



Key Largo Wastewater Treatment District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

Key Largo Wastewater Treatment District
Comprehensive Annual Financial Report
For the Fiscal Year ended September 30, 2009

Table of Contents

I. INTRODUCTORY SECTION

Letter of Transmittal	i – ii
Organization Chart	iii
List of Principal Officials	iv

II. FINANCIAL SECTION

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-17
Supplementary Information (Other Schedule):	
Schedule of Revenues and Expenses (Budgetary Basis) – Budget and Actual	18

III. STATISTICAL SECTION

Net Assets by Component	19
Change in Net Assets since Inception	19
Revenues by Source since Inception	20
Expenses by Function since Inception	20
Monthly Rate Structure since Inception	20
System Development Charge Structure since Inception	21
Ratio of Outstanding Debt since Inception	21
Demographic and Economic Statistics since Inception	21
District Employees by Function since Inception	22
Operating Indicators since Inception	22
Miscellaneous Statistical Information	23

Key Largo Wastewater Treatment District
Comprehensive Annual Financial Report
For the Fiscal Year ended September 30, 2009

Table of Contents
(Continued)

IV. OTHER REPORTS (COMPLIANCE SECTION)

Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	24-25
Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act.....	26-27
Schedule of Expenditures of Federal Awards and State Financial Assistance	28
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	29
Schedule of Findings and Questioned Costs.....	30
Management Letter Pursuant to the Rules of the Auditor General for the State of Florida.....	31-33



KEY LARGO WASTEWATER TREATMENT DISTRICT
P.O. BOX 491; KEY LARGO, FLORIDA 33037
(305) 453-5804 FAX (305) 453-5807

March 1, 2010

Honorable Chairman,
Members of the Board of Commissioners, and
Citizens of Key Largo

The comprehensive annual financial report of the Key Largo Wastewater Treatment District, Florida for the fiscal year ended September 30, 2009, is submitted herewith pursuant to Florida Statute Chapter 218.39 and Chapter 189.436(3) governing audit requirements for special districts. The comprehensive annual financial report was compiled by the Chief Financial Officer based upon financial information recorded by District staff. It represents the official report of the District's financial operations and condition to the citizens, Board of Commissioners, rating agencies, and other interested parties.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the single enterprise fund of the District.

State law requires an annual audit by independent certified public accountants. The District's financial statements have been audited by the independent certified public accounting firm of Grau & Associates. They have issued an unqualified opinion on the financial statements for the fiscal year ended September 30, 2009. In addition to meeting the requirements set forth in state law, the audit was also designed to meet the requirements of the Single Audit Act and the related Federal OMB Circular A-133. The auditors' report on the financial statements is included in the Financial Section of this report. Auditors' reports related specifically to the single audit are in the Other Reports Section.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent accountants.

The financial and accounting structure of the District consists of a single enterprise fund. The District is an Independent Special District authorized by Chapter 2002-337, Florida Statutes, enacted May 23, 2002. The principal function of the District is to provide for the design, construction and operation of wastewater treatment facilities to serve the island of Key Largo, an unincorporated portion of Monroe County, Florida. The District complies with the operating and reporting requirements of Chapter 189, Florida Statutes as applicable to Special Districts.

The District maintains an intensive level of internal controls. Every disbursement transaction requires specific approval by the District's five member Board of Commissioners. All disbursements in excess of \$1,000 require dual signature, one of which must be a District Officer (commissioner) for disbursements in excess of \$10,000.

The District develops an annual budget to provide for the operations and capital programs of the District. A draft budget is developed by management and presented to the Board of Commissioners for review, revision and ultimate approval. A series of budget presentations, public hearings and budget revisions are conducted in July and August. In September of each year, following public advertisement of the budget, it is adopted by the Board of Commissioners, by resolution, for the upcoming fiscal year of October 1st through September 30th.

The District's mission is part of larger state and national initiatives to save the Everglades and Florida Bay eco structure for the benefit of future generations. In Key Largo, and typically all the Florida Keys except Key West, the disposal of domestic sewage has been historically handled by septic tanks and cesspits. Many commercial operations utilize small package sewage treatment plants. The statute creating the District established goals which included the introduction of advanced wastewater treatment (AWT) and disposal infrastructure to serve all residents and commercial operations of Key Largo by July, 2010.


Over 13,000 individual parcels of land exist on Key Largo. In its inaugural year, FY 2003, the District entered into contracts for a demonstration project that established the first AWT wastewater treatment plant on the island and provided vacuum based collection systems in the Key Largo Trailer Village, Key Largo Park, and Calusa Campground communities containing just over 1,000 equivalent residential connections. This project was completed in 2006 and began providing service to customers in May of that year.

In FY 2005 the District initiated design and engineering for the construction of a main transmission line to sewer the northern half of the island, including connection of commercial businesses and construction of collection systems in all communities along the new main. This project also provides for expansion of the treatment plant from 0.183 to 2.30 million gallons per day. The expanded treatment plant capacity will eventually provide service to the District's entire service area. Project construction was initiated in FY2006, continued through FY2009, and is scheduled for start up in June, 2010.

In FY2008 the District initiated design and engineering for the construction of a main transmission line and associated collection systems to sewer the southern half of the island. Construction was initiated in FY2009, and when finished in FY2011 will complete construction of the District's basic wastewater infrastructure throughout its entire service area.

The preparation of this comprehensive annual financial report for the Key Largo Wastewater Treatment District was made possible by the dedicated efforts of all members of the District's staff. Each staff member has our sincere appreciation for the contributions made to this report.

In closing, without the leadership and vision of the Board of Commissioners, preparation of this report would not have been possible.

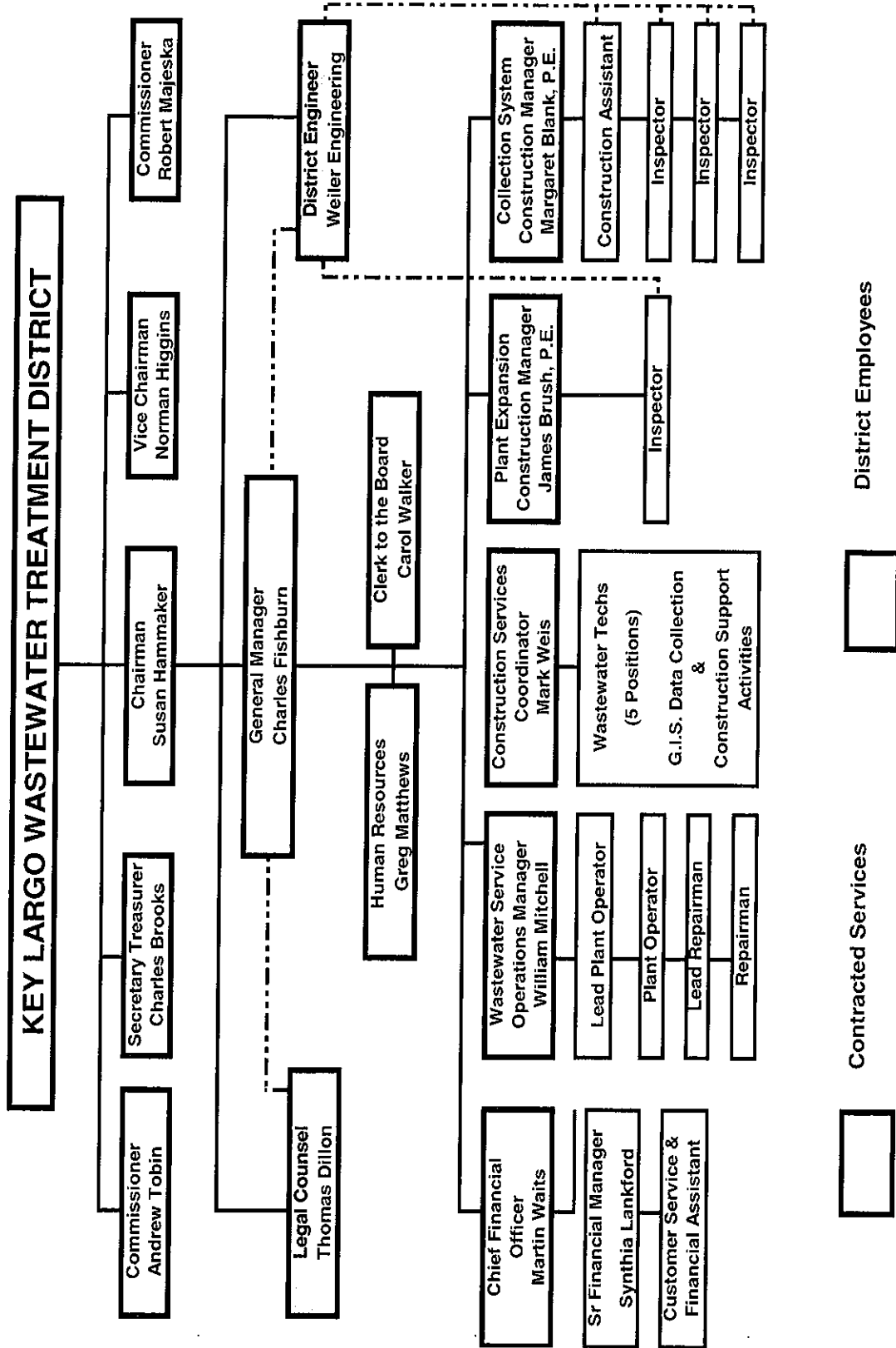


Charles F. Fishburn, General Manager



Martin D. Waits, Finance Officer

Key Largo Wastewater Treatment District Organization Chart



Contracted Services



District Employees

**Key Largo Wastewater Treatment District
List of Principal Officials**

Board of Commissioners

FY 2009

Susan Hammaker, Chairwoman

Norman Higgins, Vice Chairman

Charles Brooks, Secretary

Andrew Tobin

Robert Majeska

FY 2010

Norman Higgins, Chairman

Robert Majeska, Vice Chairman

Susan Hammaker, Secretary

Andrew Tobin

Charles Brooks

District Management

Charles F. Fishburn, General Manager

Martin D. Waits, Chief Financial Officer

Carol J. Walker, Clerk to the Board

William P. Mitchell, Operations Manager

Margaret H. Blank P.E., Collection System Construction Manager

James R. Brush P.E., Treatment Plant Construction Manager

District Counsel

Thomas M. Dillon

District Engineer

The Weiler Engineering Corp.
R. Jeff Weiler P.E., President
Edward R. Castle, Project Manager

Financial Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Key Largo Wastewater Treatment District
Key Largo, Florida

We have audited the accompanying basic financial statements of the Key Largo Wastewater Treatment District, Key Largo, Florida (the "District") as of and for the fiscal year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2009, and the results of its operations and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report March 1, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and by Chapter 10.550, Rules of the Auditor General and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory section, schedule of revenues and expenses (budgetary basis) -budget and actual, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.



March 1, 2010

Management Discussion and Analysis

KEY LARGO WASTEWATER TREATMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

On behalf of the Key Largo Wastewater Treatment District, Key Largo, Florida (District), management presents this narrative overview and analysis of financial activities of the District to readers of the District's financial statements for the fiscal year ended September 30, 2009. We are including this discussion and analysis in order to provide the reader with a better understanding of the District's overall financial position. This narrative should be considered in conjunction with the additional information contained in the introductory transmittal letter and the District's financial statements which follow in this section.

Overview of Operations

The District was formed as a special district with the election of inaugural commissioners on November 5, 2002, as provided in Chapter 2002-337, Florida Statutes. The District's mission includes the introduction and operation of advanced wastewater treatment and disposal infrastructure to serve all residents and commercial operations on the unincorporated island of Key Largo by the year 2010.

The District's activities in FY2003 and FY2004 were focused on administrative responsibilities associated with organization of a new public entity and on implementing demonstration projects to serve 760 residential and commercial customers in the Key Largo Trailer Village and Key Largo Park communities. Contracts to design and build a 0.183 mgd (million gallons per day) wastewater treatment plant and to install collection systems serving 850 EDU's (equivalent dwelling units) were awarded. Administrative expenses totaling approximately \$675,000 were funded by Monroe County grants and MSTU ad valorem tax revenues. Project costs totaling \$1,253,232 were funded by federal, state and local grants.

In FY2005 and FY2006 the District commenced construction of the Key Largo Trailer Village and Key Largo Park demonstration project, initiating service to customers in May, 2006. The District also focused on the expansion of service to serve the northern half of the island by initiating the design and engineering of the North Components project. This project consists of expansion of the treatment plant from 0.183 to 2.30 million gallons per day to ultimately serve the entire island with a single regional treatment facility, construction of a main transmission line serving the northern half of the island, and installing vacuum collection systems in the four northern service areas. Construction of the North Transmission force main was initiated in July, 2006. Contracts for design and engineering of the regional treatment plant and the collection systems serving 3,700 EDU's associated with the North Components project were also awarded. Administrative expenses for FY2005 and FY2006 totaling \$1,250,445 were funded by MSTU ad valorem tax revenues and charges for service to customers. Project costs totaling \$12,863,688 were funded by federal, state and local grants and loans.

In FY2007 and FY2008 the District focused on construction of the North Components project. A north transmission force main was completed. Construction in all four northern service area collection systems was undertaken (Basins A, B, C, and D), and construction of the 2.3 mgd treatment plant expansion was initiated in October, 2008. The District also initiated design and engineering of a South Components project consisting of a transmission line to serve the southern half of the island and installation of vacuum collection systems in seven southern service areas (Basins E - K). Administration and system operating expenses totaling approximately \$2,638,000 were funded by MSTU ad valorem tax revenues and charges for service to customers. Project costs totaling approximately \$20,913,000 were funded by federal, state and local grants and loans, including approximately \$4,044,000 from an interlocal grant agreement with Monroe County.

In FY2009, the subject year of this report, construction of the North Components collection systems was essentially completed. Expansion of the regional treatment plant continued with completion of a 3,700 ft. deep well and all treatment tanks. Construction of the South Components project was initiated in Basins E and F. Administration and system operating expenses totaling approximately \$1,558,000 were funded by MSTU ad valorem tax revenues, charges for service to customers, and a bank line of credit. Project costs totaling approximately \$36,602,000 were funded by federal, state and local grants and loans, including approximately \$4,107,000 from an interlocal grant agreement with Monroe County.

Overview of Operations (Continued)

Beginning in 2005, the District has annually pursued a policy of special assessments on all parcels to be benefited by new construction 1-2 years preceding service availability. This policy was continued in 2009 with the levy of a special assessment on essentially all remaining parcels in the District's service area. The assessments on the benefiting property owners are intended to recover a portion of the cost of the improvements. Each parcel owner has the choice to pay the assessment in full or as a non ad valorem tax over a 20 year period. Assessment revenues for FY2009 totaled approximately \$5,225,000.

The District's Single Enterprise Fund

The District uses proprietary fund accounting to record and report its results of operation as a single enterprise fund. This method of accounting is used when an entity charges customers for the services it provides.

Activities in the first three years of the District's existence were directed entirely toward the design, engineering and construction of facilities. Operation of the District as a true enterprise through the delivery of sanitary sewer services to its first customers for a fee was commenced in May, 2006.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District's Net Assets

Total Assets of the District at September 30, 2009, were \$153,233,386 and Total Liabilities amounted to \$106,808,432. Total Net Assets of the District were \$46,424,954. For the prior year, total assets of the District at September 30, 2008, were \$96,257,857 and Total Liabilities amounted to \$63,790,760 and Total Net Assets of the District were \$32,467,097.

Total Current Assets of \$27,260,515 at September 30, 2009 consisted \$2,737 in billings due from customers. In addition, restricted current assets included cash and investments of \$25,153,678 from grants and assessment collections restricted for use in construction, \$1,311,216 in receivables due from other governments, \$281,000 in interest receivable and \$511,884 in reimbursements due from other governments. For the prior year, total Current Assets of \$12,874,030 consisted of \$10,429,503 in cash from grants and assessment collections restricted for use in new construction, \$1,297,408, in receivables due from other governments, \$34,867 in billings due from customers, and \$1,112,252 in reimbursements due from other governmental units.

Total Non-Current Assets at September 30, 2009 of \$125,972,871 consisted essentially of \$6,700 in prepaid expenses and other, \$60,142,388 in assessments levied but not received, and \$65,823,783 in land, equipment and infrastructure owned by the District. In the prior year, total Non-Current Assets consisted essentially of \$6,652 in deposits, \$53,479,305 in assessments levied but not received, and \$29,897,870 in land, equipment and infrastructure owned by the District.

Total Liabilities at September 30, 2009 of \$106,808,432 included \$72,854 due to vendors for services rendered, \$5,380,992 due to construction contractors, \$41,212,198 in principal and accrued interest on debt of which \$954,060 is due next year, and \$60,142,388 for assessments levied not yet received. In the prior year, Total Liabilities of the District consisted of \$188,049 due to vendors for services rendered, \$2,170,072 due to construction contractors, \$7,953,334 in principal and accrued interest on debt, and \$53,479,305 for assessments levied not yet received.

The District's Net Assets (Continued)

Key components of the District's net assets are reflected in the following table:

	September 30,	
	2009	2008
Current and other assets	\$ 87,409,603	\$ 66,359,987
Capital assets, net of depreciation	65,823,783	29,897,870
Total assets	<u>153,233,386</u>	<u>96,257,857</u>
Long-term liabilities	100,400,526	61,394,984
Other liabilities	6,407,906	2,395,776
Total liabilities	<u>106,808,432</u>	<u>63,790,760</u>
Net Assets		
Invested in capital assets, net of related debt		
Invested in capital assets, net of related debt	19,230,593	19,774,464
Restricted for debt service	1,845,666	21,597
Restricted for capital assets	25,412,112	12,817,566
Unrestricted	(63,417)	(146,530)
Total net assets	<u>\$ 46,424,954</u>	<u>\$ 32,467,097</u>

District Revenues, Expenses, and Changes in Net Assets

The District's Net Assets increased by \$13,957,857 in FY 2009 from \$32,467,097 on October 1, 2008 to \$46,424,954 on September 30, 2009. Total revenues for the period were \$16,312,419 and total expenses for the period were \$2,354,562. For the prior year, the District's Net Assets increased by \$9,771,328 in FY 2008 from \$22,695,769 on October 1, 2007 to \$32,467,097 on September 30, 2008. Total revenues for the period were \$11,622,723 and total expenses for the period were \$1,851,395.

For FY 2009, operating revenue consisted of \$705,935 in charges to customers for services and related fees, and \$653,289 in Monroe County MSTU funding. Non-operating revenues consisted of \$4,825,358 in grant funds, \$4,107,049 in intergovernmental revenues, \$5,225,617 in assessments, and \$795,171 in interest income. As the District continues to develop it is expected that assessments will increase as infrastructure development continues and assessments are levied in anticipation of service availability. MSTU funding was exhausted in April, 2009 and the District supplemented operating revenue with a bank line of credit to continue funding administrative expenses associated with management of construction projects until the regional treatment plant begins operation in FY 2010. For FY 2008, operating revenue consisted of \$603,047 in charges to customers for service and \$843,001 in Monroe County MSTU funding. Non-operating revenues consisted of \$2,224,498 in grants, \$2,448,767 in intergovernmental revenues, \$5,298,845 in assessments, \$204,565 in interest income.

District Revenues, Expenses, and Changes in Net Assets (Continued)

Key elements of the change in net assets are reflected in the following table:

	Fiscal Year Ended September 30,	
	2009	2008
Operating activities:		
Charges for services	\$ 705,935	\$ 603,047
Ad valorem taxes	653,289	843,001
Cost of sales	(707,200)	(467,754)
Administration	(676,191)	(636,691)
Other	(175,484)	(353,386)
Depreciation	(376,540)	(371,420)
Net operating (loss)	<u>(576,191)</u>	<u>(383,203)</u>
Nonoperating activities:		
Grant revenue	4,825,358	2,224,498
Intergovernmental	4,107,049	2,448,767
Assessments	5,225,617	5,298,845
Interest income	795,171	204,565
Interest expense	(419,147)	(22,144)
Net nonoperating activities	<u>14,534,048</u>	<u>10,154,531</u>
Change in net assets	<u>13,957,857</u>	<u>9,771,328</u>
Net assets, beginning	<u>32,467,097</u>	<u>22,695,769</u>
Net assets, ending	<u>\$ 46,424,954</u>	<u>\$ 32,467,097</u>

Capital Assets and Project Plan

The District adopted a master Facilities Plan in March, 2006. Construction of wastewater collection, transmission and treatment facilities to serve the entire island of Key Largo is projected to cost \$145 million when completed. Of that amount, approximately 35% of project costs are targeted for funding with Federal, State, and local grants. In addition, the District has implemented a phased non ad valorem assessment program expected to generate approximately \$80,000,000 to fund the balance of construction costs. Assessment revenues will be used to collateralize State Revolving Fund (SRF) loans over 20 years.

At September 30, 2009, the District had \$66,763,944 invested in land, infrastructure and equipment. Depreciation of \$940,161 has been taken, which resulted in a net book value of \$65,823,783. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

The District has entered into State Revolving Fund Loan Agreements with the Florida Department of Environmental Protection. The loans are considered federal financial assistance under CFDA number 66.458 passed through the state. In addition, during the fiscal year ended September 30, 2009, the District entered into an agreement with the Florida Rural Utility Financing Commission. The District entered into an agreement with a local bank for a line of credit. More detailed information is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

There has been a decline in both population and in the assessed value of properties.

After peaking in 2007, assessed property value in the District's service area declined by 22% in 2009 to a value approximately equal to 2005. The District has no taxing authority, and no District revenue is derived from or dependent upon ad valorem taxation. Therefore, this decline in property value should have no significant affect on the current or future financial performance.

Population also declined by 15% in 2009. However, water consumption which is the basis for wastewater service billing showed no observable related decline. A high proportion of water consumption results from tourism, not residential usage, and District revenue is not expected to be impacted significantly by either increases or decreases in local population.

The District has continued its efforts to obtain financing for the construction of the wastewater collection, transmission and treatment facilities and subsequent to September 30, 2009 the District closed on a \$30 million loan, Utility Revenue Bonds, Series 2010A, with BB&T to fund continued construction.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, landowners, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Key Largo Wastewater Treatment District's Finance Department at P.O. Box 491, Key Largo, Florida, 33037.

Basic Financial Statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

ASSETS	
Current assets:	
Unrestricted:	
Accounts receivable	\$ 2,737
Total unrestricted current assets	<u>2,737</u>
Restricted:	
Cash and cash equivalents	13,184,762
Investments	11,968,916
Due from other governments	1,311,216
Grants receivable	511,884
Interest receivable	281,000
Total restricted current assets	<u>27,257,778</u>
Total current assets	<u>27,260,515</u>
Noncurrent assets:	
Prepaid and other assets	6,700
Assessments	60,142,388
Capital assets:	
Land	1,436,088
Construction in progress	52,966,210
Depreciable assets	12,361,646
Less accumulated depreciation	<u>(940,161)</u>
Total capital assets, net	<u>65,823,783</u>
Total noncurrent assets	<u>125,972,871</u>
Total assets	<u>153,233,386</u>
LIABILITIES	
Current liabilities:	
Accounts payable	72,854
Construction contracts payable from restricted assets	5,380,992
Loans payable from restricted assets	954,060
Total current liabilities	<u>6,407,906</u>
Noncurrent liabilities:	
Deferred revenue	60,142,388
Loans payable	40,258,138
Total noncurrent liabilities	<u>100,400,526</u>
Total liabilities	<u>106,808,432</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,230,593
Restricted for debt service	1,845,666
Restricted for capital assets	25,412,112
Unrestricted	<u>(63,417)</u>
Total net assets	<u>\$ 46,424,954</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Operating revenues:	
Charges for services	\$ 638,473
Ad valorem taxes	653,289
Other service fees	67,462
Total operating revenues	<u>1,359,224</u>
Operating expenses:	
Costs of sales and services	707,200
Administration	676,191
Other	175,484
Depreciation	376,540
Total operating expenses	<u>1,935,415</u>
Operating income (loss)	<u>(576,191)</u>
Nonoperating revenues (expenses):	
Grant revenues	4,825,358
Intergovernmental	4,107,049
Assessments	5,225,617
Interest income	795,171
Interest expense	(419,147)
Total nonoperating revenues (expenses):	<u>14,534,048</u>
Change in net assets	13,957,857
Total net assets - beginning	<u>32,467,097</u>
Total net assets - ending	<u>\$ 46,424,954</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Cash flows from operating activities:	
Receipts from customers and users	\$ 738,065
Receipts from ad valorem taxes	653,289
Payments to employees	(702,124)
Payments to suppliers	(971,994)
Net cash provided (used) by operating activities	<u>(282,764)</u>
Cash flows from capital and related financing activities:	
Grants and other intergovernmental	9,518,967
Assessments	5,225,617
Proceeds from bank loans	17,240,000
Loan from other governmental unit	16,056,033
Payments and fees on loan from other government	(37,169)
Interest payments	(419,147)
Acquisition and construction of capital assets	(33,091,533)
Net cash provided (used) by capital and related financing activities	<u>14,492,768</u>
Cash flows from investing activities:	
Investment earnings	514,171
Purchase/sale of investments	(11,968,916)
Net cash provided (used) by investing activities	<u>(11,454,745)</u>
Net increase in cash and cash equivalents	<u>2,755,259</u>
Cash and cash equivalents (including restricted), October 1	<u>10,429,503</u>
Cash and cash equivalents (including restricted), September 30	<u>\$ 13,184,762</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	\$ (576,191)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	376,540
(Increase)/Decrease in accounts receivable	32,130
(Increase)/Decrease in prepaid	(48)
Increase/(Decrease) in accounts payable	(115,195)
Total adjustments	<u>293,427</u>
Net cash provided (used) by operating activities	<u>\$ (282,764)</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – REPORTING ENTITY

The Key Largo Wastewater Treatment District, Key Largo, Florida ("District") is an autonomous independent Special District and political body formed in 2002 by the Legislature of the State of Florida by House Bill 471, enacted as Chapter 2002-37, Laws of Florida, for the purpose of carrying out the planning, acquisition, development, operation, and management of a wastewater management system within the District's boundaries in Key Largo, Monroe County, Florida. This responsibility was transferred from the Florida Keys Aqueduct Authority ("FKAA") to the District pursuant to an Interlocal Agreement dated February 26, 2003 between the District, Monroe County, and FKAA. The District is governed by a five member Board of Directors which are elected in a nonpartisan election.

Under the provisions of Governmental Accounting Standards Board Standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates as a proprietary fund type, specifically an enterprise fund. The District's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The focus of a proprietary fund is the measurement of economic resources. Under this method revenues are recorded when earned and expenses are recorded when the liability is incurred, and all assets and liabilities associated with the entity are included on the balance sheet. The generally accepted accounting principles applicable to proprietary funds are similar to those applicable in the private sector.

The District has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all pronouncements issued by the Financial Accounting Standards Board issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The operating revenues of the District are charges to customers for sales and services and Monroe County ad valorem taxes. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets – Restricted assets represent cash and other assets whose use is restricted by legal requirements, amounts set aside to meet sinking fund requirements, and Board approved designated amounts for the construction of the capital improvement projects.

Capital Assets – Capital assets include property, plant, equipment and wastewater system. The District maintains a \$750 threshold and estimated useful life of more than one year for additions to equipment. The remainder of capital assets with a value in excess of \$5,000 and an estimated useful life of in excess of two years are capitalized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal year ended September 30, 2009 there was no material interest to be included as part of the cost of capital assets under construction in connection with the wastewater treatment facilities construction projects.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized but expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment – field and plant equipment	7-10
Equipment – vehicles	5
Infrastructure and building	30-40

The District's wastewater system is to be completed in sections. Depreciation begins when the section is completed and placed in service.

Long-term Obligations – The long-term debt of the District is reported as a liability in the statement of net assets.

Revenue Recognition – Revenues that do not meet revenue recognition requirements (not earned) are recorded as deferred revenue.

Assessments are non-ad valorem assessments on parcels to be served within the District. The assessments will be levied in phases one to two years before the related infrastructure for the area is expected to be completed. The assessments may be paid in one lump sum or allocated over a 20 year period. For assessments paid over a 20 year period, interest will be the lesser of the District's borrowing rate or 8% per year. There is no penalty for prepayments or deferred payments. There was no significant interest due for the fiscal year ended September 30, 2009. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. The assessments were levied to fund a portion of the costs of the infrastructure being constructed to benefit parcels served and are reported as nonoperating revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Assessments, operating revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due and earned within the current fiscal period is considered to be revenue of the current period. The remainder is recorded as deferred revenue in the statement of net assets.

Fund Equity/Net Assets - Net assets of the District are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of depreciation and any related debt used to construct or purchase those assets. Restricted net assets represent the assets restricted by third-party limitations on their use.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments amounts restricted for specific use by outside parties or the District Board. Restricted amounts at September 30, 2009 are as follows:

Restricted for construction	\$	23,199,173
Restricted for debt service on loans		1,845,666
Restricted for repair, replacement, and windstorm damage		108,839
	\$	<u>25,153,678</u>

Deposits

The District had deposits held with various institutions at September 30, 2009. The balances in those accounts were as follows:

	Book	Bank
R&R / Windstorm - TIB Bank	\$ 108,834	\$ 108,834
SRF Loan Debt Service - TIB Bank	18,262	18,262
NOW Account - TIB Bank	8,258,446	8,258,446
General Account - TIB Bank	163,137	229,422
Assessment Account - Community Bank	2,310,314	2,310,314
Assessment Account - Community Bank	10,000	10,000
Assessment Account - First State bank	2,315,769	2,315,769
	<u>\$ 13,184,762</u>	<u>\$ 13,251,047</u>

The District's cash balances reflected in the table above were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2009:

	Fair Value	Credit Risk	Maturities
Federated Government Obligation Money Market Fund	\$ 337,420	AAAm	Effective average maturity 36 days
Pallas Capital Corp Investment Agreement ATLAS #264147	11,631,496	Not available	November 1, 2010
Total Investments	<u>\$ 11,968,916</u>		

These investments in the table above are restricted for capital expenditures and interest in accordance with the terms of the loan.

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market fund is not evidenced by securities that exist in physical or book entry form. The guaranteed investment contract is not collateralized, however in the event that the ratings of Pallas Capital Corp. ("Pallas") long term debt obligations falls below certain minimum rating requirements then there are contingencies in place which mitigates risk of the investment. The contract expires November 1, 2010. All investments permitted by loan agreements to be drawn for construction expenses were used by mid-January 2010. Approximately \$1,800,000 remains invested for debt service purposes.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

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

NOTE 4 – CAPITAL ASSETS

The table below summarizes the capital activity for the fiscal year ended September 30, 2009.

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 826,234	\$ 609,854	\$ -	\$ 1,436,088
Construction in progress	17,371,203	35,595,007		52,966,210
Total capital assets, not being depreciated	18,197,437	36,204,861	-	54,402,298
Capital assets, being depreciated:				
Buildings	433,430	-		433,430
Vacuum and treatment facilities	3,341,209	-		3,341,209
Collection system	8,324,225	13,310		8,337,535
Equipment	165,190	84,282		249,472
Total capital assets, being depreciated	12,264,054	97,592	-	12,361,646
Less accumulated depreciation for:				
Buildings	(21,459)	(14,837)		(36,296)
Vacuum and treatment facilities	(185,970)	(125,679)		(311,649)
Collection system	(312,158)	(208,356)		(520,514)
Equipment	(44,034)	(27,668)		(71,702)
Total accumulated depreciation	(563,621)	(376,540)	-	(940,161)
Total capital assets, being depreciated, net	11,700,433	(278,948)	-	11,421,485
Total capital assets, net	\$ 29,897,870	\$ 35,925,913	\$ -	\$ 65,823,783

In connection with the District's wastewater treatment project, the District has entered into various contracts with engineers and contractors to construct the collection system and treatment plant. At September 30, 2009 contracts payable totaled approximately \$5,380,000.

NOTE 5 – INTERLOCAL AGREEMENTS

The District entered into an Interlocal Agreement in a prior year with Monroe County for the purpose of funding the development of the wastewater and reclaimed water projects of the District. The County created a municipal services taxing unit (MSTU) in which to levy ad valorem taxes on real estate within the District's entire service area. Under the agreement, the County will reimburse the District for certain costs related to the planning, development and implementation of the project from the MSTU tax revenues. The collection of ad valorem taxes as authorized by the agreement ceased at the end of the County fiscal year 2006-2007. However, the District still had funds to collect from MSTU. During the fiscal year end September 30, 2009, the District collected the last \$653,289 of MSTU tax revenue available and exhausted the funding.

The District has also entered into an Interlocal Agreement with Monroe County related to the design, permitting and construction of a portion of the regional wastewater system for service within the District's boundaries identified as North Component portion of the wastewater system. Under the agreement, the County will reimburse to the District up to \$20,000,000. The reimbursement amount includes an advance of funds in the amount of approximately \$3,700,000 received in prior years and revenues of approximately \$2,403,025 for the fiscal year ended September 30, 2008. During the fiscal year ended September 30, 2009 total revenues under the agreement were \$4,107,049 which includes a receivable of \$909,439 included in due from other Governments at September 30, 2009.

The District entered into an agreement with the Army Corps of Engineers in a prior year to receive funds from a federal grant awarded to the Army Corps of Engineers for the Florida Keys Water Quality Improvement Program Regional Wastewater Treatment and Collection Facility Project. Funds are provided on a reimbursement basis.

NOTE 6 – LONG-TERM DEBT

State Revolving Fund Loans

During the fiscal year ended September 30, 2007 the District entered into two State Revolving Fund Loan Agreements with the Florida Department of Environmental Protection. The loans are considered federal financial assistance under CFDA number 66.458 passed through the state.

Under agreement WW46401P the District is authorized to draw up to \$2,670,199 to be used for the wastewater project construction. In addition the District is charged a loan service fee in the amount of \$53,404 and capitalized interest. The loan will bear interest at a rate of 2.51% per annum charged on the unpaid balance and shall be repaid in 40 semiannual payments. During the fiscal year ended September 30, 2007 and September 30, 2008 the loan was amended twice and the award amount was increased by an additional \$5,000,000 in each year. The District is currently authorized to draw up to \$12,670,199. At September 30, 2009 the unpaid balance on the loan is approximately \$13,029,016 including capitalized interest. The first semiannual repayment is due January 15, 2010.

Under agreement WW464020 the District was authorized to draw up to \$1,161,845 to be used for wastewater project construction. In addition the District was charged a loan service fee and included capitalized interest. The loan was set to bear interest at a rate of 2.61% per annum charged on the unpaid balance and subject to repayment in 40 semiannual payments. During the fiscal year ended September 30, 2007 the authorized draw amount was reduced by \$270,423 and semiannual payments commencing January 1, 2007 were reduced to \$29,189. Under the terms of the agreements the District is to set aside certain funds for the future repayment of the loans and will be required to comply with other covenants once the draw downs are complete. As a result, the District has \$18,262 in a debt service account for that purpose. At September 30, 2009 the unpaid balance on the loan is approximately \$804,936 including capitalized interest.

Under agreement WW464010 the District was authorized to draw \$10,000,000 to be used for the wastewater project construction. In addition the District was charged a loan service fee and included capitalized interest. The loan was set to bear interest at a rate of 2.72% per annum charged on the unpaid balance and subject to repayment in 40 semiannual payments. The agreement also provides for an amendment for the District to draw an additional \$10,000,000, with an additional loan service fee to be charged, and the loan will bear interest at a rate of 2.69% per annum. At September 30, 2009 the unpaid balance on the loan is approximately \$10,138,246 including capitalized interest. The first semiannual repayment is due January 15, 2010.

Under the terms of the loan agreements pledged revenues shall be the gross revenues, together with system development charges and annual wastewater assessments, derived yearly from the operation of the sewer system after payment of operating and maintenance expenses and any yearly payment obligation of any senior debt obligations.

RWA Loan

The District entered into an agreement with the Florida Rural Utility Financing Commission for financing a portion of its ongoing wastewater construction project. Under the terms of the agreement, the District may draw up to \$17,000,000. The loan bears interest at 4.200% per annum and matures on October 1, 2011. It is anticipated that the loan may be converted to a permanent financing arrangement through the State Revolving Fund Grant program. During the fiscal year ended September 30, 2009 the District drew the full amount of \$17,000,000. A portion of the balance, approximately \$14,818,000 was drawn for construction. Of that amount approximately \$4,677,000 was expended and the remaining balance of approximately \$10,141,000 is included in restricted investments. The remaining portion, approximately \$2,181,000 was drawn to pay the interest on the loan as it becomes due. Of that amount, approximately \$354,000 of interest was paid and the remaining balance of approximately \$1,827,000 is included in restricted investments. The interest earnings on the restricted investment accounts offset the interest paid on the loan for the 2009 fiscal year.

NOTE 6 – LONG-TERM DEBT (Continued)

Line of Credit

During the fiscal year end September 30, 2009, the District entered into an agreement with a local bank for a line of credit in the amount of \$1,500,000. The line of credit was established to cover construction administrative expenditures until the water treatment plant is completed. At September 30, 2009 the District has a liability of \$240,000 associated with the line a credit. The loan bears interest at 5.75% with interest due monthly, and matures on June 30, 2012, when any unpaid principal and interest is due and payable.

Changes in long-term liability activity for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
State Revolving Loan WW46401P	\$ 7,115,555	\$ 5,913,461	\$ -	\$ 13,029,016	\$ 524,017
State Revolving Loan WW464020	837,779	4,326	37,169	804,936	39,490
State Revolving Loan WW464010		10,138,246		10,138,246	390,553
Florida Rural Utility		17,000,000		17,000,000	
Line of Credit		240,000		240,000	
Total loans payable	<u>\$ 7,953,334</u>	<u>\$ 33,296,033</u>	<u>\$ 37,169</u>	<u>\$ 41,212,198</u>	<u>\$ 954,060</u>

While the terms of certain loans have not yet been finalized, the District has estimated scheduled debt service requirements, including anticipated loan draws, as follows:

Year ending September 30,	Total		
	Principal	Interest	Total
2010	\$ 954,060	\$ 1,333,876	\$ 2,287,937
2011	978,936	1,309,000	2,287,937
2012	18,244,462	1,283,475	19,527,937
2013	1,030,653	543,283	1,573,937
2014	1,057,529	516,408	1,573,937
2015-2019	5,715,991	2,153,692	7,869,683
2020-2024	6,501,309	1,368,374	7,869,683
2025-2029	6,729,258	482,778	7,212,036
	<u>\$ 41,212,198</u>	<u>\$ 8,990,886</u>	<u>\$ 50,203,085</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts and errors and omissions. During fiscal year 2009, the District maintained liability and errors and omissions insurance through the Preferred Governmental Insurance Trust (PGIT), coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to September 30, 2009 the District closed on a \$30 million loan, Utility Revenue Bonds, Series 2010A, with BB&T to fund continued construction. The Bonds, dated February 1, 2010 bear interest at an average rate of 4.11% per annum and mature January 15, 2017.

Supplementary Information

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES (BUDGETARY BASIS) – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Ad valorem taxes	\$ 720,000	\$ 653,289	\$ (66,711)
Charges for services	708,540	638,473	(70,067)
Other revenues	25,000	67,462	42,462
Total operating revenues	<u>1,453,540</u>	<u>1,359,224</u>	<u>(94,316)</u>
OPERATING EXPENSES:			
Board meeting compensation	38,000	49,200	(11,200)
Salaries	434,312	414,608	19,704
Inspector and Engineer salaries	151,472	123,641	27,831
Payroll taxes	47,719	46,903	816
Group health insurance	52,900	86,003	(33,103)
Retirement program	39,989	3,115	36,874
Workers compensation insurance	25,795	27,849	(2,054)
Copier maintenance and supplies	4,500	2,445	2,055
Postage and delivery	30,015	103,809	(73,794)
Property and liability insurance	69,500	81,883	(12,383)
Miscellaneous expenses	22,980	19,463	3,517
Legal advertisements	7,000	10,703	(3,703)
Office supplies and bank fees	40,000	81,651	(41,651)
Dues and subscriptions	1,500	5,582	(4,082)
Travel	14,200	16,837	(2,637)
Rents and leases	32,430	31,335	1,095
Telephone	15,620	14,511	1,109
Utilities (water and electric)	45,207	35,634	9,573
Chemicals, sludge and lab services	132,447	103,379	29,068
Supplemental operating support	5,000	-	5,000
Repairs and maintenance	26,500	56,496	(29,996)
Computer support	2,500	7,328	(4,828)
FKAA billing services	16,500	16,110	390
Vehicle Expense	13,000	13,754	(754)
Donations	9,000	-	9,000
Audit and accounting services	23,500	23,600	(100)
Utility Rate consultant	1,000	-	1,000
Legal - General Counsel	55,000	54,053	947
Legal - Litigation Reserve	20,000	20,231	(231)
Lobbyists	80,000	56,234	23,766
GSG management services	4,500	2,500	2,000
Engineering services	68,800	44,966	23,834
Contingencies	13,000	5,052	7,948
Total operating expenses	<u>1,543,886</u>	<u>1,558,875</u>	<u>(14,989)</u>
Budgetary basis operating income (loss)	<u>(90,346)</u>	<u>(199,651)</u>	<u>(109,305)</u>
NON OPERATING REVENUES (EXPENSES):			
Assessments	5,000,000	5,225,617	225,617
Investment income	260,000	795,171	535,171
Interest expense	(58,380)	(419,147)	(360,767)
Renewal, replacement and capital	(68,427)	-	68,427
Line of credit	158,773	-	(158,773)
Total non operating revenues (expenses)	<u>5,291,966</u>	<u>5,601,641</u>	<u>309,675</u>
Budgetary basis income (loss)	5,201,620	5,401,990	200,370
Intergovernmental	-	8,932,407	8,932,407
Depreciation	-	(376,540)	(376,540)
GAAP basis change in net assets	<u>\$ 5,201,620</u>	<u>\$ 13,957,857</u>	<u>\$ 8,756,237</u>

Statistical Section

This part of the District's comprehensive annual financial report represents information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the District's overall financial health.

Financial Trends:

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity:

These Schedules contain information to help readers assess the factors affecting the District's ability to generate revenues.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to incur additional debt in the future.

Demographic and Economic Information:

These schedules offer demographic and economic indications to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time with other agencies.

Operating Information:

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources: Unless otherwise indicated, information in these schedules is derived from the comprehensive annual financial reports for the respective years.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
NET ASSETS BY COMPONENT
SINCE INCEPTION**

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$ 19,230,593	\$ 19,774,464	\$ 15,622,110	\$ 12,709,020	\$ 6,977,866	\$ 1,897,185	\$ -
Restricted	27,257,758	12,839,163	6,962,626	1,024,411	2,185,055	1,296,136	-
Unrestricted	(63,417)	(146,530)	111,033	(8,635)	32,114	45,454	(76,163)
Total net assets	\$ 46,424,934	\$ 32,467,097	\$ 22,695,769	\$ 13,724,796	\$ 9,195,035	\$ 3,238,775	\$ (76,163)

**KEY LARGO WASTEWATER TREATMENT DISTRICT
CHANGE IN NET ASSETS
SINCE INCEPTION**

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Operating revenues:							
Charges for service	\$ 705,935	\$ 603,047	\$ 516,765	\$ 84,022	\$ -	\$ -	\$ -
Ad volorem taxes	653,289	843,001	787,643	681,289	489,328	477,151	-
Total operating revenues	1,359,224	1,446,048	1,304,408	765,311	489,328	477,151	-
Operating expenses:							
Cost of sales and services	707,200	428,281	381,279	68,691	-	-	-
Administration	676,191	636,691	558,753	540,336	234,805	229,441	147,356
Professional and other	175,484	392,859	240,709	208,382	194,237	119,135	178,738
Depreciation	376,540	371,420	188,327	3,994	-	-	-
Total operating expenses	1,935,415	1,829,251	1,369,068	821,403	429,042	348,576	326,094
Total operating income (loss)	(576,191)	(383,203)	(64,660)	(56,092)	60,286	128,575	(326,094)
Nonoperating revenues (expenses):							
Grant revenue	4,825,358	2,224,498	907,829	2,095,394	5,896,498	2,364,057	250,425
Intergovernmental	4,107,049	2,448,767	5,518,395	791,699	-	826,234	-
Assessments	5,225,617	5,298,845	2,474,159	661,671	-	-	-
Forgiveness of debt	-	-	-	1,023,821	-	-	-
Other	-	-	-	-	-	-	1,632
Interest income	795,171	204,565	174,233	13,268	3,326	298	86
Interest expense	(419,147)	(22,144)	(38,983)	-	(3,850)	(4,227)	(2,212)
Total nonoperating revenues	14,534,048	10,154,531	9,035,633	4,585,853	5,895,974	3,186,362	249,931
Change in net assets	\$ 13,957,857	\$ 9,771,328	\$ 8,970,973	\$ 4,529,761	\$ 5,956,260	\$ 3,314,937	\$ (76,163)

**KEY LARGO WASTEWATER TREATMENT DISTRICT
REVENUES BY SOURCE
SINCE INCEPTION**

Fiscal Year	Operating		Total Operating Revenue	Nonoperating					Total Non-Operating Revenue	Total Combined Revenue
	Sewer Service	Ad Valorem Taxes ¹		Grants	Intergovernmental	Assessments	Interest	Other		
2009	\$ 705,935	\$ 653,289	\$ 1,359,224	\$ 4,825,358	\$ 4,107,049	\$ 5,225,617	\$ 795,171	\$ -	\$ 14,953,195	\$ 16,312,419
2008	\$ 603,047	\$ 843,001	\$ 1,446,048	\$ 2,224,498	\$ 2,448,767	\$ 5,298,845	\$ 204,565	\$ -	\$ 10,176,675	\$ 11,622,723
2007	\$ 516,765	\$ 787,643	\$ 1,304,408	\$ 907,829	\$ 5,518,395	\$ 2,474,159	\$ 174,233	\$ -	\$ 9,074,616	\$ 10,379,024
2006	\$ 84,022	\$ 681,289	\$ 765,311	\$ 2,095,394	\$ 791,699	\$ 661,671	\$ 13,268	\$ 1,023,821	\$ 4,585,853	\$ 5,351,164
2005	\$ -	\$ 489,328	\$ 489,328	\$ 5,896,498	\$ -	\$ -	\$ 3,326	\$ -	\$ 5,899,824	\$ 6,389,152
2004	\$ -	\$ 477,151	\$ 477,151	\$ 2,364,057	\$ 826,234	\$ -	\$ 298	\$ -	\$ 3,190,589	\$ 3,667,740
2003	\$ -	\$ -	\$ -	\$ 250,425	\$ -	\$ -	\$ 86	\$ 1,632	\$ 252,143	\$ 252,143

¹ Ad valorem taxes are levied and collected by Monroe County on property within the District. See Note 5 to the financial statements for details.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
EXPENSES BY FUNCTION
SINCE INCEPTION**

Fiscal Year	Operating Expenses				Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
	Cost of Sales and Service	Administration	Contractual and Other	Depreciation			
2009	\$ 707,200	\$ 676,191	\$ 175,484	\$ 376,540	\$ 1,935,415	\$ 419,147	\$ 2,354,562
2008	\$ 428,281	\$ 636,691	\$ 289,652	\$ 371,420	\$ 1,726,044	\$ 125,351	\$ 1,851,395
2007	\$ 381,279	\$ 558,753	\$ 240,709	\$ 188,327	\$ 1,369,068	\$ 38,983	\$ 1,408,051
2006	\$ 68,691	\$ 540,336	\$ 208,382	\$ 3,994	\$ 821,403	\$ -	\$ 821,403
2005	\$ -	\$ 234,805	\$ 194,237	\$ -	\$ 429,042	\$ 3,850	\$ 432,892
2004	\$ -	\$ 229,441	\$ 119,135	\$ -	\$ 348,576	\$ 4,227	\$ 352,803
2003	\$ -	\$ 147,356	\$ 178,738	\$ -	\$ 326,094	\$ 2,212	\$ 328,306

**KEY LARGO WASTEWATER TREATMENT DISTRICT
MONTHLY RATE STRUCTURE SINCE INCEPTION**

	Base Charge (EDU)	Flow Charge (1,000 Gal.)	Average Monthly Service Fees			
			Residential	Non-Residential	Accounts	EDU's
2009	\$ 33.60	\$ 5.27	\$ 45,842	\$ 6,743	655	1023
2008	\$ 33.60	\$ 5.27	\$ 42,710	\$ 5,605	657	1023
2007	\$ 33.60	\$ 5.27	\$ 43,760	\$ 2,400	656	681
2006	\$ 33.60	\$ 5.27	\$ 19,509	\$ 286	426	435
2005	\$ -	\$ -	\$ -	\$ -	-	-
2004	\$ -	\$ -	\$ -	\$ -	-	-
2003	\$ -	\$ -	\$ -	\$ -	-	-

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SYSTEM DEVELOPMENT CHARGE STRUCTURE SINCE INCEPTION**

	Fee Structure				Assessment		
	Capacity	Connection				Total	
	Charge (EDU)	Charge (Each)	Residential	Non-Residential			
2009	\$ 2,950	\$ 2,250	\$ 12,579,702	\$ 2,860,780	\$ 15,440,482		
2008	\$ 2,950	\$ 2,250	\$ 14,941,820	\$ 8,412,311	\$ 23,354,131		
2007	\$ 2,850	\$ 2,200	\$ 16,439,222	\$ 4,354,407	\$ 20,793,629		
2006	\$ 2,820	\$ 2,150	\$ 11,790,338	\$ 7,906,212	\$ 19,696,550		
2005	\$ 2,700	\$ 2,070	\$ 4,527,049	\$ 266,641	\$ 4,793,690		
2004	\$ -	\$ -	\$ -	\$ -	\$ -		
2003	\$ -	\$ -	\$ -	\$ -	\$ -		

**KEY LARGO WASTEWATER TREATMENT DISTRICT
RATIO OF OUTSTANDING DEBT
SINCE INCEPTION**

	Loans	Assessed Property Value	Percentage of Assessed Value	Pledged Revenue
2009	\$ 41,212,198	\$ 3,479,137,002	1.1846%	\$ 58,380
2008	\$ 7,953,334	\$ 4,464,565,476	0.1781%	\$ 58,380
2007	\$ 3,193,855	\$ 4,818,870,865	0.0663%	\$ 58,380
2006	\$ 1,206,982	\$ 4,306,056,741	0.0280%	\$ 58,380
2005	\$ 1,014,285	\$ 3,375,533,340	0.0300%	\$ -
2004	\$ 100,000	\$ 2,737,790,340	0.0037%	\$ -
2003	\$ 100,000	\$ 2,262,644,965	0.0044%	\$ -

**KEY LARGO WASTEWATER TREATMENT DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
SINCE INCEPTION**

	Assessed Property Value	Estimated Resident Population	
		Key Largo District	Monroe County
2009	\$ 3,479,137,002	10,909	72,243
2008	\$ 4,464,565,476	12,886	76,081
2007	\$ 4,818,870,865	14,078	79,942
2006	\$ 4,306,056,741	14,655	83,219
2005	\$ 3,375,533,340	14,340	81,433
2004	\$ 2,737,790,904	14,310	81,236
2003	\$ 2,262,644,965	14,183	80,537

**KEY LARGO WASTEWATER TREATMENT DISTRICT
DISTRICT EMPLOYEES BY FUNCTION
SINCE INCEPTION**

	2009	2008	2007	2006	2005	2004	2003
Executive (Commissioners)	5	5	5	5	5	5	5
Administration	6	4	4	5	5	4	0
Operations	5	4	4	2	0	0	0
Construction	13	9	5	2	0	0	0
	29	22	18	14	10	9	5

**KEY LARGO WASTEWATER TREATMENT DISTRICT
OPERATING INDICATORS
SINCE INCEPTION**

	2009	2008	2007	2006	2005	2004	2003
Number of Employees	29	22	18	14	10	9	5
Number of Customers	655	657	656	426	0	0	0
Collection Main (feet)	190,000	72,000	45,000	41,000	19,000	0	0
Transmission Main (feet)	27,000	27,000	27,000	7,000	0	0	0
Number of Vacuum Pits	1240	470	320	219	85	0	0
Number of Vacuum Stations	2	1	1	1	0	0	0
Average Daily Flow (gallons)	47,320	49,800	46,000	21,000	0	0	0
Peak Daily Flow (gallons)	66,000	58,550	58,000	32,000	0	0	0

**KEY LARGO WASTEWATER TREATMENT DISTRICT
MISCELLANEOUS STATISTICAL INFORMATION**

Date of Formation	November 19, 2002
Form of Government	Independent Special District
Board Elections	Non-partisan
Equivalent Dwelling Units (EDU's)	14,300 (Estimate)
Geographic Size	14.4 Square Miles
Water System	Supplied by the Florida Keys Aqueduct Authority
Electric Service	Provided by the Florida Keys Electric Co-op
Sanitary Sewage	Key Largo Wastewater Treatment District (Under Construction) replacing privately owned package plants, septic tanks and cesspits.

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

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

We have audited the basic financial statements of the Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 1, 2010. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and 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*.

This report is intended for the information of the management, Board of Commissioners of the Key Largo Wastewater Treatment District, Monroe County, Florida, grantor agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

D. S. A.

March 1, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL AND STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE FLORIDA SINGLE AUDIT ACT**

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

Compliance

We have audited the compliance of the Key Largo Wastewater Treatment District, Key Largo, Florida (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state financial assistance project for the fiscal year ended September 30, 2009. The Districts' major federal programs and state financial assistance project 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 and state financial assistance project is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the District's 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 the District's compliance with those requirements.

In our opinion, the District complied, in all material aspects, with the requirements referred to above that are applicable to its major federal programs and its state financial assistance project for the fiscal year ended September 30, 2009.

Internal Control over Compliance

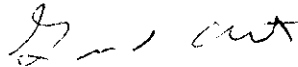
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state financial assistance project. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program and state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's General Manager, Board of Commissioners, management and the grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. J. [unclear]".

March 1, 2010

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Federal/State Grantor Pass through Program Title	Federal/State CFDA/CSFA Number	Agency or Pass-through Number	Disbursements/ Expenditures
<u>MAJOR PROGRAMS</u>			
U.S. Department of Environmental Protection			
Pass-Through Florida Department of Environmental Protection			
Capitalization Grants for State Revolving Funds	66.458	CS120001-050	\$ 15,676,897
Department of Defense			
State Memorandum of Agreement Program for the Reimbursement for Technical Services	12.113	N/A	1,919,685
Florida Department of Environmental Protection			
State Surface Water Restoration and Wastewater Projects	37.039	N/A	<u>2,905,673</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u><u>\$ 20,502,255</u></u>

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

**KEY LARGO WASTEWATER TREATMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Key Largo Wastewater Treatment District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OTHER INFORMATION

The Capital Grants for State Revolving Funds are two Revolving Loan Fund Agreements with the Florida Department of Environmental Protection. The loans are considered federal financial assistance under CFDA number 66.458 passed through the state.

Under agreement WW46401P the District is authorized to draw up to \$2,670,199 to be used for the wastewater project construction. In addition the District is charged a loan service fee in the amount of \$53,404 and capitalized interest. The loan will bear interest at a rate of 2.51% per annum charged on the unpaid balance and shall be repaid in 40 semiannual payments. During the fiscal year ended September 30, 2007 and September 30, 2008 the loan was amended twice and the award amount was increased by an additional \$5,000,000 in each year. The District is currently authorized to draw up to \$12,670,199. At September 30, 2009 the unpaid balance on the loan is approximately \$13,029,016 including capitalized interest. The first semiannual repayment is due January 15, 2010.

Under agreement WW464020 the District was authorized to draw up to \$1,161,845 to be used for wastewater project construction. In addition the District was charged a loan service fee and included capitalized interest. The loan was set to bear interest at a rate of 2.61% per annum charged on the unpaid balance and subject to repayment in 40 semiannual payments. During the fiscal year ended September 30, 2007 the authorized draw amount was reduced by \$270,423 and semiannual payments commencing January 1, 2007 were reduced to \$29,189. Under the terms of the agreements the District is to set aside certain funds for the future repayment of the loans and will be required to comply with other covenants once the draw downs are complete. As a result, the District has \$18,262 in a debt service account for that purpose. At September 30, 2009 the unpaid balance on the loan is approximately \$804,936 including capitalized interest.

Under agreement WW464010 the District was authorized to draw \$10,000,000 to be used for the wastewater project construction. In addition the District was charged a loan service fee and included capitalized interest. The loan was set to bear interest at a rate of 2.72% per annum charged on the unpaid balance and subject to repayment in 40 semiannual payments. The agreement also provides for an amendment for the District to draw an additional \$10,000,000, with an additional loan service fee to be charged, and the loan will bear interest at a rate of 2.69% per annum. At September 30, 2009 the unpaid balance on the loan is approximately \$10,138,246 including capitalized interest. The first semiannual repayment is due January 15, 2010.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unqualified Opinion</i>	
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards Programs and State Projects

Internal Control over major federal awards programs and state project:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Type of auditor's report issued on compliance for major federal awards and state financial assistance. *Unqualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) and Chapter 10.550 Rules of the Auditor General. yes no

Identification of major federal awards programs and state financial assistance

<u>Federal</u>	<u>CFDA No.</u>
Public Assistance Grants	66.458
Water Improvement Grant	12.113

<u>State</u>	<u>CSFA No.</u>
Surface Water Restoration	37.039

Dollar threshold used to distinguish between Type A and Type B programs: \$ 527,897

Auditee qualified as low risk auditee for audit of federal awards program? yes no

SECTION II - FINDINGS – FINANCIAL STATEMENT

None

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM

None

SECTION IV - FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE

None

SECTION V - FINDINGS – PRIOR YEAR

None

**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

Board of Directors
Key Largo Wastewater Treatment District
Key Largo, Florida

We have audited the accompanying basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 1, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters and Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project dated March 1, 2010, and Schedule of Findings and Questioned Costs. Disclosures in those reports, and schedule, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

This report is intended for the information of the District's General Management, Board of Commissioners of Key Largo Wastewater Treatment District, Key Largo, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Key Largo Wastewater Treatment District, Key Largo, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.



March 1, 2010

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

4. Violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2009.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2009.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

REPORT TO MANAGEMENT (Continued)

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2009 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor 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.