

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Key West, Florida
Fiscal Year Ended
September 30, 2017



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

The City of Key West, Florida

Comprehensive Annual Financial Report

For The Fiscal Year Ended

September 30, 2017

Prepared by:

Department of Finance

**City of Key West, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017**

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INTRODUCTORY SECTION



THE CITY OF KEY WEST, FLORIDA

Post Office Box 1409

Key West, FL 33041-1409

www.cityofkeywest-fl.gov

April 25, 2018

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, 2017, is submitted herewith pursuant to the City Charter, Florida Statutes, and the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

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

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe McCullough and they have issued an unmodified opinion on the financial statements for the fiscal year ended September 30, 2017.

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

Financial Reporting Entity

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

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

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members and provides approximately \$ 500,000 annually in free sewer, solid waste and stormwater services, which constitutes a financial benefit/burden relationship. 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 the Keys, which comprise most of inhabited Monroe County. Most community leaders agree that tourism is the current and future foundation of the local economy. That said, most community leaders would also agree that the ravaging effects of Hurricane Irma are a vivid reminder of the fragility of the Florida Keys tourism economy. Though the City of Key West was spared significant structural damage, not the same can be said for the Lower and Middle Florida Keys. Sufficient operating reserves were in place for hurricane related expenses such as debris removal, protective measures and permanent work to damaged facilities. Replenishment of a large part of those reserves is anticipated through the assistance of several federal and state funded emergency programs, as well as recovery for damaged property covered by the City's insurance program.

As concerning as the immediate financial effects of Hurricane Irma, is the long-term recovery for Key West as well as the entire Keys. The financial viability for Key West is driven by the strength of the Florida Keys economy. There is great economic synergy between the City of Key West and the Lower and Middle Keys, and to some extent the Upper Keys. Though the financial performance for fiscal year ended September 30, 2017 was slightly impacted by the September 10th hurricane, it is the first few months of the Fiscal Year 2018 operating period which will be the bellwether for the speed and the strength in which the economy for Key West and the Florida Keys recovers. City and County leadership as well as agency financial components will be diligent throughout the next 12 – 24 months measuring recovery trends. All are hoping to return to pre-hurricane tourism levels in which nearly 60 percent of all Monroe County spending was attributed to tourism.

The hotel bed tax collected in Key West decreased by 2.9 percent under that of the previous fiscal year, ending up at \$ 19,878,495. Tourists arriving at Key West International Airport for the current fiscal year numbered 385,472 compared to 357,665 for the prior period, an increase of 7.7 percent. Daily cruise ship passengers have a significant impact on the downtown business sector. The number of passengers increased from 696,224 passengers in 2016 to 745,781 in 2017, a 7.1 percent increase from the previous period.

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 should remain dependable and robust. Below are some of the factors that affected the development of the fiscal year 2016-17 General Fund budget:

- Net Property Values (Final Value Less New Construction) for fiscal year 2017 grew by 4.5 percent over fiscal year 2016 to \$ 6,412,069,644. A strong residential resale market and continued commercial development and redevelopment fuels the increase in property values.
- For the last few years, state shared revenue collections continue to exceed state projections. This trend is likely to continue and were budgeted at or slightly above the projected 2016 collection estimates.
- Building permit fees and business tax receipts were budgeted at or slightly above the projected 2016 collection estimates.

Based on the aforementioned, the City Commission adopted a "rollback" millage rate for fiscal year 2017 of 2.4896, or approximately \$ 2.49 for every \$ 1,000 in taxable assessed value. The City has achieved "rollback" seven of the last ten years – a noteworthy accomplishment without the degradation of delivered public services.

The General Fund's unassigned fund balance exceeded the maximum level as prescribed in the City's fund balance policy and was used for the funding of street and sidewalk improvements as well as funding for non-recurring machinery and equipment.

Financial Planning and Budgeting Controls

The City maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.241 provisions embodied in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. These budgets are adopted on a generally accepted accounting principles basis, as applicable. This program is readopted annually based on changes in priority and funding. The City is not legally required to, and does not, adopt budgets for the Pension Funds nor does it adopt a budget for the Community Development Office Fund.

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

Relevant Financial Policies

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

Revenue Policy

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

Cash Management and Investments Policy

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

As of September 30, 2017, the City had the following investment types in order of liquidity: Bank Deposits, Florida Prime, Florida Fixed Income Trust (FIT), non-negotiable certificates of deposits, Federal Agency Discount Notes, Commercial Paper, Municipal Obligations, Federally Sponsored Agency Notes, and U.S. Treasury Notes.

Debt Policy

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

Fund Balances

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

Major Initiatives and Long Term Planning

During fiscal year 2017, the City completed and moved into a new City Hall, the Josephine Parker City Hall at Historic Glynn R. Archer School. This state of the art facility is under consideration for LEED Platinum Certification, a national certification developed by the U.S Green Building Council, recognizing the construction of energy and resource-efficient buildings that are healthy to live in. Additionally, during fiscal year 2017, a 3,500-seat waterfront amphitheater reached substantial completion with the first event planned for late October 2018. It should be noted that construction of the amphitheater would not have been possible without the \$ 2,000,000 grant commitment from the Tourist Development Council (TDC) of the Florida Keys. Work continues on Phase 1A of the Truman Waterfront Park project with a much-anticipated phase opening beginning in April 2018. Finally, Cozumel Park, a neighborhood playground area for local kids and families underwent a major renovation, to include a new playground area, splash pad, artificial field and restrooms.

The City maintains a multiyear Capital Improvement Program for general government and each enterprise activity. Capital programming helps enhance the overall quality of life in the City by improving the physical structures, systems, and facilities that provide services to the community. Capital Improvement Program projects are generally large and expensive, and the assets they install, replace, or rehabilitate will likely be required for decades of public use. Though such programming focuses on a five year outlook, great attention is given to identifying significant capital requirements in the out years primarily in an attempt to match improvements with funding needs. The program includes the additions of buildings and property, timely maintenance of City infrastructure, as well as the replacement of vehicles and other capitalized machinery items.

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

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

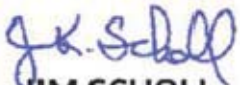
Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the thirty-second 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.


JIM SCHOLL
City Manager


MARK FINIGAN
Finance Director



Government Finance Officers Association

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

Presented to

**City of Key West
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Key West, Florida

List of Principal Officials

Elected Officials

Mayor	Craig Cates
Commissioner	Jimmy Weekley
Commissioner	Samuel Kaufman
Commissioner	Billy Wardlow
Commissioner	Richard Payne
Commissioner	Margaret Romero
Commissioner	Clayton Lopez

Appointed Officials

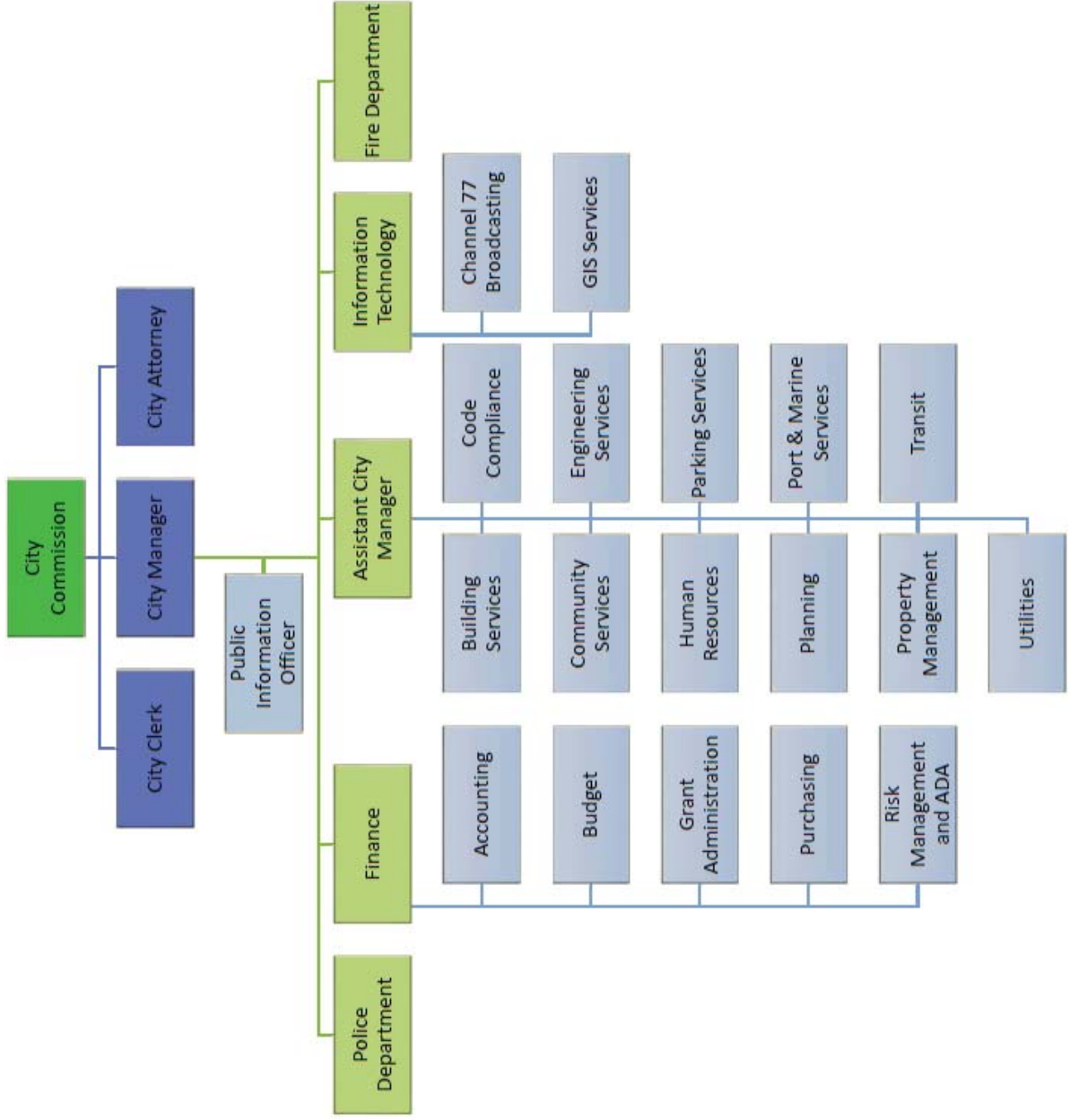
City Manager	Jim K. Scholl
City Clerk	Cheri Smith
City Attorney	Shawn Smith

Department Directors

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

City of Key West, Florida

Organizational Chart



City of Key West, Florida

Vision

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

Mission

To preserve and protect our island.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 65%, 65%, and 68%, respectively, of the assets, net position, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Gas Tax Fund – a major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to pensions and other post-employment benefits on pages 4 through 13 and 85 through 91, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

City of Key West, Florida

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

Other Reports Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

On behalf of the City of Key West, Florida, management presents, to the readers of the City's financial statements, this narrative overview and analysis of the financial activities for the fiscal year ending September 30, 2017. 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 14.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by \$ 356,382,021 (net position), which is an increase of \$ 5,463,183 compared to the prior year. Of this amount, \$ 56,157,482 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$ 33,733,613, a decrease of \$ 11,768,717 from the prior year. Approximately 30% of this amount (\$ 10,173,746) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$ 11,157,678, or approximately 22% of total general fund expenditures.
- The City's total outstanding long term debt decreased by \$ 2,788,985 during the current fiscal year. The decrease is attributed to regular payments on outstanding debt.

Overview of the Financial Statements

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

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during fiscal year 2016-17?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, public works and parks departments, as well as, general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit systems, as well as, City marina facilities, are reported here.
- **Component units:** The City includes one separate legal entity in its report: The Housing Authority of the City of Key West, Florida ("KWHHA"). The KWHHA's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWHHA. 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 17 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two types of funds (governmental and proprietary) use different accounting approaches.

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

The City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position - Fiduciary Funds on pages 35 and 36. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

The City's combined net position increased from \$ 350,918,838 to \$ 356,382,021. Governmental activities increased \$ 3,725,581. Most of the increase is the result of capital assets related to the Capital Projects Fund and Infrastructure Surtax Fund. Business type activities increased \$ 1,737,602 of which \$ 1,550,997 was the result of operating grants in the Transit System Fund.

Total net position is comprised of \$ 280,521,007 net investment in capital assets, \$ 19,703,532 restricted for capital projects, transportation, housing initiatives and other purposes, and \$ 56,157,482 in unrestricted funds. Our analysis below, focuses on the net position (Table 1) and change in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
Current and other assets	\$ 49,665,973	\$ 62,025,603	\$ 47,196,626	\$ 46,524,381	\$ 96,862,599	\$ 108,549,984
Capital assets	<u>152,622,715</u>	<u>135,180,582</u>	<u>149,822,711</u>	<u>153,745,507</u>	<u>302,445,426</u>	<u>288,926,089</u>
Total assets	<u>202,288,688</u>	<u>197,206,185</u>	<u>197,019,337</u>	<u>200,269,888</u>	<u>399,308,025</u>	<u>397,476,073</u>
Total deferred outflows of resources	<u>14,414,711</u>	<u>13,636,124</u>	<u>1,012,528</u>	<u>999,621</u>	<u>15,427,239</u>	<u>14,635,745</u>
Current liabilities	7,012,215	7,301,681	3,055,887	4,682,656	10,068,102	11,984,337
Long-term debt and other noncurrent liabilities	<u>24,630,498</u>	<u>21,985,140</u>	<u>22,271,171</u>	<u>25,593,501</u>	<u>46,901,669</u>	<u>47,578,641</u>
Total liabilities	<u>31,642,713</u>	<u>29,286,821</u>	<u>25,327,058</u>	<u>30,276,157</u>	<u>56,969,771</u>	<u>59,562,978</u>
Total deferred inflows of resources	<u>1,239,668</u>	<u>1,460,051</u>	<u>143,804</u>	<u>169,951</u>	<u>1,383,472</u>	<u>1,630,002</u>
Net position:						
Net investment in capital assets	151,492,135	134,743,238	129,028,872	129,520,927	280,521,007	264,264,165
Restricted	19,429,334	22,444,898	274,198	259,639	19,703,532	22,704,537
Unrestricted	<u>12,899,549</u>	<u>22,907,301</u>	<u>43,257,933</u>	<u>41,042,835</u>	<u>56,157,482</u>	<u>63,950,136</u>
Total net position	<u>\$ 183,821,018</u>	<u>\$ 180,095,437</u>	<u>\$ 172,561,003</u>	<u>\$ 170,823,401</u>	<u>\$ 356,382,021</u>	<u>\$ 350,918,838</u>

Governmental Activities – Net Position

The \$ 183,821,018 in net position of the City's governmental activities is comprised of \$ 151,492,135 net investment in capital assets, \$ 19,429,334 in restricted net position and \$ 12,899,549 in unrestricted net position, which is the part of net position that can be used to finance day-to-day operations of the General Fund and other governmental activities.

**City of Key West, Florida
Management's Discussion and Analysis
September 30, 2017**

The invested in capital assets increased from the previous year by \$ 16,748,897. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 4,412,058 and repayment of debt.

Restricted net position of \$ 19,429,334 is restricted to comply with the requirements of the special revenue funds or other legal requirements. This was a decrease of \$ 3,015,564 from the previous year. The decrease can be attributed mainly to ongoing capital projects in the Capital Projects Fund and Infrastructure Surtax Fund.

Unrestricted net position decreased by \$ 10,007,752 compared to the prior fiscal year. The decrease can be attributed to the ongoing investment in capital assets.

Business-Type Activities – Net Position

The \$ 172,561,003 in net position of the City's business type activities is comprised of \$ 129,028,872 net investment in capital assets, \$ 274,198 in restricted net position and \$ 43,257,933 in unrestricted net position. This is an increase of 1.0% in net position.

The net investment in capital assets decreased from the previous year by \$ 492,055. This is primarily the result of new additions/disposals netted against current year depreciation of \$ 7,909,056 and repayment of debt. Restricted net position of \$ 274,198 is restricted to comply with the requirements of the sewer bond issues. Unrestricted net position increased \$ 2,215,098. The increase in unrestricted net position was the result of positive changes in the proprietary funds overall.

**Table 2
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
Revenues:						
Program Revenues:						
Charges for services	\$ 17,426,267	\$ 15,694,526	\$ 35,960,600	\$ 35,939,257	\$ 53,386,867	\$ 51,633,783
Operating grants and contributions	2,261,114	1,499,110	2,130,490	4,338,272	4,391,604	5,837,382
Capital grants and contributions	1,503,152	358,711	296,409	2,659,539	1,799,561	3,018,250
General Revenues:						
Taxes: property and other	35,396,347	33,845,738	-	-	35,396,347	33,845,738
Intergovernmental	144,131	139,262	-	-	144,131	139,262
Investment earnings	264,148	478,240	263,216	381,775	527,364	860,015
Other revenues	577,557	494,513	784,213	276,670	1,361,770	771,183
Total revenues	<u>57,572,716</u>	<u>52,510,100</u>	<u>39,434,928</u>	<u>43,595,513</u>	<u>97,007,644</u>	<u>96,105,613</u>

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
Program Expenses:						
General government	19,490,694	18,022,929	-	-	19,490,694	18,022,929
Public safety	29,564,658	26,680,604	-	-	29,564,658	26,680,604
Transportation	3,486,151	2,747,530	-	-	3,486,151	2,747,530
Economic environment	1,063,215	861,359	-	-	1,063,215	861,359
Culture and recreation	3,826,902	2,702,255	-	-	3,826,902	2,702,255
Human services	459,350	474,277	-	-	459,350	474,277
Sanitary Sewer System	-	-	11,433,439	11,017,356	11,433,439	11,017,356
Solid Waste	-	-	8,073,887	8,938,025	8,073,887	8,938,025
Stormwater	-	-	3,196,383	2,516,993	3,196,383	2,516,993
Marinas (Key West and Garrison Bight)	-	-	7,213,266	7,203,661	7,213,266	7,203,661
Transit	-	-	3,736,516	3,130,189	3,736,516	3,130,189
Total expenses	<u>57,890,970</u>	<u>51,488,954</u>	<u>33,653,491</u>	<u>32,806,224</u>	<u>91,544,461</u>	<u>84,295,178</u>
Excess before transfers	(318,254)	1,021,146	5,781,437	10,789,289	5,463,183	11,810,435
Transfers (net)	<u>4,043,835</u>	<u>4,014,682</u>	<u>(4,043,835)</u>	<u>(4,014,682)</u>	-	-
Change in position	<u>\$ 3,725,581</u>	<u>\$ 5,035,828</u>	<u>\$ 1,737,602</u>	<u>\$ 6,774,607</u>	<u>\$ 5,463,183</u>	<u>\$ 11,810,435</u>

The City's total revenues reported are \$ 97,007,644, which in part represents \$ 53,386,867 in charges for services and \$ 35,396,347 in property and other taxes. Total expenses of \$ 91,544,461 are reported. As shown above, revenues have increased and expenses have increased for the year. The majority of the increase in revenues can be attributed to the increase in charges for services and the collection of impact fees. A fully integrated emergency management services department, increasing costs to provide quality police and fire protection and general annual increases associated with operating a diverse municipal government attributed the increase in total expenses.

Governmental Activities – Change in Net Position

Total revenues for the City's governmental activities of \$ 57,572,716 include \$ 17,426,267 in fees, fines and charges for services, as well as, \$ 35,396,347 in property, state shared and local taxes.

For the year, the City's governmental revenues increased \$ 5,062,616 or a 9.64% increase. Charges for services and other revenues both increased from the prior year.

The cost of all governmental activities this year was \$ 57,890,970. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 16,328,632. This is because \$ 17,426,267 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 \$ 3,764,266. 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 17	FY 16	FY 17	FY 16
General government	\$ 19,490,694	\$ 18,022,929	\$ (15,428,381)	\$ (14,575,339)
Public safety	29,564,658	26,680,604	(24,422,851)	(22,409,661)
Culture and recreation	3,826,902	2,702,255	(2,707,570)	(1,377,185)
Transportation	3,486,151	2,747,530	6,418,930	5,247,246
Economic environment	1,063,215	861,359	(101,215)	(361,961)
All others	459,350	474,277	(459,350)	(459,707)
Totals	\$ 57,890,970	\$ 51,488,954	\$ (36,700,437)	\$ (33,936,607)

Business-Type Activities – Changes in Net Position

Revenues of the City's business-type activities (see Table 2) decreased by 9.5% (\$ 43,595,513 in 2016 compared to \$ 39,434,928 in 2017). A major contributor to the decrease was the completion of the new transit facility in 2016 which was 100% funded by a capital grant.

Financial Analysis of the City's Funds

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

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2017, the City's governmental funds reported combined fund balances of \$ 33,733,613, which is a decrease of \$ 11,768,717 in comparison with the prior fiscal year. This decrease can be attributed to the reduction in fund balance within the General Fund, Infrastructure Surtax Fund and Capital Projects Fund.

The General Fund is the chief operating fund of the City. As of September 30, 2017, the unassigned fund balance account in the General Fund was \$ 10,173,746, a decrease of \$ 3,730,330 from the previous year. This unassigned fund balance amount represents 21.4% of the 2017 General Fund budgeted expenditures, excluding capital outlay. This put the unassigned fund balance in line with the City's fund balance policy of between 20% and 25% of budgeted expenditures.

Total General Fund expenditures increased by \$ 4,422,031 or 9.6%. The increase was related to increased personnel expenditures and, as previously referenced, the financial impact of a fully integrated emergency management services department. Revenues in the General Fund, including the sale of general capital assets, increased by \$ 1,814,771 or 4.6%. This increase is due to higher licenses and permit fees compared to the prior year and more revenue generated from property taxes.

The Community Development Office Fund revenues increased by \$ 82,160 and expenditures increased by \$ 97,248 from the prior fiscal year. The increases are due to more grant related funding and expenditures compared to the prior year.

The Gas Tax Fund's revenues increased by \$ 98,905 and expenditures increased by \$ 432,423. The revenue increase is a result of an agreement with Florida Department of Transportation (FDOT) to reimburse the City for traffic light maintenance. The spike in expenditures is a result of an increase in street paving projects which had been delayed over the last few years.

Total Infrastructure Surtax Fund revenues increased by \$ 1,526,718 compared to the prior year. A majority of the increase was from stronger than anticipated discretionary sales surtax proceeds. Total expenditures increased by \$ 7,042,971 due to the commencement of several long delayed fully funded capital projects.

The Capital Projects Fund had a decrease in fund balance of \$ 2,501,137. The decrease was mainly due to the use of fund balance to construct a prefunded new city hall building.

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

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

Fund	Unrestricted Net Position (Deficit)	
	FY 17	FY 16
Sanitary Sewer System	\$ 15,936,103	\$ 15,697,996
Solid Waste	10,257,714	9,483,477
Stormwater	(272,423)	(685,149)
Key West Bight	15,031,948	13,570,008
Garrison Bight	1,652,995	1,868,011
Transit System	651,596	1,108,492
	<u>\$ 43,257,933</u>	<u>\$ 41,042,835</u>

The Sanitary Sewer System Fund unrestricted net position increased by \$ 238,107. Much of the increase in unrestricted net position was the result of a decrease of net investment in capital. The decrease in net investment in capital is due the disposal of old infrastructure assets.

The Solid Waste Fund net position increased by \$ 322,921 compared to the prior year. There was an increase in unrestricted net position of \$ 774,237. The majority of the increase in unrestricted net position was the result of a decrease in net investment in capital assets due to an increase in accumulated depreciation compared to the prior year.

The Stormwater Fund unrestricted net position increased by \$ 412,726. The unrestricted net position increase was the result of a decrease in net investment in capital assets. Net investment in capital assets decreased \$ 1,731,824, mainly due to an increase in accumulated depreciation from prior year. Overall, Stormwater total net position decreased by \$ 1,319,098.

The Key West Bight Fund had an increase in unrestricted net position of \$ 1,461,940 and an increase in overall net position of \$ 3,248,418. The change in net position is attributable to an increase in operating revenue from the prior year which resulted in an increase in the change in net position compared to the prior year.

The Transit System Fund net position decreased by \$ 485,244 compared to the prior year. This decrease is mainly attributable to a decrease in capital contributions.

The Garrison Bight Fund unrestricted net position decreased \$ 215,016. The change is a due to the increase in net investment in capital assets. Net investment in capital assets increased due to the net additions in infrastructure.

Fiscal Year 2016-17 General Fund Budgetary Highlights

During the fiscal year 2017, 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 exceeded budget in the taxes and licenses and permits categories.

General Fund overall revenues were under budget by \$ 1,369,608. Intergovernmental revenues were \$ 379,047 under budget due to lower than anticipated expenditures for a beach grant which resulted in less grant income and due to lower than anticipated transportation revenue. Charges for services revenue were \$ 984,054 lower than anticipated mainly due to lower than anticipated ambulance fees and cruise disembarkation revenue. Fines and forfeitures were \$ 127,396 under budget due to a decrease in court and parking fees. Investment earnings were \$ 76,531 under budget due to lower than expected market performance. Rental income revenues were \$ 103,876 under budget due to an over optimistic estimate of new businesses. Contributions and other revenues were \$ 110,194 under budget due to lower than expected contributions from outside sources.

Total General Fund expenditures were higher than the budget by \$ 2,056,928. Personal and operating expenditures were \$ 2,296,874 and \$ 139,689, respectively, over budget. This negative variance was mainly due to the unbudgeted payout of emergency pay for Emergency Operations Center (EOC) staffing and public safety expenditures related to Hurricane Irma.

Capital Assets

At the end of fiscal year 2017, the City had \$ 302,445,426 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 17	FY 16	FY 17	FY 16	FY 17	FY 16
Land	\$ 56,687,796	\$ 55,899,880	\$ 18,681,034	\$ 18,681,034	\$ 75,368,830	\$ 74,580,914
Buildings and improvements	23,455,352	23,947,255	52,851,369	52,716,834	76,306,721	76,664,089
Machinery, equipment and furniture	23,102,073	21,781,577	13,257,506	13,770,500	36,359,579	35,552,077
Infrastructure	57,693,794	51,956,081	170,842,392	167,770,700	228,536,186	219,726,781
Construction in progress	42,899,568	31,261,931	9,470,612	11,569,730	52,370,180	42,831,661
Depreciation	(51,215,868)	(49,666,142)	(115,280,202)	(110,763,291)	(166,496,070)	(160,429,433)
Totals	\$ 152,622,715	\$ 135,180,582	\$ 149,822,711	\$ 153,745,507	\$ 302,445,426	\$ 288,926,089

This year's major additions included:

In the Governmental funds, major additions included approximately \$2,330,000 in machinery and equipment. Public safety vehicles and equipment accounted for approximately \$1,700,000 of that amount. There were approximately \$350,000 in vehicle expenses for the recreation department, mainly a large bucket truck. The remainder was spread among the other funds and city departments.

In the Business-Type Activities:

- The Sanitary Sewer Fund completed several long-term projects. The Pump Station F project accounted for over half the capital recognized. The Pump Station F project completion will increase pumping efficiency and reduce power cost.
- The Key West Bight Fund completed several common area improvements for approximately \$ 340,000.
- The Transit Fund purchased a new bus and vehicles for approximately \$ 550,000.

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

Debt Administration

At year-end, the City had \$ 22,153,596 in outstanding long term debt as shown in Table 5:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
Promissory note	\$ 290,285	\$ 437,344	\$ 1,521,577	\$ 1,830,587	\$ 1,811,862	\$ 2,267,931
Capital lease	840,295	-	-	-	840,295	-
Revenue bonds and notes	-	-	19,501,439	22,674,650	19,501,439	22,674,650
Totals	\$ <u>1,130,580</u>	\$ <u>437,344</u>	\$ <u>21,023,016</u>	\$ <u>24,505,237</u>	\$ <u>22,153,596</u>	\$ <u>24,942,581</u>

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

Economic Factors and Next Year's Budgets and Rates

Since the 1930's, the economy of the City of Key West has been dependent upon tourism. Most of the employment base, commercial base and a large part of the tax base are dependent on tourism for continued success. In the development stages of the Fiscal Year 2017-18 operating budget, the economic outlook for Key West and the Florida Keys was one of continued tourism growth coupled with a strong construction and residential/commercial rehabilitation sector. However, as many Key West old timers will confess, it only takes one good storm. Such was the case. As Fiscal Year 2017 came to a close and right before adoption by the City Commission of the Fiscal Year 2017-18 budget the Florida Keys was hammered by Hurricane Irma. Fortunately, Key West was spared from the significant devastation levied by Irma on the Lower and Middle Keys – literally 10 to 20 miles away. With sufficient operating reserves in place to cash flow hurricane related expenses such as debris removal, protective measures and permanent work to damaged facilities, the City Commission decided to hold firm on maintaining a millage rollback position and made few adjustments to the proposed Fiscal Year 2017-18 operating budget. City and County leadership as well as agency financial components will be working diligently throughout the next 12 – 24 months measuring recovery trends. All are hoping to return to pre-hurricane tourism levels in which nearly 60 percent of all Monroe County spending was attributed to tourism.

To balance the General Fund operating budget and achieve a millage rollback rate of 2.3466, the City Commission approved an increase to the annual interfund transfer from the Key West Bight Fund to the General Fund. There were several nominal adjustments to revenues and expenses. Ultimately, the budget was approved as presented prior to Hurricane Irma.

The City's fiscal year 2018 adopted budget is \$ 180.8 million, which is approximately a \$ 9.6 million increase (or 5.6%) from the original adopted fiscal year 2017 budget of \$ 171.2 million. The fiscal year 2018 General Fund budget is \$ 64.2 million, which is approximately a \$ 1.1 million increase (or 1.7%) from the original adopted fiscal year 2017 budget of \$ 63.1 million.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

City of Key West, Florida
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash, cash equivalents, and investments	\$ 41,893,097	\$ 42,378,063	\$ 84,271,160	\$ 6,909,319
Cash, cash equivalents, and investments (restricted)	-	633,993	633,993	830,503
Accounts receivable (net of allowances)	2,857,579	2,234,241	5,091,820	22,625
Intergovernmental receivables	1,814,374	733,581	2,547,955	100,628
Inventories	28,241	609,571	637,812	71,906
Prepaid items and other assets	164,387	39,826	204,213	514,403
Internal balances	1,366,527	(1,366,527)	-	-
Capital assets:				
Land	56,687,796	18,681,034	75,368,830	11,523,552
Buildings and improvements	23,455,352	52,851,369	76,306,721	66,462,006
Infrastructure	57,693,794	170,842,392	228,536,186	1,167,753
Machinery, equipment and furniture	23,102,073	13,257,506	36,359,579	1,497,033
Accumulated depreciation	(51,215,868)	(115,280,202)	(166,496,070)	(31,234,091)
Construction in progress	42,899,568	9,470,612	52,370,180	3,200,070
Other, including loans, mortgages, and other notes receivable	1,308,299	1,734,145	3,042,444	-
Net pension asset	233,469	199,733	433,202	-
Total assets	202,288,688	197,019,337	399,308,025	61,065,707
Deferred Outflows of Resources:				
Deferred outflows relating to pensions	14,414,711	783,351	15,198,062	678,384
Deferred charge on refunding	-	229,177	229,177	-
Total deferred outflows of resources	14,414,711	1,012,528	15,427,239	678,384
Total assets and deferred outflows of resources	\$ 216,703,399	\$ 198,031,865	\$ 414,735,264	\$ 61,744,091
Liabilities:				
Accounts payable and accrued expenses	\$ 3,528,829	\$ 2,218,432	\$ 5,747,261	\$ 820,094
Accrued payroll and benefits	727,389	78,102	805,491	-
Unearned revenue	2,154,300	429,544	2,583,844	287,108
Intergovernmental	96,819	-	96,819	59,396
Deposits	50,364	-	50,364	433,592
Retainage payable	454,514	74,850	529,364	-
Accrued interest	-	254,959	254,959	-
Noncurrent liabilities:				
Due within one year	3,746,016	3,781,461	7,527,477	896,408
Due in more than one year	20,884,482	18,489,710	39,374,192	33,621,979
Total liabilities	31,642,713	25,327,058	56,969,771	36,118,577
Deferred Inflows of Resources:				
Deferred inflows relating to pensions	1,239,668	143,804	1,383,472	129,423
Total deferred inflows of resources	1,239,668	143,804	1,383,472	129,423
Net Position:				
Net investment in capital assets	151,492,135	129,028,872	280,521,007	18,873,967
Restricted for:				
Infrastructure and capital projects	9,610,987	-	9,610,987	-
Debt service	-	274,198	274,198	-
Transportation	4,029,701	-	4,029,701	-
Truman waterfront	375,679	-	375,679	-
Natural resources	1,782,123	-	1,782,123	-
Housing initiatives and urban redevelopment	3,554,527	-	3,554,527	396,911
Law enforcement	76,317	-	76,317	-
Unrestricted	12,899,549	43,257,933	56,157,482	6,225,213
Total net position	183,821,018	172,561,003	356,382,021	25,496,091
Total liabilities, deferred inflows of resources and net position	\$ 216,703,399	\$ 198,031,865	\$ 414,735,264	\$ 61,744,091

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

City of Key West, Florida
Statement of Activities
For the Year Ended September 30, 2017

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	\$ 19,479,474	\$ 3,274,397	\$ -	\$ 787,916
Public safety	29,564,658	4,406,776	683,075	51,956
Transportation	3,486,151	9,241,801	-	663,280
Economic environment	1,063,215	20,000	942,000	-
Culture and recreation	3,826,902	483,293	636,039	-
Human services	459,350	-	-	-
Interest and other fiscal charges	11,220	-	-	-
Total governmental activities	<u>57,890,970</u>	<u>17,426,267</u>	<u>2,261,114</u>	<u>1,503,152</u>
Business-Type Activities:				
Sanitary Sewer System	11,433,439	11,522,312	411,348	-
Solid Waste	8,073,887	9,291,189	15,000	-
Key West Bight	5,768,724	9,621,107	-	-
Stormwater	3,196,383	2,196,537	-	-
Garrison Bight	1,444,542	2,058,809	153,145	-
Transit System	3,736,516	1,270,646	1,550,997	296,409
Total business-type activities	<u>33,653,491</u>	<u>35,960,600</u>	<u>2,130,490</u>	<u>296,409</u>
Total primary government	<u>\$ 91,544,461</u>	<u>\$ 53,386,867</u>	<u>\$ 4,391,604</u>	<u>\$ 1,799,561</u>
Component Unit:				
The Housing Authority of of the City of Key West, Florida	<u>\$ 13,145,875</u>	<u>\$ 8,203,804</u>	<u>\$ 4,046,534</u>	<u>\$ 47,000</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Communications taxes				
Local business tax				
Municipal revenue sharing gas and cigarette tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental income (unrestricted)				
Payment in lieu of tax				
Investment earnings				
Other, including sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net Position, October 1				
Net Position, September 30				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Unit
\$ (15,417,161)	\$ -	\$ (15,417,161)	\$ -
(24,422,851)	-	(24,422,851)	-
6,418,930	-	6,418,930	-
(101,215)	-	(101,215)	-
(2,707,570)	-	(2,707,570)	-
(459,350)	-	(459,350)	-
(11,220)	-	(11,220)	-
<u>(36,700,437)</u>	<u>-</u>	<u>(36,700,437)</u>	<u>-</u>
-	500,221	500,221	-
-	1,232,302	1,232,302	-
-	3,852,383	3,852,383	-
-	(999,846)	(999,846)	-
-	767,412	767,412	-
-	(618,464)	(618,464)	-
<u>-</u>	<u>4,734,008</u>	<u>4,734,008</u>	<u>-</u>
<u>(36,700,437)</u>	<u>4,734,008</u>	<u>(31,966,429)</u>	<u>-</u>
			<u>(848,537)</u>
16,328,632	-	16,328,632	-
1,280,426	-	1,280,426	-
1,532,678	-	1,532,678	-
1,374,292	-	1,374,292	-
8,644,632	-	8,644,632	-
4,641,861	-	4,641,861	-
1,593,826	-	1,593,826	-
144,131	-	144,131	-
428,851	-	428,851	-
264,148	263,216	527,364	69,342
148,706	784,213	932,919	756,609
4,043,835	(4,043,835)	-	-
<u>40,426,018</u>	<u>(2,996,406)</u>	<u>37,429,612</u>	<u>825,951</u>
3,725,581	1,737,602	5,463,183	(22,586)
<u>180,095,437</u>	<u>170,823,401</u>	<u>350,918,838</u>	<u>25,518,677</u>
<u>\$ 183,821,018</u>	<u>\$ 172,561,003</u>	<u>\$ 356,382,021</u>	<u>\$ 25,496,091</u>

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

City of Key West, Florida
Balance Sheet
Governmental Funds
September 30, 2017

	<u>General Fund</u>	<u>Community Development Office Fund</u>	<u>Gas Tax Fund</u>
Assets:			
Cash, cash equivalents, and investments	\$ 13,447,648	\$ 387,883	\$ 1,826,878
Receivables (net of allowance for uncollectibles):			
Accounts	1,378,625	-	-
Intergovernmental	688,237	16,672	174,959
Mortgage notes	-	1,308,299	-
Interfund receivables	144,070	-	1,856
Inventories	28,241	-	-
Advances to other funds	1,388,292	-	-
Prepays	103,320	1,067	-
Total assets	\$ 17,178,433	\$ 1,713,921	\$ 2,003,693
Liabilities:			
Accounts payable	\$ 2,292,178	\$ 1,205	\$ 116,538
Accrued payroll and related expenditures	714,437	-	3,235
Intergovernmental	95,738	1,081	-
Deposits	50,364	-	-
Unearned revenue	818,407	1,217,019	108,033
Retainage payable	-	-	-
Total liabilities	3,971,124	1,219,305	227,806
Deferred Inflows of Resources:			
Unavailable revenue - grant funding	154,099	-	-
Total deferred inflows of resources	154,099	-	-
Fund Balances:			
Nonspendable:			
Inventories	28,241	-	-
Long-term advances/notes	1,388,292	162,712	-
Prepays	103,320	1,067	-
Restricted for:			
Infrastructure and capital projects	-	-	-
Housing initiatives and urban redevelopment	-	330,837	-
Law enforcement	-	-	-
Transportation	-	-	1,775,887
Truman waterfront	375,679	-	-
Natural resources	-	-	-
Committed to:			
Infrastructure and capital projects	-	-	-
Art in public places	-	-	-
Culture and recreation	128,037	-	-
Youth and recreational activities	418,507	-	-
Assigned to:			
Subsequent year's budget	437,388	-	-
Unassigned	10,173,746	-	-
Total fund balances	13,053,210	494,616	1,775,887
Total liabilities, deferred inflows of resources and fund balances	\$ 17,178,433	\$ 1,713,921	\$ 2,003,693

<u>Infrastructure Surtax Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 10,056,314	\$ 1,317,700	\$ 7,774,731	\$ 34,811,154
-	-	-	1,378,625
922,536	-	11,970	1,814,374
-	-	-	1,308,299
335	337	-	146,598
-	-	-	28,241
-	-	-	1,388,292
-	-	-	104,387
<u>\$ 10,979,185</u>	<u>\$ 1,318,037</u>	<u>\$ 7,786,701</u>	<u>\$ 40,979,970</u>
\$ 954,717	\$ 138,610	\$ 18,847	\$ 3,522,095
3,678	1,884	1,372	724,606
-	-	-	96,819
-	-	-	50,364
-	-	5,433	2,148,892
314,835	139,679	-	454,514
<u>1,273,230</u>	<u>280,173</u>	<u>25,652</u>	<u>6,997,290</u>
<u>94,968</u>	<u>-</u>	<u>-</u>	<u>249,067</u>
<u>94,968</u>	<u>-</u>	<u>-</u>	<u>249,067</u>
-	-	-	28,241
-	-	-	1,551,004
-	-	-	104,387
9,610,987	-	-	9,610,987
-	-	3,223,690	3,554,527
-	-	76,317	76,317
-	-	2,253,814	4,029,701
-	-	-	375,679
-	-	1,782,123	1,782,123
-	1,037,864	-	1,037,864
-	-	425,105	425,105
-	-	-	128,037
-	-	-	418,507
-	-	-	437,388
-	-	-	10,173,746
<u>9,610,987</u>	<u>1,037,864</u>	<u>7,761,049</u>	<u>33,733,613</u>
<u>\$ 10,979,185</u>	<u>\$ 1,318,037</u>	<u>\$ 7,786,701</u>	<u>\$ 40,979,970</u>

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

City of Key West, Florida
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
September 30, 2017

Fund Balances - Total Governmental Funds \$ 33,733,613

Amounts reported for governmental activities in the statement of net position 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. 152,622,715

Internal service funds are used by management to charge the costs of insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 5,027,020

Certain funds related to pension assets and liabilities are not reported in the governmental funds.

Deferred outflows relating to pensions	14,414,711
Deferred inflows relating to pensions	(1,239,668)

Certain revenues are considered deferred inflows of resources in the fund financial statements due to availability of funds; under full accrual accounting they are considered revenues. 249,067

Net pension asset is not an available resource and, therefore, is not reported in the governmental funds. 233,469

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:

Net pension liability	\$ (10,776,165)	
Other post employment benefits (OPEB)	(4,746,534)	
Note payable	(290,285)	
Capital lease	(840,295)	
Compensated absences*	(4,566,630)	(21,219,909)

Net Position of Governmental Activities \$ 183,821,018

* Not created in connection with terminated employees.

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

City of Key West, Florida
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Community Development Office Fund</u>
Revenues:		
Taxes	\$ 17,320,046	\$ -
Licenses and permits	4,379,978	-
Intergovernmental	7,466,965	543,919
Charges for services	8,824,283	-
Fines and forfeitures	717,104	-
Investment earnings	163,469	2,685
Rental income	2,150,124	20,000
Contributions and other	<u>71,806</u>	<u>468</u>
Total revenues	<u>41,093,775</u>	<u>567,072</u>
Expenditures:		
Current:		
General government	17,407,388	-
Public safety	27,387,156	-
Transportation	1,144,716	-
Economic environment	337,374	642,297
Culture and recreation	3,117,581	-
Human services	459,084	-
Capital outlay	527,942	-
Debt service:		
Principal	-	-
Interest	<u>-</u>	<u>-</u>
Total expenditures	<u>50,381,241</u>	<u>642,297</u>
Excess (deficiency) of revenues over expenditures	<u>(9,287,466)</u>	<u>(75,225)</u>
Other Financing Sources (Uses):		
Transfers in	6,116,621	200,000
Transfers out	(2,816,063)	-
Proceeds from capital lease	-	-
Sale of general capital assets	<u>4,481</u>	<u>-</u>
Total other financing sources (uses)	<u>3,305,039</u>	<u>200,000</u>
Net change in fund balances	(5,982,427)	124,775
Fund balances, October 1	<u>19,035,637</u>	<u>369,841</u>
Fund balances, September 30	<u>\$ 13,053,210</u>	<u>\$ 494,616</u>

<u>Gas Tax Fund</u>	<u>Infrastructure Surtax Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,593,826	\$ 8,644,632	\$ -	\$ 870,713	\$ 28,429,217
-	-	-	-	4,379,978
64,060	1,518,988	-	270,853	9,864,785
-	-	-	1,882,231	10,706,514
-	-	-	-	717,104
6,834	52,234	8,989	30,316	264,527
-	-	-	-	2,170,124
<u>107,729</u>	<u>-</u>	<u>120,000</u>	<u>6,892</u>	<u>306,895</u>
<u>1,772,449</u>	<u>10,215,854</u>	<u>128,989</u>	<u>3,061,005</u>	<u>56,839,144</u>
-	106,160	106,287	84,386	17,704,221
-	-	-	12,111	27,399,267
1,375,742	-	-	388,521	2,908,979
-	-	-	83,544	1,063,215
-	-	-	-	3,117,581
-	-	-	-	459,084
2,195,984	14,450,071	3,840,498	89,365	21,103,860
-	-	-	147,059	147,059
-	-	-	11,220	11,220
<u>3,571,726</u>	<u>14,556,231</u>	<u>3,946,785</u>	<u>816,206</u>	<u>73,914,486</u>
<u>(1,799,277)</u>	<u>(4,340,377)</u>	<u>(3,817,796)</u>	<u>2,244,799</u>	<u>(17,075,342)</u>
2,500,000	-	1,330,008	766,063	10,912,692
(546,187)	(2,838,954)	(13,349)	(243,538)	(6,458,091)
-	840,295	-	-	840,295
-	7,248	-	-	11,729
<u>1,953,813</u>	<u>(1,991,411)</u>	<u>1,316,659</u>	<u>522,525</u>	<u>5,306,625</u>
154,536	(6,331,788)	(2,501,137)	2,767,324	(11,768,717)
<u>1,621,351</u>	<u>15,942,775</u>	<u>3,539,001</u>	<u>4,993,725</u>	<u>45,502,330</u>
<u>\$ 1,775,887</u>	<u>\$ 9,610,987</u>	<u>\$ 1,037,864</u>	<u>\$ 7,761,049</u>	<u>\$ 33,733,613</u>

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

City of Key West, Florida
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (11,768,717)

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

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

Expenditures for capital assets	\$	21,096,265	
Donated capital assets		787,916	
Less: Net book value of disposed capital assets		(29,990)	
Less: Current year depreciation		<u>(4,412,058)</u>	17,442,133

The issuance of long-term debt provides current financial resources to governmental funds, however, has no effect on net position. (840,295)

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

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. The net difference is recorded as a reconciling item. (66,073)

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

Change in net pension asset			(893,206)
Change in net pension liability			(48,799)
Change in other post employment benefits (OPEB)			(666,534)
Change in compensated absences			(462,329)

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

Change in deferred outflows relating to pensions			778,587
Change in deferred inflows relating to pensions			220,383

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service fund is reported with governmental funds. (116,628)

Change in Net Position of Governmental Activities \$ 3,725,581

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

City of Key West, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 17,273,934	\$ 17,273,934	\$ 17,320,046	\$ 46,112
Licenses and permits	4,014,600	4,014,600	4,379,978	365,378
Intergovernmental	7,826,012	7,846,012	7,466,965	(379,047)
Charges for services	9,300,297	9,808,337	8,824,283	(984,054)
Fines and forfeitures	844,500	844,500	717,104	(127,396)
Investment earnings	240,000	240,000	163,469	(76,531)
Rental income	2,254,000	2,254,000	2,150,124	(103,876)
Contributions and other	182,000	182,000	71,806	(110,194)
Total revenues	<u>41,935,343</u>	<u>42,463,383</u>	<u>41,093,775</u>	<u>(1,369,608)</u>
Expenditures:				
Personal services	36,704,557	36,918,523	39,215,397	(2,296,874)
Operating	9,737,468	10,160,839	10,300,528	(139,689)
Capital outlay	921,171	884,601	527,942	356,659
Aid to private organizations	288,600	360,350	337,374	22,976
Total expenditures	<u>47,651,796</u>	<u>48,324,313</u>	<u>50,381,241</u>	<u>(2,056,928)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,716,453)</u>	<u>(5,860,930)</u>	<u>(9,287,466)</u>	<u>(3,426,536)</u>
Other Financing Sources (Uses):				
Transfers in	5,274,452	5,274,452	6,116,621	842,169
Transfers out	(2,809,797)	(2,816,063)	(2,816,063)	-
Sale of general capital assets	10,000	10,000	4,481	(5,519)
Total other financing sources (uses)	<u>2,474,655</u>	<u>2,468,389</u>	<u>3,305,039</u>	<u>836,650</u>
Net change in fund balance	\$ <u>(3,241,798)</u>	\$ <u>(3,392,541)</u>	(5,982,427)	\$ <u>(2,589,886)</u>
Fund Balance, October 1			<u>19,035,637</u>	
Fund Balance, September 30			\$ <u>13,053,210</u>	

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

City of Key West, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Gas Tax Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,630,312	\$ 1,630,312	\$ 1,593,826	\$ (36,486)
Intergovernmental	-	-	64,060	64,060
Investment earnings	20,000	20,000	6,834	(13,166)
Contributions and other	56,000	56,000	107,729	51,729
Total revenues	<u>1,706,312</u>	<u>1,706,312</u>	<u>1,772,449</u>	<u>66,137</u>
Expenditures:				
Personal services	284,218	284,218	263,604	20,614
Operating	1,143,642	1,143,642	1,112,138	31,504
Capital outlay	2,760,000	2,760,000	2,195,984	564,016
Total expenditures	<u>4,187,860</u>	<u>4,187,860</u>	<u>3,571,726</u>	<u>616,134</u>
Excess (deficiency) of revenue over expenditures	<u>(2,481,548)</u>	<u>(2,481,548)</u>	<u>(1,799,277)</u>	<u>682,271</u>
Other Financing Sources (Uses):				
Transfers in	2,500,000	2,500,000	2,500,000	-
Transfers out	(546,187)	(546,187)	(546,187)	-
Total other financing sources (uses)	<u>1,953,813</u>	<u>1,953,813</u>	<u>1,953,813</u>	<u>-</u>
Net change in fund balance	<u>\$ (527,735)</u>	<u>\$ (527,735)</u>	154,536	<u>\$ 682,271</u>
Fund Balance, October 1			<u>1,621,351</u>	
Fund Balance, September 30			<u>\$ 1,775,887</u>	

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

City of Key West, Florida
Statement of Net Position
Proprietary Funds
September 30, 2017

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 12,883,754	\$ 10,395,472	\$ 14,004,261
Receivables, net of allowance for uncollectibles:			
Accounts	1,384,244	707,537	60,942
Intergovernmental	-	-	-
Interfund receivables	844	1,518	6,242
Prepaid expenses	-	-	29,532
Note receivable	-	-	89,288
Inventories	512,544	-	46,993
	<u>14,781,386</u>	<u>11,104,527</u>	<u>14,237,258</u>
Restricted assets:			
Cash, cash equivalents and investments	<u>633,993</u>	<u>-</u>	<u>-</u>
Total current assets	<u>15,415,379</u>	<u>11,104,527</u>	<u>14,237,258</u>
Noncurrent assets:			
Net pension asset	32,487	50,198	17,481
Note receivable, less current portion	-	-	1,644,857
Advances to other funds	1,631,051	-	-
Property, plant and equipment:			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	23,345,932	8,677,969	7,362,770
Infrastructure	114,592,485	3,697	10,674,895
Machinery, equipment and furniture	4,530,431	537,126	852,788
Accumulated depreciation	(72,684,539)	(4,040,307)	(11,492,121)
Construction in progress	4,971,066	-	3,986,399
Total noncurrent assets	<u>76,425,393</u>	<u>8,973,710</u>	<u>27,926,596</u>
Total assets	<u>91,840,772</u>	<u>20,078,237</u>	<u>42,163,854</u>
Deferred Outflows of Resources:			
Deferred outflows relating to pensions	61,247	90,691	183,552
Deferred charge on refunding	229,177	-	-
Total deferred outflows of resources	<u>290,424</u>	<u>90,691</u>	<u>183,552</u>
Total assets and deferred outflows of resources	<u>\$ 92,131,196</u>	<u>\$ 20,168,928</u>	<u>\$ 42,347,406</u>

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 3,092,616	\$ 62,629	\$ 1,939,331	\$ 42,378,063	\$ 7,081,943
33,737	30,234	17,547	2,234,241	1,478,954
-	580,436	153,145	733,581	-
170	9,447	3,544	21,765	-
-	2,921	7,373	39,826	60,000
-	-	-	89,288	-
21,080	28,954	-	609,571	-
<u>3,147,603</u>	<u>714,621</u>	<u>2,120,940</u>	<u>46,106,335</u>	<u>8,620,897</u>
-	-	-	633,993	-
<u>3,147,603</u>	<u>714,621</u>	<u>2,120,940</u>	<u>46,740,328</u>	<u>8,620,897</u>
28,620	51,703	19,244	199,733	-
-	-	-	1,644,857	-
-	-	-	1,631,051	-
-	50,000	-	18,681,034	-
-	12,757,622	707,076	52,851,369	-
36,068,430	235,491	9,267,394	170,842,392	-
24,643	6,726,866	585,652	13,257,506	-
(14,453,453)	(7,359,763)	(5,250,019)	(115,280,202)	-
165,524	130,568	217,055	9,470,612	-
<u>21,833,764</u>	<u>12,592,487</u>	<u>5,546,402</u>	<u>153,298,352</u>	<u>-</u>
<u>24,981,367</u>	<u>13,307,108</u>	<u>7,667,342</u>	<u>200,038,680</u>	<u>8,620,897</u>
24,782	317,301	105,778	783,351	-
-	-	-	229,177	-
<u>24,782</u>	<u>317,301</u>	<u>105,778</u>	<u>1,012,528</u>	<u>-</u>
<u>\$ 25,006,149</u>	<u>\$ 13,624,409</u>	<u>\$ 7,773,120</u>	<u>\$ 201,051,208</u>	<u>\$ 8,620,897</u>

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

City of Key West, Florida
Statement of Net Position
Proprietary Funds
(continued)
September 30, 2017

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 267,392	\$ 852,618	\$ 371,023
Accrued payroll and related expenses	4,553	7,339	19,632
Compensated absences	8,843	38,353	32,930
Accrued expenses	-	-	147,577
Accrued interest	239,010	-	15,949
Interfund payable	-	-	-
Retainage payable	27,094	-	47,756
Insurance claims payable	-	-	-
Unearned revenue	340,416	-	13,988
Bonds and note payable	2,161,045	-	1,419,816
Total current liabilities	<u>3,048,353</u>	<u>898,310</u>	<u>2,068,671</u>
Noncurrent liabilities:			
Revenue bonds payable	16,239,778	-	-
Note payable	1,202,377	-	-
Advances from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	233,010
OPEB liability	18,906	36,592	124,604
Compensated absences	6,084	26,384	22,653
Total noncurrent liabilities	<u>17,467,745</u>	<u>62,976</u>	<u>380,267</u>
Total liabilities	<u>20,516,098</u>	<u>961,286</u>	<u>2,448,938</u>
Deferred Inflows of Resources:			
Deferred inflows relating to pensions	16,965	26,416	22,078
Total deferred inflows of resources	<u>16,965</u>	<u>26,416</u>	<u>22,078</u>
Net Position:			
Net investment in capital assets	55,387,832	8,923,512	24,844,442
Restricted for debt service	274,198	-	-
Unrestricted (deficit)	15,936,103	10,257,714	15,031,948
Total net position	<u>71,598,133</u>	<u>19,181,226</u>	<u>39,876,390</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 92,131,196</u>	<u>\$ 20,168,928</u>	<u>\$ 42,347,406</u>

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 429,890	\$ 32,003	\$ 117,929	\$ 2,070,855	\$ 6,734
997	34,589	10,992	78,102	2,783
3,168	88,636	28,670	200,600	2,298
-	-	-	147,577	-
-	-	-	254,959	-
-	-	-	-	168,363
-	-	-	74,850	-
-	-	-	-	893,225
-	-	75,140	429,544	5,408
-	-	-	3,580,861	-
<u>434,055</u>	<u>155,228</u>	<u>232,731</u>	<u>6,837,348</u>	<u>1,078,811</u>
-	-	-	16,239,778	-
-	-	-	1,202,377	-
3,019,343	-	-	3,019,343	-
-	-	-	-	2,513,485
-	6,880	270,264	510,754	-
5,489	159,179	54,031	398,801	-
2,180	60,976	19,723	138,000	1,581
<u>3,027,012</u>	<u>227,035</u>	<u>344,018</u>	<u>21,509,053</u>	<u>2,515,066</u>
<u>3,461,067</u>	<u>382,263</u>	<u>576,749</u>	<u>28,346,401</u>	<u>3,593,877</u>
<u>12,361</u>	<u>49,766</u>	<u>16,218</u>	<u>143,804</u>	<u>-</u>
<u>12,361</u>	<u>49,766</u>	<u>16,218</u>	<u>143,804</u>	<u>-</u>
21,805,144	12,540,784	5,527,158	129,028,872	-
-	-	-	274,198	-
(272,423)	651,596	1,652,995	43,257,933	5,027,020
<u>21,532,721</u>	<u>13,192,380</u>	<u>7,180,153</u>	<u>172,561,003</u>	<u>5,027,020</u>
<u>\$ 25,006,149</u>	<u>\$ 13,624,409</u>	<u>\$ 7,773,120</u>	<u>\$ 201,051,208</u>	<u>\$ 8,620,897</u>

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

City of Key West, Florida
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Operating Revenues:			
Charges for services	\$ 11,522,312	\$ 9,291,189	\$ 9,621,107
Total operating revenues	<u>11,522,312</u>	<u>9,291,189</u>	<u>9,621,107</u>
Operating Expenses:			
Personal services	235,674	740,292	1,090,601
Other operating expenses	5,576,299	6,862,843	3,847,898
Depreciation	4,038,057	470,752	768,779
Total operating expenses	<u>9,850,030</u>	<u>8,073,887</u>	<u>5,707,278</u>
Operating income (loss)	<u>1,672,282</u>	<u>1,217,302</u>	<u>3,913,829</u>
Nonoperating Revenues (Expenses):			
Grant income (operating)	411,348	15,000	-
Investment earnings	114,671	56,921	60,388
Other income	-	402,479	196,897
Interest expense and other fiscal charges	(570,256)	-	(58,429)
Net nonoperating revenues (expenses)	<u>(44,237)</u>	<u>474,400</u>	<u>198,856</u>
Income (loss) before transfers, contributions and other	<u>1,628,045</u>	<u>1,691,702</u>	<u>4,112,685</u>
Transfers, Contributions and Other:			
Loss on disposition of capital assets	(1,013,153)	-	(3,017)
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(1,228,481)	(1,368,781)	(861,250)
Total transfers, contributions and other	<u>(2,241,634)</u>	<u>(1,368,781)</u>	<u>(864,267)</u>
Change in net position	<u>(613,589)</u>	<u>322,921</u>	<u>3,248,418</u>
Net Position, October 1	<u>72,211,722</u>	<u>18,858,305</u>	<u>36,627,972</u>
Net Position, September 30	<u>\$ 71,598,133</u>	<u>\$ 19,181,226</u>	<u>\$ 39,876,390</u>

				Governmental Activities Internal Service Fund
Stormwater	Transit System	Garrison Bight	Total	
\$ 2,196,537	\$ 1,270,646	\$ 2,058,809	\$ 35,960,600	\$ 10,123,724
<u>2,196,537</u>	<u>1,270,646</u>	<u>2,058,809</u>	<u>35,960,600</u>	<u>10,123,724</u>
54,697	2,180,439	573,092	4,874,795	124,458
1,205,807	827,506	547,919	18,868,272	10,148,139
<u>1,579,683</u>	<u>728,254</u>	<u>323,531</u>	<u>7,909,056</u>	<u>-</u>
<u>2,840,187</u>	<u>3,736,199</u>	<u>1,444,542</u>	<u>31,652,123</u>	<u>10,272,597</u>
<u>(643,650)</u>	<u>(2,465,553)</u>	<u>614,267</u>	<u>4,308,477</u>	<u>(148,873)</u>
-	1,550,997	153,145	2,130,490	-
19,473	855	10,908	263,216	25,764
-	34,565	150,272	784,213	417,247
<u>(106,253)</u>	<u>(317)</u>	<u>-</u>	<u>(735,255)</u>	<u>-</u>
<u>(86,780)</u>	<u>1,586,100</u>	<u>314,325</u>	<u>2,442,664</u>	<u>443,011</u>
<u>(730,430)</u>	<u>(879,453)</u>	<u>928,592</u>	<u>6,751,141</u>	<u>294,138</u>
(249,943)	-	-	(1,266,113)	-
-	296,409	-	296,409	-
-	386,046	-	386,046	-
<u>(338,725)</u>	<u>(288,246)</u>	<u>(344,398)</u>	<u>(4,429,881)</u>	<u>(410,766)</u>
<u>(588,668)</u>	<u>394,209</u>	<u>(344,398)</u>	<u>(5,013,539)</u>	<u>(410,766)</u>
(1,319,098)	(485,244)	584,194	1,737,602	(116,628)
<u>22,851,819</u>	<u>13,677,624</u>	<u>6,595,959</u>	<u>170,823,401</u>	<u>5,143,648</u>
\$ <u><u>21,532,721</u></u>	\$ <u><u>13,192,380</u></u>	\$ <u><u>7,180,153</u></u>	\$ <u><u>172,561,003</u></u>	\$ <u><u>5,027,020</u></u>

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

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 11,600,961	\$ 9,013,143	\$ 9,706,006
Cash received from interfund charges	-	-	-
Cash paid to suppliers	(5,551,814)	(6,899,761)	(3,359,216)
Cash paid to employees	(222,857)	(710,460)	(1,028,493)
Other receipts	-	402,479	196,897
Net cash provided by (used in) operating activities	<u>5,826,290</u>	<u>1,805,401</u>	<u>5,515,194</u>
Cash Flows from Noncapital Financing Activities:			
Operating grants received	411,348	15,000	-
Repayments received on advances to other funds	97,803	-	32,349
Repayments made on advances from other funds	-	-	-
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	-
Transfers (out)	(1,228,481)	(1,368,781)	(861,250)
Net cash provided by (used in) noncapital financing activities	<u>(719,330)</u>	<u>(1,353,781)</u>	<u>(828,901)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital grants and contributions*	-	-	-
Acquisition and construction of capital assets, net	(2,878,124)	(136,872)	(1,480,802)
Principal paid on revenue bonds	(1,800,626)	-	(1,372,585)
Interest paid and other fiscal charges	(545,478)	-	(70,975)
Repayments and payments on notes	(309,010)	-	74,266
Net cash provided by (used in) capital and related financing activities	<u>(5,533,238)</u>	<u>(136,872)</u>	<u>(2,850,096)</u>
Cash Flows from Investing Activities:			
Investment earnings	114,671	56,921	60,388
Net cash provided by (used in) investing activities	<u>114,671</u>	<u>56,921</u>	<u>60,388</u>
Net increase (decrease) in cash, cash equivalents and investments	(311,607)	371,669	1,896,585
Cash, Cash Equivalents and Investments, October 1	<u>13,829,354</u>	<u>10,023,803</u>	<u>12,107,676</u>
Cash, Cash Equivalents and Investments, September 30	<u>\$ 13,517,747</u>	<u>\$ 10,395,472</u>	<u>\$ 14,004,261</u>
Reconciliation to Statement of Net Position:			
Cash, cash equivalents and investments	\$ 12,883,754	\$ 10,395,472	\$ 14,004,261
Restricted cash, cash equivalents and investments	633,993	-	-
Cash, cash equivalents and investments	<u>\$ 13,517,747</u>	<u>\$ 10,395,472</u>	<u>\$ 14,004,261</u>

* Capital grants and contributions for the year ended September 30, 2017 are all associated with cash transactions.

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,171,554	\$ 1,268,817	\$ 2,052,630	\$ 35,813,111	\$ -
-	-	-	-	10,127,975
(818,363)	(876,559)	(959,852)	(18,465,565)	(8,723,732)
(52,034)	(2,029,338)	(550,617)	(4,593,799)	(128,897)
-	34,565	150,272	784,213	417,247
<u>1,301,157</u>	<u>(1,602,515)</u>	<u>692,433</u>	<u>13,537,960</u>	<u>1,692,593</u>
-	2,170,260	-	2,596,608	-
-	-	-	130,152	-
(234,274)	(32,349)	-	(266,623)	-
(106,253)	(317)	-	(106,570)	-
-	386,046	-	386,046	-
<u>(338,725)</u>	<u>(288,246)</u>	<u>(344,398)</u>	<u>(4,429,881)</u>	<u>(410,766)</u>
<u>(679,252)</u>	<u>2,235,394</u>	<u>(344,398)</u>	<u>(1,690,268)</u>	<u>(410,766)</u>
-	405,530	-	405,530	-
(69,527)	(981,041)	(1,099,426)	(6,645,792)	-
-	-	-	(3,173,211)	-
-	-	-	(616,453)	-
-	-	-	(234,744)	-
<u>(69,527)</u>	<u>(575,511)</u>	<u>(1,099,426)</u>	<u>(10,264,670)</u>	<u>-</u>
<u>19,473</u>	<u>855</u>	<u>10,908</u>	<u>263,216</u>	<u>25,764</u>
<u>19,473</u>	<u>855</u>	<u>10,908</u>	<u>263,216</u>	<u>25,764</u>
571,851	58,223	(740,483)	1,846,238	1,307,591
<u>2,520,765</u>	<u>4,406</u>	<u>2,679,814</u>	<u>41,165,818</u>	<u>5,774,352</u>
<u>\$ 3,092,616</u>	<u>\$ 62,629</u>	<u>\$ 1,939,331</u>	<u>\$ 43,012,056</u>	<u>\$ 7,081,943</u>
\$ 3,092,616	\$ 62,629	\$ 1,939,331	\$ 42,378,063	\$ 7,081,943
-	-	-	633,993	-
<u>\$ 3,092,616</u>	<u>\$ 62,629</u>	<u>\$ 1,939,331</u>	<u>\$ 43,012,056</u>	<u>\$ 7,081,943</u>

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

City of Key West, Florida
Statement of Cash Flows
Proprietary Funds
(continued)
For the Year Ended September 30, 2017

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ <u>1,672,282</u>	\$ <u>1,217,302</u>	\$ <u>3,913,829</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other nonoperating revenues	-	402,479	196,897
Depreciation	4,038,057	470,752	768,779
Decrease (increase) in assets:			
Accounts receivables, net	(43,108)	23,329	454,084
Interfund receivables, net	(525)	(947)	(3,897)
Prepaid expenses	-	-	(277)
Inventories	(4,728)	-	44
Net pension asset	14,256	22,675	54,331
Deferred outflows relating to pensions	(4,003)	(6,366)	(15,254)
Increase (decrease) in liabilities:			
Accounts payable	29,213	(36,918)	497,525
Accrued payroll and related expenses	481	744	2,168
Accrued expenses	-	-	(8,610)
Interfund payable, net	-	-	-
Insurance claims payable	-	-	-
Unearned revenue	122,282	(300,428)	(375,425)
Customer deposits	-	-	10,137
OPEB liability	906	11,592	13,604
Compensated absences	2,802	3,772	13,453
Deferred inflows relating to pensions	(1,625)	(2,585)	(6,194)
Total adjustments	<u>4,154,008</u>	<u>588,099</u>	<u>1,601,365</u>
Net cash provided by (used in) operating activities	\$ <u><u>5,826,290</u></u>	\$ <u><u>1,805,401</u></u>	\$ <u><u>5,515,194</u></u>

<u>Stormwater</u>	<u>Transit System</u>	<u>Garrison Bight</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>(643,650)</u>	\$ <u>(2,465,553)</u>	\$ <u>614,267</u>	\$ <u>4,308,477</u>	\$ <u>(148,873)</u>
-	34,565	150,272	784,213	417,247
1,579,683	728,254	323,531	7,909,056	-
(24,877)	4,005	92,844	506,277	529,246
(106)	(5,834)	(2,212)	(13,521)	-
-	(313)	267	(323)	11,989
1,157	(7,282)	-	(10,809)	-
3,255	104,172	30,646	229,335	-
(914)	(29,247)	(8,603)	(64,387)	-
386,287	8,542	(412,200)	472,449	(1,544)
61	1,698	1,470	6,622	693
-	-	-	(8,610)	-
-	(50,000)	-	(50,000)	105,124
-	-	-	-	779,592
-	-	(110,992)	(664,563)	4,251
-	-	14,181	24,318	-
(511)	34,179	4,031	63,801	-
1,143	52,176	(1,574)	71,772	(5,132)
(371)	(11,877)	(3,495)	(26,147)	-
<u>1,944,807</u>	<u>863,038</u>	<u>78,166</u>	<u>9,229,483</u>	<u>1,841,466</u>
\$ <u><u>1,301,157</u></u>	\$ <u><u>(1,602,515)</u></u>	\$ <u><u>692,433</u></u>	\$ <u><u>13,537,960</u></u>	\$ <u><u>1,692,593</u></u>

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

City of Key West, Florida
Statement of Net Position
Fiduciary Funds
September 30, 2017

Assets:

Cash and cash equivalents	\$ 6,200,949
Investments, at fair value:	
Equity securities	97,562,829
Corporate and foreign bonds and bond funds	22,279,337
Alternative investments	11,111,943
U.S. government securities	7,508,158
Collateralized mortgage obligations	1,021,774
Municipal obligations	825,709
Real estate	5,110,000
Receivables:	
Interest and dividends	254,105
Other	573,252
Proceeds from securities sold	<u>105,095</u>
Total assets	<u>152,553,151</u>

Liabilities:

Accounts payable and accrued expenses	165,716
Payable for securities purchased	382,071
Prepaid city contributions	<u>231,495</u>
Total liabilities	<u>779,282</u>

Net Position:

Restricted for pension benefits	\$ <u><u>151,773,869</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 Net Position
Fiduciary Funds
For the Year Ended September 30, 2017

Additions:

Contributions:

Employer	\$ 4,334,190
Members	1,693,466
State police and fire	<u>572,152</u>

Total contributions	<u>6,599,808</u>
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Investment earnings:

Net appreciation (depreciation) in fair value of investments	14,583,487
Interest and dividends	<u>3,689,259</u>

Total investment earnings	18,272,746
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Less: Investment expenses	<u>738,807</u>
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Net investment earnings	<u>17,533,939</u>
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Total additions	<u>24,133,747</u>
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Deductions:

Benefits paid	8,015,646
Administrative expenses	<u>366,846</u>

Total deductions	<u>8,382,492</u>
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Changes in net position	15,751,255
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Net Position, October 1	<u>136,022,614</u>
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Net Position, September 30	<u>\$ <u>151,773,869</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Individual Component Unit Disclosures

Discretely Presented Component Unit:

The Housing Authority of the City of Key West, Florida (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 \$ 516,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services, the City has no other obligations to 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, 2016 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 33040.

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 from the system, a sum equal to the greater of (a) \$ 200,000 (adjusted annually for changes in the Consumer Price Index) or (b) one percent (1%) of the gross revenues derived from sales of electricity at retail (exclusive of Power Cost Revenue, which are defined, for purposes of this paragraph, as (i) revenues determined by reference to the power cost component of base rates, plus or minus (ii) power cost adjustment charges or credits). For the fiscal year ended September 30, 2017, the City received payment of approximately \$ 429,000. Keys Energy Services is not considered a component unit of the City.

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB liabilities, and claims and judgments, are recorded only when payment is due.

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

1. Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

The Transit System Fund accounts for the provision of mass transit services within the City limits to the residents of the City. This fund has been determined by management to be a major fund.

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

Additionally, the City reports the following fund types:

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

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

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

E. Budgets and Budgetary Accounting

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

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

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.

1. Summary of Significant Accounting Policies (continued)

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.

The General Fund reports personal services expenditures in excess of appropriations in an amount of \$ 2,296,874 due to the unbudgeted payout of emergency pay for the Emergency Operations Center (EOC) staffing and public safety related to Hurricane Irma. Additionally, the General Fund reports operating expenditures in excess of appropriations in an amount of \$ 139,689 due to emergency consulting for the EOC and food services provided to EOC staff and public personnel related to Hurricane Irma. A strong fund balance existed in the General Fund to cover those EOC expenditures.

The Infrastructure Surtax Fund reports capital outlay expenditures in excess of appropriations of \$ 6,205,087 due to the multiyear Truman Waterfront Phase 1A project in which the budget was exceeded in the current year, however, capital expenditures at the project level were still within budget.

The Capital Projects Fund reports personal services and capital outlay expenditures in excess of budgeted appropriations of \$ 7,555 and \$ 2,310,490, respectively. The additional personal services expenditures were related to emergency pay for EOC staffing and the additional capital expenditures were related to two multiyear projects, City Hall and Fredrick Douglass Gym, in which the budget was exceeded in the current year, but capital expenditures at the project level were still within budget.

1. Summary of Significant Accounting Policies (continued)

The Bahama Village Fund reports operating expenditures in excess of appropriations in the amount of \$ 27,131 due to a fiscal year 2015 budgeted multiyear CRA planning effort in which funds were not expended completely until the current fiscal year. Unused appropriations are not rolled into succeeding years. Additionally, the Bahama Village Fund reports Aid to Private Organizations in excess of appropriations in the amount of \$ 34,145 due to multiyear projects, Habitat for Humanity and Coral City Elks, in which the budget was exceeded in the current year but total transfers at the project level were still within budget.

The Caroline Street Fund reports capital outlay expenditures in excess of appropriations in the amount of \$ 74,515 due to the multiyear Caroline Street Corridor Improvements project in which the budget was exceeded in current year, but capital expenditures at the project level were still within project budget.

The Community Fund reports operating expenditures in excess of appropriations in the amount of \$ 2,136 related to an unbudgeted sculpture repair that was subsequently reimbursed by private contributions.

F. Deposits and Investments

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

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

G. Receivables and Payables

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

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

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

H. Prepaid Items

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

1. Summary of Significant Accounting Policies (continued)

I. Inventories

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

J. Restricted Assets

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

K. Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as construction progresses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. There was no capitalized interest during the year.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. It is deferred charge on refunding reported in the proprietary funds and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflows relating to the pension plans and discussed in further detail in Note 6.

1. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred inflows relating to the pension plans and discussed in further detail in Note 6.

M. Compensated Absences

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

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Long-term debt is recognized as a liability in the governmental fund statements when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

O. Net Position/Fund Balance

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

Restricted consists of net position with constraints placed on their use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted indicates that portion of net position that is available to fund future operations.

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

P. Minimum Fund Balance Policy

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flows and reduce the susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City Commission has adopted a policy that requires the City to maintain unassigned fund balance equivalent to a minimum ranging from 20% to 25% of the subsequent year's budgeted operating expenditures and transfers out. In 2017, the minimum fund balance required by the City Commission at the close of the fiscal year ranges from approximately \$ 9,900,000 to \$ 12,400,000; therefore, unassigned fund balance is within the prescribed limits.

Q. Estimates

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

R. Date of Management Review

Subsequent events were evaluated by management through April 25, 2018, which is the date the financial statements were available to be issued.

2. Deposits and Investments

A. Deposits

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

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

2. Deposits and Investments (continued)

At September 30, 2017, the carrying amount of the City’s deposits was approximately \$ 6,190,000, with a bank balance of approximately \$ 6,390,000. Included in the carrying amount of deposits was approximately \$ 4,500 cash on hand.

B. Investments

As of September 30, 2017, 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	\$ 6,190,319	\$ 238,774	\$ 77,842,067	\$ 84,271,160
Restricted cash, cash equivalents, and investments	-	-	633,993	633,993
	<u>\$ 6,190,319</u>	<u>\$ 238,774</u>	<u>\$ 78,476,060</u>	<u>\$ 84,905,153</u>

As of September 30, 2017, the City’s investment maturities and credit ratings were as follows:

	<u>Market Value</u>	<u>Investment Maturities (in Years)</u>		<u>S & P Credit Rating</u>
		<u>Less than 1</u>	<u>1-5</u>	
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 57,480,680	\$ -	\$ 57,480,680	AA+ or not rated
Money Market Mutual Funds	4,329	4,329	-	Not rated
Municipal Obligations	2,873,286	2,873,286	-	A+ or AA
Commercial Paper	3,028,837	3,028,837	-	Not rated
Florida Fixed Income Trust	15,093,257	15,093,257	-	AAAF
State Investment Pool: Florida Prime	234,445	234,445	-	AAAm
	<u>\$ 78,714,834</u>	<u>\$ 21,234,154</u>	<u>\$ 57,480,680</u>	

Interest rate risk - To the extent possible, the City’s investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2017 meet the City’s investment policy restrictions.

Credit risk - The City’s investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers’ acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers’ acceptances be rated A-1 by Standard & Poor’s (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2017, the City’s portfolio rating is in compliance with its investment policy.

2. Deposits and Investments (continued)

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

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

At September 30, 2017, the City's investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

Issue:	Percent of Investment Portfolio
Federal Instrumentalities - U.S. Government Sponsored Agencies	37.6%
U.S. Government Securities - Treasuries	35.4%
Florida Fixed Income Trust	19.1%
Commercial Paper	3.8%
State and/or Local Government Debt (Municipal Obligations)	3.7%
Florida Local Government Surplus Funds - Florida Prime	0.3%
Money Market Mutual Funds	0.1%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal National Mortgage Association (Fannie Mae) are 19.28% (approximately \$ 15,174,000), the Federal Home Loan Bank (FHLB) are 9.29% (approximately \$ 7,315,000), and the Federal Home Loan Mortgage Corporation (Freddie Mac) are 9.06% (approximately \$ 7,135,000). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

2. Deposits and Investments (continued)

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, 2017, all of the City's investments are held in a bank's trust department in the City's name, nominee registration.

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

C. Investments - Pension Plans

As of September 30, 2017, the City's pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Equity Securities	\$ 31,432,424	\$ 66,130,405
Corporate and Foreign Bonds and Bond Funds	10,557,922	11,721,415
Alternative Investments	6,330,038	4,781,905
U.S. Government Securities	2,315,000	5,193,158
Collateralized Mortgage Obligations	1,021,774	-
Municipal Obligations	617,114	208,595
Real Estate	-	5,110,000
	<u>\$ 52,274,272</u>	<u>\$ 93,145,478</u>

As of September 30, 2017, the Plans' investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities	\$ 2,315,000	\$ 50,571	\$ 626,139	\$ 502,424	\$ 1,135,866	Aaa*
Collateralized Mortgage Obligations	1,021,774	-	-	58,418	963,356	AA**
Corporate and Foreign Bonds and Bond Funds	10,557,922	2,535,492	3,648,628	3,110,015	1,263,787	AAA through BBB-***
Municipal Obligations	617,114	-	-	98,070	519,044	AAA through AA
	<u>\$ 14,511,810</u>	<u>\$ 2,586,063</u>	<u>\$ 4,274,767</u>	<u>\$ 3,768,927</u>	<u>\$ 3,882,053</u>	

* Not rated by S & P; therefore, provided by Moody's credit rating. Includes \$ 773,786 of investments that are not rated.

** Includes \$ 994,905 which is not rated. All other investments within this category are rated AA.

*** Includes \$ 207,467 which is rated BBB-, \$ 1,117,013 which is rated BBB, \$ 1,716,970 which is rated BBB+, and \$ 2,776,372 which is not rated. All other investments within this category are rated amongst the "A" rating.

The General Employees Pension Plan includes \$ 1,214,238 (money market fund - AAA) in cash equivalents with a maturity of less than 3 months.

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 *	\$ 5,193,158	\$ -	\$ 2,374,941	\$ 436,577	\$ 2,381,640	Not Rated
Corporate and Foreign Bonds and Bond Funds	11,721,415	-	6,576,621	3,812,660	1,332,134	AAA through BB-**
Municipal Obligations	208,595	-	208,595	-	-	AAA through BB-**
	<u>\$ 17,123,168</u>	<u>\$ -</u>	<u>\$ 9,160,157</u>	<u>\$ 4,249,237</u>	<u>\$ 3,713,774</u>	

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

** Includes \$ 8,083,972 rated amongst the "B" rating group, and \$ 521,130 are not rated.

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. At September 30, 2017, the General Employees Retirement Plan had investments with American Core Realty Fund, LLC amounting to approximately 12.11% or \$ 6,300,000 of the total Plan's investments. The Police Officers and Firefighters Retirement Plan had no total investments in any one issuer that represent 5% or more of the Plan's total investments.

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

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

2. Deposits and Investments (continued)

D. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy disclosure framework which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Various inputs are used in determining the fair value of investments. These inputs are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 - investments reflect unadjusted quoted prices in active markets for identical assets.
- Level 2 - investments reflect prices that are based on a similar observable assets, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

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

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

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

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

Fair values of investments held by the City's Primary Government Investment Funds are classified at September 30, 2017 as follows:

2. Deposits and Investments (continued)

City:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 57,480,680	\$ 27,855,963	\$ 29,624,717	\$ -	\$ -
Municipal Obligations	2,873,286	-	2,873,286	-	-
Commercial Paper	3,028,837	-	3,028,837	-	-
Florida Fixed Income Trust	<u>15,093,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,093,257</u>
Total Investments Measured at Fair Value	78,476,060	27,855,963	35,526,840	-	15,093,257
Cash Equivalents	<u>4,329</u>	<u>4,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments and Cash Equivalents Measured at Fair Value	<u>78,480,389</u>	<u>\$ 27,860,292</u>	<u>\$ 35,526,840</u>	<u>\$ -</u>	<u>\$ 15,093,257</u>
Investments Not Measured at Fair Value:					
Florida PRIME	<u>234,445</u>				
Total	<u>\$ 78,714,834</u>				

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2017, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Florida Fixed Income Trust (1)	\$ <u>15,093,257</u>	\$ <u>-</u>	Daily	1 day

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

2. Deposits and Investments (continued)

General Employees Retirement Plan:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
U.S. Government Securities	\$ 2,315,000	\$ 1,541,214	\$ 773,786	\$ -	\$ -
Corporate and Foreign Bonds and Bond Funds	10,557,922	2,473,920	8,084,002	-	-
Collateralized Mortgage Obligations	1,021,774	-	1,021,774	-	-
Municipal Obligations	617,114	-	617,114	-	-
Equity Securities	31,432,424	28,165,206	3,267,218	-	-
Alternative Investments	<u>6,330,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,330,038</u>
Total Investments Measured at Fair Value	52,274,272	32,180,340	13,763,894	-	6,330,038
Cash Equivalents	<u>1,334,849</u>	<u>1,334,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments and Cash Equivalents Measured at Fair Value	<u>\$ 53,609,121</u>	<u>\$ 33,515,189</u>	<u>\$ 13,763,894</u>	<u>\$ -</u>	<u>\$ 6,330,038</u>

Additional information for investments measured at the net asset value (“NAV”) per share (or its equivalent) as of September 30, 2017, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	<u>\$ 6,330,038</u>	<u>\$ -</u>	Quarterly	10 business days

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

2. Deposits and Investments (continued)

Police Officers and Firefighters Retirement Plan:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
U.S. Government Securities	\$ 5,193,158	\$ 5,193,158	\$ -	\$ -	\$ -
Corporate and Foreign Bonds and Bond Funds	11,721,415	3,752,488	7,968,927	-	-
Municipal Obligations	208,595	-	208,595	-	-
Equity Securities	66,130,405	66,130,405	-	-	-
Real Estate	5,110,000	-	-	5,110,000	-
Alternative Investments	4,781,905	-	-	-	4,781,905
Total Investments Measured at Fair Value	93,145,478	\$ 75,076,051	8,177,522	5,110,000	4,781,905
Cash Equivalents	4,866,100	4,866,100	-	-	-
Total Investments and Cash Equivalents Measured at Fair Value	\$ 98,011,578	\$ 79,942,151	\$ 8,177,522	\$ 5,110,000	\$ 4,781,905

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2017, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	\$ 4,781,905	\$ -	Bi-Annual	90 Days

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

E. Component Unit:

Deposits - Demand and time deposits classified as cash are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2016, the Authority's book balance of cash was \$ 7,739,822 and the bank balance was \$ 7,830,490.

2. Deposits and Investments (continued)

As of December 31, 2016, cash is reported as follows:

Cash - unrestricted	\$ 6,909,319
Cash - restricted	<u>830,503</u>
Total	<u>\$ 7,739,822</u>

In addition, the component unit's pension plan deposits amounting to \$ 1,850,243 (\$ 1,850,243 bank balance) are fully insured by the FDIC and collateralized.

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

As of December 31, 2016, the Plan had the following investments:

Equity Mutual Funds:

Vanguard Index TR 500 Port Mutual Fund*(1)	\$ 2,009,276
Vanguard Dividend Growth Fund*(1)	1,190,082
Vanguard Total Intl Stock Index*(1)	889,380
Oakmark International Small Cap*	283,674

Fixed Income Mutual Funds:

PIMCO Investment Grd Corp-IN*(1)	664,637
PIMCO Investment Fund*(1)	601,421
Dodge & Cox Income Fund*(1)	532,215

Absolute Return Mutual Funds:

PIMCO All Asset Fund*(1)	697,799
Westwood Income Opportunity Instl*(1)	689,007

Money Market:

Goldman Sach Fin Sq Tr*	<u>502,000</u>
	<u>\$ 8,059,491</u>

* Investment maturity is less than one year.

(1) Investment subject to concentration credit risk.

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

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

3. Receivables and Deferred Inflows of Resources – Grant Funding

Receivables at September 30, 2017 consist of the following:

Receivable Type:	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,105	\$ 254,105
Accounts	1,378,625	-	-	4,448,848	1,478,954	-	7,306,427
Mortgages	-	2,425,117	-	-	-	-	2,425,117
Intergovernmental	688,237	203,601	922,536	733,581	-	573,252	3,121,207
Proceeds from securities sold	-	-	-	-	-	105,095	105,095
Gross receivables	<u>2,066,862</u>	<u>2,628,718</u>	<u>922,536</u>	<u>5,182,429</u>	<u>1,478,954</u>	<u>932,452</u>	<u>13,211,951</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>-</u>	<u>2,214,607</u>	<u>-</u>	<u>-</u>	<u>3,331,425</u>
Net receivables	<u>\$ 2,066,862</u>	<u>\$ 1,511,900</u>	<u>\$ 922,536</u>	<u>\$ 2,967,822</u>	<u>\$ 1,478,954</u>	<u>\$ 932,452</u>	<u>\$ 9,880,526</u>

As of September 30, 2017, deferred inflows of resources - grant funding is comprised of the items as follows:

Intergovernmental:	
Enterprise Florida	\$ 94,967
Monroe County of Tourist Development	82,935
State of Florida Department of Transportation	55,278
Career Source South Florida	15,179
Executive Office of the President	<u>708</u>
	<u>\$ 249,067</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, 2017, was 2.4896 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 6,412,069,644. 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, 2017, there were no material property tax receivables.

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

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

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

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

Frederick Douglas Square Project (HODAG)	\$ 2,233,635
Homebuyer Assistance Program	139,633
Mayor's Revolving Loan Fund (low interest)	<u>51,849</u>
Gross mortgages receivable	2,425,117
Less allowance for uncollectible mortgages	<u>1,116,818</u>
Net mortgages receivable	<u><u>\$ 1,308,299</u></u>

Note receivable - The City previously entered into a promissory note with an entity in exchange for building improvements on a property to be leased by the City to this entity. The note bears interest at the prime rate as determined by the 1-year LIBOR plus 1% (2.73% at September 30, 2017) until the note matures in August 2034. At September 30, 2017 the balance of this note receivable was approximately \$ 1,734,000, and is reflected in the Key West Bight Fund.

Component Unit:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 22,625 net of allowance for uncollectibles of \$ 264. Intergovernmental receivables represent amounts due from the federal and other governments of \$ 100,628. No allowance for uncollectibles was deemed necessary by management.

4. Capital Assets

Capital asset activity for fiscal year ended September 30, 2017 is as follows:

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 55,899,880	\$ 787,916	\$ -	\$ -	\$ 56,687,796
Construction in progress	<u>31,261,931</u>	<u>17,771,530</u>	<u>-</u>	<u>(6,133,893)</u>	<u>42,899,568</u>
Total capital assets, not being depreciated	<u>87,161,811</u>	<u>18,559,446</u>	<u>-</u>	<u>(6,133,893)</u>	<u>99,587,364</u>
Capital assets, being depreciated:					
Buildings and improvements	23,947,255	-	(491,903)	-	23,455,352
Machinery, equipment and furniture	21,781,577	2,330,927	(1,600,539)	590,108	23,102,073
Infrastructure	<u>51,956,081</u>	<u>993,808</u>	<u>(799,880)</u>	<u>5,543,785</u>	<u>57,693,794</u>
Total capital assets, being depreciated	<u>97,684,913</u>	<u>3,324,735</u>	<u>(2,892,322)</u>	<u>6,133,893</u>	<u>104,251,219</u>

City of Key West, Florida
Notes to Financial Statements
September 30, 2017

4. Capital Assets (continued)

	Beginning Balance	Increases	(Decreases)	CIP/ Adjustments Increases (Decreases)	Ending Balance
Less accumulated depreciation for:					
Buildings and improvements	6,071,617	556,148	(491,378)	-	6,136,387
Machinery, equipment and furniture	15,560,413	1,931,047	(1,591,829)	-	15,899,631
Infrastructure	28,034,112	1,924,863	(779,125)	-	29,179,850
Total accumulated depreciation	<u>49,666,142</u>	<u>4,412,058</u>	<u>(2,862,332)</u>	<u>-</u>	<u>51,215,868</u>
Total capital assets, being depreciated, net	<u>48,018,771</u>	<u>(1,087,323)</u>	<u>(29,990)</u>	<u>6,133,893</u>	<u>53,035,351</u>
Governmental activities capital assets, net	\$ <u>135,180,582</u>	\$ <u>17,472,123</u>	\$ <u>(29,990)</u>	\$ <u>-</u>	\$ <u>152,622,715</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	11,569,730	4,382,452	(249,943)	(6,231,627)	9,470,612
Total capital assets, not being depreciated	<u>30,250,764</u>	<u>4,382,452</u>	<u>(249,943)</u>	<u>(6,231,627)</u>	<u>28,151,646</u>
Capital assets, being depreciated:					
Buildings and improvements	52,716,834	92,966	(139,493)	181,062	52,851,369
Infrastructure	167,770,700	339,803	(2,866,433)	5,598,322	170,842,392
Machinery, equipment and furniture	13,770,500	437,152	(1,402,389)	452,243	13,257,506
Total capital assets, being depreciated	<u>234,258,034</u>	<u>869,921</u>	<u>(4,408,315)</u>	<u>6,231,627</u>	<u>236,951,267</u>
Less accumulated depreciation for:					
Buildings and improvements	30,117,918	1,849,943	(136,474)	-	31,831,387
Infrastructure	71,007,755	5,372,234	(1,853,284)	-	74,526,705
Machinery, equipment and furniture	9,637,618	686,879	(1,402,387)	-	8,922,110
Total accumulated depreciation	<u>110,763,291</u>	<u>7,909,056</u>	<u>(3,392,145)</u>	<u>-</u>	<u>115,280,202</u>
Total capital assets, being depreciated, net	<u>123,494,743</u>	<u>(7,039,135)</u>	<u>(1,016,170)</u>	<u>6,231,627</u>	<u>121,671,065</u>
Business-type activities capital assets, net	\$ <u>153,745,507</u>	\$ <u>(2,656,683)</u>	\$ <u>(1,266,113)</u>	\$ <u>-</u>	\$ <u>149,822,711</u>

Total depreciation expense for the current fiscal year amounted to \$ 12,321,114.

For the year ended September 30, 2017, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,257,949
Public safety	1,218,967
Transportation	547,416
Culture and recreation	387,460
Human services	266
	<u>266</u>
Total depreciation expense - governmental activities	\$ <u>4,412,058</u>

4. Capital Assets (continued)

Business-type activities:		
Sanitary sewer system	\$	4,038,057
Stormwater		1,579,683
Key West Bight		768,779
Solid waste		470,752
Transit system		728,254
Garrison Bight		<u>323,531</u>
Total depreciation expense - business-type activities	\$	<u><u>7,909,056</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, 2016:

Building and improvements	\$	66,462,006
Machinery, equipment, and furniture		1,497,033
Infrastructure		<u>1,167,753</u>
		<u>69,126,792</u>
Less accumulated depreciation		<u>31,234,091</u>
		<u>37,892,701</u>
Land		11,523,552
Construction in Progress		<u>3,200,070</u>
Net capital assets	\$	<u><u>52,616,323</u></u>

Total depreciation expense for the year ended December 31, 2016 amounted to approximately \$ 1,618,000. The estimated useful lives of the Authority's capital assets are as follows:

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

5. Restricted Assets

The Sanitary Sewer System has restricted assets of \$ 633,993 that are restricted by specific provisions of bond ordinances. Assets so designated are identified as restricted assets on the balance sheet and statement of net position, as applicable.

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

6. Pension Plans

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

General Information - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan (GERP) and the Police Officers and Firefighters Retirement Plan (PFRP). Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the 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 of Trustees are subject to City Commission approval. Participants should refer to the plan documents for more complete information. The PFRP retirement board issues a publicly available report that includes financial statements and required supplementary information. This financial report may be obtained by writing to Pension Plan Administrator, 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 estimated fair value. Fair value is defined as the amount the plan would realize from a current sale to a willing buyer and is based on available market values. These retirement plans do not have long-term contracts for contributions.

General Employees Retirement Plan (GERP):

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

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

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

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

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

6. Pension Plans (continued)

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

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

Deferred Retirement Option Plan (the "DROP") - Members who have obtained normal retirement age, as described above, are eligible for the Deferred Retirement Option Plan (the "DROP"). Participation in the DROP must be exercised within the first thirty years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty years. The maximum period of participation in the DROP is five years. Once a member enters the DROP, the monthly retirement benefit is frozen, and the monthly benefit is paid into the DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive the frozen monthly retirement benefit. The value of the total DROP balance at September 30, 2017 was \$ 781,952.

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

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

Police Officers and Firefighters Retirement Plan (PFRP):

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

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

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

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

6. Pension Plans (continued)

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

Deferred Retirement Option Plan (the “DROP”) - The plan established a Deferred Retirement Option Plan (“DROP”), which offers active members the opportunity, prior to retirement, working and simultaneously accumulate pension benefits. Once an active member has attained eligibility for normal service retirement, the member can exercise the option to participate in the DROP. Participation in the DROP must be exercised within the first thirty years of employment, provided that participation in the DROP when combined with participation in the pension plan may not exceed thirty years. When a member enters the DROP, the pension payments that the member would have received had he or she actually separated from service are deposited into an account for the member's benefit and are invested as part of the plan. The member ceases making contributions to the plan during his or her DROP participation and is no longer eligible to earn additional service credit during the DROP period. The DROP shall earn interest based upon the actual earnings of the plan or a fixed rate of return of 6.5%, based on which method the member selected. The maximum participation in the DROP is 5 years. The value of the total DROP balance at September 30, 2017 was \$ 12,223,913.

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

Contributions – Member contributions are equal to 7% of their basic annual compensation and each member’s actual contributions are individually accumulated. If a member leaves the service of the City with less than 10 years of credited service, all accumulated member contributions are returned to the member. The City is required to contribute an actuarially determined amount that, when combined with member contributions and allowable contributions from the State of Florida, will fully provide for all benefits as they become payable. The City received \$ 572,152 from the State that was generated from the insurance premium tax as part of the required funding for the Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate.

Plan membership data at October 1, 2016 was as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
	<u> </u>	<u> </u>
Active employees	261	153
Inactive employees:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>161</u>	<u>137</u>
Total	<u><u>422</u></u>	<u><u>290</u></u>

Net Pension (Asset) Liability:

The City’s net pension (asset) liability was determined based on a measurement date of September 30, 2016 for both plans.

6. Pension Plans (continued)

The components of the net pension (asset) liability of the City at September 30, 2017, were as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 48,788,809	\$ 97,576,768	\$ 146,365,577
Plan fiduciary net position	<u>(49,222,011)</u>	<u>(86,800,603)</u>	<u>(136,022,614)</u>
Net pension (asset) liability	<u>\$ (433,202)</u>	<u>\$ 10,776,165</u>	<u>\$ 10,342,963</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	100.89%	88.96%	92.93%

Actuarial Assumptions - The total pension (asset) liability at September 30, 2016 was determined by using (asset) actuarial valuations as of October 1, 2015, with update procedures used to roll forward the total pension (asset) liability to September 30, 2016. The actuarial valuations used the following actuarial assumptions:

	General Employees Retirement Plan
	<u> </u>
Inflation	3.00%
Salary increases	3.75%-6.00%
Investment rate of return	7.50%, net of investment expenses
Mortality	For healthy participants, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date. For disabled participants, RP-2000 Disabled Mortality Tables, with separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date.
	Police Officers and Firefighters Retirement Plan
	<u> </u>
Inflation	2.50%
Salary increases	4.50% per annum, including inflation
Investment rate of return	8.44% compounded annually, net of investment expenses, including inflation
Mortality	The 1983 Group Annuity Mortality Table was used with separate rates for males and females.

6. Pension Plans (continued)

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following tables:

General Employees Retirement Plan:

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

Police Officers and Firefighters Retirement Plan:

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

Rate of Return: For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.15% for GERP and 13.8% for PFRP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

6. Pension Plans (continued)

Changes in Net Pension (Asset) Liability:

General Employees
Retirement Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances, as of September 30, 2015, Measurement Date	\$ 45,600,168	\$ 47,155,911	\$ (1,555,743)
Changes for the year:			
Service cost	1,269,240	-	1,269,240
Interest	3,499,027	-	3,499,027
Differences between expected and actual experience	1,253,381	-	1,253,381
Assumption changes	(97,983)	-	(97,983)
Contributions - Employer	-	730,895	(730,895)
Contributions - Employee	-	769,999	(769,999)
Net investment income	-	3,511,656	(3,511,656)
Benefit payments	(2,735,024)	(2,735,024)	-
Administrative expenses	-	(211,426)	211,426
Net changes	<u>3,188,641</u>	<u>2,066,100</u>	<u>1,122,541</u>
Balances, as of September 30, 2016, Measurement Date	<u>\$ 48,788,809</u>	<u>\$ 49,222,011</u>	<u>\$ (433,202)</u>

Police Officers and Firefighters
Retirement Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances, as of September 30, 2015, Measurement Date	\$ 91,323,237	\$ 80,595,871	\$ 10,727,366
Changes for the year:			
Service cost	1,616,830	-	1,616,830
Interest	7,783,325	-	7,783,325
Differences between expected and actual experience	473,539	-	473,539
Assumption changes	1,231,928	-	1,231,928
Contributions - Employer	-	2,835,282	(2,835,282)
Contributions - State	-	532,550	(532,550)
Contributions - Employee	-	822,496	(822,496)
Net investment income	-	7,042,214	(7,042,214)
Benefit payments	(4,852,091)	(4,852,091)	-
Administrative expenses	-	(175,719)	175,719
Net changes	<u>6,253,531</u>	<u>6,204,732</u>	<u>48,799</u>
Balances, as of September 30, 2016, Measurement Date	<u>\$ 97,576,768</u>	<u>\$ 86,800,603</u>	<u>\$ 10,776,165</u>

6. Pension Plans (continued)

The net pension asset and related components for GERP are allocated to the governmental activities and business-type activities based on the distribution of current year contributions to the plan. At September 30, 2017, it is distributed 80% to governmental activities and 20% business-type activities. Total net pension liability and related components for the PFRP are distributed 100% to the governmental activities.

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
General Employees Retirement Plan:			
Net Pension (Asset) Liability	\$ <u>5,070,779</u>	\$ <u>(433,202)</u>	\$ <u>(5,039,838)</u>
	<u>1% Decrease 7.44%</u>	<u>Current Discount Rate 8.44%</u>	<u>1% Increase 9.44%</u>
Police Officers and Firefighters Retirement Plan:			
Net Pension (Asset) Liability	\$ <u>19,339,144</u>	\$ <u>10,776,165</u>	\$ <u>3,522,607</u>

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

For the year ended September 30, 2017, the City recognized pension expense in GERP and PRFP of \$ 1,431,903 and \$ 3,556,275, respectively, aggregating to \$ 4,988,178. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources relating to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
General Employees Retirement Plan:		
Pension contributions subsequent to the measurement date	\$ 752,506	\$ -
Differences between expected and actual experience	986,704	408,613
Changes of assumptions or other inputs	554,753	77,136
Net difference between projected and actual earnings on pension plan investments	<u>1,320,328</u>	<u>-</u>
Total	\$ <u>3,614,291</u>	\$ <u>485,749</u>

6. Pension Plans (continued)

Police Officers and Firefighters Retirement Plan:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 4,153,836	\$ -
Net difference between projected and actual earnings on pension plan investments	3,765,996	897,723
Changes of assumptions or other inputs	2,687,971	-
Assumption changes	<u>975,968</u>	<u>-</u>
Total	\$ <u>11,583,771</u>	\$ <u>897,723</u>
Total Pension Trust Funds	\$ <u>15,198,062</u>	\$ <u>1,383,472</u>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending September 30, 2018. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>	<u>Total</u>
2018	\$ 714,256	\$ 1,569,847	\$ 2,284,103
2019	685,764	1,569,847	2,255,611
2020	807,856	1,934,261	2,742,117
2021	168,160	607,397	775,557
2022	-	850,860	850,860
Total	\$ <u>2,376,036</u>	\$ <u>6,532,212</u>	\$ <u>8,908,248</u>

Pension Trust Funds:

The City maintains two pension trust funds to account for its fiduciary responsibility. The following condensed statements present the net position restricted for pension benefits at September 30, 2017 and the changes in net position for the year then ended:

Condensed Statements of Net Position:

	<u>General Employees Retirement Plan</u>	<u>Police Officers and Firefighters Retirement Plan</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,334,849	\$ 4,866,100	\$ 6,200,949
Investments, at fair value	52,274,272	93,145,478	145,419,750
Other	<u>116,783</u>	<u>815,669</u>	<u>932,452</u>
Total assets	<u>53,725,904</u>	<u>98,827,247</u>	<u>152,553,151</u>

6. Pension Plans (continued)

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Liabilities:			
Accounts payable and accrued expenses	59,633	106,083	165,716
Payable for securities purchased	-	382,071	382,071
Prepaid city contributions	-	231,495	231,495
Total liabilities	59,633	719,649	779,282
Net position restricted for pension benefits	\$ 53,666,271	\$ 98,107,598	\$ 151,773,869

**Condensed Statements of Changes in
Net Position:**

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Additions:			
Contributions	\$ 1,550,481	\$ 5,049,327	\$ 6,599,808
Net investment earnings	6,120,262	11,413,677	17,533,939
Total additions	7,670,743	16,463,004	24,133,747
Deductions:			
Benefits paid	3,041,719	4,973,927	8,015,646
Administrative expenses	184,764	182,082	366,846
Total deductions	3,226,483	5,156,009	8,382,492
Changes in net position	\$ 4,444,260	\$ 11,306,995	\$ 15,751,255

B. Component Unit:

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

6. Pension Plans (continued)

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

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

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

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

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

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

Deferred Retirement Option Program (the "DROP") - The DROP may be elected upon reaching the earlier of early or normal retirement. The member's benefit will be calculated based on average pay and service as of the DROP entry date. No disability benefits are provided while in the DROP. Death benefits, if any, are based on the form of payment elected. DROP accounts are credited with interest at the rate of 8%, compounded annually. The value of the total DROP balance at December 31, 2016 was \$ 807,569.

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

Contributions - The Authority contributes a percentage of basic annual compensation for its permanent employees equal to the actuarially determined minimum contribution divided by the annual payroll of active employees for the prior year. Pension Plan members shall not make any contributions to the Pension Plan. Contribution requirements of the Authority are established and may be amended by the Authority's Board of Commissioners. The contribution rate was 18.5% for the year ended December 31, 2016.

6. Pension Plans (continued)

Plan membership data at December 31, 2016 was as follows:

Active employees	57
Inactive and other employees:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	49
	<u>49</u>
Total	<u><u>106</u></u>

Net Pension Liability:

The Authority’s net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 updated to December 31, 2016.

The components of the net pension liability of the Authority at December 31, 2016, were as follows:

	<u>Pension Plan</u>
Total pension liability	\$ 10,785,859
Plan fiduciary net position	<u>(9,930,577)</u>
Net pension liability	<u><u>\$ 855,282</u></u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	92.07%

Actuarial assumptions - The total pension liability was determined using the following actuarial assumptions:

Inflation	3.25%
Salary increases	3.75%
Investment rate of return	7.75%
Mortality	RP-2000 Healthy Annuitant Mortality table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

6. Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	5.38%
International equity	20%	6.12%
Fixed income	50%	1.10%
	100%	

Rate of Return: For the year ended December 31, 2016, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the Pension Plan was 8.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, as of December 31, 2015	\$ 9,801,927	\$ 7,158,799	\$ 2,643,128
Changes for the year:			
Service cost	254,917	-	254,917
Interest	785,234	-	785,234
Difference between expected and actual experience	(70,582)	-	(70,582)
Changes in assumptions	279,907	-	279,907
Contributions - employer	-	2,551,364	(2,551,364)
Net investment income	-	546,208	(546,208)
Benefit payments, including refunds of employee contributions	(265,544)	(265,544)	-
Administrative expenses	-	(60,250)	60,250
Net changes	983,932	2,771,778	(1,787,846)
Balance, as of December 31, 2016	\$ 10,785,859	\$ 9,930,577	\$ 855,282

6. Pension Plans (continued)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority, calculated using the discount rate of 7.75%, as well as what the Authority's net pension liability would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability (asset)	\$ <u>2,036,784</u>	\$ <u>855,282</u>	\$ <u>(116,964)</u>

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

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

For the year ended December 31, 2016, the Authority recognized pension expense of \$ 726,561. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,605	\$ 129,423
Changes of assumptions	217,223	-
Net difference between projected and actual earnings on pension plan investments	<u>454,556</u>	<u>-</u>
	\$ <u>678,384</u>	\$ <u>129,423</u>

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

Year Ending December 31,	
2017	\$ 185,850
2018	179,245
2019	181,023
2020	<u>2,843</u>
Total	\$ <u>548,961</u>

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 Position 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.

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

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, 2017, there are 14 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 (dollars in thousands).

Required Contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual required contribution	\$ 1,150
Interest on net OPEB obligation	188
Adjustment to annual required contribution	(439)
Annual OPEB cost	899
Estimated employer contributions	(169)
Increase in net OPEB obligation	730
Net OPEB obligation, beginning of year	4,415
Net OPEB obligation, end of year	\$ 5,145

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 (dollars in thousands):

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2015	\$ 907	24%	\$ 3,690
9/30/2016	\$ 964	25%	\$ 4,415
9/30/2017	\$ 899	19%	\$ 5,145

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 (dollars in thousands):

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2017	\$ -	\$ 5,893	\$ 5,893	0.0%	\$ 28,320	20.8%

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 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, 2017
Actuarial Cost Method:	Entry Age Normal, level percentage of compensation
Asset Valuation Method:	Not applicable
Actuarial Assumptions:	
Return on plan assets	Not applicable
Salary scale	3.00%
Discount Rate	3.35%
Inflation Rate	8.5 % graded to 4.5% over 8 years
Changes since last valuation:	Entry Age Normal (level percent of pay) funding method adopted with 3.0% salary scale. Discount rate lowered from 4.0% to 3.35% consistent with the available 20-year Aa Municipal Bond rates as of September 30, 2017. Medical inflation changed from 5.0% in 2018 and 4.5% thereafter to 8.5% in 2018 graded down to 4.5% over 8 years.

8. Deferred Compensation Plan

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

9. Risk Management

General Liability, Property, Worker Compensation and Other Claims - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2017, a total of approximately \$ 2,501,000 was incurred/paid in benefits and claims. In fiscal year 2017, the City provided coverage up to the Self-Insured Retention (SIR) level of \$ 325,000 for each worker's compensation claim, and \$ 100,000 SIR level for employer's liability with commercial insurance covering losses that exceed the SIR level. Public officials, automobile, and general liability SIR levels were \$ 100,000 with commercial insurance covering losses exceeding SIR level. Crime coverage SIR level was \$ 1,000 with commercial insurance covering losses exceeding SIR level. 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 the commercial coverage in any of the past three years.

Self-insurance retention, per occurrence, for wind is 5% of building and/or contents with no minimum deductible. Self-insurance retention, per occurrence, for flood is \$ 1,000 (\$ 500,000/500,000 for A/V zones) or excess amount as covered by the National Flood Insurance Program with a \$ 50,000,000 annual limit.

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

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

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for workers' compensation, general liability and property claims of approximately \$ 3,407,000 is reported in the fund at September 30, 2017. The lowest acceptable confidence level to remain compliant with GASB 10 is presented below in tabular form. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past two years are as follows (in thousands):

Fiscal Year	Beginning Liability	Claims Incurred	Estimated Prior Claims	Claims Paid and Adjustments	Ending Liability *
2016	\$ 2,462	\$ 1,361	\$ 52	\$ (1,270)	\$ 2,605
2017	\$ 2,605	\$ 1,517	\$ 1,094	\$ (1,809)	\$ 3,407

* Presented at the 50% confidence level and undiscounted.

9. Risk Management (continued)

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, 2017, compensated absences are based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Position, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2017 was \$ 4,909,109 for all funds.

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

11. Construction Commitments

The following table presents the approximate significant construction commitments outstanding at September 30, 2017:

	<u>Estimated Remaining Construction Commitments</u>
Gas Tax Fund:	
Rights of Way Improvements	\$ 650,000
Pavement, Marking, and Roadway Signage	\$ 311,000
Infrastructure Surtax Fund:	
Truman Waterfront Park IA	\$ 3,941,000
Truman Waterfront NOAA Seawall	\$ 981,000
Truman Waterfront Amphitheater	\$ 856,000
Sanitary Sewer System Fund:	
Truman Waterfront Sewer System	\$ 773,000
VFD Installation	\$ 350,000
Garrison Bight Fund:	
Dolphin Pier Replacement	\$ 884,000
Transit System Fund:	
Bus Fleet Replacement	\$ 2,936,000

12. Long-Term Debt and Liabilities

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

	Balance October 1, 2016	Additions	Amortization/ Retirements	Balance September 30, 2017	Due Within One Year
Governmental Activities:					
Note payable	\$ 437,344	\$ -	\$ 147,059	\$ 290,285	\$ 147,059
Capital lease	-	840,295	-	840,295	-
Insurance claims payable	2,627,118	779,592	-	3,406,710	893,225
Compensated absences	4,113,312	3,158,808	2,701,611	4,570,509	2,705,732
OPEB liability	4,080,000	666,534	-	4,746,534	-
Net pension liability	<u>10,727,366</u>	<u>48,799</u>	<u>-</u>	<u>10,776,165</u>	<u>-</u>
Total governmental activities	<u>\$ 21,985,140</u>	<u>\$ 5,494,028</u>	<u>\$ 2,848,670</u>	<u>\$ 24,630,498</u>	<u>\$ 3,746,016</u>
Business-Type Activities:					
Marina Refunding Revenue Note, Series 2009	\$ 2,792,401	\$ -	\$ 1,372,585	\$ 1,419,816	\$ 1,419,816
Sewer System Revenue Bonds, Series 2012	2,790,000	-	440,000	2,350,000	450,000
Sewer System Refunding Revenue Bonds, Series 2013	17,092,249	-	1,360,626	15,731,623	1,391,845
Note payable, State Revolving Loan	1,830,587	-	309,010	1,521,577	319,200
Compensated absences	266,828	305,009	233,237	338,600	200,600
OPEB liability	335,000	63,801	-	398,801	-
Other	<u>486,436</u>	<u>24,318</u>	<u>-</u>	<u>510,754</u>	<u>-</u>
Total business-type activities	<u>\$ 25,593,501</u>	<u>\$ 393,128</u>	<u>\$ 3,715,458</u>	<u>\$ 22,271,171</u>	<u>\$ 3,781,461</u>
Total long-term debt and liabilities	<u>\$ 47,578,641</u>	<u>\$ 5,887,156</u>	<u>\$ 6,564,128</u>	<u>\$ 46,901,669</u>	<u>\$ 7,527,477</u>

General Obligation:

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 147,059	\$ 7,518	\$ 154,577
2019	<u>143,226</u>	<u>3,759</u>	<u>146,985</u>
	<u>\$ 290,285</u>	<u>\$ 11,277</u>	<u>\$ 301,562</u>

Capital Lease:

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

12. Long-Term Debt and Liabilities (continued)

The municipal lease requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	420,147	-	420,147
2020	420,148	12,394	432,542
	<u>\$ 840,295</u>	<u>\$ 12,394</u>	<u>\$ 852,689</u>

Revenue Obligations:

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

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 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 \$ 1,372,600 to \$ 1,419,800 through maturity in December 2017.

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

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

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

<u>Fiscal Year</u>	<u>Marina Refunding Revenue Note, Series 2009</u>		<u>Sewer System Revenue Bonds, Series 2012</u>		<u>Sewer System Refunding Revenue Bonds, Series 2013</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 1,419,816	\$ 23,924	\$ 450,000	\$ 43,988	\$ 1,391,845	\$ 398,456	\$ 3,728,029
2019	-	-	460,000	34,569	1,430,742	361,056	2,286,367
2020	-	-	470,000	24,944	1,471,994	322,594	2,289,532
2021	-	-	480,000	15,112	1,509,802	283,086	2,288,000
2022	-	-	490,000	5,072	1,556,061	242,464	2,293,597
2023 - 2027	-	-	-	-	8,371,179	566,267	8,937,446
	<u>\$ 1,419,816</u>	<u>\$ 23,924</u>	<u>\$ 2,350,000</u>	<u>\$ 123,685</u>	<u>\$ 15,731,623</u>	<u>\$ 2,173,923</u>	<u>\$ 21,822,971</u>

12. Long-Term Debt and Liabilities (continued)

Continuing disclosure - In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds. At September 30, 2017, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2017, are presented below:

Sanitary Sewer System:

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

	2016		2017		2018
Base charge	\$ 22.77		\$ 22.77		\$ 22.77
Commodity charge	\$ 4.51		\$ 4.51		\$ 4.51

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

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

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

Fiscal Year	Principal	Interest	Total
2018	\$ 319,200	\$ 47,167	\$ 366,367
2019	329,721	36,646	366,367
2020	340,592	25,775	366,367
2021	351,820	14,547	366,367
2022	180,244	2,941	183,185
	\$ 1,521,577	\$ 127,076	\$ 1,648,653

12. Long-Term Debt and Liabilities (continued)

Component Unit:

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Due Within One Year
Notes payable	\$ 7,581,089	\$ -	\$ 90,580	\$ 7,490,509	\$ 93,866
Revenue notes	24,452,176	1,918,608	733,282	25,637,502	762,608
Compensated absences	366,351	32,994	-	399,345	39,934
Net pension liability	2,643,128	-	1,787,846	855,282	-
OPEB liability	135,749	-	-	135,749	-
Total long-term debt and liabilities	<u>\$ 35,178,493</u>	<u>\$ 1,951,602</u>	<u>\$ 2,611,708</u>	<u>\$ 34,518,387</u>	<u>\$ 896,408</u>

Notes, as of December 31, 2016, are comprised of the following:

Notes Payable Description:

Multifamily Housing Revenue Bond, Series 2010, in the principal amount of \$ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.50%. The bond is due in August 2030. In addition, The Authority borrowed \$ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property "Washington Street." These loans do not bear interest and mature in 30 years.	\$ 2,993,235
Second mortgage note due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnerships Program," payable in full in April 2028, non-interest bearing.	1,819,720
Mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in May 2031, non-interest bearing.	1,500,000
Mortgage land notes of \$ 225,000 and \$ 550,000, due to a governmental agency, no indication of collateral, principals will be forgiven in November 2041 if covenants of the agreement are met. See Note 16.	775,000
First mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site A – Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.	382,554
First mortgage note due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until December 2017, non-interest bearing.	<u>20,000</u>
	<u>\$ 7,490,509</u>

12. Long-Term Debt and Liabilities (continued)

Revenue Notes, as of December 31, 2016, are comprised of the following:

Revenue Notes Description:

Multifamily Housing Revenue Refunding Note, Series 2014A and Taxable Multifamily Housing Revenue Refunding Note, Series 2014B. Both of these notes have issuance dates of May 7, 2014 and mature in 2024. Series 2014A and Series 2014B bear interest at 3.5% and 5.3%, respectively. The outstanding balance of Series 2014A and Series 2014B was \$ 9,084,104 and \$ 1,868,812, respectively. \$ 10,952,916

Multifamily Housing Revenue Note amortized over a 25-year period and bearing interest at 4.25%. A 10-year call exists at which time the loan’s interest rate will be renegotiated. If a new rate is not agreed upon, the loan will become payable and due. These notes are collateralized by the land, project improvements and property located on the land “Roosevelt Gardens.” 8,256,043

Housing Revenue Note, Series 2015A and Taxable Housing Revenue Note, Series 2015B. In December 2016, the Authority refinanced the Series 2015B. The Series 2016 Note has an interest rate of 2.90% with interest only beginning the date of issuance for approximately ten months with a 28-year amortization beginning immediately following the interest only period. Both the 2015A and 2015B Notes have issuance dates of September 1, 2015 and mature in 2045. Series 2015A and Series 2015B bear interest at 2.90% and 4.74%, respectively. The outstanding balance of Series 2015A, Series 2015B and Series 2016 was \$ 2,586,839, \$ 109,336 and \$ 69,371, respectively. 2,765,546

Second mortgage payable to a local government agency to facilitate the acquisition of the “Poinciana Complex”. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land. 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. 1,452,997

\$ 25,637,502

12. Long-Term Debt and Liabilities (continued)

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

Fiscal Year	Notes Payable		Revenue Notes	
	Principal	Interest	Principal	Interest
2017	\$ 93,866	\$ 60,352	\$ 762,608	\$ 804,938
2018	1,897,025	56,913	1,607,282	775,997
2019	80,904	53,314	2,709,061	745,886
2020	84,671	49,547	821,779	714,561
2021	486,290	184,797	10,784,482	2,684,856
2022-2026	936,753	60,971	2,157,588	1,210,748
2027-2031	1,500,000	-	6,130,176	706,106
2032-2036	1,636,000	-	664,526	19,768
2037-2041	775,000	-	-	-
	<u>\$ 7,490,509</u>	<u>\$ 465,894</u>	<u>\$ 25,637,502</u>	<u>\$ 7,662,860</u>

13. Interfund Assets and Liabilities

A summary of interfund receivable and payable balances at September 30, 2017 are as follows:

Interfund Items (current)	Receivables	Payables
Governmental Funds:		
General	\$ 144,070	\$ -
Gas Tax	1,856	-
Capital Projects	337	-
Infrastructure Surtax	335	-
Enterprise Funds:		
Sanitary Sewer System	844	-
Solid Waste	1,518	-
Key West Bight	6,242	-
Stormwater	170	-
Transit System	9,447	-
Garrison Bight	3,544	-
Internal Service Fund:		
Insurance Programs	-	168,363
Totals	<u>\$ 168,363</u>	<u>\$ 168,363</u>

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

A summary of advances (receivables and payables) at September 30, 2017 are as follows:

Advances (long-term)	Receivables	Payables
Governmental Funds:		
General	\$ 1,388,292	\$ -
Enterprise Funds:		
Sanitary Sewer System	1,631,051	-
Stormwater	-	3,019,343
Totals	<u>\$ 3,019,343</u>	<u>\$ 3,019,343</u>

13. Interfund Assets and Liabilities (continued)

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

14. Interfund Transfers

A summary of interfund transfers for the year ended September 30, 2017 is as follows:

Transfers	In	Out
Governmental Funds:		
General	\$ 6,116,621 a,b,c	\$ 2,816,063 d,e
Gas Tax	2,500,000 d	546,187 c,g
Infrastructure Surtax	-	2,838,954 c,b,d
Capital Projects	1,330,008 d	13,349 c
Community Development Office	200,000 f	-
Nonmajor funds	766,063 e	243,538 c,f
Enterprise Funds:		
Sanitary Sewer System	-	1,228,481 a
Solid Waste	-	1,368,781 a
Key West Bight	-	861,250 a
Stormwater	-	338,725 a
Transit System	386,046 g	288,246 a
Garrison Bight	-	344,398 a
Internal Service Fund:		
Insurance Programs	-	410,766 c
Totals	\$ 11,298,738	\$ 11,298,738

Reasons for these transfers are set forth below:

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

15. Contingencies

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

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

15. Contingencies (continued)

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 approximately \$ 675,000. In addition, a similar action was brought against the City by a homeowners' association; however, at this time the potential loss cannot be reasonably estimated.

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, 2017.

16. Prior Period Adjustment

Component Unit:

During the year ended December 31, 2016, it was noted that \$ 775,000 of land and notes payable had not been recorded in the prior year. The correction of the error increased the beginning balances of land in Note 4 by \$ 775,000 and increased the beginning balance in notes payable in Note 12 by \$ 775,000. The effect of prior year net position is zero since the loan is non-amortizing and non-interest bearing.

17. Subsequent Event

Prior to the close of the fiscal year, Hurricane Irma made landfall affecting almost the entire state of Florida. The long cleanup process was initiated immediately; however, the majority of costs were not incurred until fiscal year 2018. As of the issuance of this CAFR, the amount of reimbursement from FEMA and the State of Florida for storm related expenses is unknown, primarily due to the fact that the work papers submitted to date have not yet been approved.

REQUIRED SUPPLEMENTARY INFORMATION

City of Key West, Florida
Required Supplementary Information
(Unaudited)
Analysis of Funding Progress and Contributions-
Pay-As-You-Go Approach
Other Post-Employment Health Care Benefits (OPEB)
(In Thousands)

Schedule of Funding Progress:

<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%
9/30/2013	\$ -	\$ 6,878	\$ 6,878	0.0%	\$ 24,417	28.2%
9/30/2015	\$ -	\$ 8,139	\$ 8,139	0.0%	\$ 24,770	32.9%
9/30/2017	\$ -	\$ 5,893	\$ 5,893	0.0%	\$ 28,320	20.8%

* Year of GASB Statement No. 45 implementation.

Schedule of Contributions:

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2012	\$ 730	18%
2013	\$ 853	36%
2014	\$ 876	35%
2015	\$ 954	23%
2016	\$ 1,022	24%
2017	\$ 1,150	15%

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

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

Note: This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years which the information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 1,779,015	\$ 1,616,830	\$ 1,454,687	\$ 1,481,268
Interest	8,704,537	7,783,325	7,402,128	7,063,784
Differences between expected and actual experience	2,335,251	473,539	260,206	-
Assumption changes	3,930,249	1,231,928	2,284,845	-
Benefit payments, including refunds of member contributions	<u>(4,973,927)</u>	<u>(4,852,091)</u>	<u>(4,300,292)</u>	<u>(4,065,051)</u>
Net change in total pension liability	11,775,125	6,253,531	7,101,574	4,480,001
Total pension liability - beginning	<u>97,576,768</u>	<u>91,323,237</u>	<u>84,221,663</u>	<u>79,741,662</u>
Total pension liability - ending (A)	<u>\$ 109,351,893</u>	<u>\$ 97,576,768</u>	<u>\$ 91,323,237</u>	<u>\$ 84,221,663</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,581,684	\$ 2,835,282	\$ 2,801,375	\$ 2,975,423
Contributions - state	572,152	532,550	578,511	727,859
Contributions - members	895,491	822,496	777,269	764,013
Net investment earnings	11,413,677	7,042,214	614,041	8,116,554
Benefit payments, including refunds of member contributions	(4,973,927)	(4,852,091)	(4,300,292)	(4,065,051)
Administrative expenses	<u>(182,082)</u>	<u>(175,719)</u>	<u>(142,080)</u>	<u>(109,548)</u>
Net change in plan fiduciary net position	11,306,995	6,204,732	328,824	8,409,250
Plan fiduciary net position - beginning	<u>86,800,603</u>	<u>80,595,871</u>	<u>80,267,047</u>	<u>71,857,797</u>
Plan fiduciary net position - ending (B)	<u>\$ 98,107,598</u>	<u>\$ 86,800,603</u>	<u>\$ 80,595,871</u>	<u>\$ 80,267,047</u>
City's net pension liability (asset) - ending (A) - (B)	<u>\$ 11,244,295</u>	<u>\$ 10,776,165</u>	<u>\$ 10,727,366</u>	<u>\$ 3,954,616</u>
Plan fiduciary net position as a percentage of the total pension liability	89.72%	88.96%	88.25%	95.30%
Covered-employee payroll	\$ 11,570,527	\$ 11,325,253	\$ 9,977,377	\$ 10,553,410
City's net pension liability (asset) as a percentage of covered- employee payroll	97.18%	95.15%	107.52%	37.47%

Note: This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years which the information is available.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 664	\$ 475	\$ 475	\$ 636	\$ 987	\$ 843	\$ 684	\$ 640	\$ 745	\$ 894
Contributions in relation to the actuarially determined contribution	753	731	843	920	987	879	1,133	1,164	1,266	1,331
Contribution deficiency (excess)	<u>\$ (89)</u>	<u>\$ (256)</u>	<u>\$ (368)</u>	<u>\$ (284)</u>	<u>\$ -</u>	<u>\$ (36)</u>	<u>\$ (449)</u>	<u>\$ (524)</u>	<u>\$ (521)</u>	<u>\$ (437)</u>
Covered-employee payroll	\$ 13,300	\$ 13,093	\$ 11,773	\$ 10,500	\$ 9,945	\$ 9,609	\$ 9,939	\$ 10,277	\$ 10,982	\$ 11,705
Contributions as a percentage of covered - employee payroll	5.66%	5.58%	7.16%	8.76%	9.92%	9.15%	11.40%	11.33%	11.53%	11.37%

Notes to Schedule:

Valuation date: October 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	3.00%
Projected salary increases	3.75% - 6.00%
Investment rate of return	7.50%
Cost of living adjustments	None
Retirement age	Early retirement (5% to 15%) and normal retirement (15% to 100%).
Mortality	Healthy Male Members: RP-2000 Annuitant Male Mortality Table, with 50% White Collar / 50% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. Healthy Female Members: RP-2000 Annuitant Female Mortality Table, with White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. Disabled Male Members: RP-2000 Disabled Male Mortality Table, setback four years, without projected mortality improvements. Disabled Female Members: RP-2000 Disabled Female Mortality Table, set forward two years, without projected mortality improvements.
Changes since last valuation	Mortality tables updated.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 4,153	\$ 3,356	\$ 3,323	\$ 3,497	\$ 3,468	\$ 3,214	\$ 2,898	\$ 2,548	\$ 2,468	\$ 2,467
Contributions in relation to the actuarially determined contribution	4,153	3,356	3,323	3,497	3,468	3,214	2,898	2,548	2,468	2,467
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 11,571	\$ 11,325	\$ 9,977	\$ 10,051	\$ 9,634	\$ 9,645	\$ 9,681	\$ 8,738	\$ 9,293	\$ 9,780
Contributions as a percentage of covered - employee payroll	35.89%	29.63%	33.31%	34.79%	36.00%	33.32%	29.93%	29.16%	26.56%	25.22%

Notes to Schedule:

Valuation date: October 1, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Layered amortization
Remaining amortization period	2-30 years
Asset valuation method	5-year smoothed market value
Inflation	3.00%
Projected salary increases	4.50% per annum
Investment rate of return	7.50%, net of investment expenses, compounded annually
Cost of living adjustment	None.
Retirement rates	Ranging from 20 or more years of credited service (75% - 100%) and less than 20 years of credited service (50% - 100%).
Mortality	For female non-disabled: RP2000 generational, 100% Annuitant White Collar, Scale BB. For male non-disabled: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB. For female disabled: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. For male disabled: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
Changes since last valuation	Mortality tables updated.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual money-weighted rate of return, net of investment expense	12.15%	7.13%	0.95%	9.86%	12.27%	14.52%	(1.98%)	8.51%	7.29%	(11.18%)

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	13.8%	9.4%	(0.2%)	12.6%	16.3%	20.2%	(3.3%)	6.3%	(1.7%)	(13.7%)

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds Overview

Special Revenue Funds

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

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

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

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

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

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

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

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

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

City of Key West, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	<u>Law Enforcement Trust Fund</u>	<u>Fort Taylor Fund</u>	<u>Special Revenue Affordable Housing Escrow Fund</u>
Assets:			
Cash, cash equivalents and investments	\$ 76,317	\$ 1,788,344	\$ 405,294
Receivables (net of allowance for uncollectibles):			
Intergovernmental	-	-	-
Total assets	<u>\$ 76,317</u>	<u>\$ 1,788,344</u>	<u>\$ 405,294</u>
Liabilities:			
Accounts payable	\$ -	\$ 6,221	\$ -
Accrued payroll and related expenditures	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>6,221</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Law enforcement	76,317	-	-
Natural resources	-	1,782,123	-
Housing initiatives and urban redevelopment	-	-	405,294
Transportation	-	-	-
Committed to:			
Art in public places	-	-	-
Total fund balances	<u>76,317</u>	<u>1,782,123</u>	<u>405,294</u>
Total liabilities and fund balances	<u>\$ 76,317</u>	<u>\$ 1,788,344</u>	<u>\$ 405,294</u>

Funds

<u>Bahama Village Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Caroline Street Fund</u>	<u>Community Fund</u>	<u>Transportation Alternative Fund</u>	<u>Total</u>
\$ 1,530,207	\$ 1,653,431	\$ 1,293,442	\$ 430,598	\$ 597,098	\$ 7,774,731
<u>-</u>	<u>11,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,970</u>
\$ <u>1,530,207</u>	\$ <u>1,665,401</u>	\$ <u>1,293,442</u>	\$ <u>430,598</u>	\$ <u>597,098</u>	\$ <u>7,786,701</u>
\$ 5,253	\$ 7,313	\$ -	\$ 60	\$ -	\$ 18,847
-	-	-	-	1,372	1,372
-	-	-	5,433	-	5,433
<u>5,253</u>	<u>7,313</u>	<u>-</u>	<u>5,493</u>	<u>1,372</u>	<u>25,652</u>
-	-	-	-	-	76,317
-	-	-	-	-	1,782,123
1,524,954	-	1,293,442	-	-	3,223,690
-	1,658,088	-	-	595,726	2,253,814
<u>-</u>	<u>-</u>	<u>-</u>	<u>425,105</u>	<u>-</u>	<u>425,105</u>
<u>1,524,954</u>	<u>1,658,088</u>	<u>1,293,442</u>	<u>425,105</u>	<u>595,726</u>	<u>7,761,049</u>
\$ <u>1,530,207</u>	\$ <u>1,665,401</u>	\$ <u>1,293,442</u>	\$ <u>430,598</u>	\$ <u>597,098</u>	\$ <u>7,786,701</u>

City of Key West, Florida
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Law Enforcement Trust Fund	Fort Taylor Fund	Special Revenue Affordable Housing Escrow Fund
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	270,853	-
Charges for services	-	-	529,008
Investment earnings	349	7,701	1,966
Contributions and other	-	-	-
Total revenues	349	278,554	530,974
Expenditures:			
Current:			
General government	-	84,386	-
Public safety	12,111	-	-
Transportation	-	-	-
Economic environment	-	-	-
Capital outlay	9,600	-	-
Debt service	-	-	-
Total expenditures	21,711	84,386	-
Excess (deficiency) of revenues over expenditures	(21,362)	194,168	530,974
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(7,248)	(5,467)	(200,000)
Total other financing sources (uses)	(7,248)	(5,467)	(200,000)
Net change in fund balances	(28,610)	188,701	330,974
Fund Balances, October 1	104,927	1,593,422	74,320
Fund Balances, September 30	\$ 76,317	\$ 1,782,123	\$ 405,294

Funds

<u>Bahama Village Fund</u>	<u>Navy Pier Payments Fund</u>	<u>Caroline Street Fund</u>	<u>Community Fund</u>	<u>Transportation Alternative Fund</u>	<u>Total</u>
\$ 427,091	\$ -	\$ 443,622	\$ -	\$ -	\$ 870,713
-	-	-	-	-	270,853
-	691,783	-	-	661,440	1,882,231
8,874	418	6,923	2,010	2,075	30,316
125	-	-	6,767	-	6,892
<u>436,090</u>	<u>692,201</u>	<u>450,545</u>	<u>8,777</u>	<u>663,515</u>	<u>3,061,005</u>
-	-	-	-	-	84,386
-	-	-	-	-	12,111
-	320,732	-	-	67,789	388,521
63,436	-	1,307	18,801	-	83,544
5,250	-	74,515	-	-	89,365
158,279	-	-	-	-	158,279
<u>226,965</u>	<u>320,732</u>	<u>75,822</u>	<u>18,801</u>	<u>67,789</u>	<u>816,206</u>
<u>209,125</u>	<u>371,469</u>	<u>374,723</u>	<u>(10,024)</u>	<u>595,726</u>	<u>2,244,799</u>
375,759	-	390,304	-	-	766,063
(12,779)	-	(18,044)	-	-	(243,538)
<u>362,980</u>	<u>-</u>	<u>372,260</u>	<u>-</u>	<u>-</u>	<u>522,525</u>
572,105	371,469	746,983	(10,024)	595,726	2,767,324
<u>952,849</u>	<u>1,286,619</u>	<u>546,459</u>	<u>435,129</u>	<u>-</u>	<u>4,993,725</u>
\$ <u><u>1,524,954</u></u>	\$ <u><u>1,658,088</u></u>	\$ <u><u>1,293,442</u></u>	\$ <u><u>425,105</u></u>	\$ <u><u>595,726</u></u>	\$ <u><u>7,761,049</u></u>

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Law Enforcement Trust Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 349	\$ 349
Total revenues	<u>-</u>	<u>-</u>	<u>349</u>	<u>349</u>
Expenditures:				
Operating	50,700	41,100	10,111	30,989
Capital outlay	-	9,600	9,600	-
Aid to private organizations	10,000	10,000	2,000	8,000
Total expenditures	<u>60,700</u>	<u>60,700</u>	<u>21,711</u>	<u>38,989</u>
Excess (deficiency) of revenues over expenditures	<u>(60,700)</u>	<u>(60,700)</u>	<u>(21,362)</u>	<u>39,338</u>
Other Financing Sources (Uses):				
Transfers out	<u>(7,248)</u>	<u>(7,248)</u>	<u>(7,248)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,248)</u>	<u>(7,248)</u>	<u>(7,248)</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (67,948)</u></u>	<u><u>\$ (67,948)</u></u>	<u>(28,610)</u>	<u><u>\$ 39,338</u></u>
Fund Balance, October 1			<u>104,927</u>	
Fund Balance, September 30			<u><u>\$ 76,317</u></u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fort Taylor Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 225,000	\$ 225,000	\$ 270,853	\$ 45,853
Investment earnings	10,000	10,000	7,701	(2,299)
Total revenues	<u>235,000</u>	<u>235,000</u>	<u>278,554</u>	<u>43,554</u>
Expenditures:				
Operating	130,000	130,000	84,386	45,614
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>84,386</u>	<u>45,614</u>
Excess (deficiency) of revenue over expenditures	<u>105,000</u>	<u>105,000</u>	<u>194,168</u>	<u>89,168</u>
Other Financing Sources (Uses):				
Transfers out	(5,467)	(5,467)	(5,467)	-
Total other financing sources (uses)	<u>(5,467)</u>	<u>(5,467)</u>	<u>(5,467)</u>	<u>-</u>
Net change in fund balance	<u>\$ 99,533</u>	<u>\$ 99,533</u>	188,701	<u>\$ 89,168</u>
Fund Balance, October 1			<u>1,593,422</u>	
Fund Balance, September 30			<u>\$ 1,782,123</u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Affordable Housing Escrow Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 400,000	\$ 529,008	\$ 129,008
Investment earnings	500	500	1,966	1,466
Total revenues	<u>500</u>	<u>400,500</u>	<u>530,974</u>	<u>130,474</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>500</u>	<u>400,500</u>	<u>530,974</u>	<u>130,474</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ 200,500</u>	330,974	<u>\$ 130,474</u>
Fund Balance, October 1			<u>74,320</u>	
Fund Balance, September 30			<u>\$ 405,294</u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Bahama Village Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 448,682	\$ 427,091	\$ 427,091	\$ -
Investment earnings	7,500	7,500	8,874	1,374
Contributions and other	-	-	125	125
Total revenues	<u>456,182</u>	<u>434,591</u>	<u>436,090</u>	<u>1,499</u>
Expenditures:				
Operating	2,160	2,160	29,291	(27,131)
Capital outlay	-	19,468	5,250	14,218
Debt service	158,335	158,335	158,279	56
Aid to private organizations	-	-	34,145	(34,145)
Total expenditures	<u>160,495</u>	<u>179,963</u>	<u>226,965</u>	<u>(47,002)</u>
Excess (deficiency) of revenues over expenditures	<u>295,687</u>	<u>254,628</u>	<u>209,125</u>	<u>(45,503)</u>
Other Financing Sources (Uses):				
Transfers in	375,437	375,759	375,759	-
Transfers out	(12,779)	(12,779)	(12,779)	-
Total other financing sources (uses)	<u>362,658</u>	<u>362,980</u>	<u>362,980</u>	<u>-</u>
Net change in fund balance	<u>\$ 658,345</u>	<u>\$ 617,608</u>	572,105	<u>\$ (45,503)</u>
Fund Balance, October 1			<u>952,849</u>	
Fund Balance, September 30			<u>\$ 1,524,954</u>	

City of Key West, Florida
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Navy Pier Payments Fund - Special Revenue Fund
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 468,255	\$ 691,783	\$ 223,528
Investment earnings	-	-	418	418
Total revenues	<u>-</u>	<u>468,255</u>	<u>692,201</u>	<u>223,946</u>
Expenditures:				
Operating	-	389,000	320,732	68,268
Total expenditures	<u>-</u>	<u>389,000</u>	<u>320,732</u>	<u>68,268</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>79,255</u>	<u>371,469</u>	<u>292,214</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 79,255</u>	371,469	<u>\$ 292,214</u>
Fund Balance, October 1			<u>1,286,619</u>	
Fund Balance, September 30			<u>\$ 1,658,088</u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Caroline Street Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 459,345	\$ 443,622	\$ 443,622	\$ -
Investment earnings	10,000	10,000	6,923	(3,077)
Total revenues	<u>469,345</u>	<u>453,622</u>	<u>450,545</u>	<u>(3,077)</u>
Expenditures:				
Operating	1,420	1,420	1,307	113
Capital outlay	-	-	74,515	(74,515)
Total expenditures	<u>1,420</u>	<u>1,420</u>	<u>75,822</u>	<u>(74,402)</u>
Excess (deficiency) of revenues over expenditures	<u>467,925</u>	<u>452,202</u>	<u>374,723</u>	<u>(77,479)</u>
Other Financing Sources (Uses):				
Transfers in	384,360	390,304	390,304	-
Transfers out	(18,044)	(18,044)	(18,044)	-
Total other financing sources (uses)	<u>366,316</u>	<u>372,260</u>	<u>372,260</u>	<u>-</u>
Net change in fund balance	<u>\$ 834,241</u>	<u>\$ 824,462</u>	746,983	<u>\$ (77,479)</u>
Fund Balance, October 1			<u>546,459</u>	
Fund Balance, September 30			<u>\$ 1,293,442</u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 2,010	\$ 10
Contributions and other	-	2,567	6,767	4,200
Total revenues	2,000	4,567	8,777	4,210
Expenditures:				
Personal services	26,913	26,913	9,473	17,440
Operating	3,565	7,192	9,328	(2,136)
Total expenditures	30,478	34,105	18,801	15,304
Excess (deficiency) of revenues over expenditures	(28,478)	(29,538)	(10,024)	19,514
Net change in fund balance	\$ (28,478)	\$ (29,538)	(10,024)	\$ 19,514
Fund Balance, October 1			<u>435,129</u>	
Fund Balance, September 30			<u>\$ 425,105</u>	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Transportation Alternative Fund - Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 682,396	\$ 661,440	\$ (20,956)
Investment earnings	-	-	2,075	2,075
Total revenues	-	682,396	663,515	(18,881)
Expenditures:				
Personal services	-	360,755	57,862	302,893
Operating	-	321,641	9,927	311,714
Total expenditures	-	682,396	67,789	614,607
Excess (deficiency) of revenues over expenditures	-	-	595,726	595,726
Net change in fund balance	\$ -	\$ -	595,726	\$ 595,726
Fund Balance, October 1			-	
Fund Balance, September 30			\$ 595,726	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,961,602	\$ 8,961,602	\$ 8,644,632	\$ (316,970)
Intergovernmental	850,592	997,592	1,518,988	521,396
Investment earnings	100,000	100,000	52,234	(47,766)
Contributions and other	1,061,955	1,061,955	-	(1,061,955)
Total revenues	<u>10,974,149</u>	<u>11,121,149</u>	<u>10,215,854</u>	<u>(905,295)</u>
Expenditures:				
Personal services	103,327	103,327	103,720	(393)
Operating	1,102,440	2,440	2,440	-
Capital outlay	6,983,548	8,244,984	14,450,071	(6,205,087)
Total expenditures	<u>8,189,315</u>	<u>8,350,751</u>	<u>14,556,231</u>	<u>(6,205,480)</u>
Excess (deficiency) of revenues over expenditures	<u>2,784,834</u>	<u>2,770,398</u>	<u>(4,340,377)</u>	<u>(7,110,775)</u>
Other Financing Sources (Uses):				
Transfers out	(2,558,946)	(2,838,954)	(2,838,954)	-
Proceeds from capital lease	-	-	840,295	840,295
Sale of general capital assets	-	-	7,248	7,248
Total other financing sources (uses)	<u>(2,558,946)</u>	<u>(2,838,954)</u>	<u>(1,991,411)</u>	<u>847,543</u>
Net change in fund balance	<u>\$ 225,888</u>	<u>\$ (68,556)</u>	<u>(6,331,788)</u>	<u>\$ (6,263,232)</u>
Fund Balance, October 1			<u>15,942,775</u>	
Fund Balance, September 30			<u>\$ 9,610,987</u>	

City of Key West, Florida
Schedules of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 15,000	\$ 15,000	\$ 8,989	\$ (6,011)
Contributions and other	-	-	120,000	120,000
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>128,989</u>	<u>113,989</u>
Expenditures:				
Personal services	98,732	98,732	106,287	(7,555)
Capital outlay	<u>1,250,000</u>	<u>1,530,008</u>	<u>3,840,498</u>	<u>(2,310,490)</u>
Total expenditures	<u>1,348,732</u>	<u>1,628,740</u>	<u>3,946,785</u>	<u>(2,318,045)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,333,732)</u>	<u>(1,613,740)</u>	<u>(3,817,796)</u>	<u>(2,204,056)</u>
Other Financing Sources (Uses):				
Transfers in	1,050,000	1,330,008	1,330,008	-
Transfers out	<u>(13,349)</u>	<u>(13,349)</u>	<u>(13,349)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,036,651</u>	<u>1,316,659</u>	<u>1,316,659</u>	<u>-</u>
Net change in fund balance	<u>\$ (297,081)</u>	<u>\$ (297,081)</u>	<u>(2,501,137)</u>	<u>\$ (2,204,056)</u>
Fund Balance, October 1			<u>3,539,001</u>	
Fund Balance, September 30			<u>\$ 1,037,864</u>	

FIDUCIARY FUNDS OVERVIEW

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

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

City of Key West, Florida
Combining Statement of Net Position
Fiduciary Funds
September 30, 2017

	<u>Pension Trust Funds</u>		
	<u>General Employees</u>	<u>Police and Fire</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,334,849	\$ 4,866,100	\$ 6,200,949
Investments, at fair value:			
Equity securities	31,432,424	66,130,405	97,562,829
Corporate and foreign bonds and bond funds	10,557,922	11,721,415	22,279,337
Alternative investments	6,330,038	4,781,905	11,111,943
U.S. government securities	2,315,000	5,193,158	7,508,158
Collateralized mortgage obligations	1,021,774	-	1,021,774
Municipal obligations	617,114	208,595	825,709
Real estate	-	5,110,000	5,110,000
Receivables:			
Interest and dividends	115,683	138,422	254,105
Other	1,100	572,152	573,252
Proceeds from securities sold	-	105,095	105,095
	<u>53,725,904</u>	<u>98,827,247</u>	<u>152,553,151</u>
Total assets			
Liabilities:			
Accounts payable and accrued expenses	59,633	106,083	165,716
Payable for securities purchased	-	382,071	382,071
Prepaid city contributions	-	231,495	231,495
	<u>59,633</u>	<u>719,649</u>	<u>779,282</u>
Total liabilities			
Net Position:			
Restricted for pension benefits	\$ <u>53,666,271</u>	\$ <u>98,107,598</u>	\$ <u>151,773,869</u>

City of Key West, Florida
Combining Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended September 30, 2017

	Pension Trust Funds		
	<u>General Employees</u>	<u>Police and Fire</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 752,506	\$ 3,581,684	\$ 4,334,190
Members	797,975	895,491	1,693,466
State police and fire	-	572,152	572,152
Total contributions	<u>1,550,481</u>	<u>5,049,327</u>	<u>6,599,808</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	5,033,268	9,550,219	14,583,487
Interest and dividends	1,325,133	2,364,126	3,689,259
Total investment earnings	<u>6,358,401</u>	<u>11,914,345</u>	<u>18,272,746</u>
Less: Investment expenses	<u>238,139</u>	<u>500,668</u>	<u>738,807</u>
Net investment earnings	<u>6,120,262</u>	<u>11,413,677</u>	<u>17,533,939</u>
Total additions	<u>7,670,743</u>	<u>16,463,004</u>	<u>24,133,747</u>
Deductions:			
Benefits paid	3,041,719	4,973,927	8,015,646
Administrative expenses	184,764	182,082	366,846
Total deductions	<u>3,226,483</u>	<u>5,156,009</u>	<u>8,382,492</u>
Changes in net position	4,444,260	11,306,995	15,751,255
Net Position, October 1	<u>49,222,011</u>	<u>86,800,603</u>	<u>136,022,614</u>
Net Position, September 30	<u>\$ 53,666,271</u>	<u>\$ 98,107,598</u>	<u>\$ 151,773,869</u>

STATISTICAL SECTION

Overview

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

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

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

Contents

Financial Trends:	111-120
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity:	121-124
These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	
Debt Capacity:	125-129
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information:	130-132
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information:	133-135
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides	

Sources of Data:

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 83,450	\$ 83,653	\$ 86,385	\$ 87,054	\$ 88,024	\$ 98,927	\$ 106,158	\$ 115,897	\$ 134,743	\$ 151,492
Restricted	30,050	30,675	31,822	36,703	41,328	39,406	34,704	31,633	22,445	19,429
Unrestricted	6,155	9,654	14,570	16,623	16,414	25,586	22,296	27,530	22,907	12,900
Total governmental activities net position	\$ 119,655	\$ 123,982	\$ 132,777	\$ 140,380	\$ 145,766	\$ 163,919	\$ 163,158	\$ 175,060	\$ 180,095	\$ 183,821
Business-type activities:										
Net investment in capital assets	\$ 103,294	\$ 107,394	\$ 115,889	\$ 118,376	\$ 113,118	\$ 115,459	\$ 116,044	\$ 123,627	\$ 129,521	\$ 129,029
Restricted	3,800	3,800	3,759	3,867	4,362	589	326	349	259	274
Unrestricted	14,446	12,003	14,951	17,443	25,228	29,476	37,658	40,073	41,043	43,258
Total business-type activities net position	\$ 121,540	\$ 123,197	\$ 134,599	\$ 139,686	\$ 142,708	\$ 145,524	\$ 154,028	\$ 164,049	\$ 170,823	\$ 172,561
Primary government:										
Net investment in capital assets	\$ 186,744	\$ 191,047	\$ 202,274	\$ 205,430	\$ 201,142	\$ 214,386	\$ 222,202	\$ 239,524	\$ 264,264	\$ 280,521
Restricted	33,850	34,475	35,581	40,570	45,690	39,995	35,030	31,982	22,704	19,703
Unrestricted	20,601	21,657	29,521	34,066	41,642	55,062	59,954	67,603	63,950	56,158
Total primary government net position	\$ 241,195	\$ 247,179	\$ 267,376	\$ 280,066	\$ 288,474	\$ 309,443	\$ 317,186	\$ 339,109	\$ 350,918	\$ 356,382

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 13,012	\$ 13,570	\$ 13,355	\$ 14,797	\$ 15,520	\$ 16,670	\$ 16,419	\$ 17,011	\$ 18,008	\$ 19,479
Public safety	22,272	21,896	20,553	21,737	22,859	22,692	24,315	23,748	26,681	29,565
Physical environment	588	314	304	-	-	-	-	-	-	-
Transportation	4,002	3,711	3,586	3,364	5,339	7,770	4,462	2,765	2,748	3,486
Economic environment	5,297	14,622	5,249	2,956	3,762	1,784	1,633	1,503	861	1,063
Human services	517	409	393	394	399	488	468	506	474	459
Culture and recreation	3,677	2,314	2,152	2,321	2,600	2,567	2,456	2,689	2,702	3,827
Interest	45	41	38	34	30	26	22	19	15	11
Total governmental activities expenses	49,410	56,877	45,630	45,603	50,509	51,997	49,775	48,241	51,489	57,890
Business type activities:										
Sewer System	10,704	10,833	11,574	11,151	10,710	11,404	10,550	10,720	11,017	11,433
Solid Waste	7,480	7,105	7,337	7,444	7,268	8,753	8,042	7,578	8,938	8,074
Key West Bight	6,980	5,485	4,988	5,192	4,588	4,329	4,158	5,082	5,777	5,769
Stormwater	2,871	3,053	2,239	2,666	2,535	2,755	2,223	2,311	2,517	3,196
Garrison Bight	1,207	1,426	1,434	1,351	1,245	1,359	1,351	1,428	1,427	1,445
Transit System	4,026	3,581	3,076	2,806	2,563	2,732	2,935	2,893	3,130	3,737
Total business-type activities expenses	33,268	31,483	30,648	30,610	28,909	31,332	29,259	30,012	32,806	33,654
Total primary government expenses	\$ 82,678	\$ 88,360	\$ 76,278	\$ 76,213	\$ 79,418	\$ 83,329	\$ 79,034	\$ 78,253	\$ 84,295	\$ 91,544

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues:										
Governmental activities:										
Fee, fines and charges for services:										
General government	\$ 1,686	\$ 2,257	\$ 2,417	\$ 2,647	\$ 2,717	\$ 2,721	\$ 3,161	\$ 3,353	\$ 3,447	\$ 3,275
Public safety	2,351	2,280	2,667	2,131	2,150	2,733	3,296	5,100	4,100	4,407
Physical environment	71	54	77	-	-	-	-	-	-	-
Transportation	7,002	6,840	6,947	7,557	7,021	6,976	7,267	7,291	7,654	9,242
Economic environment	-	-	44	26	26	33	26	26	26	20
Human services	11	-	-	-	-	-	-	-	-	-
Culture and recreation	15	182	164	202	205	344	462	478	467	483
Operating grants and contributions	2,583	4,295	5,414	3,829	3,971	2,041	2,261	1,577	1,499	2,261
Capital grants and contributions	4,275	12,334	2,912	3,272	3,596	11,150	537	388	359	1,503
Total governmental activities program revenues	17,994	28,242	20,642	19,664	19,686	25,998	17,010	18,213	17,552	21,191
Business type activities:										
Charges for services:										
Sanitary Sewer System	11,789	11,648	11,827	12,717	11,640	12,164	11,979	11,933	11,968	11,522
Solid Waste	9,343	9,283	8,997	9,122	9,187	9,503	9,398	9,171	9,547	9,291
Key West Bight	8,100	6,500	6,460	6,825	6,974	7,047	7,465	8,896	9,021	9,621
Stormwater	2,336	2,393	2,322	2,342	2,468	2,613	2,131	2,063	2,084	2,197
Garrison Bight	1,509	1,459	1,372	1,400	1,453	1,507	1,604	1,960	1,978	2,059
Transit System	1,067	1,067	970	982	1,070	1,039	1,126	1,260	1,341	1,271
Operating grants and contributions	1,033	420	2,026	1,487	1,274	1,124	2,239	1,410	4,338	2,130
Capital grants and contributions	4,276	1,429	9,209	2,633	1,436	2,518	3,213	7,654	2,660	296
Total business type activities program revenues	39,453	34,199	43,183	37,508	35,502	37,515	39,155	44,347	42,937	38,387
Total primary government program revenues	\$ 57,447	\$ 62,441	\$ 63,825	\$ 57,172	\$ 55,188	\$ 63,513	\$ 56,165	\$ 62,560	\$ 60,489	\$ 59,578

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (31,416)	\$ (28,635)	\$ (24,988)	\$ (25,939)	\$ (30,823)	\$ (25,999)	\$ (32,765)	\$ (30,028)	\$ (33,937)	\$ (36,699)
Business type activities	6,185	2,716	12,535	6,898	6,593	6,183	9,896	14,335	10,131	4,733
Total primary government net expense	\$ (25,231)	\$ (25,919)	\$ (12,453)	\$ (19,041)	\$ (24,230)	\$ (19,816)	\$ (22,869)	\$ (15,693)	\$ (23,806)	\$ (31,966)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 15,136	\$ 15,572	\$ 15,644	\$ 14,816	\$ 14,429	\$ 15,127	\$ 15,059	\$ 15,161	\$ 15,086	\$ 16,329
Sales taxes	9,001	8,052	7,994	8,663	10,360	10,945	11,824	12,631	12,971	13,286
Franchise and local business taxes	1,272	1,268	1,316	1,394	1,463	1,404	1,448	1,482	1,509	1,533
Communication taxes	1,882	1,633	1,725	1,613	1,610	1,599	1,474	1,462	1,377	1,280
Cigarette and motor fuel taxes	2,225	2,099	2,360	2,391	2,541	2,462	2,695	2,801	2,903	2,968
Investment earnings	1,944	1,745	750	530	437	197	316	568	478	264
Miscellaneous	1,393	717	1,464	1,293	1,643	8,476	785	2,720	633	722
Extraordinary item	(6,750)	-	-	-	-	-	-	-	-	-
Transfers	1,982	1,876	2,530	2,842	3,726	3,942	2,820	5,105	4,015	4,044
Total governmental activities	28,085	32,962	33,783	33,542	36,209	44,152	36,421	41,930	38,972	40,426
Business type activities:										
Investment earnings	1,008	643	260	312	241	165	214	380	382	264
Transfers	(1,982)	(1,876)	(2,530)	(2,842)	(3,726)	(3,942)	(2,820)	(5,105)	(4,015)	(4,044)
Miscellaneous	204	174	1,137	719	254	410	322	411	277	784
Total business-type activities	(770)	(1,059)	(1,133)	(1,811)	(3,231)	(3,367)	(2,284)	(4,314)	(3,356)	(2,996)
Total primary government	\$ 27,315	\$ 31,903	\$ 32,650	\$ 31,731	\$ 32,978	\$ 40,785	\$ 34,137	\$ 37,616	\$ 35,616	\$ 37,430

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Change in net position:										
Governmental activities	\$ (3,331)	\$ 4,327	\$ 8,795	\$ 7,603	\$ 5,386	\$ 18,153	\$ 3,656	\$ 11,902	\$ 5,035	\$ 3,727
Business type activities	5,415	1,657	11,402	5,087	3,362	2,816	7,612	10,021	6,775	1,737
Total primary government	\$ 2,084	\$ 5,984	\$ 20,197	\$ 12,690	\$ 8,748	\$ 20,969	\$ 11,268	\$ 21,923	\$ 11,810	\$ 5,464

City of Key West, Florida
Table 3
Governmental Activities Tax Revenues by Source
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
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
2013	\$ 15,127	\$ 10,945	\$ 1,404	\$ 2,462	\$ 1,599	\$ 31,537
2014	\$ 15,059	\$ 11,824	\$ 1,448	\$ 2,695	\$ 1,474	\$ 32,500
2015	\$ 15,161	\$ 12,631	\$ 1,482	\$ 2,801	\$ 1,462	\$ 33,537
2016	\$ 15,086	\$ 12,971	\$ 1,509	\$ 2,903	\$ 1,377	\$ 33,846
2017	\$ 16,329	\$ 13,286	\$ 1,533	\$ 2,968	\$ 1,280	\$ 35,396

City of Key West, Florida
Table 4
Fund Balances of Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis
(in Thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 2,379	\$ 2,516	\$ 2,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,362	6,177	8,801	-	-	-	-	-	-	-
Nondspendable	-	-	-	2,191	2,075	1,950	1,828	1,702	1,597	1,520
Restricted	-	-	-	-	-	2	3	-	139	376
Committed	-	-	-	110	148	269	360	2,172	2,207	546
Assigned	-	-	-	155	123	1,051	1,883	1,653	1,189	437
Unassigned	-	-	-	9,260	10,202	11,296	12,466	14,842	13,904	10,174
Total general fund	\$ 14,741	\$ 8,693	\$ 11,259	\$ 11,716	\$ 12,548	\$ 14,568	\$ 16,540	\$ 20,369	\$ 19,036	\$ 13,053
All other governmental funds:										
Reserved	\$ 1,136	\$ 4,604	\$ 2,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	20,329	14,916	14,669	-	-	-	-	-	-	-
Capital projects funds	8,585	11,156	14,391	-	-	-	-	-	-	-
Nondspendable	-	-	-	180	162	280	191	172	186	164
Restricted	-	-	-	36,524	41,166	39,124	34,509	31,632	22,306	19,054
Committed	-	-	-	-	-	7,500	7,500	7,733	3,974	1,463
Unassigned	-	-	-	-	(431)	(778)	-	-	-	-
Total all other governmental funds	\$ 30,050	\$ 30,676	\$ 31,822	\$ 36,704	\$ 40,897	\$ 46,126	\$ 42,200	\$ 39,537	\$ 26,466	\$ 20,681

Note: Information for fiscal years 2008-2010 have not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 classification.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 24,194	\$ 24,271	\$ 24,393	\$ 23,940	\$ 24,794	\$ 25,715	\$ 26,303	\$ 26,958	\$ 27,079	\$ 28,429
Licenses and permits	2,451	2,174	2,613	2,456	2,666	3,186	4,002	4,340	3,604	4,380
Intergovernmental	11,130	20,190	13,448	12,730	14,218	10,221	10,635	8,558	8,264	9,865
Charges for services	7,245	7,067	7,411	7,954	7,414	7,458	7,962	9,486	9,415	10,706
Fines and forfeitures	1,153	1,252	1,169	878	717	769	679	820	991	717
Investment earnings	1,944	1,745	751	530	437	197	317	568	478	265
Rental income	1,384	1,784	1,642	1,842	1,948	1,952	2,164	2,169	2,259	2,170
Contributions and other	575	269	304	355	426	396	227	2,242	242	307
Total revenues	50,076	58,752	51,731	50,685	52,620	49,894	52,289	55,141	52,332	56,839
Expenditures:										
General government (1)	13,375	21,921	14,006	15,138	15,285	15,337	15,931	16,382	16,890	17,704
Public safety	19,089	19,198	18,873	19,982	20,560	21,022	21,739	22,917	25,188	27,399
Physical environment	486	238	243	-	-	-	-	-	-	-
Transportation	3,594	3,253	3,154	2,867	4,903	7,246	3,910	2,266	2,248	2,909
Economic environment	5,278	14,622	5,249	2,956	3,762	1,783	1,633	1,502	861	1,063
Culture and recreation	2,949	1,886	1,817	1,954	2,107	1,951	1,967	2,169	2,231	3,118
Human services	513	407	393	394	399	488	468	506	474	459
Capital outlay	3,030	4,037	6,637	4,717	4,442	6,437	11,597	13,525	23,111	21,104
Debt service:										
Principal	147	147	147	147	147	147	147	147	147	147
Interest	49	41	38	34	30	26	22	19	15	11
Total expenditures	48,510	65,750	50,557	48,189	51,635	54,437	57,414	59,433	71,165	73,914
Excess (deficiency) of revenues over expenditures	1,566	(6,998)	1,174	2,496	985	(4,543)	(5,125)	(4,292)	(18,833)	(17,075)
Other Financing Sources (Uses):										
Transfers in	8,498	11,674	9,176	10,153	6,182	16,480	8,870	10,931	9,938	10,913
Transfers out	(6,517)	(10,098)	(6,638)	(7,310)	(2,142)	(12,229)	(5,719)	(5,501)	(5,513)	(6,458)
Loan proceeds	-	-	-	-	-	-	-	-	-	840
Sale of general capital assets	-	-	-	-	-	7,541	20	28	3	12
Total other financing sources (uses)	1,981	1,576	2,538	2,843	4,040	11,792	3,171	5,458	4,428	5,307
Net change in fund balances	\$ 3,547	\$ (5,422)	\$ 3,712	\$ 5,339	\$ 5,025	\$ 7,249	\$ (1,954)	\$ 1,166	\$ (14,405)	\$ (11,768)
Ratio of total debt service expenditures to total noncapital expenditures	0.43%	0.30%	0.42%	0.42%	0.38%	0.36%	0.37%	0.36%	0.34%	0.30%

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

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

Fiscal Year	General Government	Public Safety	Physical Environment (2)	Transportation	Economic Environment	Culture and Recreation	Other	Total
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
2013	\$ 14,716,056	\$ 20,966,990	-	\$ 757,323	\$ 80,197	\$ 1,951,187	\$ 1,012,947	\$ 39,484,700
2014	\$ 15,365,596	\$ 21,650,994	-	\$ 913,521	\$ 49,314	\$ 1,961,513	\$ 923,942	\$ 40,864,880
2015	\$ 16,100,897	\$ 22,794,448	-	\$ 860,416	\$ 49,803	\$ 2,168,744	\$ 1,433,703	\$ 43,408,011
2016	\$ 16,630,840	\$ 25,102,343	-	\$ 983,115	\$ 55,736	\$ 2,231,442	\$ 955,734	\$ 45,959,210
2017	\$ 17,407,388	\$ 27,387,156	-	\$ 1,144,716	\$ 337,374	\$ 3,117,581	\$ 987,026	\$ 50,381,241

(1) Expenditures include General Fund only.

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

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

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Earnings and Other	Total
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
2013	\$ 16,593,485	\$ 3,186,346	\$ 6,932,953	\$ 6,881,080	\$ 707,745	\$ 2,121,688	\$ 36,423,297
2014	\$ 16,399,038	\$ 4,001,655	\$ 7,150,588	\$ 7,354,163	\$ 629,454	\$ 2,383,531	\$ 37,918,429
2015	\$ 16,430,227	\$ 4,228,371	\$ 7,151,115	\$ 9,029,919	\$ 784,890	\$ 4,549,890	\$ 42,174,412
2016	\$ 16,213,304	\$ 3,410,517	\$ 7,392,167	\$ 8,853,780	\$ 818,303	\$ 2,592,414	\$ 39,280,485
2017	\$ 17,320,046	\$ 4,379,978	\$ 7,466,965	\$ 8,824,283	\$ 717,104	\$ 2,385,399	\$ 41,093,775

(1) Revenues include General Fund only.

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

Fiscal Year	Tax Levy	Collections Current Tax	Percent of Levy	Collections Delinquent Tax	Collections Total Tax	Percent of Levy
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	\$ 14,224,210	\$ 13,643,432	95.9	\$ 75,797	\$ 13,719,229	96.4
2013	\$ 14,859,861	\$ 13,847,692	93.2	\$ 615,050	\$ 14,462,742	97.3
2014	\$ 14,798,746	\$ 14,316,000	96.7	\$ 45,076	\$ 14,361,076	97.0
2015	\$ 15,690,912	\$ 14,358,235	91.5	\$ 42,056	\$ 14,400,291	91.8
2016	\$ 15,815,079	\$ 14,245,778	90.1	\$ 25,265	\$ 14,271,043	90.2
2017	\$ 15,963,489	\$ 15,429,362	96.7	\$ 28,557	\$ 15,457,919	96.8

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

City of Key West, Florida

Table 9

Assessed and Estimated Value of Taxable Property

Last Ten Fiscal Years

(In Thousands)

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions Allowed for Real/Personal Property</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Net Estimated True Value</u>	<u>Ratio Net Assessed to True Value</u>
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
2013	\$ 8,231,175	\$ 323,906	\$ 3,463,472	\$ 5,091,609	2.9185	\$ 5,091,609	1.0
2014	\$ 8,482,416	\$ 323,457	\$ 3,516,073	\$ 5,289,801	2.7976	\$ 5,289,801	1.0
2015	\$ 8,874,783	\$ 300,825	\$ 3,519,798	\$ 5,655,809	2.7743	\$ 5,655,809	1.0
2016	\$ 9,348,014	\$ 298,273	\$ 3,541,965	\$ 6,104,322	2.5908	\$ 6,104,322	1.0
2017	\$ 9,809,365	\$ 289,960	\$ 3,687,255	\$ 6,412,070	2.4896	\$ 6,412,070	1.0

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

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

Fiscal Year	City of Key West			Overlapping Rates (1)						Total
	Operating Millage	Debt Service Millage	Total Direct Rate	Monroe County	School Board	South Florida Water Management District	Florida Keys Mosquito Control District	Other		
2008	2.0354	-	2.0354	2.2656	2.9460	0.2549	0.4175	0.3691	8.2885	
2009	2.2794	-	2.2794	2.6883	2.9220	0.2549	0.3798	0.3691	8.8935	
2010	2.6414	-	2.6414	3.0837	3.3870	0.2549	0.4262	0.3691	10.1623	
2011	2.9132	-	2.9132	3.3445	3.8235	0.2549	0.4596	0.3691	11.1648	
2012	2.8627	-	2.8627	3.3470	3.5650	0.1785	0.4836	0.2578	10.6946	
2013	2.9185	-	2.9185	3.1229	3.6600	0.1757	0.5171	0.2532	10.6474	
2014	2.7976	-	2.7976	3.1380	3.6810	0.1685	0.5069	0.2425	10.5345	
2015	2.7743	-	2.7743	3.1275	3.6260	0.1577	0.4824	0.2265	10.3944	
2016	2.5908	-	2.5908	2.9753	3.5500	0.1459	0.5019	0.2092	9.9731	
2017	2.4896	-	2.4896	2.8297	3.4840	0.1359	0.5831	0.1948	9.7171	

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

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

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

Source: Monroe County Tax Collector.

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

Name of Taxpayer	2017 Assessed Value	Rank	Percent of Total Assessed Valuation	2008 Assessed Value	Rank	Percent of Total Assessed Valuation
Sunset City, LLC	\$ 107,916,438	1	1.68	\$ -	-	-
Casa Marina Owner, LLC	91,406,391	2	1.43	66,650,103	4	0.79
Windward Pointe II LLC	86,667,630	3	1.35	51,039,144	6	0.60
Galleon Condominium Association Inc.	75,344,696	4	1.18	72,566,263	1	0.86
SH5, LTD	62,049,009	5	0.97	66,682,765	3	0.79
Tannex Development, LC	60,510,818	6	0.94	31,667,506	9	0.37
Ashford Pier House, LLC	56,864,319	7	0.89	-	-	-
Seaboard Associates Limited Partnership	56,029,044	8	0.87	-	-	-
Passco Ocean DST	55,934,978	9	0.87	-	-	-
City of Key West	52,148,363	10	0.81	67,739,655	2	0.80
Hyatt Vacation Management	-	-	-	66,402,706	5	0.78
JLW Key West 1 LLC	-	-	-	33,622,299	7	0.40
Bellsouth (Southern Bell)	-	-	-	32,676,712	8	0.39
Key Property LLC	-	-	-	31,494,216	10	0.37
Totals	\$ 704,871,686		10.99	\$ 520,541,369		6.15

Source: Property Appraiser, Monroe County, Florida.

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

Fiscal Year	Note Payable		Capital Lease		Revenue Bonds (1)		Note Payable Business-type Activities	Total Outstanding Debt	Percentage of Personal Income (2)	Population (2)	Debt per Capita
	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities					
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	\$ -	\$ 33,767,315	\$ 2,971,112	\$ 37,764,007	4.32%	24,909	\$ 1,516			
2013	\$ 878,521	\$ -	\$ 30,400,830	\$ 2,699,700	\$ 33,979,051	3.96%	25,057	\$ 1,356			
2014	\$ 731,462	\$ -	\$ 28,745,557	\$ 2,419,340	\$ 31,896,359	3.94%	25,550	\$ 1,248			
2015	\$ 584,403	\$ -	\$ 25,759,879	\$ 2,129,737	\$ 28,474,019	3.51%	25,704	\$ 1,108			
2016	\$ 437,344	\$ -	\$ 22,674,650	\$ 1,830,587	\$ 24,942,581	2.85%	25,755	\$ 968			
2017	\$ 290,285	\$ 840,295	\$ 19,501,439	\$ 1,521,577	\$ 22,153,596	2.53%	26,990	\$ 821			

(1) Presented net of original issuance discounts and premiums.
(2) Personal income and population is disclosed on table 17.

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

City of Key West, Florida

Table 13

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

Fiscal Year	Population (1) (a)	Net Assessed Value (2) (000's) (b)	Gross General Obligation Bonded Debt (3) (c)	Debt Service Monies Available (d)	Net General Obligation Bonded Debt (c)-(d)	Ratio of Net General Obligation Bonded Debt to Assessed Value (c-d)/(b)	Net General Obligation Bonded Debt Per Capita (c-d)/(a)
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	-	-	-	-	-
2013	25,057	\$ 5,091,609	-	-	-	-	-
2014	25,550	\$ 5,289,801	-	-	-	-	-
2015	25,704	\$ 5,655,809	-	-	-	-	-
2016	25,755	\$ 6,104,322	-	-	-	-	-
2017	26,990	\$ 6,412,070	-	-	-	-	-

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

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

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

City of Key West, Florida

Table 14

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (2)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2008	-	-	-	\$ 37,168,487	-
2009	-	-	-	\$ 46,379,636	-
2010	-	-	-	\$ 36,752,779	-
2011	-	-	-	\$ 38,783,769	-
2012	-	-	-	\$ 39,258,821	-
2013	-	-	-	\$ 39,484,700	-
2014	-	-	-	\$ 40,864,880	-
2015	-	-	-	\$ 43,408,011	-
2016	-	-	-	\$ 45,959,210	-
2017	-	-	-	\$ 50,381,241	-

(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, 2017

	<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)	\$ 1,130,580	100.00%	\$ 1,130,580
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>40,842,000</u>	27.84% (3)	<u>11,370,562</u>
Total ad valorem tax supported debt	<u>\$ 41,972,580</u>		<u>\$ 12,501,142</u>
Ratios:			
Overall debt to 2017 taxable valuation			<u>0.19%</u>
Overall debt per capita			<u>\$ 463</u>

- (1) City of Key West direct debt does not include revenue bonds.
(2) Monroe County School Board debt is as of June 30, 2017, and does not include revenue bonds.
(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

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

Fiscal Year	Gross Revenues (1)	Cost of Operation and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
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
2013	\$ 12,032	\$ 5,648	\$ 6,384	\$ 680	\$ 398	\$ 1,078	5.92
2014	\$ 12,056	\$ 5,763	\$ 6,293	\$ 1,713	\$ 576	\$ 2,289	2.75
2015	\$ 12,076	\$ 5,915	\$ 6,161	\$ 1,762	\$ 533	\$ 2,295	2.68
2016	\$ 11,993	\$ 5,958	\$ 6,035	\$ 1,801	\$ 488	\$ 2,289	2.64
2017	\$ 11,543	\$ 5,812	\$ 5,731	\$ 1,842	\$ 442	\$ 2,284	2.51

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

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

Fiscal Year	Population (1)	Per Capita Income (1)	Total Personal Income (in thousands) (1)	Median Age (1)	Public School Enrollment (2)	Unemployment Rate (3)
2008	23,024	\$ 32,662	\$ 736,768	43	3,868	4.3%
2009	23,922	\$ 33,549	\$ 789,426	43	3,791	6.8%
2010	24,649	\$ 34,174	\$ 838,066	44	3,792	7.2%
2011	24,626	\$ 36,086	\$ 888,654	42	3,823	6.2%
2012	24,909	\$ 35,074	\$ 873,658	42	4,023	4.5%
2013	25,057	\$ 34,277	\$ 858,879	42	4,148	3.7%
2014	25,550	\$ 31,700	\$ 809,935	43	3,954	3.9%
2015	25,704	\$ 31,566	\$ 811,372	44	4,583	3.4%
2016	25,755	\$ 34,020	\$ 876,185	42	4,189	3.3%
2017	26,990	\$ 32,428	\$ 875,232	40	4,177	2.8%

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

(2) Source: Monroe County School Board.

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

City of Key West, Florida

Table 18

Principal Employers*

Employer	2017 Employees**	2008 Employees
Public Sector:		
US Armed Forces	2,190	1,269
Monroe County Schools	1,183	1,362
Monroe County Government	570	810
Monroe County Sheriff's Office	539	539
City of Key West	507	521
Florida Keys Aqueduct Authority	277	273
Florida Keys Community College	205	225
Keys Energy Service	124	163
Florida Keys Electric Cooperative Association	115	N/A
Private Sector:		
Ocean Reef Club	1,123	1,000
Publix Stores	540	392
Lower Keys Medical Center, Key West	437	N/A
Casa Marina Resort / Reach Resort	356	300
Spottswood Properties	355	N/A
Margaritaville Resort & Marina/Sunset Key	324	N/A
Historic Tours of America	300	350
Fogart's/Red Fish Blues Fish/Caroline's Jack Flats/Waterfront Brewery	280	N/A
Cheeca Lodge	232	300
Fury Water Adventures	190	N/A

* 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.

** Due to hurricane Irma, number of employees is as of January 2018, instead of September 2017.

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

Fiscal Year	Property Value (1)			Construction (2)	
	Real/ Personal Property Assessed Value	Exemptions Allowed for Real/ Personal Property	Total Net Assessed Value	Number of Permits	Value
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
2013	\$ 8,555,081	\$ 3,463,472	\$ 5,091,609	5,467	\$ 71,443
2014	\$ 8,805,874	\$ 3,516,073	\$ 5,289,801	6,187	\$ 213,520
2015	\$ 9,175,608	\$ 3,519,798	\$ 5,655,809	5,465	\$ 386,381
2016	\$ 9,646,287	\$ 3,541,965	\$ 6,104,322	6,429	\$ 815,196
2017	\$ 10,099,325	\$ 3,687,255	\$ 6,412,070	4,843	\$ 104,204

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

City of Key West, Florida
Table 20
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Building permits issued	4,971	4,215	4,297	4,504	5,124	5,467	6,187	5,465	6,429	4,843
Building inspections performed	11,275	7,392	8,128	9,606	10,264	9,057	11,812	11,642	11,018	8,910
Occupational licenses	8,990	9,072	8,296	9,778	11,189	8,509	10,087	10,642	9,799	8,604
Fire:										
Emergency responses	2,160	1,206	2,613	2,269	2,274	1,846	1,945	4,818 *	7,194 **	5,877
Inspections	1,440	779	2,481	2,430	2,452	2,293	2,310	2,100	2,077	1,700
Police:										
Physical arrests	2,031	2,166	2,075	2,115	2,265	2,010	2,171	2,100	1,753	1,264
Parking violations	48,312	46,893	37,047	30,830	31,172	30,504	27,897	33,261	32,199	31,382
Traffic violations	5,040	4,331	4,313	4,450	3,956	4,065	4,018	3,092	2,529	2,257
Cemetery:										
Burials	95	86	124	129	87	93	94	102	117	109
Sewer:										
Average daily flow (millions of gallons per day)	4	4	4	4	4	4	4	4	4	4
Solid Waste:										
Refuse annually tons	58,296	50,594	45,402	55,624	47,055	41,091	44,064	40,563	41,056	41,045
Recycle annual in tons	2,484	2,517	3,607	2,095	3,656	5,406	5,333	5,381	5,371	5,223
Marinas:										
Key West Bight:										
Diesel gallons pumped	354,378	349,664	315,515	311,677	230,161	128,205	128,548	168,924	219,435	206,963
Gas gallons pumped	79,114	78,872	63,058	106,071	116,461	126,381	133,580	150,826	177,291	142,394
Transient customers	1,436	986	1,011	1,284	1,520	1,454	1,365	1,394	1,617	1,730
Ferry terminal:										
Boat landings	508	393	479	464	349	358	364	389	482	358
Passenger disembarkments	85,134	148,300	144,617	154,821	146,362	148,738	166,677	192,073	184,662	186,817
Diesel gallons pumped	412,360	137,631	81,807	141,355	117,055	7,255	7,743	333,545	383,926	347,119
Garrison Bight:										
Transient customers	496	396	362	384	369	354	438	674	581	691
Mooring field monthly permits	49	165	76	332	96	103	133	377	515	623
Ramp usage	4,437	4,879	4,142	5,307	4,662	4,806	5,893	5,178	4,703	3,927
Transportation:										
Cruise ship passengers	733,910	862,043	804,845	852,673	832,887	734,349	800,752	745,864	696,224	745,781
Sidewalks repaired/replaced	36,296	61,719	107,243	56,725	98,590	82,395	20,250	10,000	5,000	6,221

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

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

City of Key West, Florida
Table 21
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	7	7	7	7	7	7	7	6	6	7
Aerial	1	1	1	1	1	1	1	1	1	1
Light duty rescue	1	1	1	1	1	1	1	1	1	1
Ambulances	-	-	-	-	-	-	-	4 *	4	5
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	89	105	95	115	115	115	117	118	118	118
Parking enforcement units	7	7	7	7	7	7	6	6	6	6
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	3	3	3	3	3	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Sewer:										
Length of system	58	58	58	58	58	58	60	60	60	60
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	12	12	12	12	12
Key West Bight:										
Slips:										
Transient slips	92	92	92	92	92	92	92	92	92	92
Commercial slips	42	42	42	42	42	42	42	42	42	42
Other slips	15	15	15	15	15	15	15	15	15	15
Fuel capacity (gallons):										
Gasoline	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Leasable retail space: (square feet)	86,407	86,407	86,407	86,407	86,407	94,059	96,384	96,434	101,108	101,108
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 available	66	66	66	66	66	66	42	42	51	51
Live aboard/pleasure	148	148	148	148	148	140	167	167	158	158
Commercial/charter	43	43	43	43	43	37	37	37	37	37
Mooring field	149	149	149	149	149	149	149	149	149	149
Transportation:										
Number of buses	17	17	17	16	16	14	14	17	18	15
Cruise ports	3	3	3	3	3	3	3	3	3	3
Ferry terminals	1	1	1	1	1	1	1	1	1	1

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Commission	5	5	5	5	5	5	5	7	8	8
City Management	3	3	4	4	6	6	7	7	7	6
Management services and other	82	80	78	76	79	82	82	91	93	96
Recreation	33	31	31	33	33	31	32	32	32	33
Fire	71	71	71	72	72	72	72	88	72	72
Public Works	30	34	29	34	35	46	49	49	49	53
Police protection	122	122	123	123	123	126	126	126	126	126
Building	28	17	17	18	19	19	21	21	23	24
Emergency Medical Services	-	-	-	-	-	-	-	16	17	17
Capital	5	1	1	1	-	-	-	-	-	-
Roads and Sidewalks	3	4	4	4	4	4	5	5	5	5
Sewer	7	4	4	4	4	4	4	4	2	2
Stormwater	2	2	2	2	1	1	1	1	1	1
Solid waste	12	10	10	10	10	10	10	7	4	4
Recreation marinas	44	42	40	35	29	30	26	28	30	30
Redevelopment	6	7	6	-	-	-	-	-	-	-
Transportation	44	44	31	31	28	28	27	29	29	30
Total	497	477	456	452	448	464	467	511	498	507