$ 31,748,738
2006	\$ 13,778,074	\$ 2,734,730	\$ 8,160,794	\$ 6,504,436	\$ 1,092,883	\$ 2,600,679	\$ 34,871,596
2007	\$ 16,999,393	\$ 3,223,910	\$ 6,801,001	\$ 6,794,871	\$ 916,443	\$ 2,839,013	\$ 37,574,631
2008	\$ 16,397,107	\$ 2,451,347	\$ 5,756,244	\$ 6,141,451	\$ 1,030,830	\$ 2,694,967	\$ 34,471,946
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 37,561,311
2010	\$ 17,047,554	\$ 2,613,092	\$ 6,706,639	\$ 6,357,337	\$ 1,037,696	\$ 2,067,223	\$ 35,829,541
2011	\$ 16,196,884	\$ 2,455,786	\$ 6,670,741	\$ 6,919,115	\$ 777,369	\$ 2,070,218	\$ 35,090,113
2012	\$ 15,858,710	\$ 2,666,151	\$ 7,164,507	\$ 6,619,211	\$ 672,932	\$ 2,141,274	\$ 35,122,785

(1) Revenues include General Fund only.

CITY OF KEY WEST, FLORIDA
TABLE 8
PROPERTY TAX LEVIES AND COLLECTIONS
For the Last Ten Fiscal Years

Fiscal Year	Tax Levy	Current Tax	Percent of Levy	Collections Delinquent Tax	Total Tax	Percent of Levy
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
2011	\$ 14,414,157	\$ 13,995,804	97.1	\$ 60,960	\$ 14,056,764	97.5
2012	\$ 14,224,211	\$ 13,643,432	95.9	\$ 75,797	\$ 13,719,229	96.4

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

CITY OF KEY WEST, FLORIDA
TABLE 9
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
For the Last Ten Fiscal Years
(In Thousands)

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions Allowed for Real/Personal Property</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Net Estimated True Value</u>	<u>Ratio Net Assessed to True Value</u>
2003	\$ 5,873,413	\$ 326,466	\$ 2,836,850	\$ 3,363,029	3.1612	\$ 3,363,029	1.0
2004	\$ 6,290,554	\$ 321,668	\$ 2,631,664	\$ 3,980,558	2.9815	\$ 3,980,558	1.0
2005	\$ 6,752,625	\$ 318,063	\$ 2,730,286	\$ 4,340,402	2.6003	\$ 4,340,402	1.0
2006	\$ 9,273,128	\$ 322,287	\$ 4,236,380	\$ 5,359,035	2.0863	\$ 5,359,035	1.0
2007	\$ 10,718,386	\$ 360,504	\$ 4,227,713	\$ 6,851,177	2.3034	\$ 6,851,177	1.0
2008	\$ 12,301,233	\$ 369,917	\$ 4,208,873	\$ 8,462,277	2.0354	\$ 8,462,277	1.0
2009	\$ 11,507,171	\$ 375,730	\$ 5,182,044	\$ 6,700,857	2.2794	\$ 6,700,857	1.0
2010	\$ 10,347,911	\$ 371,594	\$ 4,894,185	\$ 5,825,320	2.6414	\$ 5,825,320	1.0
2011	\$ 8,706,431	\$ 368,616	\$ 4,101,589	\$ 4,973,458	2.9132	\$ 4,973,458	1.0
2012	\$ 8,826,945	\$ 360,634	\$ 4,218,770	\$ 4,968,809	2.8627	\$ 4,968,809	1.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.
Source: Property Appraiser, Monroe County, Florida.

CITY OF KEY WEST, FLORIDA
TABLE 10
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For the Last Ten Fiscal Years

Fiscal Year	City of Key West	Monroe County	School Board	Overlapping Rates (1)			Other	Total
				South Florida Water Management District	Florida Keys Mosquito Control District			
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	
2011	2.9132	3.3445	3.8235	0.2549	0.4596	0.3691	11.1648	
2012	2.8627	3.3470	3.5650	0.1785	0.4836	0.2578	10.6946	

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: Monroe County Tax Collector.

CITY OF KEY WEST, FLORIDA
TABLE 11
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2003 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Galleon Condominium Assoc. Inc.	Condominium	\$ 61,624,532	1	1.24	\$ -	-	-
Hyatt Vacation Management	Timeshare	47,756,685	2	0.96	-	-	-
City of Key West	Municipality - Marina	47,029,669	3	0.95	-	-	-
Windward Point	Resort Hotel	46,532,794	4	0.94	-	-	-
SH5 LTD	Condominium	43,382,715	5	0.87	-	-	-
Southernmost Beach LP	Resort Hotel	32,582,337	6	0.66	25,929,378	5	0.77
Tannex Development Corp.	Condominium	30,638,726	7	0.62	-	-	-
JLW Key West 1 LLC	Hotel	25,952,122	8	0.52	-	-	-
Casa Marina	Resort Hotel	25,565,874	9	0.51	57,302,161	1	1.70
Spottswood Partners II LTD	Resort Hotel	23,875,401	10	0.48	-	-	-
Hilton Resorts and Marina	Resort Hotel	-	-	-	38,857,543	2	1.16
Pier House	Resort Hotel	-	-	-	29,358,197	3	0.87
Sheraton Suites	Resort Hotel	-	-	-	27,720,848	4	0.82
Bellsouth (Southern Bell)	Utility	-	-	-	24,324,260	6	0.72
Holiday Inn	Resort Hotel	-	-	-	22,053,094	7	0.66
Reach	Resort Hotel	-	-	-	22,045,307	8	0.66
Ocean Key House	Resort Hotel	-	-	-	20,242,234	9	0.60
Hyatt Equities	Resort Hotel	-	-	-	20,033,365	10	0.60
Totals		\$ 384,940,855		7.75	\$ 287,866,387		8.56

Source: Property Appraiser, Monroe County, Florida.

CITY OF KEY WEST, FLORIDA
TABLE 12
RATIOS OF OUTSTANDING DEBT BY TYPE
For the Last Ten Fiscal Years

Fiscal Year	Note Payable		Revenue Bonds (1)		Note Payable Business-type Activities		Total Outstanding Debt	Percentage of Personal Income (2)	Population (2)	Debt per Capita
	Governmental Activities	Business-type Activities	Business-type Activities	Business-type Activities	Business-type Activities					
2003	\$ 2,500,000	\$ 40,778,644	\$ 5,055,417	\$ 48,334,061	5.04%	25,811	\$ 1,873			
2004	\$ 2,205,882	\$ 40,318,837	\$ 4,852,719	\$ 47,377,438	4.72%	26,215	\$ 1,807			
2005	\$ 2,058,823	\$ 39,000,687	\$ 4,643,338	\$ 45,702,848	N/A	25,811	\$ 1,771			
2006	\$ 1,911,314	\$ 37,697,927	\$ 4,427,054	\$ 44,036,295	7.08%	23,935	\$ 1,840			
2007	\$ 1,764,706	\$ 36,393,853	\$ 4,203,640	\$ 42,362,199	7.00%	23,262	\$ 1,821			
2008	\$ 1,613,815	\$ 35,091,912	\$ 3,972,861	\$ 40,678,588	5.52%	23,024	\$ 1,767			
2009	\$ 1,466,757	\$ 33,787,457	\$ 3,734,474	\$ 38,988,688	4.94%	23,922	\$ 1,630			
2010	\$ 1,319,698	\$ 32,536,880	\$ 3,488,227	\$ 37,344,805	4.46%	24,649	\$ 1,515			
2011	\$ 1,172,639	\$ 31,140,391	\$ 3,233,862	\$ 35,546,892	4.00%	24,626	\$ 1,443			
2012	\$ 1,025,580	\$ 33,090,521	\$ 2,971,112	\$ 37,087,213	4.25%	24,909	\$ 1,489			

(1) Presented net of original issuance discounts, premiums and applicable gains (losses) on early retirement.

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

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

CITY OF KEY WEST, FLORIDA

TABLE 13

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
For the Last Ten Fiscal Years**

Fiscal Year	Population (1) (a)	Net Assessed Value (2) (000's) (b)	Gross General Obligation Bonded Debt (3) (c)	Debt Service Monies Available (d)	Net General Obligation Bonded Debt (c)-(d)	Ratio of Net General Obligation Bonded Debt to Assessed Value (c-d)/(b)	Net General Obligation Bonded Debt Per Capita (c-d)/(a)
2003	25,811	\$ 3,363,029	-	-	-	-	-
2004	26,215	\$ 3,980,558	-	-	-	-	-
2005	25,811	\$ 4,340,402	-	-	-	-	-
2006	23,935	\$ 5,359,035	-	-	-	-	-
2007	23,262	\$ 6,851,177	-	-	-	-	-
2008	23,024	\$ 8,462,277	-	-	-	-	-
2009	23,922	\$ 6,700,857	-	-	-	-	-
2010	24,649	\$ 5,825,320	-	-	-	-	-
2011	24,626	\$ 4,973,458	-	-	-	-	-
2012	24,909	\$ 4,968,809	-	-	-	-	-

- (1) Source: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.
- (2) Figures are from Table 9 of this Statistical Section.
- (3) Gross bonded debt amount here excludes revenue bonds.

CITY OF KEY WEST, FLORIDA

TABLE 14

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)
For the Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
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	-
2011	-	-	-	\$ 38,783,769	-
2012	-	-	-	\$ 39,258,821	-

- (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 15
COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
September 30, 2012

	<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)	\$ 1,025,580	100.00%	\$ 1,025,580
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>49,427,000</u>	26.48% (3)	<u>13,090,153</u>
Total ad valorem tax supported debt	<u>\$ 50,452,580</u>		<u>\$ 14,115,733</u>
Ratios:			
Overall debt to 2012 taxable valuation			0.28%
Overall debt per capita			\$ <u>567</u>

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

(2) Monroe County School Board debt is as of June 30, 2012, and does not include revenue bonds.

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

CITY OF KEY WEST, FLORIDA

TABLE 16

**REVENUE BOND COVERAGE
SANITARY SEWER SYSTEM FUND
For the Last Ten Fiscal Years
(In Thousands)**

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Cost of Operation and Maintenance (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2011	\$ 12,793	\$ 5,833	\$ 6,960	\$ 1,030	\$ 985	\$ 2,015	3.45
2012	\$ 11,684	\$ 5,403	\$ 6,281	\$ 1,060	\$ 1,037	\$ 2,097	3.00

- (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 and 2012).

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) (1)	Median Age (1)	Education Level (2)	Public School Enrollment (2)	Unemployment Rate (3)
2003	25,811	\$ 27,966	\$ 958,401	39	N/A	4,056	2.3%
2004	26,215	\$ 40,203	\$ 1,003,682	N/A	N/A	N/A	N/A
2005	25,811	\$ N/A	\$ N/A	N/A	N/A	N/A	N/A
2006	23,935	\$ 26,316	\$ 622,310	39	N/A	4,056	2.6%
2007	23,262	\$ 26,316	\$ 604,812	39	N/A	4,038	2.8%
2008	23,024	\$ 32,662	\$ 736,768	43	N/A	3,868	4.3%
2009	23,922	\$ 33,549	\$ 789,426	43	N/A	3,791	6.8%
2010	24,649	\$ 34,174	\$ 838,066	44	N/A	3,792	7.2%
2011	24,626	\$ 36,086	\$ 888,654	42	N/A	3,823	6.2%
2012	24,909	\$ 35,074	\$ 873,658	42	N/A	4,023	4.5%

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

(2) Source: Monroe County School Board.

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

Market information was calculated by calendar year.

N/A: Not available.

CITY OF KEY WEST, FLORIDA
TABLE 18
PRINCIPAL EMPLOYERS*

<u>Employer</u>	<u>2012 Employees</u>	<u>2007 Employees</u>
Public Sector:		
US Armed Forces	2,931	1,269
Monroe County Schools	1,047	1,362
Monroe County Sheriff's Office	592	539
Monroe County Government	531	810
City of Key West	448	516
Florida Keys Aqueduct Authority	255	273
Florida Keys Community College	125	225
Keys Energy Services	136	163
Private Sector:		
Ocean Reef Club (500 to 600 year round)	904	1,000
Health Management Associations	688	700
Publix	430	392
Historic Tours of America	300	350
Casa Marina Resort / Reach Resort	275	300
Cheeca Lodge	249	300
Spottswood Properties	184	N/A
First State Bank of the Keys	180	208

* 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.

Note: Data prior to 2007 is not 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
2003	\$ 6,199,879	\$ 2,836,850	\$ 3,363,029	6,484	\$ 86,694
2004	\$ 6,612,222	\$ 2,631,664	\$ 3,980,558	6,012	\$ 67,899
2005	\$ 7,070,688	\$ 2,730,286	\$ 4,340,402	5,306	\$ 96,236
2006	\$ 9,595,415	\$ 4,236,380	\$ 5,359,035	7,003	\$ 149,062
2007	\$ 11,078,890	\$ 4,227,713	\$ 6,851,177	7,529	\$ 168,984
2008	\$ 12,671,150	\$ 4,208,873	\$ 8,462,277	4,971	\$ 23,721
2009	\$ 11,882,901	\$ 5,182,044	\$ 6,700,857	4,215	\$ 16,389
2010	\$ 10,719,505	\$ 4,894,185	\$ 5,825,320	4,297	\$ 43,322
2011	\$ 9,075,047	\$ 4,101,589	\$ 4,973,458	4,504	\$ 35,013
2012	\$ 9,187,579	\$ 4,218,770	\$ 4,968,809	5,124	\$ 50,543

(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 Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Building permits issued	6,012	5,306	7,003	7,529	4,971	4,215	4,215	4,297	4,504	5,124
Building inspections performed	9,186	11,546	10,169	10,622	12,547	11,275	7,392	8,128	9,606	10,264
Occupational licenses	8,321	9,224	8,824	9,031	8,673	8,990	9,072	8,296	9,778	11,189
Fire:										
Emergency responses	*	1,962	2,417	1,925	1,935	2,160	1,206	2,613	2,269	2,274
Inspections	*	523	514	986	1,844	1,440	779	2,481	2,430	2,452
Police:										
Physical arrests	2,119	2,053	1,979	1,801	1,101	2,031	2,166	2,075	2,115	2,265
Parking violations	42,151	38,081	49,260	47,036	48,820	48,312	46,893	37,047	30,830	31,172
Traffic violations	4,708	6,501	9,109	6,030	6,409	5,040	4,331	4,313	4,450	3,956
Cemetery:										
Burials	*	104	120	123	113	95	86	124	129	87
Sewer:										
Average daily flow (millions of gallons per day)	5	4	5	5	5	4	4	4	4	4
Solid Waste:										
Refuse annually tons	57,144	59,907	60,799	62,729	55,624	58,296	50,594	45,402	55,624	47,055
Recycle annual in tons	2,344	2,045	2,122	1,894	2,095	2,484	2,517	3,607	2,095	3,656
Marinas:										
Key West Bight:										
Diesel gallons pumped	232,552	364,884	380,446	270,702	429,871	354,378	349,664	315,515	311,677	230,161
Gas gallons pumped	*	79,008	123,372	116,432	122,633	79,114	78,872	63,058	106,071	116,461
Transient customers	1,053	1,392	1,297	1,108	1,202	1,436	986	1,011	1,284	1,520
Ferry terminal:										
Boat landings	**	*	*	435	431	508	393	479	464	349
Passenger disembarkments	**	*	88,820	81,709	96,796	85,134	148,300	144,617	154,821	146,362
Diesel gallons pumped	**	283,471	280,267	153,849	447,104	412,360	137,631	81,807	141,355	117,055
Garrison Bight:										
Transient customers	388	*	338	431	586	496	396	362	384	369
Mooring field monthly permits	39	61	66	38	49	49	165	76	332	96
Ramp usage	4,469	4,059	4,217	5,202	4,951	4,437	4,879	4,142	5,307	4,662
Cars parked overnight	4,786	4,710	5,475	6,238	5,787	5,050	N/A	N/A	N/A	N/A
Transportation:										
Cruiseship passengers	*	897,551	1,008,076	859,089	831,063	733,910	862,043	804,845	852,673	832,900
Sidewalks repaired/replaced	*	*	37,887	53,196	19,535	36,296	61,719	107,243	56,725	98,590

* Incomplete data

** Ferry Terminal Opened in 2004

CITY OF KEY WEST, FLORIDA
TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
For the Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	6	6	6	6	6	7	7	7	7	7
Aerial	1	1	1	1	1	1	1	1	1	1
Light duty rescue	0	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	96	100	100	100	98	89	105	95	115	115
Parking enforcement units	7	7	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	69.25	69.25
Playgrounds	2	2	2	3	3	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Sewer:										
Length of system	58	58	58	58	58	58	58	58	58	58
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10	10	10
Storm Water:										
Length of system	11	11	11	11	11	11	11	11	11	11
Key West Bight:										
Slips:										
Transient slips	79	84	85	90	92	92	92	92	92	92
Commercial slips	45	43	43	43	42	42	42	42	42	42
Other slips	25	22	21	16	15	15	15	15	15	15
Fuel capacity (gallons):										
Gasoline	4,000	10,000	10,000	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	20,000	20,000
Leasable retail space:										
(square feet)	78,266	75,723	88,728	88,164	86,938	86,407	86,407	86,407	86,407	86,407
Ferry Terminal:										
Commercial slips	4	4	4	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garrison Bight:										
Transient slips	47	47	29	35	35	29	29	29	29	29
Live aboard/pleasure	136	136	154	145	146	148	148	148	148	148
Other slips	37	37	37	40	39	43	43	43	43	43
Mooring field	81	149	149	149	149	149	149	149	149	149
Transportation:										
Number of buses	15	15	15	15	15	17	17	17	16	16
Cruise ports	3	3	3	3	3	3	3	3	3	3
Ferry terminals	0	1	1	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 Ten Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Commission	5	5	5	5	5	5	5	5	5	5
City Management	2	2	2	2	2	3	3	4	4	6
Management services and other	86	83	84	81	79	82	80	78	76	79
Recreation	35	35	35	35	39	33	31	31	33	33
Fire	73	73	73	73	73	71	71	71	72	72
Public Works	32	33	36	34	36	30	34	29	34	35
Police protection	133	133	137	137	133	122	122	123	123	123
Building	22	23	23	23	26	28	17	17	18	19
Capital	11	11	14	16	14	5	1	1	1	-
Roads and Sidewalks	-	-	-	-	-	3	4	4	4	4
Sewer	18	10	9	9	9	7	4	4	4	4
Stormwater	-	-	2	3	3	2	2	2	2	1
Solid waste	34	34	11	12	12	12	10	10	10	10
Recreation marinas	22	23	25	26	39	44	42	40	35	29
Redevelopment	-	-	6	5	5	6	7	6	-	-
Transportation	29	31	32	40	41	44	44	31	31	28
Total	502	496	494	501	516	497	477	456	452	448

