



**OROPEZA
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Certified Public Accountants

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Scott G. Oropeza, C.P.A., P.A.
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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*

Utility Board of the City
of Key West, Florida
"Keys Energy Services"
Key West, Florida

We have audited the accompanying financial statements of the Utility Board of the City of Key West, Florida, d/b/a Keys Energy Services, ("KEYS") as of and for the year ended September 30, 2006, which collectively comprise KEYS' basic financial statements and have issued our report thereon dated January 11, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KEYS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Page Two
Utility Board of the City
of Key West, Florida
"Keys Energy Services"
Key West, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KEYS' financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of KEYS, in a separate letter dated January 11, 2007.

This report is intended solely for the information and use of the audit committee, management, Utility Board, Florida Auditor General, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


OROPEZA & PARKS
CERTIFIED PUBLIC ACCOUNTANTS

January 11, 2007



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Scott G. Oropeza, C.P.A., P.A.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Utility Board of the City
of Key West, Florida
"Keys Energy Services"
Key West, Florida

Compliance

We have audited the compliance of the Utility Board of the City of Key West, Florida, d/b/a Keys Energy Services, ("KEYS") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. KEYS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of KEYS' management. Our responsibility is to express an opinion on KEYS' compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KEYS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on KEYS' compliance with those requirements.

In our opinion, KEYS complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Page Two
Utility Board of the City
of Key West, Florida
"Keys Energy Services"
Key West, Florida

Internal Control Over Compliance

The management of KEYS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered KEYS' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the audit committee, Board of Directors, management, Florida Auditor General, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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CERTIFIED PUBLIC ACCOUNTANTS

January 11, 2007

UTILITY BOARD OF THE CITY OF KEY WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | <u>CFDA Number</u> | <u>Grant Identification Number</u> | <u>Expenditures</u> |
|---|------------------------|--|----------------------------|
| <u>Federal Emergency Management Agency (FEMA)</u> | | | |
| Indirect Programs | | | |
| Passed through the State of Florida, Department of Community Affairs: | | | |
| Disaster Relief Funding Agreement | 97.036 | 03-WL-&K-11-54-02-508 | \$ 2,736,029 |
| Total Federal Awards | | | <u><u>\$ 2,736,029</u></u> |

UTILITY BOARD OF THE CITY OF KEY WEST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Keys Energy Services (KEYS) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. The auditor's report expresses an unqualified opinion on the financial statements of the Utility Board of the City of Key West, Florida.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Utility Board of the City of Key West, Florida, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major awards programs for the Utility Board of the City of Key West, Florida expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Utility Board of the City of Key West, Florida.
7. The programs tested as major programs include:

| <u>CFDA</u> | <u>Award Title</u> | <u>Annual Expenditures</u> |
|-------------|-----------------------------------|----------------------------|
| 97.036 | Disaster Relief Funding Agreement | \$ <u>2,736,029</u> |
| | Total | \$ <u>2,736,029</u> |

8. The threshold used for distinguishing between Type A and Type B programs was \$500,000.
9. The Utility Board of the City of Key West, Florida qualifies as a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Prior Year Findings and Questioned –
Major Federal Awards Programs

| <u>Finding Number</u> | <u>Prior Audit Finding</u> |
|---------------------------|----------------------------|
| Finding 1 | None |

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Federal Emergency Management Agency
c/o Florida Department of Community Affairs
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100
Attn: Office of Audit Services

RE: Auditor's Report
FEMA Disaster Relief Funding Agreements
06-WL-&K-11-54-02-508

The Utility Board of the City of Key West, Florida respectfully submits the following Corrective Action Plan for the year ended September 30, 2006.

Name and address of independent accounting firm:

Oropeza & Parks, Certified Public Accountants
815 Peacock Plaza
Key West, FL 33040

Audit Period: Year Ended September 30, 2006

The findings from the September 30, 2006 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. Findings – Financial Statement Audit

None noted

C. Findings – Federal Award Programs Audit

None noted