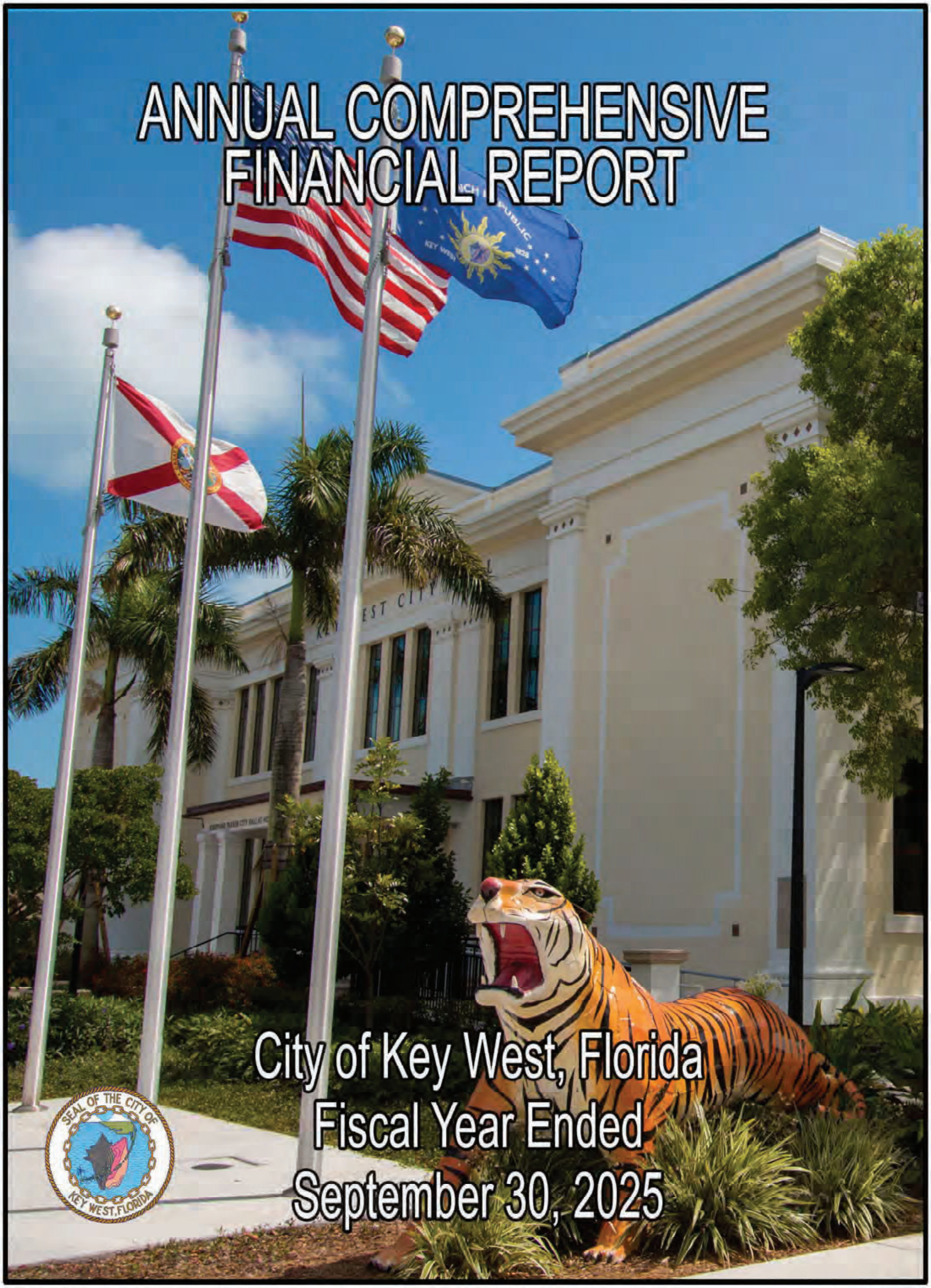
ANNUAL COMPREHENSIVE FINANCIAL REPORT



City of Key West, Florida
Fiscal Year Ended
September 30, 2025

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

The City of Key West, Florida

Annual Comprehensive Financial Report

For The Fiscal Year Ended

September 30, 2025

Prepared by:

Department of Finance

Introductory Section:

Financial Section:

Basic Financial Statements:

Required Supplementary Information (Unaudited):

Combining and Individual Fund Financial Statements and Schedules:

INTRODUCTORY SECTION

THE CITY OF KEY WEST, FLORIDA
Post Office Box 1409
Key West, FL 33041-1409
www.cityofkeywest-fl.gov

June 26, 2026

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

The Annual Comprehensive Financial Report of the City of Key West, Florida, for the Fiscal Year ended September 30, 2025, is submitted herewith pursuant to the City Charter, Florida Statutes, and the Rules of the Auditor General of the State of Florida. The annual comprehensive 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 reliability of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City of Key West.

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 Citrin Cooperman and they have issued an unmodified opinion on the financial statements for the Fiscal Year ended September 30, 2025.

Generally accepted accounting principles (GAAP) requires 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 and development services, 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 $ 753,000 annually in free sewer, sanitation and stormwater services, which constitutes a financial benefit/burden relationship. Given the overall materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

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

Profile of the Government

Key West is an island city approximately 4 miles long by 1.5 miles wide. The City of Key West, incorporated in 1828, is located at the southern end of U. S. Highway 1, 153 miles southwest of Miami, Florida and 93 miles northwest of Havana, Cuba, at 24.5 degrees north of the equator. Key West is the county seat of Monroe County. The city occupies the entire island as well as a portion of neighboring Stock Island to the northeast. The principal industry is tourism, and the U. S. Navy and Coast Guard and other Department of Defense agencies maintain a presence here as well.

The City's 2025 estimated permanent population was 25,720. In addition to the permanent population, the City is a world-renowned tourist destination and a popular location for second homes. The total number of people on Key West on an average day, including permanent residents, seasonal residents, the maritime population, overnight tourists, day-trippers, cruise ship visitors, commuters, and shoppers, is estimated to be over 50,000. The population has been known to increase significantly during special events such as Fantasy Fest or New Year's Eve.

The City has a commission-manager form of government with six district Commissioners and one Mayor at large. The commission-manager form of government reflects the principles of representative democracy, local leadership, and community engagement by combining the expertise of elected officials with professional management to ensure efficient and effective governance. Key West's fundamental principles are transparency, accountability, and citizen participation, promoting open communication and providing opportunities for residents to voice their concerns, offer feedback, and contribute to the decision-making process.

Overall Financial Condition

The City of Key West, Florida's southernmost point, continues to be renowned for its tropical climate, vibrant sunsets, and surrounding waters, making it a premier tourist destination for visitors from around the world. The local economy remains heavily dependent on tourism-related revenue streams.

Community leaders continue to recognize hospitality and tourism as one of the foundations of the local economy and a primary driver of the City's financial stability. Tourism activity during Fiscal Year 2025 demonstrated continued strength; however, growth in certain tourism-related revenues, including TDC bed tax collections and other key revenue sources partially derived from visitor activity—such as user fees, sales tax collections, gas tax proceeds, parking revenues, and cruise ship disembarkation fees—began to level off during the year. As long as the City maintains its appeal as a desirable destination, these revenues are expected to remain relatively stable; however, this reliance on tourism also exposes the City to potential fluctuations in travel trends, economic conditions, severe weather events, and other external factors that may impact visitor activity.

The City of Key West established an ad valorem millage rate of 2.0134 for Fiscal Year 2025. Property values within the City increased by 8.57% compared to the prior year, resulting in an increase in property tax collections of approximately $992,000, or 4.76% above Fiscal Year 2024 collections. Since Fiscal Year 2014, property values within the City have experienced consistent annual growth, contributing to steady increases in property tax revenues. The continued strength of the local real estate market has played an important role in supporting the City's overall financial position; however, ongoing reliance on rising property values may continue to place pressure on housing affordability within the community.

As reflected in the financial sections, the City reported positive operating results for Fiscal Year 2025 and remains in a strong financial position. At the same time, the City continues to experience inflationary pressures related to labor, insurance, construction, and operating costs, requiring ongoing evaluation of long-term financial sustainability. To preserve the high-quality services and world-class experience expected by both residents and visitors, the City must remain diligent in its efforts to enhance revenues and improve operational efficiencies throughout the organization.

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. All departments of the City are required to submit budgetary requests to the City Manager, which are then reviewed and compiled to develop the City's annually appropriated budgets. Once compiled, the City Manager and Finance Staff present the proposed budget to the City Commission for input and review. The City Commission is required to hold two public hearings on the proposed budget and adopt a final budget no later than September 30th, the close of the City's Fiscal Year. City budgets are adopted for all governmental and proprietary funds except as noted below and are adopted on a generally accepted accounting principles basis, as applicable. This budget procedure is updated and adopted annually based on changes in priority and funding.

The City is not legally required to, and does not, adopt a budget for the Pension Funds. Additionally, the City did not adopt a budget for the Navy Pier Payments Fund for the year ended September 30, 2025.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the major category level; i.e., Personnel Services, Operating, Capital Outlay, Debt Service, Aid to Private Organizations, and Transfers/Reserves. 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 operating 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. Only 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 ensure the preservation of principal, maintain sufficient cash flow to enable the City to meet its obligations, and 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, 2025, the City had the following investment types in order of liquidity: Bank Deposits, Florida Prime, Florida Fixed Income Trust (FIT), Public Assets for Liquidity Management (FL-PALM), Federal Agency Discount Notes, Federally Sponsored Agency Notes, and U.S. Treasury Notes.

Debt Policy

The City seeks to maintain the highest possible bond rating in order to minimize borrowing costs. Debt is issued only when necessary to finance capital projects and is never used to support current operations. The City regularly reviews and evaluates its existing obligations and future borrowing needs as part of its long-term financial planning efforts.

During the November 2024 general election, the City's voters approved General Obligation Bond Referenda authorizing the issuance of General Obligation Bonds to help meet future funding needs for various capital improvement projects. Although the City has not yet issued any of the authorized debt, the growing need for external financing to accelerate improvements to streets, rights-of-way, and other critical infrastructure initiatives—including sea level rise mitigation and resiliency planning—has become increasingly evident.

<u>Fund Balances</u>

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 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

In order to meet the service demands of both residents and visitors to the City of Key West, the City maintains a multi-year Capital Improvement Program which is reviewed and approved by the Key West City Commission and continues to address the projects and initiatives identified to be priorities by the City's Strategic Plan. These projects and initiatives will have a positive impact on the City's future economic health and quality of life for the residents, businesses, and guests of our island through improving services while both enhancing and preserving public facilities and infrastructure.

During Fiscal Year 2025, projects the City completed or commenced include the following initiatives:

Transportation & Streetscape

- Approximately $3.5 Million in Sidewalk and Paving Projects
    - Completed Eaton Street Improvements in Partnership with FKAA and Monroe County
    - Completed United and South Street Improvements
    - Continued Work on the Caroline, Elizabeth, and Greene Street Improvements
    - Began Work on Implementation of Roundabout at the Staples and 4th Street Intersection
    - ADA Sidewalk and Ramp Improvements on Several City Streets

- Completed Paving Improvements to Several City Streets, including White and Newton Streets

- Continued Planning Phase of School Zone Striping and Signage Improvement Project
- Continued Planning Phase of City's Efforts for City-Wide Traffic Signal Maintenance Upgrades
- Completed the Staples Avenue Bridge Replacement and Installed an Overhead Pedestrian Counter
- Continued Work on Wicker's Sports Complex Bike Trail Realignment
- Completed the 'Final Mile' Project to Install Bicycle/Pedestrian Improvements at City Bus Stops
- Continued Working on City-Wide Comprehensive Safety Action Plan
- Continued Work on Wayfinding Improvements at the Key West Bight

Parks & Recreation

- Completed the Clinton Square Revitalization Project
- Completed Rehabilitation of the Seawall located at 701 Palm Avenue
- Completed Smathers Beach Pavilion Renovations
- Completed Installation of New Shelter Structures at Willie Ward Park
- Completed Installation of Turf Field at Bayview Park and Continued the Planning and Design Process for Additional Bayview Park Renovations
- Continued the Planning Process for the Repair/Replace Analysis for the Martin Luther King Community Pool
- Completed Improvements to the Cozumel Park Splash Pad
- Completed the Construction and Outfitting of the Frederick Douglass Community Center
- Began Planning and Design of Douglass Gym Improvements

Resiliency & Infrastructure

- Continued the Planning and Design of Southernmost Point Improvements
- Continued the Planning and Design Process for Fire Station 3 Renovations/Improvements
- Continued Planning for the Duval Street Revitalization
- Completed the City of Key West Watershed Management Plan
- Continued LIDAR Collection for the City of Key West with Monroe County
- Continued Work to Harden Fire Station One with Grant Funding
- Began Conducting Resiliency Assessment Reports of Various City Buildings
- Continued Working on the City of Key West Comprehensive Adaptation and Resilience Plan
- Began the Planning and Design of the Mallory Square Wharf and Pier Improvements
- Continued Work on the Reimagine Mallory Square Project
- Continued Work on Improvements to the Key West Bight Ferry Terminal
- Continued the Planning and Design of Improvements to 907 Caroline Street and 621 Greene Street Developments
- Continued Planning Phase of Seawall Repairs at Angelfish Dock and Charter Boat Row at City Marina

Utilities & Wastewater

- Continued Working on a Wastewater Treatment Plant Resilience Plan

- Construction of Olivia, Angela, and Simonton Street Drainage Improvements Began
- Continued Various Equipment Upgrades at the City of Key West's Wastewater Treatment Plant
- Continued Pump Station Upgrades Located Throughout the City
- Continued Work to Relocate the Influent Force Main at Fleming Key
- Continued Work on a Sanitary Sewer Master Plan
- Continued Tide Valve and Outfall Improvement Initiative
- Continued Design Process on Harris and 10th Street Drainage and Sea Level Mitigation
- Completed Installation of Transfer Station Scale House Automation System

Community Development

- Continued Work on the John Jones Navigation Center
- Continued Supporting Affordable Housing Initiatives through Partnerships with the Key West Housing Authority, FKOC, AH Monroe, and Habitat for Humanity
- Resumed the Community Development Office Down Payment Assistance Program

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 annual comprehensive financial report for the Fiscal Year ended September 30, 2024. This was the thirty-ninth 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 annual comprehensive 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 annual comprehensive 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 have been 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.

Brian L. Barroso
City Manager

Christina Bervaldi
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Key West
Florida

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill
Executive Director/CEO

City of Key West, Florida

List of Principal Officials

Elected Officials

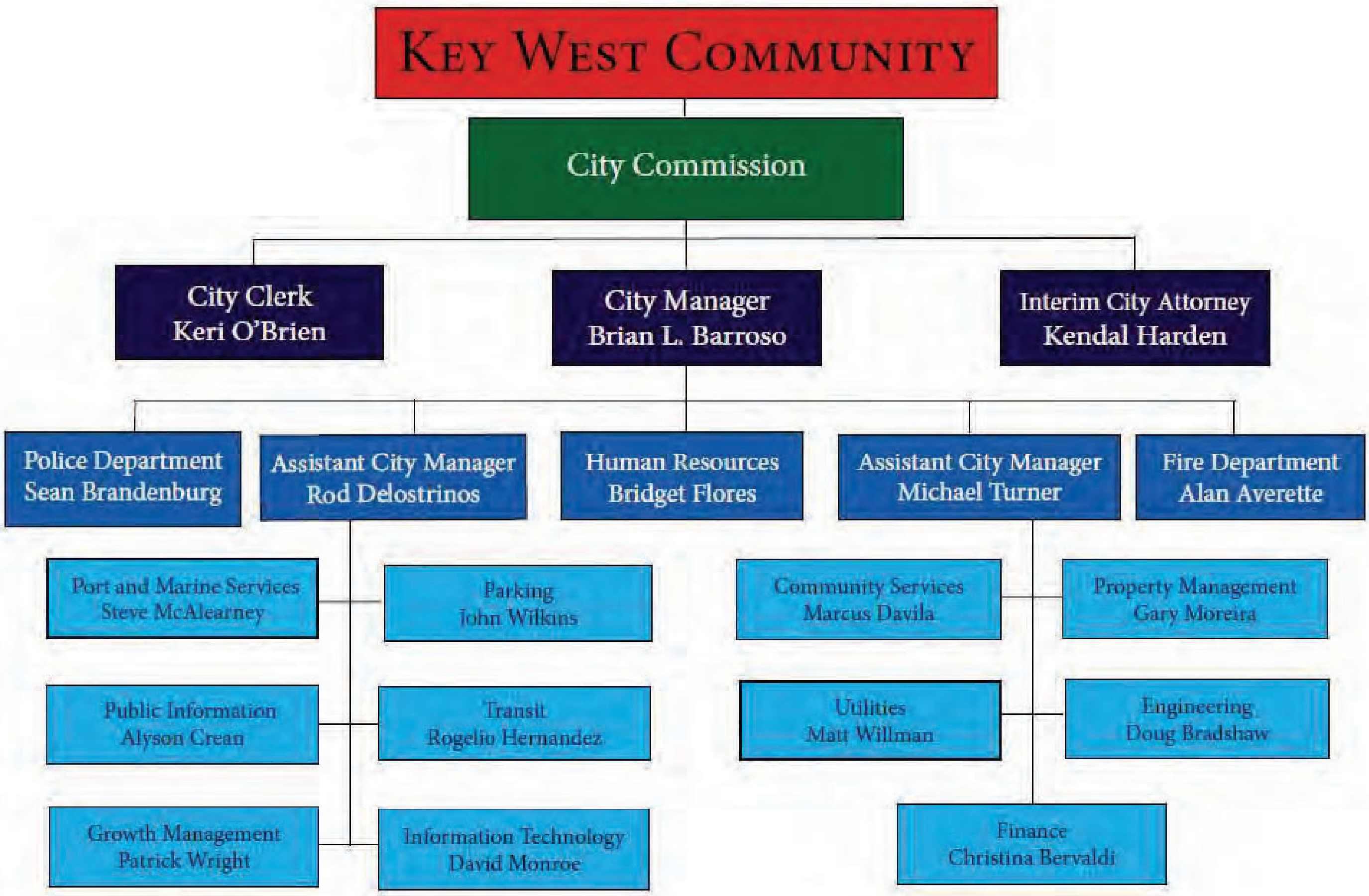
Mayor	Danise Henriquez
Vice-Mayor	Donald Lee
Commissioner	Lissette Carey
Commissioner	Monica Haskell
Commissioner	Sam Kaufman
Commissioner	Mary Lou Hoover
Commissioner	Aaron Castillo

Appointed Officials

City Manager	Brian L. Barroso
Interim City Attorney	Kendal Harden
City Clerk	Keri O'Brien

Department Directors

Assistant City Manager	Rod Delostrinos
Assistant City Manager	Michael Turner
Chief Building Official	Vacant
Code Enforcement	Christopher Counsellor
Community Services	Marcus Davila
Engineering	Douglas Bradshaw
Finance and Budget	Christina Bervaldi
Fire Chief	Alan Averette
Growth Management	Patrick Wright
Human Resources	Bridget Flores
Information Technology	David Monroe
Parking	John Wilkins
City Planner	Taylor Brown
Police Chief	Sean Brandenburg
Port and Marina Operations	Steve McAlearney
Transit	Rogelio Hernandez
Utilities	Matt Willman



KEY WEST COMMUNITY
City Commission
City Clerk
Keri O'Brien
City Manager
Brian L. Barroso
Interim City Attorney
Kendal Harden
Police Department
Sean Brandenburg
Assistant City Manager
Rod Delostrinos
Human Resources
Bridget Flores
Assistant City Manager
Michael Turner
Fire Department
Alan Averette
Port and Marine Services
Steve McAlearney
Parking
John Wilkins
Public Information
Alyson Crean
Transit
Rogelio Hernandez
Growth Management
Patrick Wright
Information Technology
David Monroe
Community Services
Marcus Davila
Property Management
Gary Moreira
Utilities
Matt Willman
Engineering
Doug Bradshaw
Finance
Christina Bervaldi

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

Honoring our past and embracing our future for a better Key West.

FINANCIAL SECTION

CITRINCOOPERMAN®

Citrin Cooperman & Company, LLP
Certified Public Accountants

6550 N Federal Hwy, 4th Floor
Fort Lauderdale, FL 33308
T : 954.771.0896 F 954.938.9353
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements 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 of Key West, Florida (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Police Officer's and Firefighter's Retirement Plan (the "Plan"), which represents 56 percent, 57 percent, and 40 percent, respectively, of the assets, net position/fund balance, and revenues/additions of the aggregate remaining fund information as of September 30, 2025. Also, we did not audit the financial statements of the Housing Authority of the City of Key West, Florida, which is the only discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, 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, are based solely on the reports of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The other auditor's report on The Housing Authority of the City of Key West's financial statements referred to a change in accounting principle for GASB Statement No. 101, *Compensated Absences,* as discussed in Note 17 to the financial statements. Our opinion on the financial statements is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the schedules related to pensions and other post-employment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Supplementary 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 accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Citrin Cooperman & Company, LLP

Fort Lauderdale, Florida
June 26, 2026

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 ended September 30, 2025. We are offering this discussion and analysis to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter which begins on page i and the City's financial statements which begin on page 17.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2025 by $ 466,968,639 (net position), which is an increase of $ 17,317,851 compared to the prior year. Of this amount, $ 83,268,471 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 $ 57,534,613, a decrease of $ 1,695,757 from the prior year. Approximately 28% of this amount ($ 15,866,714) 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 is $ 18,048,111, or approximately 24% of total general fund expenditures.
- The City's total outstanding long-term debt increased by $ 174,129 during the current fiscal year. The increase is attributed to the addition of a new financed purchase for the purchase of Police and Fire Department Motorola radios which was offset by ongoing debt service payments made in the business-type activities.

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 17. 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 2024-25?" 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 the accounting used by most private-sector companies. All the current year's revenues and expenses are considered 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 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, community services 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 ("KWHA"). The KWHA's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWHA. KWHA is considered a component unit of the City and is presented discretely in these financial statements.

Reporting the City's Most Significant Funds

The fund financial statements for each City fund begin on page 19 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help 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 the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position - Fiduciary Funds on pages 28 and 29. 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 $ 449,650,788 to $ 466,968,639. Governmental activities increased $ 12,070,762. Most of this increase is in the General Fund, Infrastructure Surtax Fund, the Bahama Village and Caroline Street Corridor TIF Funds. Business type activities increased $ 5,247,089. The increases were recognized in the Sewer Fund, Solid Waste Fund, Key West Bight Fund, Stormwater Fund, and Garrison Bight Fund.

Changes in net position over time serve as a useful indicator of the City's overall financial position.

Total net position is comprised of $ 346,900,389 net investment in capital assets, $ 36,799,779 restricted for capital projects, transportation, building, housing initiatives, and other purposes, and $ 83,268,471 in unrestricted funds. Our analysis below, focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Current and other assets	$ 81,155,741	$ 77,685,658	$ 94,562,963	$ 89,548,078	$ 175,718,704	$ 167,233,736
Capital assets	213,261,863	199,022,846	142,457,171	140,056,665	355,719,034	339,079,511
Total assets	294,417,604	276,708,504	237,020,134	229,604,743	531,437,738	506,313,247
Total deferred outflows of resources	22,167,615	32,655,927	1,742,636	2,211,898	23,910,251	34,867,825
Other liabilities	12,162,675	7,927,062	4,712,464	4,028,370	16,875,139	11,955,432
Long-term liabilities	24,523,411	45,500,086	5,096,653	7,866,873	29,620,064	53,366,959
Total liabilities	36,686,086	53,427,148	9,809,117	11,895,243	46,495,203	65,322,391
Total deferred inflows of resources	25,749,395	13,858,307	16,134,752	12,349,586	41,884,147	26,207,893
Net position:						
Net investment in capital assets	209,232,571	195,858,505	137,667,818	133,976,250	346,900,389	329,834,755
Restricted	36,894,827	35,166,193	35,351	-	36,930,178	35,166,193
Unrestricted	8,022,340	11,054,278	75,115,732	73,595,562	83,138,072	84,649,840
Total net position	$ 254,149,738	$ 242,078,976	$ 212,818,901	$ 207,571,812	$ 466,968,639	$ 449,650,788

Governmental Activities – Net Position

The $ 254,149,738 in net position of the City's governmental activities is comprised of $ 209,232,571 net investment in capital assets, $ 36,799,779 in restricted net position, and $ 8,117,388 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.

The largest portion of the City's governmental activities' net position is represented by the net invested in capital assets (e.g., land, building, infrastructure, and equipment), totaling $ 209,232,571 or 82% of the net position. These assets are used to provide services throughout the City and are not available for future spending. The investment in capital assets increased from the previous year by $ 13,374,066. This is primarily the result of new additions and disposals netted against the current year depreciation expense of $ 9,349,569.

The restricted net position of $ 36,799,779, comprises 14% of the total governmental net position. This portion of net position is restricted to comply with the requirements of the special revenue funds or other legal requirements. This was an increase of $ 1,633,586 from the previous year. The increase is largely due to growth in funds restricted to Housing Initiatives and Urban Redevelopment activities. These restricted balances increased by $ 2,170,243, driven largely by increases within the Affordable Housing Fund, the Bahama Village and Caroline Street Corridor CRA Funds, and the Community Development Office. Partially offsetting these increases was a $ 1,578,840 decrease in the funds restricted for Transportation activities, along with changes in restricted fund balances within the Building Department and Natural Resources programs.

Unrestricted net position decreased by $ 2,936,890 compared to the prior Fiscal Year. This decrease was primarily attributable to the City's continued investment in infrastructure, resiliency initiatives, and other capital improvement projects throughout the City.

Business-Type Activities – Net Position

The $ 212,818,901 in net position of the City's business-type activities is comprised of $ 137,667,818 net investment in capital assets and $ 75,151,083 in unrestricted net position. This is an increase of 2.5% in net position.

The net investment in capital assets increased from the previous year by $ 3,691,568, or 2.8%. This change was the result of new additions netted against current year depreciation of $ 8,427,726 and offset by the repayment of debt. Unrestricted net position increased $ 1,555,521, or 2.1%. This increase was driven by growth in user fees and other income within the Stormwater Fund.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Revenues:						
Program Revenues:						
Charges for services	$ 24,054,262	$ 23,812,880	$ 50,550,510	$ 48,233,040	$ 74,604,772	$ 72,045,920
Operating grants and contributions	10,352,591	5,630,208	4,396,558	7,078,548	14,749,149	12,708,756
Capital grants and contributions	381,615	1,064,976	1,642,923	1,605,100	2,024,538	2,670,076
General Revenues:						
Taxes: property and other	49,314,071	49,396,270	-	-	49,314,071	49,396,270
Intergovernmental	203,198	195,353	-	-	203,198	195,353
Investment earnings	2,568,336	3,547,849	3,361,729	3,485,848	5,930,065	7,033,697
Other revenues	1,742,737	1,454,243	976,009	1,410,791	2,718,746	2,865,034
Total revenues	88,616,810	85,101,779	60,927,729	61,813,327	149,544,539	146,915,106

Table 2
Changes in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Program Expenses:						
General government	25,555,401	23,926,353	-	-	25,555,401	23,926,353
Public safety	44,605,523	46,800,353	-	-	44,605,523	46,800,353
Transportation	6,100,446	6,080,599	-	-	6,100,446	6,080,599
Economic environment	2,293,361	1,954,811	-	-	2,293,361	1,954,811
Culture and recreation	6,338,487	6,065,393	-	-	6,338,487	6,065,393
Human services	1,587,470	1,394,141	-	-	1,587,470	1,394,141
Sanitary Sewer System	-	-	13,942,924	12,780,593	13,942,924	12,780,593
Solid Waste	-	-	10,391,114	9,947,519	10,391,114	9,947,519
Stormwater	-	-	3,127,301	3,001,697	3,127,301	3,001,697
Marinas (Key West and Garrison Bight)	-	-	11,054,531	10,271,860	11,054,531	10,271,860
Transit	-	-	7,230,130	6,668,198	7,230,130	6,668,198
Total expenses	86,480,688	86,221,650	45,746,000	42,669,867	132,226,688	128,891,517
Increase in net position before transfers	2,136,122	(1,119,871)	15,181,729	19,143,460	17,317,851	18,023,589
Transfers (net)	9,934,640	10,048,290	(9,934,640)	(10,048,290)	-	-
Changes in net position	12,070,762	8,928,419	5,247,089	9,095,170	17,317,851	18,023,589
Net Position, October 1	242,078,976	233,150,557	207,571,812	198,476,642	449,650,788	431,627,199
Net Position, September 30	$ 254,149,738	$ 242,078,976	$ 212,818,901	$ 207,571,812	$ 466,968,639	$ 449,650,788

The City's total revenues exceeded total expenditures in the current year, which resulted in an increase of $ 17,317,851 in net position for fiscal year 2025.

The City's total revenues reported are $ 149,544,539, which represents a 1.79% increase from the prior year. The total revenues, in part represent, $ 74,604,772 in charges for services, $ 14,749,149 in operating grants and contributions, and $ 49,314,071 in property and other taxes. Total expenses of $ 132,226,688, or an increase of 2.59% are reported. As shown above, revenues have increased, and expenses have increased for the year.

Governmental Activities – Changes in Net Position

Total revenues for the City's governmental activities of $ 88,616,810 include $ 24,054,262 in fees, fines and charges for services, $ 10,352,591 in operating grants and contributions, $ 2,568,336 in investment earnings, as well as, $ 49,314,071 in property, state shared and local taxes.

For the year, the City's governmental revenues had an increase of 4.1%, or $ 3,515,031 over fiscal year 2024.

Operating grants and contributions increased by approximately $ 4,722,383 during fiscal year 2025. This increase was primarily supported by several significant grant awards and reimbursements received by the City. During the fiscal year, the City received a substantial allocation of Community Development Block Grant (CDBG) funding for the construction of the City of Key West's John Jones Navigation Center, which serves as the City's homeless assistance facility.

In addition, the City received reimbursements related to Hurricane Irma and Hurricane Ian storm activities, as well as funding from the Florida Department of Environmental Protection (FDEP) to support the planning and development of the City's Adaptation Plan.

There was a decrease of $ 683,361 to capital grants and contributions, an increase of approximately $ 241,382 to fines, fees and charges for services, a less than 1% decrease, or $ 82,199, to tax collections, and a $ 288,494 increase in other revenue collections between 2024 and 2025. Investment earnings decreased $ 979,513 over fiscal year 2024. The net effect of these variances driven by decreased capital grants and investment earnings is an overall decrease of $ 1,215,197.

The cost of all governmental activities this year was $ 86,480,688. However, as shown in the Statement of Activities on page 18, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was $ 23,755,966. This is because $ 24,054,262 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 $ 10,734,206. 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 – along with each program's net cost, defined as total program cost less revenues generated by those activities. The net cost illustrates the financial burden placed on the City's taxpayers to support each function.

As reflected in the table, the Transportation program continues to generate the strongest financial return, primarily due to the revenues derived from cruise ship operations and parking activities. Public Safety remains the City's most significant service-related cost center. Although the net cost of Public Safety decreased by $ 1,347,462, or 3.58%, from the prior year, it continues to represent the largest net expenditure within the City's governmental activities.

Overall, the net cost for governmental activities decreased by $ 4,021,366. This reduction was largely attributable to increased grant revenue collections supporting operations within General Government and Economic Environment activities, including funding for the planning and design of various infrastructure and resiliency projects and the advancement of various housing initiatives.

Table 3
Governmental Activities

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 25	FY 24	FY 25	FY 24
General government	$ 25,555,401	$ 23,926,353	$ (18,697,201)	$ (19,489,953)
Public safety	44,605,523	46,800,353	(36,305,575)	(37,653,037)
Culture and recreation	6,338,487	6,065,393	(2,846,158)	(2,417,678)
Transportation	6,100,446	6,080,599	4,592,451	3,544,553
Economic environment	2,293,361	1,954,811	3,151,733	1,696,670
Human services	1,587,470	1,394,141	(1,587,470)	(1,394,141)
Totals	$ 86,480,688	$ 86,221,650	$ (51,692,220)	$ (55,713,586)

Business-Type Activities – Changes in Net Position

Revenues of the City's business-type activities (see Table 2) decreased by 1.4% ($ 61,813,327 in 2024 compared to $ 60,927,729 in 2025). While charges for services increased $2,317,470, reflecting modest growth across most enterprise funds, the most significant increase occurred within the Sanitary Sewer Fund, which experienced an increase of $ 755,335. Offsetting these gains was a decrease of $ 3,029,725 in grant revenue collections within the Key West Bight Fund, which contributed substantially to the overall decline in business-type activity revenues.

The cost of business-type activities increased 7.21%, for a total of $ 3,076,133. Personnel services increased 10.55% over fiscal year 2024, while operational expenditures increased 8.41%. These increases are the result of higher salary and benefit costs, as well as increases associated with contractual obligations and other operating expenses.

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: As of September 30, 2025, the City's governmental funds reported combined fund balances of $ 57,534,613, which is a decrease of $ 1,695,757 in comparison to the prior fiscal year. Fund balance across the major governmental funds decreased $ 2,698,620. The nonmajor funds increased $ 1,002,863.

The General Fund is the chief operating fund of the City. As of September 30, 2025, the unassigned fund balance account in the General Fund was $ 15,866,714, a decrease of $ 26,232, or 0.17%, from fiscal year 2024. The slight decrease is primarily associated with an increase in the balance of restricted funds within the Building Department. The unassigned fund balance amount represents approximately 21% of the 2025 General Fund budgeted expenditures, excluding capital outlay. As discussed further in the financial section, this level remains within the City's adopted minimum fund balance policy of maintaining unassigned reserves between 20% and 25% of budgeted expenditures.

Revenues in the General Fund, increased by $ 2,122,111 or 3.5%, during fiscal year 2025. A significant contributor to this increase was the collection of the majority of the City's remaining reimbursement allocations from the Federal Emergency Management Agency (FEMA) related to Hurricanes Irma and Ian, resulting in a $ 2,308,461 increase in intergovernmental revenues for the current year. The City also experienced variances in several other revenue categories. General Fund tax collections increased $ 1,044,945 as a result of a 4.9% increase above the roll-back millage rate. Conversely, revenues from amusement franchise fees, licenses and permit collections – including building permits, business tax receipts, HARC, and tree permits - decreased by a combined total of $ 1,684,750. Charges for Services increased in the amount of $ 1,142,665, primarily due to higher parking revenues, disembarkation fees, and fire inspection fees. Investment Earnings, however, declined by $ 495,713 compared to the prior fiscal year.

Total General Fund expenditures increased 11.1% over prior year for a total of $ 7,558,805. The largest contributing factor to the increase is personnel costs. In fiscal year 2025, all employees received cost of living adjustments in addition to merit increases and/or step increases.

Fund balance in the Infrastructure Surtax Fund decreased $ 22,387. The revenues increased by $ 1,691,325. Tax revenue in the fund decreased $ 24,896 from the prior year, however, grant revenue increased approximately $ 1,687,000. Total expenditures increased by $ 3,725,034, which is mainly attributable to the timing of the delivery of capital equipment purchases and the increased focus on investments in infrastructure throughout the City.

Fund balance in the Community Development Office Fund increased $ 184,259. The revenues decreased by $ 125,000 due to decrease in grant revenue. Total expenditures decreased by $ 82,013, which is mainly attributable to the timing of the delivery grant funded reimbursements to outside agencies.

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:

	Unrestricted Net Position	
Fund	FY 25	FY 24
Sanitary Sewer System	$ 15,290,492	$ 17,709,381
Solid Waste	14,113,701	12,649,308
Stormwater	5,108,801	3,913,653
Key West Bight	34,949,399	34,130,540
Garrison Bight	5,590,787	5,179,083
Transit System	62,552	13,597
	$ 75,115,732	$ 73,595,562

The Sanitary Sewer System Fund net position had an increase of $ 1,573,465. Net investments in capital assets increased approximately $ 3,990,000 as debt service decreased approximately $ 1,670,000 netted with capital additions, disposals, and depreciation. Unrestricted net position decreased $ 2,416,907 resulting from an increase in capital project expenditures.

The Solid Waste Fund net position had an increase of $ 1,066,410. Net investments in capital assets decreased approximately $ 402,000 as depreciation of existing assets exceeded the value of capital additions. Unrestricted net position increased $ 1,468,148. Charges for services revenue exceeded expenses.

The Key West Bight Fund net position increased $ 2,634,849. Net investment in capital assets increased approximately $ 1,809,000 as additions exceeded disposal and depreciation expense. Unrestricted net position increased $ 825,679. Charges for services increased approximately $ 348,000 while non-operating revenues decreased approximately $ 3,164,000.

The Transit System Fund net position decreased $ 473,377. Net investment in capital assets decreased approximately $ 539,000 as depreciation of existing assets exceeded the value of capital additions. Unrestricted net position increased $ 65,803. Charges for services collected in the amount of $ 1,505,028 represent 21% of the system's operational expenses.

Fiscal Year 2024-25 General Fund Budgetary Highlights

For almost the entire fiscal year 2025, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases more than $ 50,000 were approved by the City Commission.

General Fund overall revenues were over budget by $ 3,063,984. The following is a breakdown by major revenue category:

- Taxes were under budget by $ 133,112. This is mostly due to ad valorem collections being slightly under budget. However, State Telecommunications Tax collections were slightly higher than the State of Florida predicted and there was also a positive variance in amusement revenues collected due to higher gross revenues for our amusement franchisee.

- Licenses and Permits were over budget by $ 848,423. This positive variance reflects a slight increase in Business License collections, a significant increase in Building Permit collections, a decrease in HARC permit fees, and a significant decrease in tree removal permit fees.

- Intergovernmental were over budget by $ 1,778,025. This is primarily due to the timing of FEMA revenue collections from storm related repairs completed in previous fiscal years.

- Charges for Services were under budget by $ 368,206. There was an increase in ambulance fee collections due to a higher frequency of EMS calls, however, small decreases were realized in disembarkation and parking meter revenue.

- Fines and Forfeitures were over budget by $ 60,153. This positive variance is due mainly to the increase in court fines and parking citation fee revenues.

- Investment were over budget by $ 765,888. Investment revenue had a positive variance due to the higher returns experienced on investments.

- Rental Income was over budget by $ 49,389 as a result of the higher gross revenues for several percent lease properties.

- Contributions and other was over budget by $ 63,424. This positive variance is made up of unbudgeted Tree Commission Donations and Mounted Police Donations, an Opioid settlement in the amount of $ 37,182, and the proceeds from the disposition of fixed assets.

Total General Fund expenditures were lower than the budget by $ 1,129,633. Personnel services were over budget by $ 934,079; primarily due to several employee buy-outs not previously budgeted. Operating costs were under budget by $ 1,701,725 due to higher estimates than actuals for items such as fuel, travel, and utilities. Capital outlay was under budget by $ 362,745, which is due to timing delays when receiving capital purchases.

Capital Assets

The City of Key West total capital assets for Governmental and Business-Type Activities as of September 30, 2025 amount to $ 355,719,034. The City's investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, utility system, machinery, equipment and furniture. (See Table 4 below).

Table 4
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Capital assets, not being depreciated:						
Land	$ 56,605,896	$ 56,605,896	$ 18,681,034	$ 18,681,034	$ 75,286,930	$ 75,286,930
Works of art	137,400	137,400	-	-	137,400	137,400
Construction in progress	28,586,086	25,701,791	23,419,178	16,752,875	52,005,264	42,454,666
Capital assets, being depreciated:						
Buildings and improvements	55,752,407	55,752,407	58,118,494	58,118,494	113,870,901	113,870,901
Machinery, equipment and furniture	46,235,602	39,880,673	21,457,012	20,777,588	67,692,614	60,658,261
Works of art	220,510	220,510	-	-	220,510	220,510
Infrastructure	124,856,247	111,415,619	197,774,004	195,404,869	322,630,251	306,820,488
Depreciation	(99,132,285)	(90,691,450)	(176,992,551)	(169,678,195)	(276,124,836)	(260,369,645)
Totals	$ 213,261,863	$ 199,022,846	$ 142,457,171	$ 140,056,665	$ 355,719,034	$ 339,079,511

This year's major additions included:

In the governmental activities, the City recognized $ 23,620,893 in capital additions during FY2025. During the year, $ 9,480,302 of construction in progress (CIP) was completed and placed into service, resulting in net CIP additions of $ 2,884,295. Significant capital construction activity included the Gas Tax Fund, which recognized $ 9,678,876 in project costs related to the completion of improvements to United, South, and Eaton Streets, including $ 6,428,186 incurred in prior years; the Transportation Alternative Fund recognized $ 1,408,225 in additions for the Final Mile Bike Parking Facility Improvements project, which had accumulated prior-year expenditures of $ 1,399,672; and the Infrastructure Fund recognized $ 2,265,988 in additions for several ongoing projects, including the Staples Avenue Bridge Improvements and improvements to various City parks, with accumulated prior-year expenditures totaling $ 1,435,899. Machinery and equipment additions during the year totaled $ 7,280,285, with accumulated prior-year expenditures of $ 216,545.

In the Business-Type Activities:

- The Sanitary Sewer Fund added $ 761,426 in capital equipment and $ 2,088,879 in infrastructure improvements to the Wastewater Treatment Plant with the installation of Aeration Basin Blowers. There are several large ongoing projects which increased Construction in Progress by $ 3,256,031.

- The Stormwater Fund added $ 39,970 in capital equipment and $ 454,523 in Construction in Progress with projects in process to include Tide Valve Improvements, and several drainage projects throughout the City.

- The Solid Waste Fund added $ 30,564 in capital assets and $ 125,809 in infrastructure improvements by adding an Automation System at the Transfer Station.

- The Key West Bight Fund added $ 51,630 in capital equipment, and Construction in Progress increased by $ 2,950,082 with the multiple ongoing projects in the fund including the 631 Greene Street Redevelopment, 907 Caroline Street Renovation, Ferry Terminal Improvements, and various other ongoing projects.

- The Transit System Fund added $ 745,621 in capital equipment with the purchase of an electric bus and other equipment and $18,409 in Construction in Progress with the beginning of a farebox upgrade for our bus fleet.

- The Garrison Bight Fund had an increase of $ 84,783 in infrastructure improvements with the completion of the dinghy dock bathhouse improvements and $ 89,698 to Construction in Progress. In addition, various machinery and equipment was added.

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 $ 5,326,289 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 25	FY 24	FY 25	FY 24	FY 25	FY 24
Financed purchase	$ 1,843,692	$ -	$ -	$ -	$ 1,843,692	$ -
Revenue bonds and notes	-	-	3,482,597	5,152,160	3,482,597	5,152,160
Totals	$ 1,843,692	$ -	$ 3,482,597	$ 5,152,160	$ 5,326,289	$ 5,152,160

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

As predicted, overall revenue collections, including those generated locally and shared via intergovernmental relationships, remained steady from fiscal year 2024 to fiscal year 2025 while the cost of labor, goods, and services continued to rise. The City continued to have a strong financial position and remained focused on providing quality service to its residents and visitors alike.

As the City began development of the fiscal year 2026 budget, both short-term and long-term goals and priorities were reassessed and refined in response to the City's evolving infrastructure needs, including continued investments in parks and recreation, traffic and pedestrian improvements, and resiliency initiatives. While the demand for enhanced services throughout the City remains a priority, the City must also ensure that adequate reserve levels are maintained to address unforeseen expenditures, economic uncertainty, or potential revenue shortfalls that may arise in the future.

The City's largest revenue source in the General Fund is ad valorem taxes, which make up approximately 38 percent of the total revenues, excluding reserves. Although property values continue to rise and the various tourism-related revenues that the City generates remain steady, potential legislative changes at the state level may impact the City's future revenue capacity. As a result, the City must continue evaluating opportunities to diversify revenue sources and identify potential revenue enhancements in order to maintain alignment between available revenues and the City's ongoing operating and capital needs.

The Fiscal Year 2026 General Fund budget is $ 101.4 million, which is approximately a $ 2.8 million (or 2.84%) increase from the original adopted fiscal year 2025 budget of $ 98.6 million. This increase includes a 6.51% increase in personnel services, a 1.26% decrease in operating costs, and a 34.42% decrease in capital outlay. The increase in personnel services is primarily attributable to collective bargaining agreements, along with higher health insurance, pension contributions, and other employee benefit costs. Operating costs decreased as a result of targeted cost-reduction efforts and operational efficiencies implemented across departments. Capital outlay declined significantly following elevated capital purchases in fiscal year 2025 that were supported by funding from the American Rescue Plan Act (ARPA), with fiscal year 2026 returning to more typical levels. These increases are supported by a 4.00% increase to ad valorem taxes, slight increases to parking revenue, including permits and citations, and other various charges for services.

The City's fiscal year 2026 citywide adopted budget is $286.6 million, representing an increase of approximately $24.3 million, or 9.26%, over the original adopted fiscal year 2025 budget of $262.3 million. Charges for services related to wastewater and solid waste operations were adjusted in fiscal year 2026 to address increased contract pricing and ongoing operational needs, with rate increases of 5% and 9.9%, respectively. In addition, stormwater rates increased 39% to implement a capital allocation within the existing rate structure. Most citywide commercial tenant leases include built-in fixed annual increases, and various marina fees were modestly adjusted in fiscal year 2026 to reflect changes in market conditions.

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, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit Housing Authority
Assets:				
Cash, cash equivalents, and investments	$ 62,028,854	$ 72,213,117	$ 134,241,971	$ 10,878,293
Accounts receivable (net of allowances)	2,675,333	3,848,876	6,524,209	114,924
Lease receivables	6,373,263	14,804,590	21,177,853	102,866
Intergovernmental receivables	3,806,523	4,445,864	8,252,387	2,356,099
Inventories	25,493	589,350	614,843	211,753
Prepaid items and other assets	1,008,257	-	1,008,257	1,226,772
Internal balances	3,140,548	(3,140,548)	-	-
Other, including loans, mortgages, and other notes receivable	2,002,422	1,045,586	3,048,008	-
Net pension asset	95,048	35,351	130,399	-
Cash, cash equivalents, and investments (restricted)	-	720,777	720,777	1,612,598
Capital assets, not being depreciated:				
Land	56,605,896	18,681,034	75,286,930	15,163,552
Works of art	137,400	-	137,400	-
Construction in progress	28,586,086	23,419,178	52,005,264	2,128,266
Capital assets, being depreciated:				
Buildings and improvements	55,752,407	58,118,494	113,870,901	114,008,686
Machinery, equipment and furniture	46,235,602	21,457,012	67,692,614	2,619,124
Works of art	220,510	-	220,510	-
Infrastructure	124,856,247	197,774,004	322,630,251	1,206,645
Accumulated depreciation	(99,132,285)	(176,992,551)	(276,124,836)	(48,164,941)
Total assets	294,417,604	237,020,134	531,437,738	103,464,637
Deferred Outflows of Resources:				
Deferred outflows relating to pensions	21,075,890	1,660,439	22,736,329	474,575
Deferred outflows relating to other post employment benefits (OPEB)	1,091,725	76,727	1,168,452	364,716
Deferred charge on refunding	-	5,470	5,470	-
Total deferred outflows of resources	22,167,615	1,742,636	23,910,251	839,291
Liabilities:				
Accounts payable and accrued liabilities	7,103,044	1,468,420	8,571,464	763,532
Accrued payroll and benefits	391,074	50,602	441,676	-
Unearned revenue	2,374,805	1,835,067	4,209,872	111,945
Intergovernmental	66,458	-	66,458	112,240
Deposits	41,694	-	41,694	680,345
Contracts payable	2,185,600	1,312,226	3,497,826	-
Accrued interest	-	46,149	46,149	182,145
Long-term liabilities:				
Due within one year	6,102,707	2,255,411	8,358,118	1,685,783
Due in more than one year	18,420,704	2,841,242	21,261,946	63,674,407
Total liabilities	36,686,086	9,809,117	46,495,203	67,210,397
Deferred Inflows of Resources:				
Deferred inflows relating to pensions	14,452,716	1,210,128	15,662,844	22,250
Deferred inflows relating to leases	6,094,869	14,519,777	20,614,646	102,866
Deferred inflows relating to other post employment benefits (OPEB)	5,201,810	404,847	5,606,657	439,132
Total deferred inflows of resources	25,749,395	16,134,752	41,884,147	564,248
Net Position:				
Net investment in capital assets	209,232,571	137,667,818	346,900,389	24,482,592
Restricted for:				
Net pension asset	95,048	35,351	130,399	-
Infrastructure and capital projects	13,194,868	-	13,194,868	-
Transportation	5,723,965	-	5,723,965	-
Building Department	5,020,353	-	5,020,353	-
Natural resources	3,248,922	-	3,248,922	-
Housing initiatives and urban redevelopment	9,328,399	-	9,328,399	932,253
Law enforcement	283,272	-	283,272	-
Unrestricted	8,022,340	75,115,732	83,138,072	11,114,438
Total net position	$ 254,149,738	$ 212,818,901	$ 466,968,639	$ 36,529,283

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

City of Key West, Florida
Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit Housing Authority
Primary Government:								
Governmental activities:								
General government	$ 25,555,401	$ 4,351,890	$ 2,506,310	$ -	$ (18,697,201)	$ -	$ (18,697,201)	$ -
Public safety	44,605,523	8,111,045	174,853	14,050	(36,305,575)	-	(36,305,575)	-
Transportation	6,100,446	10,605,391	-	87,506	4,592,451	-	4,592,451	-
Economic environment	2,293,361	-	5,264,013	181,081	3,151,733	-	3,151,733	-
Culture and recreation	6,338,487	985,936	2,407,415	98,978	(2,846,158)	-	(2,846,158)	-
Human services	1,587,470	-	-	-	(1,587,470)	-	(1,587,470)	-
Total governmental activities	86,480,688	24,054,262	10,352,591	381,615	(51,692,220)	-	(51,692,220)	-
Business-Type Activities:								
Sanitary Sewer System	13,942,924	14,998,365	-	604,455	-	1,659,896	1,659,896	-
Solid Waste	10,391,114	12,955,008	-	-	-	2,563,894	2,563,894	-
Key West Bight	8,110,969	14,640,112	991,816	-	-	7,520,959	7,520,959	-
Stormwater	3,127,301	3,170,060	-	187,742	-	230,501	230,501	-
Garrison Bight	2,943,562	3,281,937	14,448	-	-	352,823	352,823	-
Transit System	7,230,130	1,505,028	3,390,294	850,726	-	(1,484,082)	(1,484,082)	-
Total business-type activities	45,746,000	50,550,510	4,396,558	1,642,923	-	10,843,991	10,843,991	-
Total primary government	$ 132,226,688	$ 74,604,772	$ 14,749,149	$ 2,024,538	(51,692,220)	10,843,991	(40,848,229)	-
Component Unit:								
The Housing Authority of of the City of Key West, Florida	$ 24,819,350	$ 16,007,271	$ 9,044,703	$ 110,074				342,698
General revenues:								
Taxes:								
Property taxes, levied for general purposes					23,755,966	-	23,755,966	-
Communications taxes					1,328,926	-	1,328,926	-
Local business tax					1,784,383	-	1,784,383	-
Municipal revenue sharing gas and cigarette tax					2,010,973	-	2,010,973	-
One cent sales tax					12,727,095	-	12,727,095	-
Half cent sales tax					6,169,778	-	6,169,778	-
Local option gas tax					1,536,950	-	1,536,950	-
Intergovernmental income (unrestricted)					203,198	-	203,198	-
Payment in lieu of tax					688,542	-	688,542	-
Investment earnings					2,568,336	3,361,729	5,930,065	507,753
Other, including gain on sale of disposals					1,054,195	976,009	2,030,204	2,191,472
Transfers					9,934,640	(9,934,640)	-	-
Total general revenues and transfers					63,762,982	(5,596,902)	58,166,080	2,699,225
Change in net position					12,070,762	5,247,089	17,317,851	3,041,923
Net Position, October 1, as previously reported					242,078,976	207,571,812	449,650,788	33,813,992
Restatement - Change in accounting principle (see note 17)					-	-	-	(326,632)
Net Position, September 30					$ 254,149,738	$ 212,818,901	$ 466,968,639	$ 36,529,283

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

City of Key West, Florida
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Infrastructure Surtax Fund	Community Development Office Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents, and investments	$ 23,843,265	$ 13,304,701	$ 6,477,318	$ 15,769,713	$ 59,394,997
Receivables (net of allowance for uncollectibles):					
Accounts	2,022,182	-	295,349	-	2,317,531
Intergovernmental	832,342	1,489,459	31,115	1,453,607	3,806,523
Mortgage notes	-	-	2,002,422	-	2,002,422
Interfund	241,997	-	-	2,694,671	2,936,668
Lease	6,373,263	-	-	-	6,373,263
Inventories	25,493	-	-	-	25,493
Advances to other funds	138,338	-	-	-	138,338
Prepaids	3,822	939,450	300	-	943,572
Total assets	$ 33,480,702	$ 15,733,610	$ 8,806,504	$ 19,917,991	$ 77,938,807
Liabilities:					
Accounts payable and accrued liabilities	$ 682,242	$ -	$ 6,201,799	$ 212,307	$ 7,096,348
Accrued payroll and related expenditures	378,774	2,938	-	7,752	389,464
Interfund	1,848,374	9,170	5,145	299,257	2,161,946
Intergovernmental	66,458	-	-	-	66,458
Deposits	41,694	-	-	-	41,694
Unearned revenue	654,810	-	1,409,349	303,656	2,367,815
Contracts payable	198,970	1,779,508	-	207,122	2,185,600
Total liabilities	3,871,322	1,791,616	7,616,293	1,030,094	14,309,325
Deferred Inflows of Resources:					
Leases	6,094,869	-	-	-	6,094,869
Fund Balances:					
Nonspendable:					
Inventories	25,493	-	-	-	25,493
Long-term advances/notes	138,338	-	-	-	138,338
Prepaids	3,822	939,450	300	-	943,572
Leases	278,394	-	-	-	278,394
Restricted for:					
Infrastructure and capital projects	-	13,002,544	-	192,324	13,194,868
Housing initiatives and urban redevelopment	-	-	813,186	8,515,213	9,328,399
Law enforcement	-	-	-	283,272	283,272
Building department	5,020,353	-	-	-	5,020,353
Transportation	-	-	-	5,723,965	5,723,965
Natural resources	-	-	-	3,248,922	3,248,922
Committed to:					
Art in public places	-	-	-	189,759	189,759
Truman Waterfront	-	-	-	1,379	1,379
Renewable resources	-	-	-	733,063	733,063
Housing initiatives and urban redevelopment	-	-	376,725	-	376,725
Culture and recreation	180,662	-	-	-	180,662
Assigned to:					
Subsequent year's budget	2,000,735	-	-	-	2,000,735
Unassigned	15,866,714	-	-	-	15,866,714
Total fund balances	23,514,511	13,941,994	1,190,211	18,887,897	57,534,613
Total liabilities, deferred inflows of resources and fund balances	$ 33,480,702	$ 15,733,610	$ 8,806,504	$ 19,917,991	$ 77,938,807

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

City of Key West, Florida
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2025

Fund Balances - Total Governmental Funds		$ 57,534,613
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.		213,261,863
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.		2,005,626
Certain funds related to pension and OPEB deferred inflows/ outflows are not reported in the governmental funds.		
Deferred outflows relating to pensions	$ 21,075,890	
Deferred outflows relating to other post employment benefits (OPEB)	1,091,725	
Deferred inflows relating to pensions	(14,452,716)	
Deferred inflows relating to other post employment benefits (OPEB)	(5,201,810)	2,513,089
Net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		95,048
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	(7,411,286)	
Total other post employment benefits (OPEB) liability	(5,140,483)	
Lease purchase obligation	(1,843,692)	
Compensated absences*	(6,865,040)	(21,260,501)
Net Position of Governmental Activities		$ 254,149,738

* Not created in connection with terminated employees.

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

City of Key West, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2025

	General Fund	Infrastructure Surtax Capital Projects Fund	Community Development Office Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 23,923,843	$ 12,727,095	$ -	$ 3,439,630	$ 40,090,568
Licenses and permits	6,997,373	-	-	-	6,997,373
Intergovernmental	14,222,263	4,086,161	476,769	1,700,772	20,485,965
Charges for services	12,275,285	-	-	1,709,664	13,984,949
Fines and forfeitures	1,147,653	-	-	47	1,147,700
Investment earnings	1,265,888	559,530	16,312	726,606	2,568,336
Rental income	2,558,399	-	-	-	2,558,399
Contributions and other	179,424	150,000	-	442,096	771,520
Total revenues	62,570,128	17,522,786	493,081	8,018,815	88,604,810
Expenditures:					
Current:					
General government	24,234,360	489,433	-	30,784	24,754,577
Public safety	43,369,632	9,550	-	6,304	43,385,486
Transportation	379,021	-	-	1,549,001	1,928,022
Economic environment	519,558	-	-	1,407,580	1,927,138
Culture and recreation	4,323,493	2,537	657,660	1,086,479	6,070,169
Human services	950,764	-	-	-	950,764
Capital outlay	1,969,938	16,595,382	-	5,055,573	23,620,893
Total expenditures	75,746,766	17,096,902	657,660	9,135,721	102,637,049
Excess (deficiency) of revenues over (under) expenditures	(13,176,638)	425,884	(164,579)	(1,116,906)	(14,032,239)
Other Financing Sources (Uses):					
Transfers in	14,520,092	1,319,312	360,000	5,223,346	21,422,750
Transfers out	(4,203,946)	(3,623,275)	(11,162)	(3,103,577)	(10,941,960)
Debt issuance	-	1,843,692	-	-	1,843,692
Sale of general capital assets	-	12,000	-	-	12,000
Total other financing sources (uses)	10,316,146	(448,271)	348,838	2,119,769	12,336,482
Net changes in fund balances	(2,860,492)	(22,387)	184,259	1,002,863	(1,695,757)
Fund Balances - Beginning, as previously presented	26,375,003	13,964,381	-	18,890,986	59,230,370
Change within financial reporting entity (Nonmajor to major)	-	-	1,005,952	(1,005,952)	-
Fund Balances - Beginning, as adjusted	26,375,003	13,964,381	1,005,952	17,885,034	59,230,370
Fund Balances - Ending	$ 23,514,511	$ 13,941,994	$ 1,190,211	$ 18,887,897	$ 57,534,613

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

City of Key West, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$ (1,695,757)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeded depreciation expense for the current period:		
Expenditures for capital assets	$ 23,620,893	
Less: Net book value of disposed capital assets	(32,307)	
Less: current year depreciation	(9,349,569)	14,239,017
The issuance of long-term debt provides current financial resources to governmental funds, however, has no effect on net position.		(1,843,692)
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	95,048	
Change in net pension liability	23,968,298	
Change in other post employment benefits (OPEB)	170,452	
Change in compensated absences	(909,146)	23,324,652
Certain changes related to pension liabilities and OPEB are not reported in the net change in the governmental funds:		
Change in deferred outflows relating to pensions	(10,260,062)	
Change in deferred outflows relating to other post employment benefits (OPEB)	(228,250)	
Change in deferred inflows relating to pensions	(12,732,639)	
Change in deferred inflows relating to other post employment benefits (OPEB)	352,896	(22,868,055)
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.		914,597
Change in Net Position of Governmental Activities		$ 12,070,762

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

City of Key West, Florida
Statement of Net Position
Proprietary Funds
September 30, 2025

	Sanitary Sewer System	Solid Waste	Key West Bight	Transit System	Nonmajor Proprietary Funds	Total	Governmental Activities Internal Service Fund
Assets:							
Current assets:							
Cash, cash equivalents and investments	$ 12,186,781	$ 14,154,750	$ 34,320,298	$ 1,654,367	$ 9,896,921	$ 72,213,117	$ 2,633,857
Receivables, net of allowance for uncollectibles:							
Accounts	1,510,753	847,478	646,126	26,364	818,155	3,848,876	357,802
Intergovernmental	786,887	-	-	1,821,091	1,837,886	4,445,864	-
Interfund	-	-	-	-	-	-	2,227,488
Lease	-	-	3,506,593	-	-	3,506,593	-
Note receivable	-	-	97,732	-	-	97,732	-
Prepaid expenses	-	-	-	-	-	-	64,685
Inventories	465,252	-	81,892	25,972	16,234	589,350	-
	14,949,673	15,002,228	38,652,641	3,527,794	12,569,196	84,701,532	5,283,832
Restricted assets:							
Cash, cash equivalents and investments	358,983	361,794	-	-	-	720,777	-
Total current assets	15,308,656	15,364,022	38,652,641	3,527,794	12,569,196	85,422,309	5,283,832
Noncurrent assets:							
Net pension asset	1,982	3,755	6,820	16,848	5,946	35,351	-
Lease receivable, less current portion	-	-	11,297,997	-	-	11,297,997	-
Note receivable, less current portion	-	-	947,854	-	-	947,854	-
Advances to other funds	714,789	-	-	-	-	714,789	-
Capital Assets:							
Land	6,480	3,745,027	14,879,527	50,000	-	18,681,034	-
Buildings and improvements	23,345,932	8,677,969	10,555,339	12,757,622	2,781,632	58,118,494	-
Infrastructure	123,988,575	586,601	17,608,610	1,094,193	54,496,025	197,774,004	-
Machinery, equipment and furniture	6,568,663	805,910	2,065,974	11,139,046	877,419	21,457,012	-
Accumulated depreciation	(99,889,263)	(7,585,122)	(18,307,047)	(15,366,834)	(35,844,285)	(176,992,551)	-
Construction in progress	16,065,934	-	5,306,901	18,409	2,027,934	23,419,178	-
Total noncurrent assets	70,803,092	6,234,140	44,361,975	9,709,284	24,344,671	155,453,162	-
Total assets	86,111,748	21,598,162	83,014,616	13,237,078	36,913,867	240,875,471	5,283,832
Deferred Outflows of Resources:							
Deferred outflows relating to pensions	93,097	176,395	320,328	791,327	279,292	1,660,439	-
Deferred outflows relating to other post employment benefits (OPEB)	4,822	9,324	24,640	33,219	4,722	76,727	-
Deferred charge on refunding	5,470	-	-	-	-	5,470	-
Total deferred outflows of resources	103,389	185,719	344,968	824,546	284,014	1,742,636	-
Total assets and deferred outflows of resources	$ 86,215,137	$ 21,783,881	$ 83,359,584	$ 14,061,624	$ 37,197,881	$ 242,618,107	$ 5,283,832

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

City of Key West, Florida
Statement of Net Position
Proprietary Funds
(continued)
September 30, 2025

	Sanitary Sewer System	Solid Waste	Key West Bight	Transit System	Nonmajor Proprietary Funds	Total	Governmental Activities Internal Service Fund
Liabilities:							
Current liabilities:							
Accounts payable	$ 103,542	$ 696,545	$ 170,996	$ 87,530	$ 73,536	$ 1,132,149	$ 6,696
Accrued payroll and related expenses	3,397	6,197	10,946	22,274	7,788	50,602	1,610
Compensated absences	57,068	82,544	99,781	235,017	58,313	532,723	7,270
Total other post employment benefits (OPEB) liability	341	641	842	3,594	682	6,100	-
Accrued expenses	-	-	212,602	32,554	91,115	336,271	-
Accrued interest	46,149	-	-	-	-	46,149	-
Interfund	16,103	28,182	52,561	2,844,975	60,389	3,002,210	-
Contracts payable	819,202	-	265,135	18,409	209,480	1,312,226	-
Insurance claims payable	-	-	-	-	-	-	1,024,595
Unearned revenue	460,204	361,794	589,862	-	423,207	1,835,067	6,990
Revenue bonds payable	1,716,588	-	-	-	-	1,716,588	-
Total current liabilities	3,222,594	1,175,903	1,402,725	3,244,353	924,510	9,970,085	1,047,161
Noncurrent liabilities:							
Revenue bonds payable	1,766,009	-	-	-	-	1,766,009	-
Advances from other funds	-	-	-	-	853,127	853,127	-
Insurance claims payable	-	-	-	-	-	-	2,227,612
Customer deposits	600	2,650	236,774	2,030	282,786	524,840	-
Total other post employment benefits (OPEB) liability	16,692	31,419	41,275	176,088	33,408	298,882	-
Compensated absences	26,943	38,971	47,109	110,957	27,531	251,511	3,433
Total noncurrent liabilities	1,810,244	73,040	325,158	289,075	1,196,852	3,694,369	2,231,045
Total liabilities	5,032,838	1,248,943	1,727,883	3,533,428	2,121,362	13,664,454	3,278,206
Deferred Inflows of Resources:							
Deferred inflows relating to leases	-	-	14,519,777	-	-	14,519,777	-
Deferred inflows relating to pensions	67,849	128,557	233,455	576,719	203,548	1,210,128	-
Deferred inflows relating to other post employment benefits (OPEB)	31,984	58,540	78,081	198,050	38,192	404,847	-
Total deferred inflows of resources	99,833	187,097	14,831,313	774,769	241,740	16,134,752	-
Net Position:							
Net investment in capital assets	65,789,992	6,230,385	31,844,169	9,674,027	24,129,245	137,667,818	-
Restricted:							
Net pension asset	1,982	3,755	6,820	16,848	5,946	35,351	-
Unrestricted	15,290,492	14,113,701	34,949,399	62,552	10,699,588	75,115,732	2,005,626
Total net position	81,082,466	20,347,841	66,800,388	9,753,427	34,834,779	212,818,901	2,005,626
Total liabilities, deferred inflows of resources and net position	$ 86,215,137	$ 21,783,881	$ 83,359,584	$ 14,061,624	$ 37,197,881	$ 242,618,107	$ 5,283,832

The accompanying notes to the 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, 2025

	Sanitary Sewer System	Solid Waste	Key West Bight	Transit System	Nonmajor Proprietary Funds	Total	Governmental Activities Internal Service Fund
Operating Revenues:							
Charges for services	$ 14,998,365	$ 12,955,008	$ 14,640,112	$ 1,505,028	$ 6,451,997	$ 50,550,510	$ 16,508,918
Total operating revenues	14,998,365	12,955,008	14,640,112	1,505,028	6,451,997	50,550,510	16,508,918
Operating Expenses:							
Personnel services	463,181	1,219,035	2,005,965	4,217,146	1,382,600	9,287,927	206,826
Other operating expenses	9,749,468	8,631,623	5,088,016	1,727,729	2,689,436	27,886,272	14,883,124
Depreciation	3,627,215	540,456	1,016,988	1,285,255	1,957,812	8,427,726	-
Total operating expenses	13,839,864	10,391,114	8,110,969	7,230,130	6,029,848	45,601,925	15,089,950
Operating income (loss)	1,158,501	2,563,894	6,529,143	(5,725,102)	422,149	4,948,585	1,418,968
Nonoperating Revenues (Expenses):							
Grant income (noncapital grant revenue)	-	-	991,816	3,390,294	14,448	4,396,558	-
Investment earnings (loss)	881,628	658,323	1,456,643	(82,289)	447,424	3,361,729	14,291
Other income	-	-	473,562	61,087	405,765	940,414	27,488
Loss (gain) on disposition of capital assets	35,595	-	-	-	(2,153)	33,442	-
Interest expense and other fiscal charges	(103,060)	-	-	-	(38,862)	(141,922)	-
Net nonoperating revenues (expenses)	814,163	658,323	2,922,021	3,369,092	826,622	8,590,221	41,779
Income (loss) before contributions and transfers	1,972,664	3,222,217	9,451,164	(2,356,010)	1,248,771	13,538,806	1,460,747
Transfers and contributions:							
Capital contributions (grants)	604,455	-	-	850,726	187,742	1,642,923	-
Transfers in	-	-	-	1,625,000	-	1,625,000	-
Transfers out	(1,003,654)	(2,155,807)	(6,816,315)	(593,093)	(990,771)	(11,559,640)	(546,150)
Total transfers and other	(399,199)	(2,155,807)	(6,816,315)	1,882,633	(803,029)	(8,291,717)	(546,150)
Changes in net position	1,573,465	1,066,410	2,634,849	(473,377)	445,742	5,247,089	914,597
Net Position, Beginning of Year	79,509,001	19,281,431	64,165,539	10,226,804	34,389,037	207,571,812	1,091,029
Net Position, End of Year	$ 81,082,466	$ 20,347,841	$ 66,800,388	$ 9,753,427	$ 34,834,779	$ 212,818,901	$ 2,005,626

The accompanying notes to the 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, 2025

	Sanitary Sewer System	Solid Waste	Key West Bight	Transit System	Nonmajor Proprietary Total	Total	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:							
Cash received from customers	$ 14,892,973	$ 12,999,651	$ 14,315,986	$ 1,509,827	$ 5,959,723	$ 49,678,160	$ -
Cash received from interfund charges	-	-	-	-	-	-	15,704,999
Cash paid to suppliers	(9,852,601)	(8,549,679)	(4,910,751)	(428,540)	(2,663,282)	(26,404,853)	(14,629,136)
Cash paid to employees	(435,828)	(1,152,042)	(1,930,380)	(4,131,119)	(1,393,766)	(9,043,135)	(205,496)
Other receipts	-	-	473,562	61,087	405,765	940,414	27,488
Net cash provided by (used in) operating activities	4,604,544	3,297,930	7,948,417	(2,988,745)	2,308,440	15,170,586	897,855
Cash Flows from Noncapital Financing Activities:							
Proceeds from grants (operating purposes)	-	4,187	991,816	2,760,955	-	3,756,958	-
Repayments received on advances to other funds	128,787	-	-	-	-	128,787	-
Repayments made on advances from other funds	-	-	-	-	(301,665)	(301,665)	-
Interest paid on advances from other funds	-	-	-	-	(38,862)	(38,862)	-
Transfers in	-	-	-	1,625,000	-	1,625,000	-
Transfers (out)	(1,003,654)	(2,155,807)	(6,816,315)	(593,093)	(990,771)	(11,559,640)	(546,150)
Net cash provided by (used in) noncapital financing activities	(874,867)	(2,151,620)	(5,824,499)	3,792,862	(1,331,298)	(6,389,422)	(546,150)
Cash Flows from Capital and Related Financing Activities:							
Proceeds from capital contributions	1,111,587	-	1,552,080	850,726	-	3,514,393	-
Acquisition and construction of capital assets	(5,923,191)	(138,718)	(2,826,158)	(746,075)	(792,909)	(10,427,051)	-
Principal paid on revenue bonds	(1,669,563)	-	-	-	-	(1,669,563)	-
Interest paid and other fiscal charges	(114,420)	-	-	-	-	(114,420)	-
Repayments and payments on notes	-	-	97,321	-	-	97,321	-
Net cash provided by (used in) capital and related financing activities	(6,595,587)	(138,718)	(1,176,757)	104,651	(792,909)	(8,599,320)	-
Cash Flows from Investing Activities:							
Investment earnings (loss)	881,628	658,323	1,456,643	(82,289)	447,424	3,361,729	14,291
Net cash provided by (used in) investing activities	881,628	658,323	1,456,643	(82,289)	447,424	3,361,729	14,291
Net increase (decrease) in cash, cash equivalents and investments	(1,984,282)	1,665,915	2,403,804	826,479	631,657	3,543,573	365,996
Cash, Cash Equivalents and Investments, October 1	14,530,046	12,850,629	31,916,494	827,888	9,265,264	69,390,321	2,267,861
Cash, Cash Equivalents and Investments, September 30	$ 12,545,764	$ 14,516,544	$ 34,320,298	$ 1,654,367	$ 9,896,921	$ 72,933,894	$ 2,633,857
Reconciliation to Statement of Net Position:							
Cash, cash equivalents and investments	$ 12,186,781	$ 14,154,750	$ 34,320,298	$ 1,654,367	$ 9,896,921	$ 72,213,117	$ 2,633,857
Restricted cash, cash equivalents and investments	358,983	361,794	-	-	-	720,777	-
Cash, cash equivalents and investments	$ 12,545,764	$ 14,516,544	$ 34,320,298	$ 1,654,367	$ 9,896,921	$ 72,933,894	$ 2,633,857

The accompanying notes to the 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, 2025

	Sanitary Sewer System	Solid Waste	Key West Bight	Transit System	Nonmajor Proprietary Total	Total	Governmental Activities Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	$ 1,158,501	$ 2,563,894	$ 6,529,143	$ (5,725,102)	$ 422,149	$ 4,948,585	$ 1,418,968
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Other revenues	-	-	473,562	61,087	405,765	940,414	27,488
Depreciation	3,627,215	540,456	1,016,988	1,285,255	1,957,812	8,427,726	-
Decrease (increase) in assets:							
Accounts receivables, net	(273,696)	(52,695)	(9,060)	4,799	(555,130)	(885,782)	(157,155)
Interfund receivables, net	-	-	-	-	-	-	(803,846)
Prepaid expenses	-	-	-	-	-	-	5,112
Inventories	(7,026)	-	-	-	(866)	(7,892)	-
Net pension asset	(1,982)	(3,755)	(6,820)	(16,848)	(5,946)	(35,351)	-
Leases	-	-	(2,989,774)	-	-	(2,989,774)	-
Deferred outflows relating to pensions	38,194	50,519	62,922	188,426	98,645	438,706	-
Deferred outflows relating to other post employment benefits (OPEB)	1,712	3,225	2,530	10,071	2,256	19,794	-
Increase (decrease) in liabilities:							
Accounts payable	(103,346)	71,777	18,494	22,262	6,798	15,985	(2,730)
Accrued payroll and related expenses	2,010	4,092	5,563	4,201	4,075	19,941	854
Accrued expenses	-	-	156,681	25,318	153	182,152	-
Interfund payable, net	7,239	10,167	2,090	1,251,609	20,069	1,291,174	-
Insurance claims payable	-	-	-	-	-	-	408,761
Unearned revenue	168,304	95,688	(191,517)	-	47,924	120,399	(73)
Customer deposits	-	1,650	(2,294)	-	14,932	14,288	-
Net pension liability	(72,818)	(125,854)	(212,562)	(543,402)	(209,616)	(1,164,252)	-
Total other post employment benefits (OPEB) liability	(786)	25,737	2,994	(26,538)	(65,866)	(64,459)	-
Compensated absences	12,262	17,874	39,410	31,663	12,557	113,766	476
Deferred inflows relating to pensions	51,407	100,140	185,460	454,024	156,219	947,250	-
Deferred inflows relating to other post employment benefits (OPEB)	(2,646)	(4,985)	(3,912)	(15,570)	(3,490)	(30,603)	-
Deferred inflows relating to leases	-	-	2,868,519	-	-	2,868,519	-
Total adjustments	3,446,043	734,036	1,419,274	2,736,357	1,886,291	10,222,001	(521,113)
Net cash provided by (used in) operating activities	$ 4,604,544	$ 3,297,930	$ 7,948,417	$ (2,988,745)	$ 2,308,440	$ 15,170,586	$ 897,855
Schedule of non-cash capital and related financing activities:							
Increase (Decrease) in contracts payable	$ 83,143	$ -	$ 175,554	$ 17,955	$ 91,087	$ 367,739	$ -

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

City of Key West, Florida
Statement of Net Position
Fiduciary Funds
September 30, 2025

		Pension Trust Funds
Assets:		
Cash and cash equivalents	$	9,580,816
Investments, at fair value:		
Equity securities		174,732,990
Corporate and foreign bonds and bond funds		12,262,676
Fixed income fund		4,766,605
Alternative investments		37,351,888
Mortgage Backed Securities		2,178,787
U.S. government securities		20,207,827
Collateralized mortgage obligations		5,264,171
Municipal obligations		516,004
Real estate		8,200,000
Receivables:		
Interest and dividends		414,256
Proceeds from securities sold		326,628
State contributions		244,843
Employer contributions		204,083
Employee contributions		49,178
Total assets		276,300,752
Liabilities:		
Accounts payable and accrued expenses		260,348
Payable for securities purchased		669,784
Total liabilities		930,132
Deferred inflows of resources:		
Advanced contribution		551,421
Net Position:		
Restricted for pension benefits	$	274,819,199

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, 2025

		Pension Trust Funds
Additions:		
Contributions:		
Employer	$	7,675,202
Members		2,881,907
State		1,073,258
Total contributions		11,630,367
Investment earnings:		
Net appreciation in fair value of investments		24,038,156
Interest, dividends and other investment earnings		10,023,681
Total investment earnings		34,061,837
Less: Investment expenses		1,344,887
Net investment earnings		32,716,950
Total additions		44,347,317
Deductions:		
Benefits paid		11,796,856
Administrative expenses		470,896
Total deductions		12,267,752
Net increase in net position		32,079,565
Net Position, October 1		242,739,634
Net Position, September 30	$	274,819,199

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. Currently, the City of Key West is organized and exists under the provisions of Chapter 23374, Laws of Florida (1945), as amended. 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 financial statements of the City have been prepared in conformity with accounting principles generally accepted in the U.S. (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting-body for establishing governmental accounting and financial reporting principles.

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 (KWHA or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWHA 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 $ 753,000 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 KWHA. KWHA is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWHA reflects a December 31, 2024 year-end. Further information regarding KWHA, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33040.

Blended Component Unit:

Under Florida Statute 163, the City created the Caroline Street Corridor and Bahama Village Community Redevelopment Agency (the "Agency"). The Agency is charged with focusing on two (2) distinct subareas; (a) the Bahama Village subarea and (b) the Caroline Street Corridor subarea (collectively, the "Redevelopment Area"). The City of Key West City Commission, in accordance with F.S. § 163.357, declared itself to be the Caroline Street Corridor and Bahama Village Community Redevelopment Agency, having all the powers, duties and responsibilities imposed upon or granted to a community redevelopment agency by F.S. Chapter 163, part III.

The Agency is substantively controlled by the same governing board as the City, the City has an operational responsibility for the component unit pursuant to ordinance and provides services exclusively or almost exclusively for the benefit of the City, thus requiring the financial transactions and account balances of the Agency to be reported in the appropriate statements with the primary government.

1. Summary of Significant Accounting Policies (continued)

Separate financial statements of the blended component unit have been prepared for the CRA. Effective for the fiscal year ended September 30, 2020, the Florida Legislature enacted Chapter 2019-163, Laws of Florida, which amended Section 163.387(8), Florida Statutes, to require that each CRA meeting the specified $ 100,000 threshold provide for a separate audit and that the resultant audit report accompany the City annual financial report filed with the Florida Department of Financial Services. The CRA audit is to be separate from the audit of the County or the City that created the CRA, which must include within their reporting entities the CRA as a component unit. In addition, the separate CRA audit report must present stand-alone financial statements which include basic financial statements, notes to the financial statements, management's discussion and analysis, and other required supplementary information.

Financial statement information related to each entity are also included as separate columns in the financial statements reported 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, 2025, the City received payment of approximately $ 590,000. Keys Energy Services is not considered a component unit of the City.

C. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within 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.

1. Summary of Significant Accounting Policies (continued)

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, except for federal and state grants, which are considered available if collection is expected within twelve months after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB liabilities, and claims and judgments, are recorded only when payment is due.

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

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

Proprietary funds use the economic resources measurement focus. 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 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.

1. Summary of Significant Accounting Policies (continued)

The Community Development Office Fund, a special revenue fund, accounts for proceeds and disbursements of housing, economic, and urban development grants.

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor proprietary funds:

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

The Garrison Bight Fund accounts for the provision of marina services to the residents and visitors of the City.

Additionally, the City reports the following fund types:

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

The Capital Projects Fund – This fund is used to account for financial resources expended on acquisition or construction of major capital facilities.

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.

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 the same manner as proprietary funds. These funds include Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

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

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds. For the year ended September 30, 2025, the City did not adopt a budget for the Navy Pier Payments 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 order or other commitment is entered into. Encumbrances outstanding at year-end represent the estimated amount of expenditures which would result if unperformed purchase orders and other commitments at year-end were completed. Encumbrances lapse at year-end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year-end are re-appropriated in the next fiscal year and are therefore presented as committed or assigned fund balance for the subsequent year.

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

Budgetary Process:

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

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

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

- The City Manager may increase the total fund budget by an amount not to exceed $ 50,000. 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 $ 50,000. Beyond that, the City Commission must approve the transfers by resolution.
- Any of the above actions must maintain a balanced budget.

1. Summary of Significant Accounting Policies (continued)

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

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 general fund 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.

The City’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

H. Prepaid Items

Prepaids 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 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 (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
Works of art	40 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as construction progresses.

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 assets 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 three items that qualify for reporting in this category. First, 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 and third items are the deferred outflows relating to the pension plans and other post-employment benefits (OPEB) and are discussed in further detail in Notes 6 and 7, respectively.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is the City's deferred inflows of resources related to leases and is discussed in further detail in Note 15. The second item is the deferred inflows relating to the pension plans and discussed in further detail in Note 6. The third item is the deferred inflows relating to the other post-employment benefits (OPEB) and discussed in further detail in Note 7.

M. Compensated Absences

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

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 and deferred charges on refunding.

Restricted net position 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 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.

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy 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, and leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource, 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. 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.

1. Summary of Significant Accounting Policies (continued)

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

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

P. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Subsequent Events

Subsequent events were evaluated by management through June 26, 2026, which is the date the financial statements were available to be issued.

R. Impact of Changes in Accounting Principles

During the year ended September 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*, which revisits the definition and recognition parameters of accrued employees and paid time off. The City also implemented GASB 102, *Certain Risk Disclosures*, which address obligations for governmental entities to disclose a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. The adoption of GASB 101, did not have a material effect on the City. The City's discretely presented component unit reported an adjustment to its opening net position as a result of the adoption, see Note 17. There was no material impact from the adoption of GASB 102.

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, 2025, the carrying amount of the City's deposits was $ 24,180,322 with a bank balance of approximately $ 27,258,000. Included in the carrying amount of deposits was $ 3,475 cash on hand.

Deposits consist of interest and noninterest-bearing demand accounts. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, Florida Security for Public Deposits Act. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. As of September 30, 2025, the City's bank balance was $27,258,000 and $27,008,000 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution.

B. Investments

As of September 30, 2025, the carrying value of the City's cash, cash equivalents and investments, was as follows:

	Cash	Cash Equivalents	Investments	Total
Cash, cash equivalents and investments	$ 24,180,322	$ 3,295,145	$ 106,766,504	$ 134,241,971
Restricted cash, cash equivalents, and investments	-	-	720,777	720,777
	$ 24,180,322	$ 3,295,145	$ 107,487,281	$ 134,962,748

As of September 30, 2025, the City's investment maturities and credit ratings were as follows:

	Market Value	Investment Maturities (in Years) Less than 1	Investment Maturities (in Years) 1-5	S & P Credit Rating
U.S. Government and Government Sponsored Entity Bonds/Notes	$ 4,242,390	$ 2,490,063	$ 1,752,327	AAA
Money Market Mutual Funds	3,295,145	3,295,145	-	Not Rated
Florida Fixed Income Trust	40,705,861	40,705,861	-	AAAf*
Florida Public Assets for Liquidity Management	8,622,830	8,622,830	-	AAAm
State Investment Pool:				
Florida Prime	53,916,200	53,916,200	-	AAAm
	$ 110,782,426	$ 109,030,099	$ 1,752,327	

* Includes $ 6,106,057 which is not rated, consisting of overnight and term FDIC insured deposits and qualified public depositories as defined in FL State Statutes, CH280.

2. Deposits and Investments (continued)

The Florida State Board of Administration ("SBA") Pool, hereinafter referred to as "Florida PRIME", is not a registrant with the Securities and Exchange Commission ("SEC"); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. For the Florida PRIME, a 2a-7 like pool, the value of the City's position is the same as the value of the pool shares and is recorded at amortized cost. In accordance with these requirements, the method used to determine the participants' shares sold and redeemed is the amortized cost method. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity.

Thus, the City's account balance in the SBA is its amortized cost. The SBA is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the SBA. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of the SBA. The SBA accounts are not subject to custodial credit risk as these investments are not evidenced by securities that exist in physical or bank entry form.

The City also invests surplus funds in the Florida Public Assets for Liquidity Management (FL PALM). FL PALM is a common law trust organized under the laws of the State of Florida and is a SEC Rule 2a-7 like external investment pool similar to money market funds in which shares are owned in the fund rather than the underlying investments. These amounts are reported at amortized cost which approximates fair value. The investments in FL PALM are not insured by FDIC or any other governmental agency.

In accordance with *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*, the City's investments in Florida PRIME and FL PALM meet the definition of a qualifying investment pool that measures for financial reporting purposes all of its investments at amortized cost and should disclose the presence of any limitations or restrictions on withdrawals. As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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, 2025 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, 2025, the City's portfolio rating is in compliance with its investment policy.

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

2. Deposits and Investments (continued)

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

At September 30, 2025, the City's investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

Issue:	Percent of Investment Portfolio
Florida Local Government Surplus Funds - Florida Prime	48.7%
Florida Fixed Income Trust	36.7%
Florida Public Assets for Liquidity Management	7.8%
U.S. Government Securities - Treasuries	3.8%
Money Market Mutual Funds	3.0%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. There were no investments in individual issuers or organizations subject to the requirements of GASB Statement 40, that represent 5% or more of the total investments.

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, 2025, all of the City's investments are held in a bank's trust department in the City's name, nominee registration.

2. Deposits and Investments (continued)

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

C. Investments - Pension Plans

As of September 30, 2025, the City's pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Equity Securities	$ 58,855,060	$ 115,877,930
Corporate and Foreign Bonds and Bond Funds	6,045,326	6,217,350
Fixed Income Fund	-	4,766,605
Alternative Investments	11,495,025	25,856,863
Mortgage Backed Securities	2,178,787	-
U.S. Government Securities	1,880,768	18,327,059
Collateralized Mortgage Obligations	5,264,171	-
Municipal Obligations	516,004	-
Real Estate	-	8,200,000
	$ 86,235,141	$ 179,245,807

As of September 30, 2025, the Plans' investment maturities and credit ratings were as follows:

General Employees Retirement Plan:

		Investment Maturities (in Years)				S & P
	Market Value	Less than 1	1 - 5	6 - 10	More than 10	Credit Rating
U.S. Government Securities	$ 1,880,768	$ -	$ 280,259	$ 951,483	$ 649,026	AA+*
Mortgage Backed Securites	2,178,787	183,482	627,724	169,605	1,197,976	Not Rated
Collateralized Mortgage Obligations	5,264,171	-	301,285	559,374	4,403,512	BBB- through A***
Corporate and Foreign Bonds and Bond Funds	6,045,326	4,236,617	507,244	420,705	880,760	AA+ through BBB-****
Municipal Obligations	516,004	-	-	59,730	456,274	AAA through AA-**
	$ 15,885,056	$ 4,420,099	$ 1,716,512	$ 2,160,897	$ 7,587,548	

* Includes $ 154,482 which is not rated.
** Includes $ 112,429 of investments that are not rated.
*** Includes $ 3,486,844 which is not rated .
**** Includes $ 621,134 which is not rated .

The General Employees Pension Plan includes $ 1,221,657 (money market fund - AAAm) 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) Less than 1	1 - 5	6 - 10	More than 10	S & P Credit Rating
U.S. Tresuries	$ 9,291,145	$ -	$ 3,932,132	$ 1,841,563	$ 3,517,450	AAA through B-*
U.S. Agencies	9,035,914	-	-	354,370	8,681,544	AAA through B-*
Corporate bonds	6,217,350	-	2,338,674	2,477,504	1,401,172	AAA through B-
Fixed income mutual fund	4,766,605	-	-	3,350,102	1,416,503	AAA through B-
	$ 29,311,014	$ -	$ 6,270,806	$ 8,023,539	$ 15,016,669	

* Includes $ 7,188,694 which is 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, 2025, the General Employees Retirement Plan had investments with both American Core Realty Fund, LLC and American Strat Value Realty Fund, LLC amounting to approximately 13.33% or $ 11,495,000 of the total Plan's investment. At September 30, 2025, the Police Officers and Firefighters Retirement Plan had investments with American Funds Europacific Growth Fund, WCM Focused International Growth Institutional Fund, Winslow Large Cap Growth Fund, Churchill Middle Market, JPM Infrastructure, and the investment in the Simonton Center, amounting to approximately 5.6%, 7.1%, 11.2%, 5.9%, 5.2% and 5.5%, respectively of the total Plan's 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. At September 30, 2025, the General Employees Retirement Plan was not directly exposed to foreign credit risk. At September 30, 2025, the Police Officers and Firefighters Retirement Plan had foreign investments of 12.7% the total Plan's investments.

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 investments 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 significant 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 significant 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.

2. Deposits and Investments (continued)

Fair values of investments held by the City's Primary Government Investment Funds are classified at September 30, 2025 as follows:

City:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
U.S. Government and Government Sponsored Entity Bonds/Notes	$ 4,242,390	$ 4,242,390	$ -	$ -	$ -
Florida Fixed Income Trust	40,705,861	-	-	-	40,705,861
Total Investments Measured at Fair Value	44,948,251	4,242,390	-	-	40,705,861
Cash Equivalents	3,295,145	3,295,145	-	-	-
Total Investments and Cash Equivalents Measured at Fair Value	48,243,396	$ 7,537,535	$ -	$ -	$ 40,705,861
Investments Not Measured at fair value:					
Florida PRIME	53,916,200				
Florida Public Assets for Liquidity Management	8,622,830				
	$ 110,782,426				

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2025, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Florida Fixed Income Trust (1)	$ 40,705,861	$ -	Daily	1 day

(1) The funds invest primarily in fundamentally sound companies with broad, stable US industries. The fair value of the investment in the funds 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	$ 1,880,768	$ -	$ 1,880,768	$ -	$ -
Mortgage Backed Securities	2,178,787	-	2,178,787	-	-
Corporate and Foreign Bonds and Bond Funds	6,045,326	4,209,607	1,835,719	-	-
Collateralized Mortgage Obligations	5,264,171	-	5,264,171	-	-
Municipal Obligations	516,004	-	516,004	-	-
Equity Securities	58,855,060	55,034,618	3,820,442	-	-
Alternative Investments	11,495,025	-	-	-	11,495,025
Total Investments Measured at Fair Value	86,235,141	59,244,225	15,495,891	-	11,495,025
Cash Equivalents	1,221,657	1,221,657	-	-	-
Total Investments and Cash Equivalents	$ 87,456,798	$ 60,465,882	$ 15,495,891	$ -	$ 11,495,025

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2025, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	$ 11,495,025	$ -	Quarterly	10 business days/ 30 calendar days

(1) The funds invest primarily in core institutional – quality office, retail, industrial and multi-family properties located throughout the United States and are diversified by product type, geographic region and economic exposure in order to mitigate investment risk. The fair value of the investment in the funds 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. Treasury securities	$ 9,291,145	$ -	$ 9,291,145	$ -	$ -
U.S. Agency securities	9,035,914	-	9,035,914	-	-
Corporate bonds	6,217,350	-	6,217,350	-	-
Equity Securities	115,877,930	115,877,930	-	-	-
Fixed income mutual fund	4,766,605	4,766,605	-	-	-
Real Estate	8,200,000	-	-	8,200,000	-
Alternative Investments	25,856,863	-	-	-	25,856,863
Total Investments Measured at Fair Value	179,245,807	120,644,535	24,544,409	8,200,000	25,856,863
Cash Equivalents	8,359,159	8,359,159	-	-	-
Total Investments and Cash Equivalents	$ 187,604,966	$ 129,003,694	$ 24,544,409	$ 8,200,000	$ 25,856,863

Additional information for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2025, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (1)	$ 9,685,381	$ -	Twice a year	90 Days

(1) The purpose of the fund is to invest in a broad range of infrastructure and infrastructure-related assets located in member countries of the Organization for Economic Co-Operation and Development (OECD) with a primary focus on the US, Canada, Western Europe and Australia. The investment is valued at NAV and redemption requests must be received 90 days prior to the effective date of the redemptions, which are allowed on March 31 and September 30.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (2)	$ 5,050,163	$ -	Quarterly	90 Days

(2) This fund is an open-end commingled real estate fund that invests in a pool of real estate assets that are diversified by geography and property type, with a focus of yield-driven instruments and, to a lesser extent, on a value-added investments. The investment is valued at NAV and redemption requests must be received by the fund 90 days prior to quarter end.

2. Deposits and Investments (continued)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments (3)	$ 11,121,319	$ -	N/A	N/A

(3) This is a direct lending pooled investment vehicle that focuses on originating and investing in senior and unitranche loans to private-equity-sponsor-backed U.S. middle market companies. Redemptions are not allowed.

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, 2024, the Authority's book balance of cash was $ 12,490,891 and the bank balance was $ 13,104,439.

As of December 31, 2024, cash is reported as follows:

Cash - unrestricted	$	10,878,293
Cash - restricted		1,612,598
Total	$	12,490,891

In addition, the component unit's pension plan deposits amounting to $ 358,814 ($ 358,814 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.

2. Deposits and Investments (continued)

As of December 31, 2024, the Plan had the following investments:

Equity Mutual Funds:		
Vanguard 500 Index Fund*(1)	$	4,372,443
Vanguard Total International Stock Index*(1)		1,156,584
Vanguard Dividend Growth Fund*(1)		1,611,042
Vanguard Small Cap Index*(1)		2,321,962
Fixed Income Mutual Funds:		
PIMCO Investment Fund**(1)		755,095
PIMCO Investment Grade Corporate***		595,506
Dodge & Cox Income Fund***		673,444
Absolute Return Funds:		
Columbia Adaptive Risk Allocation Fund*(1)		3,024,205
Money Market:		
Goldman Sachs Fin Sq Tr*		103,184
Private Credit:		
ATEL Private Debt Partners III, LLC*		482,570
	$	15,096,035

* Investment maturity is less than one year.
** Investment maturity is between one and five years.
*** Investment maturity is between six and ten years.

(1) Investment subject to concentration credit risk.

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

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

Fair value measurements - Under GASB Statement No. 72, *Fair Value Measurement and Application,* all investments of the Plan are categorized under Level 1.

Foreign Currency Risk - This risk relates to the potential, unfavorable fluctuation of exchange rates compared with the U.S. Dollar. The Plan did not have exposure to foreign currency risk as of December 31, 2024.

3. Receivables

Receivables at September 30, 2025 consist of the following:

Receivable Type:	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	$ -	$ -	$ -	$ -	$ -	$ 414,256	$ 414,256
Accounts	2,022,182	295,349	-	3,874,133	357,802	-	6,549,466
Mortgages	-	3,119,240	-	-	-	-	3,119,240
Intergovernmental	832,342	1,484,722	1,489,459	4,445,864	-	498,104	8,750,491
Lease	6,373,263	-	-	14,804,590	-	-	21,177,853
Note	-	-	-	1,045,586	-	-	1,045,586
Proceeds from securities sold	-	-	-	-	-	326,628	326,628
Gross receivables	9,227,787	4,899,311	1,489,459	24,170,173	357,802	1,238,988	41,383,520
Less allowance for uncollectible	-	1,116,818	-	25,257	-	-	1,142,075
Net receivables	$ 9,227,787	$ 3,782,493	$ 1,489,459	$ 24,144,916	$ 357,802	$ 1,238,988	$ 40,241,445

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, 2025, was 2.0134 per $ 1,000 of assessed taxable property value. The final taxable value amounted to $ 11,262,290. 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, 2025, 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, and rents 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 contributions to the Police Officers and Firefighters retirement plan. Lease receivable consists mainly of leases for buildings and land throughout the City (Note 15).

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

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

Frederick Douglass Square Project (HODAG)	$ 2,233,635
Homebuyer Assistance Program	862,373
Mayor's Revolving Loan Fund (low interest)	23,232
Gross mortgages receivable	3,119,240
Less allowance for uncollectible mortgages	1,116,818
Net mortgages receivable	$ 2,002,422

3. Receivables (continued)

Note receivable - The City previously entered into two promissory notes with entity's in exchange for building improvements on properties that are leased by the City to these entities. The first note bears interest at the current rate as determined by the SOFR plus the LIBOR to SOFR spread adjustment of .71513% plus 1% basis point (7.07% at September 30, 2025) until the note matures in August 2034. At September 30, 2025, the balance of this note receivable was approximately $ 1,031,000. The second note bears interest at the current rate as determined by the SOFR plus the LIBOR to SOFR spread adjustment of .71513% plus 1% (6.35% at September 30, 2025) until the note matures in September 2026. At September 30, 2025, the balance of the second note receivable was approximately $ 15,000. Both notes are reflected in the Key West Bight Fund.

Component Unit:

Accounts receivable represent amounts due from tenants (dwelling rents), and other miscellaneous balances, of $ 114,924 net of allowance for uncollectibles of $ 89,928. Intergovernmental receivables represent amounts due from the federal and other governments of $ 2,356,099. No allowance for uncollectibles was deemed necessary by management.

4. Capital Assets

Capital asset activity for fiscal year ended September 30, 2025 is as follows:

	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 56,605,896	$ -	$ -	$ 56,605,896
Works of art	137,400	-	-	137,400
Construction in progress	25,701,791	2,884,295	-	28,586,086
Total capital assets, not being depreciated	82,445,087	2,884,295	-	85,329,382
Capital assets, being depreciated:				
Buildings and improvements	55,752,407	-	-	55,752,407
Machinery, equipment and furniture	39,880,673	7,280,285	(925,356)	46,235,602
Works of art	220,510	-	-	220,510
Infrastructure	111,415,619	13,456,313	(15,685)	124,856,247
Total capital assets, being depreciated	207,269,209	20,736,598	(941,041)	227,064,766
Less accumulated depreciation for:				
Buildings and improvements	16,907,172	1,408,889	-	18,316,061
Machinery, equipment and furniture	26,584,133	4,362,328	(893,049)	30,053,412
Works of art	109,182	18,308	-	127,490
Infrastructure	47,090,963	3,560,044	(15,685)	50,635,322
Total accumulated depreciation	90,691,450	9,349,569	(908,734)	99,132,285
Total capital assets, being depreciated, net	116,577,759	11,387,029	(32,307)	127,932,481
Governmental activities capital assets, net	$ 199,022,846	$ 14,271,324	$ (32,307)	$ 213,261,863

4. Capital Assets (continued)

	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 18,681,034	$ -	$ -	$ 18,681,034
Construction in progress	16,752,875	8,865,774	(2,199,471)	23,419,178
Total capital assets, not being depreciated	35,433,909	8,865,774	(2,199,471)	42,100,212
Capital assets, being depreciated:				
Buildings and improvements	58,118,494	-	-	58,118,494
Machinery, equipment and furniture	20,777,588	1,726,537	(1,047,113)	21,457,012
Infrastructure	195,404,869	202,479	2,166,656	197,774,004
Total capital assets, being depreciated	274,300,951	1,929,016	1,119,543	277,349,510
Less accumulated depreciation for:				
Buildings and improvements	42,371,175	1,272,547	-	43,643,722
Machinery, equipment and furniture	15,295,539	1,591,083	(1,106,364)	15,780,258
Infrastructure	112,011,481	5,564,096	(7,006)	117,568,571
Total accumulated depreciation	169,678,195	8,427,726	(1,113,370)	176,992,551
Total capital assets, being depreciated, net	104,622,756	(6,498,710)	2,232,913	100,356,959
Business-type activities capital assets, net	$ 140,056,665	$ 2,367,064	$ 33,442	$ 142,457,171

For the year ended September 30, 2025, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Transportation	$ 4,155,883
General government	3,034,870
Public safety	1,155,607
Economic environment	366,223
Culture and recreation	280
Human services	636,706
Total depreciation expense - governmental activities	$ 9,349,569

4. Capital Assets (continued)

Business-type activities:		
Sanitary sewer system	$	3,627,215
Solid waste		540,456
Key West bight		1,016,988
Stormwater		1,286,506
Transit system		1,285,255
Garrison bight		671,306
Total depreciation expense - business-type activities	$	8,427,726

Component Unit:

The following summarizes capital assets from The Housing Authority of the City of Key West, Florida's proprietary fund at December 31, 2024:

Buildings and improvements	$	114,008,686
Machinery, equipment, and furniture		2,619,124
Infrastructure		1,206,645
		117,834,455
Less accumulated depreciation		48,164,941
		69,669,514
Land		15,163,552
Construction in progress		2,128,266
Net capital assets	$	86,961,332

Total depreciation expense for the year ended December 31, 2024 amounted to approximately $ 2,749,000. 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	15-40 years

5. Restricted Assets

The Sanitary Sewer System has aggregate restricted assets of $ 358,983 related to impact fees usage restrictions. The Solid Waste Fund has restricted assets of $ 361,794 as part of its impact fee usage restrictions. Assets so designated are identified as restricted assets on the statement of net position.

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

6. Pension Plans

A. <u>City - General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan</u>:

General Information - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan (GERP) and the Police Officers and Firefighters Retirement Plan (PFRP). Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the sale and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the Board of Trustees are subject to City Commission approval. Participants should refer to the plan documents for more complete information. The GERP does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity. The PFRP retirement board issues a publicly available report that includes financial statements and required supplementary information. This financial report may be obtained by writing to Pension Plan Administrator, 22233 Drawbridge Dr., Leesburg, FL 34748.

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

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

General Employees Retirement Plan (GERP):

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

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

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

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

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

6. Pension Plans (continued)

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

A member is eligible for early retirement upon the attainment of age 55 with 10 years of credited service. An early retirement benefit is accrued to date of retirement, reduced by 1/15th 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 eight 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, 2025 was $ 805,041.

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. City and employee contributions for the year ended September 30, 2025, were $ 1,943,339 and $ 1,368,865 respectively. The contribution requirements of plan members and the City are established and may be amended by the GERP Board of Trustees and the City Commission.

Police Officers and Firefighters Retirement Plan (PFRP):

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

The plan is administered by a board of five trustees. One is an active firefighter who is elected by active firefighter members of the plan. One is an active police officer elected by active police officer members of the plan. Two are appointed by the City Commission and must be legal residents of the City, and one is elected by the other four trustees and need not be a resident of the City.

Benefits Provided – A member is participants eligible for normal retirement benefits upon the earlier of attaining age 55 with 10 years of service or completing 20 years of service, regardless of age. Participants may also retire once they have become half vested in the Plan, at age 55 with five years of service. Participants retiring while half vested in the Plan are 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 participant's base salary and overtime, assignment pay, and educational incentive pay.

Participants are eligible for early retirement benefits 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 participant waited until the normal retirement age.

6. Pension Plans (continued)

Deferred Retirement Option Plan (the "DROP") - The plan established a Deferred Retirement Option Plan ("DROP"), which offers active members the opportunity, prior to retirement, to work and simultaneously accumulate pension benefits. Participants who have attained eligibility for normal service retirement can exercise the option to participate in the DROP. This option must be exercised within the first 30 years of employment. If participation in the DROP when combined with participation in the pension Plan may not exceed 30 years. When participants enter the DROP, the pension payments that they would have received had they actually separated from service are deposited into an account for the participant's benefit and are invested as part of the Plan. The participant ceases to contribute to the Plan during the DROP participation and are no longer eligible to earn additional service credit during the DROP period. The maximum participation in the DROP is five years. When entering the DROP, the employee will not terminate employment with the City, but will cease accruing benefits under the Plan, and the monthly benefit as of the election date will be saved and invested. Participants must meet the eligibility for normal or early retirement in order to participate. Participant accounts shall earn or lose interest based on the actual earnings of the Plan or a fixed rate of return of 6.5%, as elected by the participant. The value of the total DROP balance at GE Pension General Information was $ 20,926,610.

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

Contributions – Member contributions are equal to 7% of their annual pensionable compensation. 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. City and employee contributions for the year ended September 30, 2025, were $ 5,731,863 and $ 1,513,042 respectively.

Also, the City received $ 1,073,258 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, 2024 was as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Active employees	297	170
Inactive employees:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	202	177
Total	499	347

6. Pension Plans (continued)

Net Pension (Asset) Liability:

The City's net pension liability (assets) was determined based on a measurement date of September 30, 2024, for both plans.

The components of the net pension liability (asset) of the City at September 30, 2025, were as follows:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Total pension (asset) liability	$ 77,592,602	$ 172,427,919
Plan fiduciary net position	(77,723,001)	(165,016,633)
Net pension (asset) liability	$ (130,399)	$ 7,411,286
Plan fiduciary net position as a percentage of the total pension (asset) liability	100.17%	95.70%

For governmental activities, net pension liabilities are generally liquidated by the General Fund.

Actuarial Assumptions - The total pension (asset) liability at September 30, 2025 was determined by using actuarial valuations as of October 1, 2023, for the General Employees Retirement Plan and October 1, 2024, for the Police Officer's and Firefighters Retirement Plan with update procedures used to roll forward the total pension (asset) liability to September 30, 2025. The actuarial valuations used the following actuarial assumptions:

	General Employees Retirement Plan
Inflation	2.50%
Salary increases	4.75%-6.25%
Investment rate of return	7.25%, net of investment expenses
Mortality	PUB-2010 Mortality Tables for male and female, as appropriate.

	Police Officers and Firefighters Retirement Plan
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.00% compounded annually, net of investment expenses, including inflation.
Mortality	PUB-2010 Mortality Tables for male and female, as appropriate.

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:

6. Pension Plans (continued)

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%
Domestic bonds	10%	2.5%
International bonds	5%	3.5%
Real estate	10%	4.5%
Infrastructure	15%	6.5%
Total	100%	

Rate of Return: For the year ended September 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.45% for GERP and 14.11% for PFRP. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate: The discount rate used to measure the total pension (asset) liability was 7.25% and 7.00% 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 (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balances, as of September 30, 2023, Measurement Date	$ 70,220,076	$ 66,010,922	$ 4,209,154
Changes for the year:			
Service cost	2,404,844	-	2,404,844
Interest	5,419,667	-	5,419,667
Differences between expected and actual experience	2,421,845	-	2,421,845
Assumption changes	1,306,213	-	1,306,213
Contributions - Employer	-	1,354,504	(1,354,504)
Contributions - Employee	-	1,215,797	(1,215,797)
Net investment income	-	13,626,105	(13,626,105)
Benefit payments	(4,180,043)	(4,180,043)	-
Administrative expenses	-	(304,284)	304,284
Net changes	7,372,526	11,712,079	(4,339,553)
Balances, as of September 30, 2024, Measurement Date	$ 77,592,602	$ 77,723,001	$ (130,399)

Police Officers and Firefighters Retirement Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances, as of September 30, 2023, Measurement Date	$ 162,557,896	$ 134,223,214	$ 28,334,682
Changes for the year:			
Service cost	3,855,157	-	3,855,157
Interest	11,563,950	-	11,563,950
Differences between expected and actual experience	3,121,549	-	3,121,549
Assumption changes	-	-	-
Contributions - Employer	-	5,378,751	(5,378,751)
Contributions - State	-	1,021,047	(1,021,047)
Contributions - Employee	-	1,296,743	(1,296,743)
Net investment income	-	31,956,135	(31,956,135)
Benefit payments	(8,670,633)	(8,670,633)	-
Administrative expenses	-	(188,624)	188,624
Net changes	9,870,023	30,793,419	(20,923,396)
Balances, as of September 30, 2024, Measurement Date	$ 172,427,919	$ 165,016,633	$ 7,411,286

6. Pension Plans (continued)

The net pension liability 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, 2025, it is distributed 73% to governmental activities and 27% business-type activities. Total net pension liability and related components for the PFRP are distributed 100% to the governmental activities.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
General Employees Retirement Plan:			
Net Pension (Asset) Liability	$ 8,565,287	$ (130,399)	$ (7,457,960)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Police Officers and Firefighters Retirement Plan:			
Net Pension Liability	$ 25,124,314	$ 7,411,286	$ (7,446,487)

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

For the year ended September 30, 2025, the City recognized pension expense in GERP and PRFP of $ 2,581,447 and $ 5,282,721, respectively, aggregating to $ 7,864,168. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

General Employees Retirement Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 1,943,339	$ -
Differences between expected and actual experience	3,110,948	358,509
Changes of assumptions or other inputs	1,070,534	-
Net difference between projected and actual earnings on pension plan investments	-	4,105,262
Total	$ 6,124,821	$ 4,463,771

6. Pension Plans (continued)

Police Officers and Firefighters Retirement Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 6,805,121	$ -
Net difference between projected and actual earnings on pension plan investments	-	10,543,240
Changes of assumptions or other inputs	5,239,576	6,501
Differences between expected and actual experience	4,566,811	649,332
Total	$ 16,611,508	$ 11,199,073
Total Pension Trust Funds	$ 22,736,329	$ 15,662,844

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 fiscal period. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending September 30,	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
2026	$ 743,129	$ 770,197	$ 1,513,326
2027	2,296,238	3,874,878	6,171,116
2028	(1,539,715)	(3,307,291)	(4,847,006)
2029	(1,781,941)	(3,843,507)	(5,625,448)
2030	-	667,104	667,104
Thereafter	-	445,933	445,933
Total	$ (282,289)	$ (1,392,686)	$ (1,674,975)

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, 2025 and the changes in net position for the year then ended:

Condensed Statements of Net Position:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Assets:			
Cash and cash equivalents	$ 1,221,657	$ 8,359,159	$ 9,580,816
Investments, at fair value	86,235,141	179,245,807	265,480,948
Other	108,397	1,130,591	1,238,988
Total assets	87,565,195	188,735,557	276,300,752

6. Pension Plans (continued)

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Liabilities:			
Accounts payable and accrued expenses	167,700	92,648	260,348
Payable for securities purchased	-	669,784	669,784
Total liabilities	167,700	762,432	930,132
Deferred inflows of resources:			
Advanced contribution	-	551,421	551,421
Net position restricted for pension benefits	$ 87,397,495	$ 187,421,704	$ 274,819,199

Condensed Statements of Changes in Net Position:

	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan	Total
Additions:			
Contributions	$ 3,312,204	$ 8,318,163	$ 11,630,367
Net investment earnings	10,704,721	22,012,229	32,716,950
Total additions	14,016,925	30,330,392	44,347,317
Deductions:			
Benefits paid	4,066,880	7,729,976	11,796,856
Administrative expenses	275,551	195,345	470,896
Total deductions	4,342,431	7,925,321	12,267,752
Changes in net position	$ 9,674,494	$ 22,405,071	$ 32,079,565

B. Component Unit:

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

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

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

6. Pension Plans (continued)

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

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

Benefits Provided - Normal retirement benefits are payable to every member who has achieved age 60 and has 5 years of credited service or has attained 30 years of credited service regardless of age. Benefit payments shall commence on the first day of the month after termination of service.

The normal retirement benefit is determined based on the member's average final compensation (the average of the base pay received by a member during the highest 5 of the last 10 years of service immediately prior to termination of service). The benefit is determined by applying an amount equal to 2.00% of average final compensation, times years of credited service. Early retirement provisions are also available to Pension Plan members.

Deferred Retirement Option Program (the "DROP") - The DROP may be elected upon reaching the earlier of early or normal retirement. The member's benefit will be calculated based on average pay and service as of the DROP entry date. No disability benefits are provided while in the DROP. Death benefits, if any, are based on the form of payment elected. DROP accounts are credited with interest at the rate of 8%, compounded annually, or the actual rate earned by the Pension Plan, as applicable. The value of the total DROP balance at December 31, 2024 was $ 1,898,287.

Cost-of-Living-Adjustment - Members receiving benefits receive a 2.00% 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, 2024.

Plan membership data at January 1, 2024 was as follows:

Active employees, including DROP participants	55
Inactive employees:	
Retirees and beneficiaries currently employees entitled to benefits but not yet receiving them	78
Total	133

6. Pension Plans (continued)

Net Pension Liability:

The Authority's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 updated to December 31, 2024.

The components of the net pension liability of the Authority at December 31, 2024, were as follows:

	Pension Plan
Total pension liability	$ 17,103,199
Plan fiduciary net position	(15,443,946)
Net pension liability	$ 1,659,253
Plan fiduciary net position as a percentage of the total pension liability	90.30%

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

Inflation	2.50%
Salary increases	Age Based
Discount rate	6.75%
Mortality	All mortality rates are projected generationally with Mortality Improvement Scale MP-2018 for males or females, as appropriate.

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 of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity (Large Cap)	40%	4.52%
Domestic equity (Small/Mid Cap)	10%	5.06%
International equity	10%	5.08%
Private Debt	5%	6.00%
Fixed income	15%	2.44%
Absolute return	20%	3.73%
	100%	

6. Pension Plans (continued)

Rate of Return: For the year ended December 31, 2024, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the Pension Plan was 11.11%.

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. 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 (Asset):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, as of December 31, 2023	$ 16,314,139	$ 14,194,045	$ 2,120,094
Changes for the year:			
Service cost	400,093	-	400,093
Interest	1,096,976	-	1,096,976
Difference between expected and actual experience	217,454	-	217,454
Changes in assumptions	-	-	-
Contributions - employer	-	671,976	(671,976)
Net investment income	-	947,339	(947,339)
Difference between expected and actual invesmtnet income	-	621,354	(621,354)
Benefit payments, including refunds of employee contributions	(925,463)	(925,463)	-
Administrative expenses	-	(65,305)	65,305
Net changes	789,060	1,249,901	(460,841)
Balance, as of December 31, 2024	$ 17,103,199	$ 15,443,946	$ 1,659,253

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 6.75%, 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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	$ 3,574,060	$ 1,659,253	$ 75,357

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

6. Pension Plans (continued)

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

For the year ended December 31, 2024, the Authority recognized pension expense of $ 782,414. At December 31, 2024, 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	$	310,815	$	22,250
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments		163,760		-
	$	474,575	$	22,250

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,		Total
2025	$	244,581
2026		499,754
2027		(167,745)
2028		(124,265)
Total	$	452,325

7. Other Post-Employment Benefits (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, specifies that governments must recognize their total OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense in the financial statements based on the actuarial present value of projected benefit payments.

Plan Description and Funding Policy: Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan (medical and prescription) currently offered through the City at the "blended" employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life, vision, and dental benefits are portable and the retiree must pay full premiums.

The following table provides a summary of the number of participants in the plan as of October 1, 2024:

Retirees and survivors	104
Active plan members	566
Total plan members	670

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

Currently, the City's OPEB benefits are unfunded. This plan is not accounted for in a trust fund because there are no assets accumulated that meet the definition of a trust in GASB 75. To date, the City has followed a pay-as-you-go funding policy, therefore, only those amounts necessary to provide for the City's reporting of current year benefit costs and expenses have been contributed from the respective fund. Contribution rates are determined by the City. The Plan does not issue a stand-alone financial report and it is not included in the report of a public employee retirement system or a report of another entity.

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used for the valuation are as follows:

Measurement date:	September 30, 2025
Valuation date:	September 30, 2025
Actuarial cost method:	Entry Age Normal
Mortality:	PUB 2016 w/ MP-2021 projection (2024 iRS Final Regs.)
Asset valuation method:	Market
Salary increases and inflation:	3.00%
Discount rate:	4.50%
Health care cost trend:	7.00% decreasing to 4.50% ultimate
Retirement age:	Safety (uniformed): Rates from ages 50 and 20 years. General: Rates from, age 55 and 10 years.

Changes in assumptions and other inputs include the change in the discount rate from 4.06% as of the beginning of the measurement period to 4.50%, as of September 30, 2025. This change is reflected in the Schedule of Changes in total OPEB Liability. There were no benefit changes during the year.

Discount Rate: The discount rate used to measure the total OPEB liability at September 30, 2025 was 4.50%. Because the City's OPEB costs are funded on a pay-as-you-go funding structure, a tax-exempt municipal bond rate based on an index of 20 year municipal bond with an high grade credit rating as of the measurement date was used to determine the total OPEB liability. The discount rate was 4.06% as of the beginning of the measurement year.

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

Total OPEB Liability of the City: The components of the City's net OPEB liability at September 30, 2025, are as follows:

Total OPEB liability	$	5,445,465
OPEB Plan fiduciary net position		-
City's net OPEB liability	$	5,445,465
OPEB Plan fiduciary net position as a percentage of total OPEB liability		0.00%

For governmental activities, net other post-employment obligations are generally liquidated by the General Fund.

Changes in Total OPEB Liability:

Measurement year ended September 30, 2025

Total OPEB liability:		
Service cost	$	480,154
Interest on total OPEB liability		247,863
Difference between expected and actual experience		(811,873)
Change of assumptions and other inputs		(39,993)
Benefit payments - implicit		(111,062)
Net change in total OPEB liability		(234,911)
Total OPEB liability, beginning		5,680,376
Total OPEB liability, ending	$	5,445,465

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total OPEB liability, calculated using the discount rate of 4.50%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than current discount rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Total OPEB liability	$ 6,031,876	$ 5,445,465	$ 4,925,243

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

	1% Trend Decrease 6.0% Decreasing to 3.5%	Trend Rate Assumption 7.0% Decreasing to 4.5%	1% Trend Increase 8.0% Decreasing to 5.5%
Total OPEB liability	$ 4,823,448	$ 5,445,465	$ 6,180,211

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB expense (credit) of ($ 259,304). At September 30, 2025, the City has deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 300,134	$ 1,486,133
Changes in assumptions	868,318	4,120,524
Total	$ 1,168,452	$ 5,606,657

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

Fiscal Year Ending September 30,	Amortization Amount
2026	$ (977,236)
2027	(953,708)
2028	(953,714)
2029	(878,248)
2030	(358,461)
Thereafter	(316,838)
	$ (4,438,205)

Component Unit:

The Housing Authority’s Retiree Health Care Plan (HARHCP) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the Authority. The OPEB Plan, which is administered by the Authority, allows employees who retire and meet retirement eligibility requirements under the Authority’s retirement plan to continue medical coverage as a participant in the Authority’s Health Insurance Plan. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage at the cost of the retiree. All employees of the Authority are eligible to receive postemployment health care benefits. Employees who retire from the Authority who meet certain criteria are eligible for a fully subsidized premium for the retiree until Medicare eligible. The retiree is responsible for any health-related coverage for spouses and eligible dependents. The Authority's plan does not have a trust fund; therefore, has followed a pay-as-you-go funding policy. The plan does not issue a stand-alone financial report. The Authority’s net OPEB liability was $ 1,191,915 and measured as of December 31, 2024. For the year ended December 31, 2024, the Authority reported deferred outflows of resources of $ 364,716, deferred inflows of resources of $ 439,132 and recognized OPEB expense of $ 782,414.

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 2025, a total of approximately $ 1,746,000 was incurred/paid in benefits and claims. In fiscal year 2025, the City provided coverage up to the Self-Insured Retention (SIR) level of $ 325,000 for each worker's compensation claim, and $ 325,000 SIR level for employer's liability with commercial insurance covering losses that exceed the SIR level. Public officials, automobile, and general liability SIR levels were $ 100,000 with commercial insurance covering losses exceeding SIR level. There is no SIR level for crime coverage. Commercial insurance will pick up all losses up to $ 1,000,000 inclusive of the SIR. 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 and/or EDP and/or property in the open with no minimum deductible. SIR level for flood is 5% with the following exceptions: $ 25,000 per building, minimum per occurrence, except excess over the National Flood Insurance Program of $ 500,000 building and $ 500,000 contents in property located in flood zones A & V, whether purchased or not.

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

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated 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 $ 3,252,000 is reported in the fund at September 30, 2025. 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 discounted basis during the past two years are as follows (in thousands):

9. Risk Management (continued)

Fiscal Year	Beginning Liability	Claims Incurred	Estimated Prior Claims	Claims Paid and Other Adjustments	Ending Liability
2024*	$ 3,217	$ 1,213	$ (122)	$ (1,465)	$ 2,843
2025*	$ 2,843	$ 938	$ 429	$ (958)	$ 3,252

* Presented at the 50% confidence level and undiscounted.

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

10. Compensated Absences

At September 30, 2025, 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, 2025 was approximately $ 7,660,000 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, 2025:

	Estimated Remaining Construction Commitments
Infrastructure Surtax Fund:	
Southernmost Point Seawall	$ 864,000
Truman Waterfront Playground	$ 387,000
Bayview Park Renovations	$ 310,000

11. Construction Commitments (continued)

	Estimated Remaining Construction Commitments
Sanitary Sewer System Fund:	
Pump Station F Grinder	$ 898,000
Directional Bore	$ 561,000
Pump Station J	$ 321,000
Asset Management Plan	$ 274,000
Solids Dewatering	$ 271,000
Deep Well Valve	$ 256,000
Key West Bight Fund:	
Piling Replacements	$ 1,098,000
Schooner Floating Docks	$ 883,000
Transit System Fund:	
Bus Acquisition	$ 1,247,000

12. Long-Term Debt and Liabilities

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

	Balance October 1, 2024	Additions	Amortization/ Retirements	Balance September 30, 2025	Due Within One Year
Governmental Activities:					
Financed purchase	$ -	$ 1,843,692	$ -	$ 1,843,692	$ 589,703
Insurance claims payable	2,843,446	408,761	-	3,252,207	1,024,595
Compensated absences	5,966,121	5,575,292	4,665,670	6,875,743	4,385,599
Total OPEB liability	5,310,935	-	170,452	5,140,483	102,810
Net pension liability	31,379,584	-	23,968,298	7,411,286	-
Total governmental activities	$ 45,500,086	$ 7,827,745	$ 28,804,420	$ 24,523,411	$ 6,102,707
Business-Type Activities:					
Direct Borrowing:					
Sewer System Refunding Revenue Bonds, Series 2013	$ 5,152,160	$ -	$ 1,669,563	$ 3,482,597	$ 1,716,588
Compensated absences	670,468	527,083	413,317	784,234	532,723
Total OPEB liability	369,441	-	64,459	304,982	6,100
Net pension liability	1,164,252	-	1,164,252	-	-
Other	510,552	14,288	-	524,840	-
Total business-type activities	$ 7,866,873	$ 541,371	$ 3,311,591	$ 5,096,653	$ 2,255,411
Total long-term debt and liabilities	$ 53,366,959	$ 8,369,116	$ 32,116,011	$ 29,620,064	$ 8,358,118

12. Long-Term Debt and Liabilities (continued)

Financed Purchase:

Municipal Equipment Purchase: In December 2024, the City entered into a municipal equipment purchase agreement with a third party for the acquisition of certain equipment in the amount of $ 1,843,692. The municipal equipment purchase is payable in varying annual installments of principal and interest, at a rate of 4.73%, through its maturity of December 1, 2027.

Fiscal Year	Principal	Interest	Total
2026	$ 589,703	$ 82,120	$ 671,823
2027	612,509	59,314	671,823
2028	641,480	30,342	671,822
	$ 1,843,692	$ 171,776	$ 2,015,468

Revenue Obligations:

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

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

	Sewer System Refunding Revenue Bonds, Series 2013		
Fiscal Year	Principal	Interest	Total
2026	$ 1,716,588	$ 69,553	$ 1,786,141
2027	1,766,009	23,404	1,789,413
	$ 3,482,597	$ 92,957	$ 3,575,554

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:

	2024	2025	2026
Base charge	$ 25.01	$ 27.51	$ 28.89
Commodity charge	$ 4.95	$ 5.45	$ 5.72

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

12. Long-Term Debt and Liabilities (continued)

The Sewer System Refunding Revenue Bonds Series 2013 (the "Bonds") are secured by a lien on Net Revenues. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the City or taxation in any form on any real or personal property for the payment of any principal of or interest on the Bonds. Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(1) Default in the due and punctual payment of any interest on the Bonds;

(2) Default in the due and punctual payment of the principal of and premium, if any, on the Bonds, at the stated maturity thereof, or upon proceedings for redemption thereof;

(3) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the City contained in the agreements, in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the City given by the holders of the bonds of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then outstanding, whichever is applicable (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the City performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(4) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(5) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the City under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

Notwithstanding the foregoing, the occurrence of a default under a Qualified Derivative Agreement, including without limitation failure on the part of the City to make Qualified Derivative Payments or to pay a termination fee thereunder, shall not be construed as or deemed to constitute an "Event of Default" hereunder; rather, such occurrence shall be remedied pursuant to such Qualified Derivative Agreement and applicable legal and equitable principles taking into account the parity status as to lien on Net Revenues which the counterparty to such Qualified Derivative Agreement enjoys as to Qualified Derivative Payments only, relative to that of the bondholders and their rights to payments hereunder.

Component Unit:

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2024:

	Balance January 1, 2024	Additions	Amortization/ Retirements	Balance December 31, 2024	Due Within One Year
Notes payable	$ 26,104,600	$ -	227,886	$ 25,876,714	$ 236,300
Revenue notes	37,237,977	7,555,233	8,724,418	36,068,792	1,393,131
Compensated absences (1)	548,321	289,373	274,178	563,516	56,352
OPEB liability	1,186,024	5,891	-	1,191,915	-
Net pension liability	2,120,094	-	460,841	1,659,253	-
Total long-term debt and liabilities	$ 67,197,016	$ 7,850,497	$ 9,687,323	$ 65,360,190	$ 1,685,783

1. The beginning balance was restated due to the implementation of GASB Statement No. 101. (See Note 17).

12. Long-Term Debt and Liabilities (continued)

Notes Payable, as of December 31, 2024, are comprised of the following:

Notes Payable Description:		
On October 14, 2021, the Authority entered into an agreement with the Florida Housing Corporation for $ 11,600,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) grants funds. The note is non-amortizing and noninterest bearing for a term of 20 years. The note will not require payment for as long as the Development remains in compliance and will be forgiven after 20 years.	$	11,600,000
Multifamily Housing Revenue Bond, Series 2010, in the principal amount of $ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.50%. The bond is due in August 2030. In addition, The Authority borrowed $ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property “Washington Street.” The entire loan balance for the second note ($ 800,000) will be forgiven in 30 years if all covenant conditions are met. These loans do not bear interest and mature in 30 years.		2,998,794
Mortgage note due to a governmental agency, collateralized by land, “Key Plaza Site B,” payable in full in November 2031, non-interest bearing.		1,500,000
Mortgage land notes of $ 225,000 and $ 550,000, "Eisenhower Land", due to a governmental agency, no indication of collateral, principals will be forgiven in November 2041 if covenants of the agreement are met.		775,000
On October 14, 2021, the Authority entered into nonrevolving loan for the development of the Garden View Apartments in the amount of $ 9,212,084. The loan is interest only for the first 24 months, with monthly principal and interest payments due after based on a 30-year amortization. The entire outstanding balance of the loan is due and payable in full at the end of the 96th month following the start of the principal and interest period. The interest rate for the loan during the construction period will be a fixed rate of 2.61%.		9,002,920
	$	25,876,714

12. Long-Term Debt and Liabilities (continued)

Revenue Notes, as of December 31, 2024, 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 April 1, 2024 and mature in 2029. Series 2014A and Series 2014B bear interest at 6.25% and 3%, respectively. The outstanding balance of Series 2014A and Series 2014B was $ 7,147,747 and $ 364,045, respectively.	$	7,511,792
Multifamily Housing Revenue Note amortized over a 25-year period and bearing interest at 4.00%. 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."		5,764,227
Housing Revenue Note, Series 2015A and Taxable Housing Revenue Note, Series 2015B. In December 2016, the Authority refinanced a portion of the Series 2015B. The Series 2016 Note has an interest rate of 2.90% with interest only beginning the date of issuance for approximately ten months with a 28-year amortization beginning immediately following the interest only period. Both the 2015A and 2015B Notes have issuance dates of September 1, 2015 and mature in 2045. Series 2015A and Series 2015B bear interest at 2.90% and 4.74%, respectively. The outstanding balance of Series 2015A, Series 2015B and Series 2016 was $ 6,844,424, $ 1,129,009 and $ 8,548,478, respectively.		16,521,911
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 3.50% with other applicable conditions. The bond is amortized over a 25-year period with a 7-year balloon, with an available maturity through November 2035.		944,659

12. Long-Term Debt and Liabilities (continued)

Revenue Notes Description (continued):	
$ 2,216,644 Housing Revenue Note, Series 2017. The note is a tax-exempt note and bears a 2.90% interest rate. The initial 10 months of the note shall be interest only; interest is accrued on the principal amount outstanding. Payments of principal and interest are payable on a 27-year amortization period. The note is collateralized by senior living facilities.	1,891,887
On April 1, 2018, the Authority entered into a $ 1,500,000 Multifamily Housing Revenue Note (Series 2018) with a local banking institution. The proceeds from this note were used to retire the HOME Loan that was provided by the Florida Housing Finance Corporation. The loan has an interest rate of 3.5% and a maturity date of May 1, 2028.	1,224,316
	$ 36,068,792

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

Fiscal Year	Notes Payable		Revenue Notes	
Ending December 31,	Principal	Interest	Principal	Interest
2025	$ 236,300	$ 362,526	$ 1,393,131	$ 1,292,527
2026	245,133	353,765	1,220,602	1,248,862
2027	254,164	344,672	1,265,989	1,203,474
2028	263,150	335,249	2,333,580	1,136,152
2029	273,670	325,458	1,306,897	1,071,906
2030-2034	9,848,896	695,792	15,855,632	4,583,718
2035-2039	433,301	124,184	4,766,413	1,637,871
2040-2044	14,322,100	22,591	4,871,791	853,929
2045-2049	-	-	3,054,757	117,134
Totals	$ 25,876,714	$ 2,564,237	$ 36,068,792	$ 13,145,573

13. Interfund Assets and Liabilities

A summary of interfund receivable and payable balances at September 30, 2025 are as follows:

Interfund Items (current)	Receivables	Payables
Governmental Funds:		
General	$ 241,997	$ 1,848,374
Infrastructure Surtax	-	9,170
Community Development	-	5,145
Nonmajor	2,694,671	299,257

13. Interfund Assets and Liabilities (continued)

Interfund Items (current)	Receivables	Payables
Enterprise Funds:		
Sanitary Sewer System	-	16,103
Solid Waste	-	28,182
Key West Bight	-	52,561
Transit System	-	2,844,975
Nonmajor	-	60,389
Internal Service Fund:		
Insurance Programs	2,227,488	-
	$ 5,164,156	$ 5,164,156

The balances in the various Governmental and Enterprise Funds above are results of underfunding or overfunding of the Insurance Fund and for certain transportation projects. All of the above amounts are expected to be repaid after year-end from available current assets.

A summary of advances (receivables and payables) at September 30, 2025 are as follows:

Advances (long-term)	Receivables	Payables
Governmental Funds:		
General	$ 138,338	$ -
Enterprise Funds:		
Sanitary Sewer System	714,789	-
Nonmajor	-	853,127
Total	$ 853,127	$ 853,127

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, 2025 is as follows:

Transfers	In		Out	
Governmental Funds:				
General	$ 14,520,092	a,b,c,g	$ 4,203,946	e,f,k
Infrastructure Surtax	1,319,312	d	3,623,275	c,b,d
Community Development Office	360,000	g	11,162	g
Nonmajor governmental funds	5,223,346	d,e,f	3,103,577	c,i,j
Enterprise Funds:				
Sanitary Sewer System	-		1,003,654	c,h
Solid Waste	-		2,155,807	a,c,h
Key West Bight	-		6,816,315	a,c,d,h
Transit System	1,625,000	i, j	593,093	a,c,h
Nonmajor enterprise funds	-		990,771	a,c,h
Internal Service Fund:				
Insurance Programs	-		546,150	c,i
Totals	$ 23,047,750		$ 23,047,750	

Purpose for these transfers are set forth below:

a) Payments in lieu of taxes
b) 10% of the budgeted discretionary sales surtax revenues
c) Cost allocation and recovery of general fund services
d) Various infrastructure and other capital projects
e) Tax incremental funding
f) Various operating costs
g) Transfer for CDO Operational Support
h) Franchise & right of way
i) Transfer subrogation funds for repair cost offset
j) Subsidy for transit programs and projects
k) Subsidy for Affordable Housing initiatives

15. Lease Receivable

The City follows the provisions of GASB Statement No. 87, *Leases*. The primary objective of this Statement is to enhance the relevance and consistency of information about governments' leasing activities. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

15. Lease Receivable (continued)

The City reports Lease Receivables of $ 21,177,853 at September 30, 2025. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discounted rate. For the year ended September 30, 2025, the City reported lease revenue of approximately $ 5,255,000 and interest revenue of approximately $ 180,000 related to lease payments received. The leases are for buildings and land throughout the City.

As of September 30, 2025, future base minimum lease payments expected to be received are as follows:

	Governmental Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 1,538,162	$ 79,752	$ 1,617,914
2027	1,039,119	66,033	1,105,152
2028	930,245	54,069	984,314
2029	628,796	43,642	672,438
2030	365,909	37,473	403,382
2031-2080	1,871,032	777,404	2,648,436
	$ 6,373,263	$ 1,058,373	$ 7,431,636

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 3,527,824	$ 111,745	$ 3,639,569
2027	2,689,216	86,418	2,775,634
2028	2,283,037	64,115	2,347,152
2029	1,716,692	47,845	1,764,537
2030	1,233,685	35,044	1,268,729
2031-2034	3,354,136	47,586	3,401,722
	$ 14,804,590	$ 392,753	$ 15,197,343

16. Contingencies

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

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.

16. Contingencies (continued)

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, 2025.

17. Change Within Financial Reporting Entity

For the fiscal year ended September 30, 2025, the City had a change within the financial reporting entity due to funds changing from nonmajor to major in the current year that resulted in an adjustment to beginning fund balances and a change in accounting principal resulting in a restatement of net position as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances		
	Governmental Funds		Component Unit
	Community Development Office Fund	Nonmajor Governmental Funds	Housing Authority
Beginning of Year as previously presented	$ -	$ 18,890,986	$ 33,813,992
Change from nonmajor to major fund	1,005,958	(1,005,958)	-
Change in accounting principal (GASB 101)	-	-	(326,632)
Beginning of Year as adjusted and restated	$ 1,005,958	$ 17,885,028	$ 33,487,360

The Community Development Office Fund changed from nonmajor to major in the current year due to quantitative reasons. The Component Unit for the City, the Housing Authority, implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of January 1, 2024 was understated by $ 326,632.

REQUIRED SUPPLEMENTARY INFORMATION

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Taxes	$ 24,056,955	$ 24,056,955	$ 23,923,843	$ (133,112)
Licenses and permits	6,148,950	6,148,950	6,997,373	848,423
Intergovernmental	12,444,238	12,444,238	14,222,263	1,778,025
Charges for services	12,643,491	12,643,491	12,275,285	(368,206)
Fines and forfeitures	1,087,500	1,087,500	1,147,653	60,153
Investment earnings	500,000	500,000	1,265,888	765,888
Rental income	2,509,010	2,509,010	2,558,399	49,389
Contributions and other	100,000	116,000	179,424	63,424
Total revenues	59,490,144	59,506,144	62,570,128	3,063,984
Expenditures:				
Personnel services	58,031,924	58,889,284	59,823,363	(934,079)
Operating	14,679,561	15,135,632	13,433,907	1,701,725
Capital outlay	1,835,442	2,332,683	1,969,938	362,745
Aid to private organizations	518,800	518,800	519,558	(758)
Total expenditures	75,065,727	76,876,399	75,746,766	1,129,633
Excess (deficiency) of revenue over (under) expenditures	(15,575,583)	(17,370,255)	(13,176,638)	4,193,617
Other Financing Sources (Uses):				
Transfers in	14,701,806	14,702,306	14,520,092	(182,214)
Transfers out	(3,836,003)	(3,853,946)	(4,203,946)	(350,000)
Total other financing sources (uses)	10,865,803	10,848,360	10,316,146	(532,214)
Net change in fund balance	$ (4,709,780)	$ (6,521,895)	(2,860,492)	$ 3,661,403
Fund Balance, October 1			26,375,003	
Fund Balance, September 30			$ 23,514,511	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Office Fund - Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Intergovernmental	$ 506,521	$ 506,521	$ 476,769	$ (29,752)
Investment earnings	20,000	20,000	16,312	(3,688)
Total revenues	526,521	526,521	493,081	(33,440)
Expenditures:				
Personnel services	154,538	233,877	173,157	60,720
Operating	17,545	17,545	22,929	(5,384)
Aid to private organizations	491,326	491,326	461,574	29,752
Total expenditures	663,409	742,748	657,660	85,088
Excess (deficiency) of revenue over (under) expenditures	(136,888)	(216,227)	(164,579)	51,648
Other Financing Sources (Uses):				
Transfers in	360,000	360,000	360,000	-
Transfers out	(11,162)	(11,162)	(11,162)	-
Total other financing sources (uses)	348,838	348,838	348,838	-
Net change in fund balance	$ 211,950	$ 132,611	184,259	$ 51,648
Fund Balance, October 1			1,005,952	
Fund Balance, September 30			$ 1,190,211	

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

Fiscal Year:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement Date:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB liability:								
Service cost	$ 480,154	$ 431,546	$ 339,700	$ 591,198	$ 932,349	$ 766,857	$ 630,043	$ 751,138
Interest on total OPEB Liability	247,863	233,709	245,664	153,010	232,526	312,934	313,949	290,240
Difference between expected and actual experience	(811,873)	(207,022)	(483,470)	202,003	422,796	(102,430)	(800,543)	-
Changes of assumptions or other inputs	(39,993)	475,280	(348,943)	(2,012,137)	(6,099,664)	1,212,182	45,947	(292,432)
Benefits payments - implicit	(111,062)	(104,185)	(104,185)	(57,002)	(57,002)	(73,000)	(73,419)	(172,454)
Net change in total OPEB liability	(234,911)	829,328	(351,234)	(1,122,928)	(4,568,995)	2,116,543	115,977	576,492
Total OPEB liability - beginning	5,680,376	4,851,048	5,202,282	6,325,210	10,894,205	8,777,662	8,661,685	8,085,193
Total OPEB liability - ending	$ 5,445,465	$ 5,680,376	$ 4,851,048	$ 5,202,282	$ 6,325,210	$ 10,894,205	$ 8,777,662	$ 8,661,685
Covered-employee payroll	$ 46,954,958	$ 42,979,959	$ 37,284,153	$ 35,208,373	$ 31,542,874	$ 31,684,760	$ 28,514,525	$ 28,319,809
Total OPEB liability as a percentage of covered-employee payroll	11.6%	13.2%	13.0%	14.8%	20.1%	34.4%	30.8%	30.6%

Notes to Schedule:

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

Changes in assumptions or other inputs include the change in the discount rate from 4.06% as of the beginning of the measurement period to 4.50%, as of September 30, 2025.

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

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

Fiscal year:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement Date:	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability:										
Service cost	$ 2,404,844	$ 2,034,182	$ 1,662,246	$ 1,772,264	$ 1,757,227	$ 1,652,798	$ 1,472,641	$ 1,427,943	$ 1,269,240	$ 1,154,040
Interest	5,419,667	4,905,738	4,292,899	4,575,011	4,305,858	4,122,010	3,944,192	3,791,376	3,499,027	3,277,233
Differences between expected and actual experience	2,421,845	3,005,833	(1,656,647)	(399,414)	297,654	(1,376,405)	(180,469)	1,851,258	1,253,381	(189,114)
Assumption changes	1,306,213	-	617,915	304,953	(661,749)	1,611,968	-	43,681	(97,983)	-
Benefit payments, including refunds of member contributions	(4,180,043)	(4,060,304)	(3,642,062)	(3,489,494)	(3,270,520)	(3,118,279)	(3,121,318)	(3,041,719)	(2,735,024)	(2,671,762)
Net change in total pension liability	7,372,526	5,885,449	1,274,351	2,763,320	2,428,470	2,892,092	2,115,046	4,072,539	3,188,641	1,570,397
Total pension liability - beginning	70,220,076	64,334,627	63,060,276	60,296,956	57,868,486	54,976,394	52,861,348	48,788,809	45,600,168	44,029,771
Total pension liability - ending (A)	$ 77,592,602	$ 70,220,076	$ 64,334,627	$ 63,060,276	$ 60,296,956	$ 57,868,486	$ 54,976,394	$ 52,861,348	$ 48,788,809	$ 45,600,168
Plan fiduciary net position:										
Contributions - employer	$ 1,354,504	$ 1,263,192	$ 1,133,833	$ 1,191,439	$ 1,149,081	$ 998,882	$ 991,645	$ 752,506	$ 730,895	$ 842,957
Contributions - members	1,215,797	1,065,432	928,271	799,120	843,592	832,985	790,420	797,975	769,999	708,253
Net investment earnings (losses)	13,626,105	5,879,721	(8,497,967)	12,343,176	5,547,341	1,577,081	5,148,560	6,120,262	3,511,656	555,804
Benefit payments, including refunds of member contributions	(4,180,043)	(4,060,304)	(3,642,062)	(3,489,494)	(3,270,520)	(3,118,279)	(3,121,318)	(3,041,719)	(2,735,024)	(2,671,762)
Administrative expenses	(304,284)	(156,280)	(158,749)	(144,762)	(126,405)	(168,255)	(184,725)	(184,764)	(211,426)	(163,130)
Net change in plan fiduciary net position	11,712,079	3,991,761	(10,236,674)	10,699,479	4,143,089	122,414	3,624,582	4,444,260	2,066,100	(727,878)
Plan fiduciary net position - beginning	66,010,922	62,019,161	72,255,835	61,556,356	57,413,267	57,290,853	53,666,271	49,222,011	47,155,911	47,883,789
Plan fiduciary net position - ending (B)	$ 77,723,001	$ 66,010,922	$ 62,019,161	$ 72,255,835	$ 61,556,356	$ 57,413,267	$ 57,290,853	$ 53,666,271	$ 49,222,011	$ 47,155,911
City's net pension liability (asset)- ending (A) - (B)	$ (130,399)	$ 4,209,154	$ 2,315,466	$ (9,195,559)	$ (1,259,400)	$ 455,219	$ (2,314,459)	$ (804,923)	$ (433,202)	$ (1,555,743)
Plan fiduciary net position as a percentage of the total pension liability	100.17%	94.01%	96.40%	114.58%	102.09%	99.21%	104.21%	101.52%	100.89%	103.41%
Covered payroll	$ 20,263,283	$ 17,757,200	$ 15,471,183	$ 13,318,667	$ 14,059,867	$ 13,882,991	$ 13,173,649	$ 13,299,209	$ 13,093,472	$ 11,773,303
City's net pension liability (asset) as percentage of covered payroll	-0.64%	23.70%	14.97%	-69.04%	-8.96%	3.28%	-17.57%	-6.05%	-3.31%	-13.21%

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

Fiscal year:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement Date:	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability:										
Service cost	$ 3,855,157	$ 3,494,209	$ 3,234,879	$ 2,967,988	$ 2,358,811	$ 1,883,330	$ 1,916,291	$ 1,779,015	$ 1,616,830	$ 1,454,687
Interest	11,563,950	10,900,371	10,332,322	9,878,207	9,574,556	9,732,692	9,352,467	8,704,537	7,783,325	7,402,128
Differences between expected and actual experience	3,121,549	1,557,278	67,397	1,727,463	(1,917,298)	(710,726)	1,924,924	2,335,251	473,539	260,206
Assumption changes	-	(9,101)	-	8,951,924	4,910,631	-	536,041	3,930,249	1,231,928	2,284,845
Benefit payments, including refunds of member contributions	(8,670,633)	(8,124,125)	(6,395,300)	(6,990,958)	(5,908,202)	(6,204,206)	(5,835,862)	(4,973,927)	(4,852,091)	(4,300,292)
Net change in total pension liability	9,870,023	7,818,632	7,239,298	16,534,624	9,018,498	4,701,090	7,893,861	11,775,125	6,253,531	7,101,574
Total pension liability - beginning	162,557,896	154,739,264	147,499,966	130,965,342	121,946,844	117,245,754	109,351,893	97,576,768	91,323,237	84,221,663
Total pension liability - ending (A)	$ 172,427,919	$ 162,557,896	$ 154,739,264	$ 147,499,966	$ 130,965,342	$ 121,946,844	$ 117,245,754	$ 109,351,893	$ 97,576,768	$ 91,323,237
Plan fiduciary net position:										
Contributions - employer	$ 5,378,751	$ 4,501,885	$ 3,975,506	$ 4,310,507	$ 4,123,745	$ 4,375,564	$ 3,765,235	$ 3,581,684	$ 2,835,282	$ 2,801,375
Contributions - state	1,021,047	1,067,851	622,885	599,411	572,176	640,814	645,479	572,152	532,550	578,511
Contributions - members	1,296,743	1,247,906	1,132,131	1,300,351	1,019,220	935,670	872,519	895,491	822,496	777,269
Net investment earnings (losses)	31,956,135	13,453,511	(23,536,988)	23,643,098	12,561,144	4,081,027	10,642,484	11,413,677	7,042,214	614,041
Benefit payments, including refunds of member contributions	(8,670,633)	(8,124,125)	(6,395,300)	(6,977,052)	(5,908,202)	(6,204,206)	(5,835,862)	(4,973,927)	(4,852,091)	(4,300,292)
Administrative expenses	(188,624)	(195,639)	(168,486)	(142,527)	(115,509)	(205,265)	(165,342)	(182,082)	(175,719)	(142,080)
Net change in plan fiduciary net position	30,793,419	11,951,389	(24,370,252)	22,733,788	12,252,574	3,623,604	9,924,513	11,306,995	6,204,732	328,824
Plan fiduciary net position - beginning	134,223,214	122,271,825	146,642,077	123,908,289	111,655,715	108,032,111	98,107,598	86,800,603	80,595,871	80,267,047
Plan fiduciary net position - ending (B)	$ 165,016,633	$ 134,223,214	$ 122,271,825	$ 146,642,077	$ 123,908,289	$ 111,655,715	$ 108,032,111	$ 98,107,598	$ 86,800,603	$ 80,595,871
City's net pension liability - ending (A) - (B)	$ 7,411,286	$ 28,334,682	$ 32,467,439	$ 857,889	$ 7,057,053	$ 10,291,129	$ 9,213,643	$ 11,244,295	$ 10,776,165	$ 10,727,366
Plan fiduciary net position as a percentage of the total pension liability	95.70%	82.57%	79.02%	99.42%	94.61%	91.56%	92.14%	89.72%	88.96%	88.25%
Covered payroll	$ 16,686,577	$ 15,056,321	$ 13,971,558	$ 14,097,451	$ 13,386,293	$ 12,249,085	$ 12,324,694	$ 11,570,527	$ 11,325,253	$ 9,977,377
City's net pension liability as a percentage of covered payroll	44.41%	188.19%	232.38%	6.09%	52.72%	84.02%	74.76%	97.18%	95.15%	107.52%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 1,904	$ 1,337	$ 1,087	$ 1,121	$ 1,191	$ 1,140	$ 960	$ 992	$ 664	$ 475
Contributions in relation to the actuarially determined contribution	1,943	1,355	1,263	1,134	1,191	1,149	999	992	753	731
Contribution deficiency (excess)	$ (39)	$ (18)	$ (176)	$ (13)	$ -	$ (9)	$ (39)	$ -	$ (89)	$ (256)
Covered payroll	$ 21,919	$ 20,263	$ 17,757	$ 15,471	$ 13,319	$ 14,060	$ 13,883	$ 13,174	$ 13,300	$ 13,093
Contributions as a percentage of covered payroll	8.87%	6.68%	7.11%	7.33%	8.94%	8.17%	7.20%	7.53%	5.66%	5.58%

Notes to Schedule:

Valuation date: October 1, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Projected salary increases	4.75% - 6.25%
Investment rate of return	7.25%
Cost of living adjustments	None
Retirement rates	Experience-based table rates that are specific to the type of eligibility condition.
Mortality	PUB-2010 Mortality Tables for male and female, as appropriate.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 6,253	$ 5,894	$ 5,023	$ 4,487	$ 4,832	$ 4,645	$ 4,384	$ 4,411	$ 4,153	$ 3,356
Contributions in relation to the actuarially determined contribution	6,253	5,894	5,023	4,487	4,832	4,645	4,384	4,411	4,153	3,356
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 17,434	$ 16,687	$ 15,056	$ 13,972	$ 14,097	$ 13,386	$ 12,249	$ 12,325	$ 11,571	$ 11,325
Contributions as a percentage of covered payroll	35.87%	35.32%	33.36%	32.11%	34.28%	34.70%	35.79%	35.79%	35.89%	29.63%

Notes to Schedule:

Valuation date: October 1, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, closed
Amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Projected salary increases	5.50% per annum
Investment rate of return	7.00%, net of investment expenses, compounded annually
Cost of living adjustments	None.
Retirement rates	Ranging from 20 or more years of credited service (75% - 100%) and less than 20 years of credited service (50% - 100%).
Mortality	PUB-2010 Mortality Tables for male and female, as appropriate.
Changes since last valuation	None.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	13.5%	20.6%	9.4%	(12.2%)	20.2%	9.5%	2.5%	9.3%	12.2%	7.1%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	14.11%	23.16%	12.17%	(16.9%)	18.8%	10.8%	3.9%	10.5%	13.8%	9.4%

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 re-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 re-development programs within the designated redevelopment area.

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

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

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

Adaptation & Sustainability Fund – To account for proceeds and disbursements associated with the reduction of unrenewable resource reliance, the reductions of carbon footprint, and to protect the island from the effects of climate change.

Gas Tax Fund – To account for county and state gasoline tax revenue sharing, and other grant funding, designated for the capital improvements of the street and sidewalks and other transportation needs of the City.

Capital Projects Fund

Capital Projects Fund – To account for financial resources expended on acquisitions or construction of major capital facilities, other than those financed by proprietary funds and trust funds.

City of Key West, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2025

	Special Revenue Funds												
	Law Enforcement Trust Fund	Fort Taylor Fund	Affordable Housing Escrow Fund	Bahama Village Fund	Navy Pier Payments Fund	Caroline Street Fund	Community Fund	Transportation Alternative Fund	Truman Waterfront Fund	Adaptation & Sustainability Fund	Gas Tax Fund	Capital Projects Fund	Total
Assets:													
Cash, cash equivalents and investments	$ 283,272	$ 3,219,790	$ 378,858	$ 1,908,385	$ 945,107	$ 5,747,427	$ 192,445	$ 772,899	$ 351,470	$ 640,289	$ 1,137,447	$ 192,324	$ 15,769,713
Receivables (net of allowance for uncollectibles):													
Intergovernmental	-	29,132	-	681,081	-	-	-	145,166	-	244,268	353,960	-	1,453,607
Interfund	-	-	-	-	-	-	-	-	-	-	2,694,671	-	2,694,671
Total assets	$ 283,272	$ 3,248,922	$ 378,858	$ 2,589,466	$ 945,107	$ 5,747,427	$ 192,445	$ 918,065	$ 351,470	$ 884,557	$ 4,186,078	$ 192,324	$ 19,917,991
Liabilities:													
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 526	$ 6,612	$ 526	$ -	$ 31,547	$ 2,747	$ 145,930	$ 24,419	$ -	$ 212,307
Accrued payroll and related expenditures	-	-	-	-	-	-	-	872	3,038	1,090	2,752	-	7,752
Interfund	-	-	-	2,013	-	2,013	-	5,145	267,495	4,474	18,117	-	299,257
Unearned revenue	-	-	-	-	-	-	2,686	4,844	76,811	-	219,315	-	303,656
Contracts payable	-	-	-	195,460	-	-	-	-	-	-	11,662	-	207,122
Total liabilities	-	-	-	197,999	6,612	2,539	2,686	42,408	350,091	151,494	276,265	-	1,030,094
Fund Balances:													
Restricted for:													
Infrastructure and capital projects	-	-	-	-	-	-	-	-	-	-	-	192,324	192,324
Housing initiatives and urban redevelopment	-	-	378,858	2,391,467	-	5,744,888	-	-	-	-	-	-	8,515,213
Law enforcement	283,272	-	-	-	-	-	-	-	-	-	-	-	283,272
Transportation	-	-	-	-	938,495	-	-	875,657	-	-	3,909,813	-	5,723,965
Natural resources	-	3,248,922	-	-	-	-	-	-	-	-	-	-	3,248,922
Committed to:													
Art in public places	-	-	-	-	-	-	189,759	-	-	-	-	-	189,759
Truman Waterfront	-	-	-	-	-	-	-	-	1,379	-	-	-	1,379
Renewable resources	-	-	-	-	-	-	-	-	-	733,063	-	-	733,063
Total fund balances	283,272	3,248,922	378,858	2,391,467	938,495	5,744,888	189,759	875,657	1,379	733,063	3,909,813	192,324	18,887,897
Total liabilities and fund balances	$ 283,272	$ 3,248,922	$ 378,858	$ 2,589,466	$ 945,107	$ 5,747,427	$ 192,445	$ 918,065	$ 351,470	$ 884,557	$ 4,186,078	$ 192,324	$ 19,917,991

City of Key West, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2025

	Special Revenue Funds													
	Law Enforcement Trust Fund	Fort Taylor Fund	Affordable Housing Escrow Fund	Bahama Village Fund	Navy Pier Payments Fund	Caroline Street Fund	Community Fund	Transportation Alternative Fund	Truman Waterfront Fund	Adaptation & Sustainability Fund	Community Development Office Fund	Gas Tax Fund	Capital Projects Fund	Total
Revenues:														
Taxes	$ -	$ -	$ -	$ 1,020,243	$ -	$ 882,437	$ -	$ -	$ -	$ -	$ -	$ 1,536,950	$ -	$ 3,439,630
Intergovernmental	16,160	308,827	-	181,081	-	-	-	145,166	-	1,049,538	-	-	-	1,700,772
Charges for services	-	-	407,952	-	6,429	-	-	654,035	641,248	-	-	-	-	1,709,664
Fines and forfeitures	-	-	-	47	-	-	-	-	-	-	-	-	-	47
Investment earnings	12,322	102,904	12,980	108,650	1,098	224,769	9,957	76,258	1,308	20,844	-	146,454	9,062	726,606
Contributions and other	-	-	-	-	353,700	-	50	-	32,396	50,000	-	5,950	-	442,096
Total revenues	28,482	411,731	420,932	1,310,021	361,227	1,107,206	10,007	875,459	674,952	1,120,382	-	1,689,354	9,062	8,018,815
Expenditures:														
Current:														
General government	-	5,047	-	-	-	-	-	-	-	-	-	-	25,737	30,784
Public safety	6,304	-	-	-	-	-	-	-	-	-	-	-	-	6,304
Transportation	-	-	-	-	6,612	-	-	416,447	-	-	-	1,125,942	-	1,549,001
Economic environment	-	-	579	115,975	-	84,864	5,114	-	-	1,201,048	-	-	-	1,407,580
Culture and recreation	-	-	-	-	-	-	-	-	1,086,479	-	-	-	-	1,086,479
Capital outlay	17,733	-	-	994,498	-	16,680	-	50,529	25,500	1,459	-	3,949,174	-	5,055,573
Total expenditures	24,037	5,047	579	1,110,473	6,612	101,544	5,114	466,976	1,111,979	1,202,507	-	5,075,116	25,737	9,135,721
Excess (deficiency) of revenues over expenditures	4,445	406,684	420,353	199,548	354,615	1,005,662	4,893	408,483	(437,027)	(82,125)	-	(3,385,762)	(16,675)	(1,116,906)
Other Financing Sources (Uses):														
Transfers in	-	-	-	762,805	-	659,771	25,000	-	525,245	227,125	-	3,023,400	-	5,223,346
Transfers out	(16,046)	(11,106)	(448,667)	(376,808)	-	(52,421)	(12,958)	(947,974)	(132,759)	(55,635)	-	(1,031,602)	(17,601)	(3,103,577)
Total other financing sources (uses)	(16,046)	(11,106)	(448,667)	385,997	-	607,350	12,042	(947,974)	392,486	171,490	-	1,991,798	(17,601)	2,119,769
Net changes in fund balances	(11,601)	395,578	(28,314)	585,545	354,615	1,613,012	16,935	(539,491)	(44,541)	89,365	-	(1,393,964)	(34,276)	1,002,863
Fund Balances - Beginning, as previously presented	294,873	2,853,344	407,172	1,805,922	583,880	4,131,876	172,824	1,415,148	45,920	643,698	1,005,952	5,303,777	226,600	18,890,986
Change within financial reporting entity (nonmajor to major)	-	-	-	-	-	-	-	-	-	-	(1,005,952)	-	-	(1,005,952)
Fund Balances - Beginning, as adjusted	294,873	2,853,344	407,172	1,805,922	583,880	4,131,876	172,824	1,415,148	45,920	643,698	-	5,303,777	226,600	17,885,034
Fund Balances - Ending	$ 283,272	$ 3,248,922	$ 378,858	$ 2,391,467	$ 938,495	$ 5,744,888	$ 189,759	$ 875,657	$ 1,379	$ 733,063	$ -	$ 3,909,813	$ 192,324	$ 18,887,897

City of Key West, Florida
Combining Balance Sheet
Nonmajor Proprietary Funds
September 30, 2025

	Stormwater	Garrison Bight	Total Nonmajor Proprietary Funds
Assets:			
Current assets:			
Cash, cash equivalents and investments	$ 3,720,575	$ 6,176,346	$ 9,896,921
Receivables (net of allowance for uncollectibles):			
Accounts	574,820	243,335	818,155
Intergovernmental	1,823,438	14,448	1,837,886
Inventories	16,234	-	16,234
Total current assets	6,135,067	6,434,129	12,569,196
Noncurrent assets:			
Net pension asset	730	5,216	5,946
Capital Assets:			
Buildings and improvements	-	2,781,632	2,781,632
Infrastructure	41,589,502	12,906,523	54,496,025
Machinery, equipment and furniture	52,833	824,586	877,419
Accumulated depreciation	(26,735,749)	(9,108,536)	(35,844,285)
Construction in progress	1,717,576	310,358	2,027,934
Total noncurrent assets	16,624,892	7,719,779	24,344,671
Total assets	22,759,959	14,153,908	36,913,867
Deferred Outflows of Resources:			
Deferred outflows relating to pensions	34,299	244,993	279,292
Deferred outflows relating to other post employment benefits (OPEB)	1,384	3,338	4,722
Total deferred outflows of resources	35,683	248,331	284,014
Total assets and deferred outflows of resources	$ 22,795,642	$ 14,402,239	$ 37,197,881

City of Key West, Florida
Combining Balance Sheet
Nonmajor Proprietary Funds
(continued)
September 30, 2025

	Stormwater	Garrison Bight	Total Nonmajor Proprietary Funds
Liabilities:			
Current liabilities:			
Accounts payable	$ 44,635	$ 28,901	$ 73,536
Accrued payroll and related expenses	1,302	6,486	7,788
Compensated absences	18,209	40,104	58,313
Total other post employment benefits (OPEB) liability	120	562	682
Accrued expenses	90,580	535	91,115
Interfund	5,368	55,021	60,389
Contracts payable	162,177	47,303	209,480
Unearned revenue	-	423,207	423,207
Total current liabilities	322,391	602,119	924,510
Noncurrent liabilities:			
Advances from other funds	853,127	-	853,127
Customer deposits	-	282,786	282,786
Total other post employment benefits (OPEB) liability	5,892	27,516	33,408
Compensated absences	8,597	18,934	27,531
Total noncurrent liabilities	867,616	329,236	1,196,852
Total liabilities	1,190,007	931,355	2,121,362
Deferred Inflows of Resources:			
Deferred inflows relating to pensions	24,997	178,551	203,548
Deferred inflows relating to other post employment benefits (OPEB)	9,122	29,070	38,192
Total deferred inflows of resources	34,119	207,621	241,740
Net Position:			
Net investment in capital assets	16,461,985	7,667,260	24,129,245
Restricted:			
Net pension asset	730	5,216	5,946
Unrestricted	5,108,801	5,590,787	10,699,588
Total net position	21,571,516	13,263,263	34,834,779
Total liabilities, deferred inflows of resources and net position	$ 22,795,642	$ 14,402,239	$ 37,197,881

City of Key West, Florida
Combining Statement of Revenues, Expenditures and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended September 30, 2025

	Stormwater	Garrison Bight	Total
Operating Revenues:			
Charges for services	$ 3,170,060	$ 3,281,937	$ 6,451,997
Total operating revenues	3,170,060	3,281,937	6,451,997
Operating Expenses:			
Personnel services	145,648	1,236,952	1,382,600
Other operating expenses	1,656,285	1,033,151	2,689,436
Depreciation	1,286,506	671,306	1,957,812
Total operating expenses	3,088,439	2,941,409	6,029,848
Operating income (loss)	81,621	340,528	422,149
Nonoperating Revenues (Expenses):			
Grant income (operating)	-	14,448	14,448
Investment earnings (loss)	206,601	240,823	447,424
Other income	239,854	165,911	405,765
Gain (loss) on disposition of capital assets	-	(2,153)	(2,153)
Interest expense and other fiscal charges	(38,862)	-	(38,862)
Net nonoperating revenues (expenses)	407,593	419,029	826,622
Income (loss) before transfers	489,214	759,557	1,248,771
Transfers and Other:			
Capital contributions (grants)	187,742	-	187,742
Transfers out	(413,287)	(577,484)	(990,771)
Total transfers and other	(225,545)	(577,484)	(803,029)
Changes in net position	263,669	182,073	445,742
Net Position, Beginning of Year	21,307,847	13,081,190	34,389,037
Net Position, End of Year	$ 21,571,516	$ 13,263,263	$ 34,834,779

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended September 30, 2025

	Stormwater	Garrison Bight	Total Nonmajor Proprietary Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 2,608,336	$ 3,351,387	$ 5,959,723
Cash paid to suppliers	(1,613,541)	(1,049,741)	(2,663,282)
Cash paid to employees	(161,927)	(1,231,839)	(1,393,766)
Other receipts	239,854	165,911	405,765
Net cash provided by operating activities	1,072,722	1,235,718	2,308,440
Cash Flows from Noncapital Financing Activities:			
Repayments made on advances from other funds	(301,665)	-	(301,665)
Interest paid on advances from other funds	(38,862)	-	(38,862)
Transfers (out)	(413,287)	(577,484)	(990,771)
Net cash used in noncaptial financing activities	(753,814)	(577,484)	(1,331,298)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(354,297)	(438,612)	(792,909)
Net cash used in capital and related financing activities	(354,297)	(438,612)	(792,909)
Cash Flows from Investing Activities:			
Investment earnings	206,601	240,823	447,424
Net cash provided by investing activities	206,601	240,823	447,424
Net increase (decrease) in cash, cash equivalents and investments	171,212	460,445	631,657
Cash, Cash Equivalents and Investments, October 1	3,549,363	5,715,901	9,265,264
Cash, Cash Equivalents and Investments, September 30	$ 3,720,575	$ 6,176,346	$ 9,896,921
Reconciliation to Statement of Net Position:			
Cash, cash equivalents and investments	$ 3,720,575	$ 6,176,346	$ 9,896,921
Cash, cash equivalents and investments	$ 3,720,575	$ 6,176,346	$ 9,896,921

City of Key West, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
(continued)
For the Year Ended September 30, 2025

	Stormwater	Garrison Bight	Total Nonmajor Proprietary Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	$ 81,621	$ 340,528	$ 422,149
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Other nonoperating revenues	239,854	165,911	405,765
Depreciation	1,286,506	671,306	1,957,812
Decrease (increase) in assets:			
Accounts receivables, net	(561,724)	6,594	(555,130)
Inventories	(866)	-	(866)
Net pension asset	(730)	(5,216)	(5,946)
Deferred outflows relating to pensions	15,030	83,615	98,645
Deferred outflows relating to other post employment benefits (OPEB)	594	1,662	2,256
Increase (decrease) in liabilities:			
Accounts payable	41,102	(34,304)	6,798
Accrued payroll and related expenses	791	3,284	4,075
Accrued expenses	-	153	153
Interfund payable, net	2,508	17,561	20,069
Unearned revenue	-	47,924	47,924
Customer deposits	-	14,932	14,932
Net pension liability	(27,360)	(182,256)	(209,616)
Other post employment benefits (OPEB) liability	(27,328)	(38,538)	(65,866)
Compensated absences	4,825	7,732	12,557
Deferred inflows relating to pensions	18,819	137,400	156,219
Deferred inflows relating to other post employment benefits (OPEB)	(920)	(2,570)	(3,490)
Total adjustments	991,101	895,190	1,886,291
Net cash provided by operating activities	$ 1,072,722	$ 1,235,718	$ 2,308,440
Schedule of non-cash capital and related financing activities:			
Increase in contracts payable	$ 140,196	$ (49,109)	$ 91,087

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, 2025

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	$ -	$ -	$ 16,160	$ 16,160
Investment earnings	-	-	12,322	12,322
Total revenues	-	-	28,482	28,482
Expenditures:				
Operating	36,735	36,735	4,804	31,931
Aid to private organizations	5,000	5,000	1,500	3,500
Capital outlay	-	18,575	17,733	842
Total expenditures	41,735	60,310	24,037	36,273
Excess (deficiency) of revenues over (under) expenditures	(41,735)	(60,310)	4,445	64,755
Other Financing Sources (Uses):				
Transfers out	(16,046)	(16,046)	(16,046)	-
Total other financing sources (uses)	(16,046)	(16,046)	(16,046)	-
Net change in fund balance	$ (57,781)	$ (76,356)	(11,601)	$ 64,755
Fund Balance, October 1			294,873	
Fund Balance, September 30			$ 283,272	

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, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Intergovernmental	$ 300,000	$ 300,000	$ 308,827	$ 8,827
Investment earnings	20,000	20,000	102,904	82,904
Total revenues	320,000	320,000	411,731	91,731
Expenditures:				
Operating	151,651	151,651	5,047	146,604
Total expenditures	151,651	151,651	5,047	146,604
Excess of revenues over expenditures	168,349	168,349	406,684	238,335
Other Financing Sources (Uses):				
Transfers out	(11,106)	(11,106)	(11,106)	-
Total other financing sources (uses)	(11,106)	(11,106)	(11,106)	-
Net change in fund balance	$ 157,243	$ 157,243	395,578	$ 238,335
Fund Balance, October 1			2,853,344	
Fund Balance, September 30			$ 3,248,922	

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, 2025

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
Revenues:				
Charges for services	$ 495,946	$ 495,946	$ 407,952	$ (87,994)
Investment earnings	1,000	1,000	12,980	11,980
Total revenues	496,946	496,946	420,932	(76,014)
Expenditures:				
Operating	75,580	75,580	579	75,001
Aid to private organizations	65,000	135,112	-	135,112
Total expenditures	140,580	210,692	579	210,113
Excess of revenues over expenditures	356,366	286,254	420,353	134,099
Other Financing Sources (Uses):				
Transfers out	(448,667)	(448,667)	(448,667)	-
Total other financing sources (uses)	(448,667)	(448,667)	(448,667)	-
Net change in fund balance	$ (92,301)	$ (162,413)	(28,314)	$ 134,099
Fund Balance, October 1			407,172	
Fund Balance, September 30			$ 378,858	

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, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Tax Incremental	$ 1,010,526	$ 1,020,243	$ 1,020,243	$ -
Intergovernmental	-	-	181,081	181,081
Investment earnings	15,000	15,000	108,650	93,650
Fines and forfeitures	-	-	47	47
Total revenues	1,025,526	1,035,243	1,310,021	274,778
Expenditures:				
Personnel services	68,919	70,116	68,952	1,164
Operating	270,972	10,972	47,023	(36,051)
Capital outlay	1,006,000	1,566,000	994,498	571,502
Aid to private organizations	400,000	400,000	-	400,000
Total expenditures	1,745,891	2,047,088	1,110,473	936,615
Excess (Deficiency) of revenues over (under) expenditures	(720,365)	(1,011,845)	199,548	1,211,393
Other Financing Sources (Uses):				
Transfers in	755,540	762,805	762,805	-
Transfers out	(676,808)	(376,808)	(376,808)	-
Total other financing sources (uses)	78,732	385,997	385,997	-
Net change in fund balance	$ (641,633)	$ (625,848)	585,545	$ 1,211,393
Fund Balance, October 1			1,805,922	
Fund Balance, September 30			$ 2,391,467	

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, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Tax Incremental	$ 873,505	$ 882,437	$ 882,437	$ -
Investment earnings	20,000	20,000	224,769	204,769
Total revenues	893,505	902,437	1,107,206	204,769
Expenditures:				
Personnel services	68,919	70,116	68,952	1,164
Operating	15,778	15,778	15,912	(134)
Capital Outlay	1,200,000	1,200,000	16,680	1,183,320
Total expenditures	1,284,697	1,285,894	101,544	1,184,350
Excess (deficiency) of revenues over (under) expenditures	(391,192)	(383,457)	1,005,662	1,389,119
Other Financing Sources (Uses):				
Transfers in	653,093	659,771	659,771	-
Transfers out	(52,421)	(52,421)	(52,421)	-
Total other financing sources (uses)	600,672	607,350	607,350	-
Net change in fund balance	$ 209,480	$ 223,893	1,613,012	$ 1,389,119
Fund Balance, October 1			4,131,876	
Fund Balance, September 30			$ 5,744,888	

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, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget
Revenues:				
Investment earnings	$ 1,200	$ 1,200	$ 9,957	$ 8,757
Contributions and other	-	-	50	50
Total revenues	1,200	1,200	10,007	8,807
Expenditures:				
Operating	39,140	39,140	5,114	34,026
Total expenditures	39,140	39,140	5,114	34,026
Excess (deficiency) of revenues over (under) expenditures	(37,940)	(37,940)	4,893	42,833
Other Financing Sources (Uses):				
Transfers in	25,000	25,000	25,000	-
Transfers out	(12,958)	(12,958)	(12,958)	-
Total other financing sources (uses)	12,042	12,042	12,042	-
Net change in fund balance	$ (25,898)	$ (25,898)	16,935	$ 42,833
Fund Balance, October 1			172,824	
Fund Balance, September 30			$ 189,759	

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, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Intergovernmental	$ -	$ -	$ 145,166	$ 145,166
Charges for services	785,493	785,493	654,035	(131,458)
Investment earnings	10,000	10,000	76,258	66,258
Total revenues	795,493	795,493	875,459	79,966
Expenditures:				
Personnel services	106,284	196,373	115,169	81,204
Operating	624,065	658,632	301,278	357,354
Capital outlay	350,000	351,300	50,529	300,771
Total expenditures	1,080,349	1,206,305	466,976	739,329
Excess (deficiency) of revenues over (under) expenditures	(284,856)	(410,812)	408,483	819,295
Other Financing Sources (Uses):				
Transfers out	(47,974)	(47,974)	(947,974)	(900,000)
Total other financing sources (uses)	(47,974)	(47,974)	(947,974)	(900,000)
Net change in fund balance	$ (332,830)	$ (458,786)	(539,491)	$ (80,705)
Fund Balance, October 1			1,415,148	
Fund Balance, September 30			$ 875,657	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Truman Waterfront Fund - Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Charges for services	$ 850,972	$ 850,972	$ 641,248	$ (209,724)
Fines and forfeitures	3,000	3,000	-	(3,000)
Investment earnings	1,500	1,500	1,308	(192)
Contributions and other	32,000	32,000	32,396	396
Total revenues	887,472	887,472	674,952	(212,520)
Expenditures:				
Personnel services	512,201	519,595	533,866	(14,271)
Operating	467,051	473,951	552,613	(78,662)
Capital outlay	24,000	25,500	25,500	-
Total expenditures	1,003,252	1,019,046	1,111,979	(92,933)
Excess (deficiency) of revenues over (under) expenditures	(115,780)	(131,574)	(437,027)	(305,453)
Other Financing Sources (Uses):				
Transfers in	175,245	175,245	525,245	350,000
Transfers out	(132,759)	(132,759)	(132,759)	-
Total other financing sources (uses)	42,486	42,486	392,486	350,000
Net change in fund balance	$ (73,294)	$ (89,088)	(44,541)	$ 44,547
Fund Balance, October 1			45,920	
Fund Balance, September 30			$ 1,379	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Adaptation & Sustainability Fund - Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	$ 802,734	$ 802,734	$ 1,049,538	$ 246,804
Investment earnings	20,000	20,000	20,844	844
Contributions and other	1,000,000	1,000,000	50,000	(950,000)
Total revenues	1,822,734	1,822,734	1,120,382	(702,352)
Expenditures:				
Personnel services	231,380	240,991	224,686	16,305
Operating	2,035,596	2,178,716	976,362	1,202,354
Capital outlay	1,800	1,800	1,459	341
Total expenditures	2,268,776	2,421,507	1,202,507	1,219,000
Excess (deficiency) of revenues over (under) expenditures	(446,042)	(598,773)	(82,125)	516,648
Other Financing Sources (Uses):				
Transfers in	227,125	227,125	227,125	-
Transfers out	(55,635)	(55,635)	(55,635)	-
Total other financing sources (uses)	171,490	171,490	171,490	-
Net change in fund balance	$ (274,552)	$ (427,283)	89,365	$ 516,648
Fund Balance, October 1			643,698	
Fund Balance, September 30			$ 733,063	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Gas Tax Fund - Special Revenue Fund
For the Year Ended September 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget
Revenues:				
Taxes	$ 1,741,350	$ 1,741,350	$ 1,536,950	$ (204,400)
Investment earnings	50,000	50,000	146,454	96,454
Contributions and other	-	-	5,950	5,950
Total revenues	1,791,350	1,791,350	1,689,354	(101,996)
Expenditures:				
Personnel services	433,908	440,666	398,412	42,254
Operating	889,634	907,266	727,530	179,736
Capital outlay	3,020,000	3,466,234	3,949,174	(482,940)
Total expenditures	4,343,542	4,814,166	5,075,116	(260,950)
Deficiency of revenue under expenditures	(2,552,192)	(3,022,816)	(3,385,762)	(362,946)
Other Financing Sources (Uses):				
Transfers in	3,000,000	3,023,400	3,023,400	-
Transfers out	(306,602)	(306,602)	(1,031,602)	(725,000)
Total other financing sources (uses)	2,693,398	2,716,798	1,991,798	(725,000)
Net change in fund balance	$ 141,206	$ (306,018)	(1,393,964)	$ (1,087,946)
Fund Balance, October 1			5,303,777	
Fund Balance, September 30			$ 3,909,813	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Infrastructure Surtax Fund - Capital Projects Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
Revenues:				
Taxes	$ 12,732,425	$ 12,732,425	$ 12,727,095	$ (5,330)
Intergovernmental	2,975,177	2,975,177	4,086,161	1,110,984
Investment earnings	300,000	300,000	559,530	259,530
Contributions and other	-	-	150,000	150,000
Total revenues	16,007,602	16,007,602	17,522,786	1,515,184
Expenditures:				
Personnel services	397,628	404,510	380,921	23,589
Operating	10,632	10,632	120,599	(109,967)
Capital outlay	13,223,282	14,890,323	16,595,382	(1,705,059)
Total expenditures	13,631,542	15,305,465	17,096,902	(1,791,437)
Excess (deficiency) of revenues over (under) expenditures	2,376,060	702,137	425,884	(276,253)
Other Financing Sources (Uses):				
Transfers in	1,382,000	1,386,000	1,319,312	(66,688)
Transfers out	(3,623,275)	(3,623,275)	(3,623,275)	-
Debt issuance	-	-	1,843,692	1,843,692
Sale of general capital assets	-	-	12,000	12,000
Total other financing sources (uses)	(2,241,275)	(2,237,275)	(448,271)	1,789,004
Net change in fund balance	$ 134,785	$ (1,535,138)	(22,387)	$ 1,512,751
Fund Balance, October 1			13,964,381	
Fund Balance, September 30			$ 13,941,994	

City of Key West, Florida
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Budget
Revenues:				
Investment earnings	$ 4,000	$ 4,000	$ 9,062	$ 5,062
Total revenues	4,000	4,000	9,062	5,062
Expenditures:				
Personnel services	136,121	138,489	-	138,489
Operating	117	117	25,737	(25,620)
Capital outlay	300,000	-	-	-
Total expenditures	436,238	138,606	25,737	112,869
Excess (deficiency) of revenues over (under) expenditures	(432,238)	(134,606)	(16,675)	117,931
Other Financing Sources (Uses):				
Transfers in	300,000	-	-	-
Transfers out	(17,601)	(17,601)	(17,601)	-
Total other financing sources (uses)	282,399	(17,601)	(17,601)	-
Net change in fund balance	$ (149,839)	$ (152,207)	(34,276)	$ 117,931
Fund Balance, October 1			226,600	
Fund Balance, September 30			$ 192,324	

FIDUCIARY FUNDS OVERVIEW

Fiduciary funds are used to account for assets held by the City in a trustee capacity. 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, 2025

	Pension Trust Funds		
	General Employees	Police Officers and Firefighters	Total
Assets:			
Cash and cash equivalents	$ 1,221,657	$ 8,359,159	$ 9,580,816
Investments, at fair value:			
Equity securities	58,855,060	115,877,930	174,732,990
Corporate and foreign bonds and bond funds	6,045,326	6,217,350	12,262,676
Fixed income fund	-	4,766,605	4,766,605
Alternative investments	11,495,025	25,856,863	37,351,888
Mortgage Backed Securities	2,178,787	-	2,178,787
U.S. government securities	1,880,768	18,327,059	20,207,827
Collateralized mortgage obligations	5,264,171	-	5,264,171
Municipal obligations	516,004	-	516,004
Real estate	-	8,200,000	8,200,000
Receivables:			
Interest and dividends	108,397	305,859	414,256
Proceeds from securities sold	-	326,628	326,628
State contributions	-	244,843	244,843
Employer contributions	-	204,083	204,083
Employee contributions	-	49,178	49,178
Total assets	87,565,195	188,735,557	276,300,752
Liabilities:			
Accounts payable and accrued expenses	167,700	92,648	260,348
Payable for securities purchased	-	669,784	669,784
Total liabilities	167,700	762,432	930,132
Deferred inflows of resources:			
Advanced contribution from Employer	-	551,421	551,421
Net Position:			
Restricted for pension benefits	$ 87,397,495	$ 187,421,704	$ 274,819,199

City of Key West, Florida
Combining Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended September 30, 2025

	Pension Trust Funds		
	General Employees	Police Officers and Firefighters	Total
Additions:			
Contributions:			
Employer	$ 1,943,339	$ 5,731,863	$ 7,675,202
Members	1,368,865	1,513,042	2,881,907
State police and fire	-	1,073,258	1,073,258
Total contributions	3,312,204	8,318,163	11,630,367
Investment earnings:			
Net appreciation in fair value of investments	9,354,484	14,683,672	24,038,156
Interest, dividends and other investment earnings	1,716,924	8,306,757	10,023,681
Total investment earnings	11,071,408	22,990,429	34,061,837
Less: Investment expenses	366,687	978,200	1,344,887
Net investment earnings	10,704,721	22,012,229	32,716,950
Total additions	14,016,925	30,330,392	44,347,317
Deductions:			
Benefits paid	4,066,880	7,729,976	11,796,856
Administrative expenses	275,551	195,345	470,896
Total deductions	4,342,431	7,925,321	12,267,752
Net increase in net position	9,674,494	22,405,071	32,079,565
Net Position, October 1	77,723,001	165,016,633	242,739,634
Net Position, September 30	$ 87,397,495	$ 187,421,704	$ 274,819,199

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

Sources of Data:

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

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

	Fiscal Year									
	2016	2017 [1]	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets	$ 134,743	$ 151,492	$ 161,190	$ 169,824	$ 170,710	$ 168,749	$ 170,421	$ 178,157	$ 195,858	$ 209,233
Restricted	22,445	19,429	18,698	16,441	19,041	26,329	30,954	37,970	35,166	36,800
Unrestricted	22,907	10,224	3,070	5,220	1,204	4,073	10,561	17,023	11,054	8,117
Total governmental activities net position	$ 180,095	$ 181,145	$ 182,958	$ 191,485	$ 190,955	$ 199,151	$ 211,936	$ 233,150	$ 242,078	$ 254,150
Business-type activities:										
Net investment in capital assets	$ 129,522	$ 129,029	$ 129,933	$ 131,233	$ 133,910	$ 135,385	$ 135,300	$ 133,184	$ 133,976	$ 137,668
Restricted	259	274	289	304	320	341	-	-	-	-
Unrestricted	41,043	42,994	45,782	49,407	49,803	53,005	58,760	65,293	73,596	75,151
Total business-type activities net position	$ 170,824	$ 172,297	$ 176,004	$ 180,944	$ 184,033	$ 188,731	$ 194,060	$ 198,477	$ 207,572	$ 212,819
Primary government:										
Net investment in capital assets	$ 264,265	$ 280,521	$ 291,123	$ 301,057	$ 304,620	$ 304,134	$ 305,721	$ 311,341	$ 329,834	$ 346,901
Restricted	22,704	19,703	18,987	16,745	19,361	26,670	30,954	37,970	35,166	36,800
Unrestricted	63,950	53,218	48,852	54,627	51,007	57,078	69,321	82,316	84,650	83,268
Total primary government net position	$ 350,919	$ 353,442	$ 358,962	$ 372,429	$ 374,988	$ 387,882	$ 405,996	$ 431,627	$ 449,650	$ 466,969

1 Fiscal year 2017, total net position has been restated due to the implementation of GASB 75.

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses:										
Governmental activities:										
General government	$ 18,008	$ 19,479	$ 21,829	$ 19,426	$ 18,904	$ 17,698	$ 18,577	$ 22,123	$ 23,926	$ 25,555
Public safety	26,681	29,565	29,894	31,121	31,963	30,860	32,193	40,620	46,800	44,606
Transportation	2,748	3,486	5,762	6,852	6,284	5,801	5,640	5,144	6,081	6,100
Economic environment	861	1,063	1,517	2,228	2,521	2,446	5,744	2,683	1,955	2,293
Human services	474	459	459	510	634	717	796	4,849	1,395	1,587
Culture and recreation	2,702	3,827	4,276	4,785	4,514	4,165	4,378	978	6,065	6,339
Interest	15	11	7	4	12	3	5	6	-	-
Total governmental activities expenses	51,489	57,890	63,744	64,926	64,832	61,690	67,333	76,403	86,222	86,480
Business-type activities:										
Sewer System	11,017	11,433	10,359	11,023	11,187	10,178	10,587	11,667	12,781	13,943
Solid Waste	8,938	8,074	8,464	8,021	8,136	8,331	8,411	9,058	9,948	10,391
Key West Bight	5,777	5,769	5,805	6,150	5,366	6,170	7,918	7,604	7,556	8,111
Stormwater	2,517	3,196	2,814	2,678	3,052	2,815	3,000	3,269	3,002	3,127
Garrison Bight	1,427	1,445	1,723	1,811	1,996	2,054	2,257	2,533	2,715	2,944
Transit System	3,130	3,737	4,048	4,183	3,889	4,473	4,570	5,997	6,668	7,230
Total business-type activities expenses	32,806	33,654	33,213	33,866	33,626	34,021	36,743	40,128	42,670	45,746
Total primary government expenses	$ 84,295	$ 91,544	$ 96,957	$ 98,792	$ 98,458	$ 95,711	$ 104,076	$ 116,531	$ 128,892	$ 132,226

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

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Program revenues:										
Governmental activities:										
Fee, fines and charges for services:										
General government	$ 3,447	$ 3,275	$ 3,209	$ 4,032	$ 2,580	$ 3,248	$ 3,957	$ 4,009	$ 4,403	$ 4,352
Public safety	4,100	4,407	4,342	5,690	3,796	3,931	5,449	7,252	8,833	8,111
Transportation	7,654	9,242	9,656	12,206	8,303	6,720	8,424	9,159	9,595	10,605
Economic environment	26	20	20	120	20	57	20	42	-	-
Culture and recreation	467	483	558	757	536	668	883	902	982	986
Operating grants and contributions	1,499	2,261	3,746	6,712	4,509	4,426	2,712	15,873	5,630	10,352
Capital grants and contributions	359	1,503	3,601	451	1,970	605	360	1,101	1,065	382
Total governmental activities program revenues	17,552	21,191	25,132	29,968	21,714	19,655	21,805	38,338	30,508	34,788
Business-type activities:										
Charges for services:										
Sanitary Sewer System	11,968	11,522	11,381	11,248	11,407	11,853	12,312	12,823	14,243	14,998
Solid Waste	9,547	9,291	9,284	9,359	8,814	9,330	10,084	11,649	12,306	12,955
Key West Bight	9,021	9,621	9,709	11,394	9,027	12,090	15,229	14,762	14,292	14,640
Stormwater	2,084	2,197	2,353	2,403	2,481	2,382	2,390	2,457	2,537	3,170
Garrison Bight	1,978	2,059	1,954	2,293	2,322	2,998	3,207	3,330	3,352	3,282
Transit System	1,341	1,271	1,106	1,334	864	1,154	1,538	1,549	1,503	1,505
Operating grants and contributions	4,338	2,130	2,235	2,295	3,388	2,744	2,623	3,104	7,079	4,397
Capital grants and contributions	2,660	296	2,518	1,325	2,208	2,170	1,037	169	1,605	1,643
Total business-type activities program revenues	42,937	38,387	40,540	41,651	40,511	44,721	48,420	49,843	56,917	56,590
Total primary government program revenues	$ 60,489	$ 59,578	$ 65,672	$ 71,619	$ 62,225	$ 64,376	$ 70,225	$ 88,181	$ 87,425	$ 91,378

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (expenses)/revenues:										
Governmental activities	$ (33,937)	$ (36,699)	$ (38,612)	$ (34,958)	$ (43,118)	$ (42,035)	$ (45,528)	$ (38,065)	$ (55,714)	$ (51,692)
Business-type activities	10,131	4,733	7,327	7,785	6,885	10,700	11,677	9,715	14,247	10,844
Total primary government net expense	$ (23,806)	$ (31,966)	$ (31,285)	$ (27,173)	$ (36,233)	$ (31,335)	$ (33,851)	$ (28,350)	$ (41,467)	$ (40,848)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	$ 15,086	$ 16,329	$ 16,490	$ 16,663	$ 17,418	$ 17,492	$ 18,253	$ 20,080	$ 22,593	$ 23,756
Sales taxes	12,971	13,286	12,725	14,064	12,242	17,483	20,169	19,274	19,102	18,897
Franchise and local business taxes	1,509	1,533	1,480	1,506	1,498	1,555	1,461	856	2,558	1,784
Communication taxes	1,377	1,280	1,294	1,264	1,235	1,209	1,230	1,519	1,306	1,329
Cigarette and motor fuel taxes	2,903	2,968	2,904	2,995	2,800	3,421	3,890	4,145	3,837	3,548
Investment earnings	478	264	217	792	383	69	309	2,405	3,548	2,568
Miscellaneous	633	722	986	928	1,265	1,991	5,472	1,453	1,650	1,946
Transfers	4,015	4,044	4,329	5,273	5,747	7,011	7,529	9,546	10,048	9,935
Total governmental activities	38,972	40,426	40,425	43,485	42,588	50,231	58,313	59,278	64,642	63,763
Business-type activities:										
Investment earnings	382	264	349	1,320	653	106	396	2,756	3,486	3,362
Transfers	(4,015)	(4,044)	(4,329)	(5,273)	(5,747)	(7,011)	(7,529)	(9,546)	(10,048)	(9,935)
Miscellaneous	277	784	360	1,108	1,298	903	784	1,493	1,410	976
Total business-type activities	(3,356)	(2,996)	(3,620)	(2,845)	(3,796)	(6,002)	(6,349)	(5,297)	(5,152)	(5,597)
Total primary government	$ 35,616	$ 37,430	$ 36,805	$ 40,640	$ 38,792	$ 44,229	$ 51,964	$ 53,981	$ 59,490	$ 58,166

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Changes in net position:										
Governmental activities	$ 5,035	$ 3,727	$ 1,813	$ 8,527	$ (530)	$ 8,196	$ 12,785	$ 21,213	$ 8,928	$ 12,071
Business-type activities	6,775	1,737	3,707	4,940	3,089	4,698	5,328	4,418	9,095	5,247
Total primary government	$ 11,810	$ 5,464	$ 5,520	$ 13,467	$ 2,559	$ 12,894	$ 18,113	$ 25,631	$ 18,023	$ 17,318

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
2016	$ 15,086	$ 12,971	$ 1,509	$ 2,903	$ 1,377	$ 33,846
2017	$ 16,329	$ 13,286	$ 1,533	$ 2,968	$ 1,280	$ 35,396
2018	$ 16,490	$ 12,725	$ 1,480	$ 2,904	$ 1,294	$ 34,893
2019	$ 16,663	$ 14,064	$ 1,506	$ 2,995	$ 1,264	$ 36,492
2020	$ 17,418	$ 12,242	$ 1,498	$ 2,800	$ 1,235	$ 35,193
2021	$ 17,492	$ 17,483	$ 1,555	$ 3,421	$ 1,209	$ 41,160
2022	$ 18,253	$ 20,169	$ 1,461	$ 3,890	$ 1,230	$ 45,003
2023	$ 20,080	$ 19,274	$ 856	$ 4,145	$ 1,519	$ 45,874
2024	$ 22,593	$ 19,102	$ 2,558	$ 3,837	$ 1,306	$ 49,396
2025	$ 23,756	$ 18,897	$ 1,784	$ 3,548	$ 1,329	$ 49,314

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

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General Fund:										
Nonspendable	$ 1,597	$ 1,520	$ 1,445	$ 1,391	$ 1,050	$ 937	$ 850	$ 763	$ 473	$ 446
Restricted	139	376	102	1,416	1,159	319	1,000	2,377	4,555	5,020
Committed	2,207	546	170	175	24	55	60	114	153	181
Assigned	1,189	437	728	429	416	454	1,679	437	5,301	2,001
Unassigned	13,904	10,174	3,471	8,514	6,720	10,578	12,098	20,890	15,893	15,867
Total General Fund	$ 19,036	$ 13,053	$ 5,916	$ 11,925	$ 9,369	$ 12,343	$ 15,687	$ 24,581	$ 26,375	$ 23,515
All other governmental funds:										
Nonspendable	$ 186	$ 164	$ 591	$ 1	$ 186	$ 9	$ 1,885	$ 1,835	$ 1,005	$ 940
Restricted	22,306	19,054	18,596	15,025	17,882	26,010	29,954	35,593	30,611	31,779
Committed	3,974	1,463	1,145	695	665	628	1,010	1,493	1,239	1,301
Unassigned	-	-	-	(115)	(34)	-	-	-	-	-
Total all other governmental funds	$ 26,466	$ 20,681	$ 20,332	$ 15,606	$ 18,699	$ 26,647	$ 32,849	$ 38,921	$ 32,855	$ 34,020

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:										
Taxes	$ 27,079	$ 28,429	$ 28,159	$ 29,416	$ 28,562	$ 32,364	$ 35,254	$ 36,884	$ 39,136	$ 40,091
Licenses and permits	3,604	4,380	3,998	4,828	3,580	3,575	4,381	5,551	8,682	6,997
Intergovernmental	8,264	9,865	13,284	14,463	11,049	14,228	13,146	26,973	16,270	20,486
Charges for services	9,415	10,706	11,430	14,417	9,962	9,112	11,450	12,226	12,860	13,985
Fines and forfeitures	991	717	719	1,059	697	680	924	1,038	1,203	1,148
Investment earnings	478	265	217	793	383	69	309	2,405	3,548	2,568
Rental income	2,259	2,170	2,106	2,537	1,711	1,991	2,388	2,274	2,547	2,558
Contributions and other	242	307	740	626	2,683	1,533	1,054	719	856	772
Total revenues	52,332	56,839	60,653	68,139	58,627	63,552	68,906	88,070	85,102	88,605
Expenditures:										
General government	16,890	17,704	21,207	17,098	16,224	16,030	18,004	22,113	22,470	24,755
Public safety	25,188	27,399	28,163	29,318	29,742	30,321	32,133	35,674	39,376	43,385
Transportation	2,248	2,909	3,896	4,201	3,224	2,897	2,644	1,852	2,435	1,928
Economic environment	861	1,063	1,128	1,873	2,133	2,088	5,407	2,338	1,595	1,927
Culture and recreation	2,231	3,118	3,730	4,152	3,815	3,639	4,119	4,386	5,607	6,070
Human services	474	459	457	507	628	712	791	975	865	951
Capital outlay	23,111	21,104	14,185	14,956	8,159	7,473	7,726	15,692	27,677	23,621
Debt service:										
Principal	147	147	147	569	414	-	154	154	-	-
Interest	15	11	7	4	12	-	4	4	-	-
Total expenditures	71,165	73,914	72,920	72,678	64,351	63,160	70,982	83,188	100,025	102,637
Excess (deficiency) of revenues over expenditures	(18,833)	(17,075)	(12,267)	(4,539)	(5,724)	392	(2,076)	4,882	(14,923)	(14,032)
Other Financing Sources (Uses):										
Transfers in	9,938	10,913	11,899	14,409	14,837	13,829	15,944	19,304	23,383	21,423
Transfers out	(5,513)	(6,458)	(7,168)	(8,620)	(8,611)	(3,607)	(8,005)	(9,218)	(12,734)	(10,942)
Issuance of debt	-	840	-	-	-	308	3,683	-	-	1,844
Sale of general capital assets	4	12	50	33	35	-	-	-	-	12
Total other financing sources (uses)	4,429	5,307	4,781	5,822	6,261	10,530	11,622	10,086	10,649	12,337
Net changes in fund balances	$ (14,404)	$ (11,768)	$ (7,486)	$ 1,283	$ 537	$ 10,922	$ 9,546	$ 14,968	$ (4,274)	$ (1,695)
Ratio of total debt service expenditures to total noncapital expenditures	0.34%	0.30%	0.26%	0.99%	0.76%	0.00%	0.25%	0.23%	0.00%	0.00%

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

Fiscal Year	General Government	Public Safety	Transportation	Economic Environment	Culture and Recreation	Other	Total
2016	$ 16,630,840	$ 25,102,343	$ 983,115	$ 55,736	$ 2,231,442	$ 955,734	$ 45,959,210
2017	$ 17,407,388	$ 27,387,156	$ 1,144,716	$ 337,374	$ 3,117,581	$ 987,026	$ 50,381,241
2018	$ 20,726,174	$ 28,135,377	$ 1,393,122	$ 187,590	$ 3,527,067	$ 1,348,365	$ 55,317,695
2019	$ 15,496,901	$ 29,290,331	$ 2,076,581	$ 189,245	$ 3,104,980	$ 2,802,860	$ 52,960,898
2020	$ 15,584,311	$ 29,724,926	$ 1,366,294	$ 118,464	$ 3,035,474	$ 1,429,157	$ 51,258,626
2021	$ 15,611,841	$ 30,269,744	$ 402,125	$ 1,042,270	$ 2,953,319	$ 960,155	$ 51,239,454
2022	$ 17,586,665	$ 32,100,124	$ 365,286	$ 3,876,554	$ 3,257,351	$ 1,406,139	$ 58,592,119
2023	$ 21,496,886	$ 35,597,879	$ 337,699	$ 642,500	$ 3,545,275	$ 2,123,435	$ 63,743,674
2024	$ 22,045,105	$ 39,304,561	$ 327,084	$ 444,596	$ 3,990,738	$ 2,075,877	$ 68,187,961
2025	$ 24,234,360	$ 43,369,632	$ 379,021	$ 519,558	$ 4,323,493	$ 2,920,702	$ 75,746,766

(1) Expenditures include General Fund only.

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
2016	$ 16,213,304	$ 3,410,517	$ 7,392,167	$ 8,853,780	$ 818,303	$ 2,592,414	$ 39,280,485
2017	$ 17,320,046	$ 4,379,978	$ 7,466,965	$ 8,824,283	$ 717,104	$ 2,385,399	$ 41,093,775
2018	$ 17,425,189	$ 3,997,476	$ 9,171,289	$ 8,901,735	$ 719,179	$ 2,505,880	$ 42,720,748
2019	$ 17,620,536	$ 4,827,548	$ 13,302,229	$ 11,653,525	$ 1,058,840	$ 3,181,313	$ 51,643,991
2020	$ 17,917,932	$ 3,580,149	$ 9,090,043	$ 8,238,999	$ 696,652	$ 2,951,047	$ 42,474,822
2021	$ 17,813,272	$ 3,575,220	$ 11,691,250	$ 7,826,389	$ 679,723	$ 2,267,052	$ 43,852,906
2022	$ 18,723,430	$ 4,380,709	$ 12,177,570	$ 9,641,750	$ 922,225	$ 2,765,463	$ 48,611,147
2023	$ 20,820,143	$ 5,550,857	$ 20,697,625	$ 10,564,455	$ 1,036,676	$ 3,568,584	$ 62,238,340
2024	$ 22,878,898	$ 8,682,123	$ 11,913,802	$ 11,132,620	$ 1,199,427	$ 4,641,147	$ 60,448,017
2025	$ 23,923,843	$ 6,997,373	$ 14,222,263	$ 12,275,285	$ 1,147,653	$ 4,003,711	$ 62,570,128

(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
2016	$	15,815,079	$	14,245,778	90.1	$	25,265	$	14,271,043	90.2
2017	$	15,963,489	$	15,429,362	96.7	$	28,557	$	15,457,919	96.8
2018	$	16,074,295	$	15,514,225	96.5	$	58,100	$	15,572,325	96.9
2019	$	16,149,217	$	15,619,883	96.7	$	35,320	$	15,655,203	96.9
2020	$	16,878,137	$	16,223,625	96.1	$	16,178	$	16,239,803	96.2
2021	$	16,946,151	$	16,318,810	96.3	$	3,933	$	16,322,743	96.3
2022	$	17,679,625	$	16,963,946	96.0	$	15,130	$	16,979,077	96.0
2023	$	19,426,512	$	18,674,515	96.1	$	6,498	$	18,681,013	96.2
2024	$	21,599,795	$	20,852,735	96.5	$	2,948	$	20,855,683	96.6
2025	$	22,675,495	$	21,844,706	96.3	$	8,165	$	21,852,871	96.4

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

City of Key West, Florida
Table 9
Assessed and Estimated Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions Allowed for Real/Personal Property	Total Net Assessed Value	Total Direct Tax Rate	Total Net Estimated True Value	Ratio Net Assessed to True Value
2016	$ 9,348,014	$ 298,273	$ 3,541,965	$ 6,104,322	2.5908	$ 6,104,322	1.0
2017	$ 9,809,365	$ 289,960	$ 3,687,255	$ 6,412,070	2.4896	$ 6,412,070	1.0
2018	$ 10,257,622	$ 274,666	$ 3,682,252	$ 6,850,036	2.3466	$ 6,850,036	1.0
2019	$ 10,725,041	$ 282,300	$ 3,691,397	$ 7,315,945	2.2074	$ 7,315,945	1.0
2020	$ 11,228,364	$ 354,524	$ 3,745,350	$ 7,837,537	2.1535	$ 7,837,537	1.0
2021	$ 11,524,581	$ 357,933	$ 3,757,981	$ 8,124,533	2.0858	$ 8,124,533	1.0
2022	$ 11,697,602	$ 388,629	$ 3,809,253	$ 8,276,978	2.1360	$ 8,276,978	1.0
2023	$ 12,764,834	$ 394,517	$ 3,829,550	$ 9,329,801	2.0822	$ 9,329,801	1.0
2024	$ 13,811,419	$ 442,349	$ 3,880,223	$ 10,373,545	2.0822	$ 10,373,545	1.0
2025	$ 14,704,028	$ 439,526	$ 3,881,264	$ 11,262,290	2.0134	$ 11,262,290	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

	City of Key West			Overlapping Rates (1)					
Fiscal Year	Operating Millage	Debt Service Millage	Total Direct Rate	Monroe County	School Board	South Florida Water Management District	Florida Keys Mosquito Control District	Other	Total
2016	2.5908	-	2.5908	2.9753	3.5500	0.1459	0.5019	0.2092	9.9731
2017	2.4896	-	2.4896	2.8297	3.4840	0.1359	0.5831	0.1948	9.7171
2018	2.3466	-	2.3466	2.6957	3.3560	0.1275	0.4646	0.1825	9.1729
2019	2.2074	-	2.2074	2.6957	3.3580	0.1209	0.4555	0.1727	9.0102
2020	2.1535	-	2.1535	2.5881	3.3430	0.1152	0.4508	0.1643	8.8149
2021	2.0858	-	2.0858	2.5781	3.3520	0.1103	0.4508	0.1572	8.7342
2022	2.1360	-	2.1360	2.6149	3.2840	0.1061	0.4648	0.1511	8.7569
2023	2.0822	-	2.0822	2.5218	2.9620	0.0948	0.4565	0.1353	8.2526
2024	2.0822	-	2.0822	2.7191	2.8960	0.0948	0.4344	0.1353	8.3618
2025	2.0134	-	2.0134	2.6929	2.8640	0.0948	0.4344	0.1353	8.2348

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.
Note (1): Overlapping rates are those of local and county governments that apply to property owners within the City of Key West, Florida.

Also Note: Tax rates shown above are per $ 1,000 of assessed valuation.
Source: Monroe County Tax Collector.

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

2025					2016				
Name of Taxpayer		**Assessed Value**	**Rank**	**Percent of Total Assessed Valuation**	**Name of Taxpayer**		**Assessed Value**	**Rank**	**Percent of Total Assessed Valuation**
Casa Marina Equity Holdings LLC	$	212,149,258	1	1.88	Sunset City LLC	$	93,275,911	1	1.53
Sunset City LLC		195,680,582	2	1.74	Casa Marina Owner LLC		84,000,128	2	1.38
Diamondrock Key West LLC		142,869,750	3	1.27	Galleon Condominium Assoc Inc		74,735,248	3	1.22
Galleon Condominium Assoc		122,110,582	4	1.08	Tannex Development LC.		62,928,614	4	1.03
Tannex Development LC		117,181,762	5	1.04	Ocean Walk Key West LLC		60,583,497	5	0.99
Real Sub LLC		107,886,354	6	0.96	Windward Pointe II LLC		58,910,738	6	0.97
Seaboard Associates LTD		100,939,143	7	0.90	SH5 LTD		54,685,182	7	0.90
Reach Equity Holdings LLC		98,065,453	8	0.87	Ashford Pier House LP		52,437,516	8	0.86
IA Lodging Key West LLC		94,110,213	9	0.84	Seaboard Associates Limited Partnshp		51,685,457	9	0.85
Ashfor Pier House LP		93,277,654	10	0.83	City of Key West		50,617,258	10	0.83
Total	$	1,284,270,751		11.41	Total	$	643,859,549		10.56

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 Governmental Activities	Lease Governmental Activities	Revenue Bonds (1) Business-type Activities	Note Payable Business-type Activities	Total Outstanding Debt	Percentage of Personal Income (2)	Population (2)	Debt per Capita
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
2018	$ 143,226	$ 840,295	$ 16,239,778	$ 1,202,377	$ 18,425,676	2.03%	25,208	$ 731
2019	$ -	$ 414,041	$ 14,349,036	$ 872,656	$ 15,635,733	1.52%	24,565	$ 637
2020	$ -	$ -	$ 12,407,042	$ 532,061	$ 12,939,103	1.17%	24,868	$ 520
2021	$ -	$ 308,365	$ 10,417,240	$ 180,235	$ 10,905,840	0.86%	26,686	$ 409
2022	$ -	$ 154,160	$ 8,371,107	$ -	$ 8,525,267	0.61%	27,040	$ 315
2023	$ -	$ -	$ 6,780,607	$ -	$ 6,780,607	0.46%	26,078	$ 260
2024	$ -	$ -	$ 5,152,160	$ -	$ 5,152,160	0.34%	25,824	$ 200
2025	$ -	$ 1,843,692	$ 3,482,597	$ -	$ 5,326,289	0.34%	25,720	$ 207

(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)
2016	25,755	$ 6,104,322	-	-	-	-	-
2017	26,990	$ 6,412,070	-	-	-	-	-
2018	25,208	$ 6,850,036	-	-	-	-	-
2019	24,565	$ 7,315,945	-	-	-	-	-
2020	24,868	$ 7,837,537	-	-	-	-	-
2021	26,686	$ 8,124,533	-	-	-	-	-
2022	27,040	$ 8,276,978	-	-	-	-	-
2023	26,078	$ 9,329,801	-	-	-	-	-
2024	25,824	$ 10,373,545	-	-	-	-	-
2025	25,720	$ 11,262,290	-	-	-	-	-

(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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (2)	Ratio of Debt Service to Total General Expenditures
2016	-	-	-	$ 45,959,210	-
2017	-	-	-	$ 50,381,241	-
2018	-	-	-	$ 55,317,695	-
2019	-	-	-	$ 52,960,898	-
2020	-	-	-	$ 51,258,626	-
2021	-	-	-	$ 51,239,454	-
2022	-	-	-	$ 58,592,119	-
2023	-	-	-	$ 63,743,674	-
2024	-	-	-	$ 68,187,961	-
2025	-	-	-	$ 75,746,766	-

(1) Gross bonded debt service here excludes debt service on revenue bonds.
(2) General expenditures include General Fund only, see Table 6.

City of Key West, Florida
Table 15
Computation of Direct and Estimated Overlapping
Governmental Activities Debt
September 30, 2025

	Debt Outstanding	Applicable to City of Key West	
		Percentage	**Amount**
Direct debt:			
City of Key West (1)	$ 1,843,692	100.00%	$ 1,843,692
Estimated overlapping debt:			
Monroe County, District School Board (2)	85,654,634	24.40% (3)	20,901,219
Total ad valorem tax supported debt	$ 87,498,326		$ 22,744,911
Ratios:			
Overall debt to 2025 taxable valuation			20.20%
Overall debt per capita			$ 884

(1) City of Key West direct debt does not include revenue bonds.
(2) Monroe County School Board debt is as of June 30, 2025, 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 Operations and Maintenance (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2016	$ 11,993	$ 5,958	$ 6,035	$ 1,801	$ 488	$ 2,289	2.64
2017	$ 11,543	$ 5,812	$ 5,731	$ 1,842	$ 442	$ 2,284	2.51
2018	$ 11,371	$ 5,949	$ 5,422	$ 1,891	$ 396	$ 2,287	2.37
2019	$ 11,642	$ 6,520	$ 5,122	$ 1,942	$ 348	$ 2,290	2.24
2020	$ 11,578	$ 6,844	$ 4,734	$ 1,990	$ 298	$ 2,288	2.07
2021	$ 11,881	$ 6,584	$ 5,297	$ 2,046	$ 248	$ 2,294	2.31
2022	$ 12,338	$ 7,122	$ 5,216	$ 1,591	$ 201	$ 1,791	2.91
2023	$ 13,445	$ 8,163	$ 5,282	$ 1,628	$ 158	$ 1,786	2.96
2024	$ 13,716	$ 9,157	$ 4,559	$ 1,628	$ 114	$ 1,742	2.62
2025	$ 15,925	$ 10,172	$ 5,753	$ 1,717	$ 70	$ 1,787	3.22

(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 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)
2016	25,755	$ 34,020	$ 876,185	42	4,189	3.3%
2017	26,990	$ 32,428	$ 875,232	40	4,177	2.8%
2018	25,208	$ 35,944	$ 906,076	40	4,256	2.8%
2019	24,565	$ 41,773	$ 1,026,154	41	4,297	2.2%
2020	24,868	$ 44,387	$ 1,103,816	41	4,086	2.2%
2021	26,686	$ 47,423	$ 1,265,530	41	4,318	2.4%
2022	27,040	$ 51,786	$ 1,400,293	42	4,299	1.6%
2023	26,078	$ 56,080	$ 1,462,454	45	4,413	2.0%
2024	25,824	$ 59,457	$ 1,535,418	47	4,168	2.3%
2025	25,720	$ 60,074	$ 1,545,103	46	3,958	3.1%

(1) Sources: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.
(2) Source: Monroe County School Board.
(3) Source: U.S. Department of Labor and Employment Security, Bureau of Labor.

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

2025 Employer	2025 Employees	2016 Employer	2016 Employees
Public Sector:		Public Sector:	
Monroe County Schools	1,349	US Armed Services	2,190
Monroe County Board of County Commissioners	697	Monroe County Schools	1,096
City of Key West	551	Monroe County Sheriff's Office	595
Monroe County Sheriff's Office	533	Monroe County Government	516
Department of Defense	427	City of Key West	498
Morale Welfare & Recreation	127	Florida Keys Aqueduct Authority	280
		Florida Keys Community College	169
		Keys Energy Service	125
		Monroe County Clerk of Court	78
		Housing Authority of the City of Key West	78
Private Sector:		Private Sector:	
Ocean Reef Club	908	Ocean Reef Club	962
Publix Stores	855	Publix	540
Blue Star Acquisition Company	570	Lower Keys Medical Center	430
Northwood Hospitality	452	Westin Resort & Marina / Sunset Key	400
Highgate Hotels	421	Hawk's Cay Resort	385
Holiday Inn Oceanfront	381	Casa Marina Resort / Reach Resort	374
Opal Collection	360	Spottswood Properties	341
		Historic Tours of America	326
		Cheeca Lodge	280
		Winn Dixie	196

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

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

	Property Value (1)			Construction (2)	
Fiscal Year	Real/ Personal Property Assessed Value	Exemptions Allowed for Real/ Personal Property	Total Net Assessed Value	Number of Permits	Value
2016	$ 9,646,287	$ 3,541,965	$ 6,104,322	6,429	$ 815,196
2017	$ 10,099,325	$ 3,687,255	$ 6,412,070	4,843	$ 104,204
2018	$ 10,532,288	$ 3,682,252	$ 6,850,036	3,854	$ 112,065
2019	$ 11,007,342	$ 3,691,397	$ 7,315,945	4,951	$ 139,079
2020	$ 11,582,888	$ 3,745,350	$ 7,837,537	3,800	$ 80,134
2021	$ 11,882,514	$ 3,757,981	$ 8,124,533	4,029	$ 81,092
2022	$ 12,086,231	$ 3,809,253	$ 8,276,978	3,718	$ 109,864
2023	$ 13,159,351	$ 3,829,550	$ 9,329,801	3,499	$ 167,174
2024	$ 14,253,768	$ 3,880,223	$ 10,373,545	3,222	$ 186,821
2025	$ 15,143,554	$ 3,881,264	$ 11,262,290	3,138	$ 131,152

(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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government:										
Building permits issued	6,429	4,843	3,854	4,951	3,800	4,029	3,718	3,499	3,222	3,138
Building inspections performed	11,018	8,910	8,837	9,147	5,537	9,537	8,245	4,358	8,511	7,577
Business Tax	9,799	8,604	9,139	9,188	9,666	8,827	9,345	9,644	9,500	9,101
Fire:										
Emergency responses	7,194 *	5,877	6,902	7,145	6,029	6,857	5,751	7,017	7,054	7,072
Inspections	2,077	1,700	2,560	3,722	2,298	2,268	2,318	2,928	2,755	2,763
Police:										
Physical arrests	1,753	1,264	1,486	1,722	1,423	1,564	1,647	1,622	1,591	1,689
Parking violations	32,199	31,382	23,940	26,055	16,276	18,422	22,801	27,939	34,950	31,805
Traffic violations	2,529	2,257	3,115	2,865	2,952	1,362	3,063	4,170	4,049	4,636
Cemetery:										
Burials	117	109	118	91	82	111	136	120	126	91
Sewer:										
Average daily flow (millions of gallons per day)	4	4	4	4	4	4.4	4.8	4.6	4.8	5.06
Solid Waste:										
Refuse annually tons	41,056	41,045	42,766	40,560	40,726	44,375	40,841	40,278	44,585	35,542
Recycle annual in tons	5,371	5,223	5,565	5,477	4,747	4,905	4,823	4,751	4,710	10,819
Marinas:										
Key West Bight:										
Diesel gallons pumped	219,435	206,963	217,097	298,895	217,351	258,439	204,947	178,754	181,906	158,740
Gas gallons pumped	177,291	142,394	189,860	215,375	189,900	233,694	197,600	210,344	180,114	221,352
Transient customers	1,617	1,730	1,021	1,189	798	1,445	1,175	1,137	1,447	1,089
Ferry terminal:										
Boat landings	482	358	372	362	279	371	373	352	375	303
Passenger disembarkments	184,662	186,817	169,728	189,596	125,245	161,197	190,428	136,129	146,361	137,908
Diesel gallons pumped	383,926	347,119	357,052	322,785	253,707	320,577	401,873	372,442	355,746	370,177
Garrison Bight:										
Transient customers	581	691	296	958	180	414	269	465	485	375
Mooring field monthly permits	515	623	270	917	238	145	190	375	435	450
Ramp usage	4,703	3,927	4,931	4,332	4,363	4,122	3770	4,018	3,740	3,140
Transportation:										
Cruise ship passengers	696,224	745,781	865,939	913,323	500,320	-	127,899	483,617	532,570	620,918
Sidewalks repaired/ replaced	5,000	6,221	52,380	36,530	89,985	20,583	92,502	95,000	95,000	75,000

* 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	6	7	8	8	8	8	8	7	7	7
Aerial	1	1	1	1	1	1	1	1	1	1
Heavy duty rescue	-	-	1	1	1	1	1	1	1	1
Light duty rescue	1	1	6	6	6	6	6	4	4	4
Ambulances	4	5	5	6	6	6	6	6	6	6
Fire boat	-	-	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	118	118	119	114	114	114	114	116	118	118
Parking enforcement units	6	6	6	6	7	7	7	7	9	10
Police boat	-	-	1	1	1	1	1	3	3	3
Parks and Recreation:										
Acreage	69.25	69.25	105.25+	105.25	105.25	105.25	105.25	105.25	105.25	105.25
Playgrounds	3	3	3	3	3	3	5	5	5	5
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	2	2	2	2
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Splash	-	1	2	2	2	2	2	2	2	2
Sewer:										
Length of system	60	60	60	60	60	60	60	60	60	60
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10	10	10
Stormwater:										
Length of system	12	12	12	12	12	12	12	12	12	12
Key West Bight:										
Slips:										
Transient slips	92	92	92	95	95	102	102	102	102	102
Commercial slips	42	42	42	42	42	42	42	42	42	42
Other slips	15	15	15	12	12	12	12	12	12	12
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)	101,108	101,108	105,348	108,098	111,632	112,335	111,384	111,384	111,384	111,384
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	51	51	51	51	51	56	74	74	74	74
Live aboard/pleasure	158	158	146	146	146	146	128	128	128	128
Commercial/charter	37	37	37	37	37	37	37	37	37	37
Mooring field	149	149	149	149	149	149	149	149	149	149
Transportation:										
Number of buses	18	15	21	21	20	24	24	24	25	26
Cruise ports	3	3	3	3	3	3	3	3	2	2
Ferry terminals	1	1	1	1	1	1	1	1	1	1

*Fire Department started Emergency Medical Services (EMS) services on April 1, 2015.
+ Reflects Addition of the Truman Waterfront Park

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City Commission	8	8	8	8	8	8	8	8	8	8
City Management	7	6	6	6	6	6	7	8	7	6
Management services and other	93	96	94	90	93	85	94	94	93	96
Recreation	32	33	37	38	38	35	32	32	32	32
Fire	72	72	72	72	72	70	71	77	78	79
Public Works	49	53	52	52	52	47	52	52	52	53
Police protection	126	126	129	131	131	122	127	131	130	135
Building	23	24	27	27	28	23	25	27	24	26
Emergency Medical Services	17	17	17	17	17	17	17	20	21	22
Roads and Sidewalks	5	5	5	5	5	5	5	5	5	5
Sewer	2	2	2	2	2	2	3	3	3	3
Stormwater	1	1	1	1	1	1	1	1	1	1
Solid waste	4	4	4	4	4	4	6	6	6	7
Recreation marinas	30	30	32	30	33	32	36	36	35	38
Transportation	29	30	39	37	41	37	40	40	41	42
Total	498	507	525	520	531	494	524	540	536	553

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2025

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2026. Our report includes a reference to other auditors who audited the financial statements of The Housing Authority of the City of Key West, Florida, and the Pension Trust Fund for Police Officers and Firefighters, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Citrin Cooperman & Company, LLP

Fort Lauderdale, Florida
June 26, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, *RULES OF THE FLORIDA AUDITOR GENERAL*

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Key West, Florida's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the fiscal year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General* (Chapter 10.550). Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of The Housing Authority of the City of Key West, Florida, a discretely presented component unit of the City, which expended $ 19,929,780 in federal awards which are not included in the City's schedule of expenditures of federal awards and state financial assistance during the year ended September 30, 2025. Our audit, described in the Opinion on Each Major Federal Program and State Project section, did not include the operations of The Housing Authority of the City of Key West, Florida because a single audit was performed separately by other auditors.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.550, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program or state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*

We have audited the financial statements 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 and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 26, 2026, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Citrin Cooperman & Company, LLP

Fort Lauderdale, Florida
June 26, 2026

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MANAGEMENT LETTER IN ACCORDANCE WITH THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA

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

Report on the Financial Statements

We have audited the financial statements of the governmental activities, business-type activities, each major fund, aggregate remaining fund information and the aggregate discretely presented component unit of the City of Key West, Florida (the "City"), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 26, 2026. We did not audit the financial statements of the Police Officer's and Firefighter's Retirement Plan (the "Plan"), which represent 56 percent, 57 percent, and 40 percent, respectively, of the assets, net position/fund balance, and revenues/additions of the aggregate remaining fund information as of September 30, 2025. Also, we did not audit the financial statements of The Housing Authority of City of Key West, Florida, which is the sole discretely presented component unit, as of and for the year ended December 31, 2024. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, 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, are based solely on the reports of the other auditors. Our report does not address their respective internal control or compliance.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 26, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority of the City, its blended component unit, and its discretely presented component unit are disclosed in Note 1 to the City's financial statements. In addition, the Naval Properties Local Redevelopment Authority, which has no activity, was created by City Ordinance 95-32 in 1995 under Chapter 163, Part III, Florida Statutes.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. This report does not include any matters that were reported on by other auditors as identified above. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554 (1)(i)6, *Rules of the Auditor General*, the City reported the specific information in Exhibit 1 accompanying this report. The information for compliance with Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, has 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 it.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City is required to include a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit. A PACE program was operated within the City's geographical boundaries during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b., *Rules of the Auditor General*, if a PACE program was operating within the geographical areas of the City, a list of all program administrators and third-party administrators that administered the program are to be provided in this letter. A list of program and third-party administrators can be found here:

- https://www.monroecounty-fl.gov/1051/PACE-Program

As required by Section 10.554(1)(i)6.c., *Rules of the Auditor General*, if a PACE program was operating within the geographical areas of the City, the full names and contact information of each such program administrator and third-party administrator are to be provided in the letter. The full names and contact information for such program and third-party administrators can be found here:

- https://www.monroecounty-fl.gov/1051/PACE-Program

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred, or is likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal, State and other granting agencies, the City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Citrin Cooperman & Company, LLP

Fort Lauderdale, Florida
June 26, 2026

City of Key West, Florida
Exhibit 1
Data Elements Required By Section 218.39(3)(c), Florida Statutes and
Sections 10.554(1)(i)6, Rules of the Auditor General
(Unaudited)

Data Element	Naval Properties Local Redevelopment Authority	Caroline Street Corridor and Bahama Village Community Redevelopment Agency
Number of district employees compensated at 9/30/2025	None	1
Number of independent contractors compensated at 9/30/2025	None	None
Employee compensation for FYE 9/30/2025 (paid/accrued)	$ -	$ 137,904
Independent contractor compensation for FYE 9/30/2025 (paid/accrued)	$ -	$ -
Each construction project to begin on or after 10/1/2024; (>$65K):		
The Caroline Street Paving Project	$ -	$ 3,244,941
Douglass Community Center	$ -	$ 9,337,914
Douglass Gym Renovations	$ -	$ 500,000
Willie Ward Park Renovations	$ -	$ 250,000
Olivia Street Drainage Improvements		594,725
Budget variance report (Annual Comprehensive Financial Report Pages)	N/A	103-104

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Key West, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, (the "specified requirements"), for the year ended September 30, 2025. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance, whether due to fraud or error. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements, for the year ended September 30, 2025.

This report is intended solely for the information and use of the City Commissioners, applicable management, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Citrin Cooperman & Company, LLP

Fort Lauderdale, Florida
June 26, 2026

City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended September 30, 2025

Federal or State Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	CSFA Number	Pass-through Entity Identifying Number	Expenditures	Provided to Subrecipients
Federal Awards:					
U.S. Department of Transportation:					
Highway Safety Cluster:					
Pass-through State of Florida Department of Transportation					
State and Community Highway Safety	20.600	N/A	G3422	$ 75,000	$ -
Federal Transit Cluster:					
Pass-through State of Florida Department of Transportation					
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	G2T51	13,687	-
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	G3219	58,986	-
Total Bus and Bus Facilities Formula, Competitive, Competitive, and Low or No Emissions Programs and ALN 20.526				72,673	-
Pass-through State of Florida Department of Transportation					
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	G2P96	661,907	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	G2S90	725,360	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	G2X62	24,891	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	G2X63	901,889	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	G3101	18,409	-
Total Formula Grants for Rural Areas and Tribal Transit Program and ALN 20.509				2,332,456	-
Pass-through Federal Highway Administration Office of Safety					
Safe Streets and Roads for All	20.939	N/A	693JJ32340014	145,166	-
Total U.S. Department of Transportation				2,625,295	-
U.S. Department of Defense:					
Direct Program					
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003	N/A		328,603	-
U.S. Department of Housing & Urban Development:					
Pass-through Florida Commerce					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	22CV-S14	3,742,659	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	MT010	40,750	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	MT011	157,018	-
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii and ALN 14.228				3,940,427	-

See notes to the schedule of expenditures of federal awards and state financial assistance.

City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
For the Year Ended September 30, 2025

Federal or State Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	CSFA Number	Pass-through Entity Identifying Number	Expenditures	Provided to Subrecipients
Federal Awards (continued):					
Direct Program					
Housing Opportunities for Persons with AIDS	14.241	N/A		$ 476,770	$ 461,574
Total U.S. Department of Housing and Urban Development				4,417,197	461,574
U.S. Department of Interior Fish and Wildlife Service:					
Pass-through State of Florida Department of Environmental Protection					
Clean Vessel Act	15.616	N/A	MV502	14,448	-
U.S. Department of Justice:					
Direct Program					
Bulletproof Vest Partnership Program	16.607	N/A	2023BUBX23035444	14,049	-
Executive Office of the President:					
Pass-through South Florida High Intensity Drug Trafficking Area					
High Intensity Drug Trafficking Areas Program	95.001	N/A	FC-FLS-1651	42,290	-
U.S. Department of Treasury:					
Pass-through State of Florida Department of Transportation					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	Y5151	466,189	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	G2708	991,816	-
Total U.S. Department of Treasury and ALN 21.027				1,458,005	-
U.S. Department of Homeland Security:					
Pass-through State of Florida Division of Emergency Management					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	Z0029	487,386	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	Z2987	1,539,611	-
Total Disaster Grants - Public Assistance and ALN 97.036				2,026,997	-
Hazard Mitigation Grant	97.039	N/A	H0461	2,415	-
Hazard Mitigation Grant	97.039	N/A	H0505	5,438	-
Hazard Mitigation Grant	97.039	N/A	H0559	275,852	-
Hazard Mitigation Grant	97.039	N/A	H0866	48,285	-
Total Hazard Mitigation Grant and ALN 97.039				331,990	-
Total U.S. Department of Homeland Security				2,358,987	-
Total Expenditures of Federal Awards				$ 11,258,874	$ 461,574

See notes to the schedule of expenditures of federal awards and state financial assistance.

City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
For the Year Ended September 30, 2025

Federal or State Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	CSFA Number	Pass-through Entity Identifying Number	Expenditures	Provided to Subrecipients
State Financial Assistance:					
Department of Environmental Protection:					
Statewide Surface Water Restoration and Wastewater Projects	N/A	37.039	KG003	$ 185,327	$ -
Resilient Florida	N/A	37.098	22PLN64	622,800	-
Total Department of Environmental Protection				808,127	-
Department of Transportation:					
Transit Corridor Development Program	N/A	55.013	G3144	112,471	-
Transit Corridor Development Program	N/A	55.013	G3B99	9,392	-
Total Transit Corridor Development Program				121,863	-
Seaport Investment Program	N/A	55.034	G1767	87,507	-
Local Transportation Projects	N/A	55.039	G3533	15,000	-
Commuter Assistance Program/Ride Share Grants	N/A	55.007	G2N25	328,357	-
Commuter Assistance Program/Ride Share Grants	N/A	55.007	G3157	353,567	-
Total Commuter Assisatance Program/Ride Share Grants				681,924	-
Public Transit Block Grant Program	N/A	55.010	G3159	277,769	-
Public Transit Service Development Program	N/A	55.012	G2M70	274,084	-
Total Department of Transportation				1,458,146	-
Florida Commerce:					
Business Development Projects	N/A	40.040	S0282	181,081	-
Department of State and Secretary of State:					
Historic Preservation Grants	N/A	45.031	25.h.sm.100.074	49,566	-
Total Expenditures of State Financial Assistance				$ 2,496,920	$ -

See notes to the schedule of expenditures of federal awards and state financial assistance.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state award activity of the City of Key West, Florida (the "City") for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance*)* and Chapter 10.550, *Rules of the Florida Auditor General*. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General,* as well as other applicable provisions of contracts and grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursements, as applicable.

Note 3 – Indirect Cost Rate

The City did not elect to use the de minimis cost rate as allowed under the Uniform Guidance.

SECTION I - SUMMARY AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified Opinion*	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Programs and State Projects

Internal control over major federal programs and state projects:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditor's report issued on compliance for major federal programs and state projects?	*Unmodified Opinion*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.550, *Rules of the Florida Auditor General* ?	____ yes	X no

Identification of major federal program and state projects:

ALN No.	Federal Program
14.228	U.S. Department of Housing and Urban Development - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
20.509	U.S. Department of Transportation - Formula Grants for Rural Area and Tribal Transit Program

CSFA No.	State Project
37.098	Department of Environmental Protection - Resilient Florida
55.007	Department of Transportation - Commuter Assistance Program/Ride Share Grants

Dollar threshold used to distinguish between Type A and Type B programs/projects:	$ 1,000,000	Federal programs
	$ 749,076	State projects
Auditee qualified as low-risk auditee?	X yes	____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None reported.