

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**CONDENSED BALANCE SHEETS**

**FISCAL YEARS 2005 - 1996**

	<b>2005</b>	<b>2004</b>	<b>Restated 2003</b>	<b>Restated 2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>ASSETS</b>										
<b>Property, Plant and Equipment</b>										
Net Utility Plant	\$ 111,804,113	\$ 111,753,669	\$ 110,314,331	\$ 110,624,848	\$ 110,529,716	\$ 100,127,962	\$ 99,348,305	\$ 100,200,302	\$ 103,184,142	\$ 104,800,734
Construction Work in Progress	<u>2,307,807</u>	<u>3,278,081</u>	<u>5,071,562</u>	<u>2,336,476</u>	<u>2,158,024</u>	<u>5,994,178</u>	<u>4,116,931</u>	<u>8,645,799</u>	<u>4,752,830</u>	<u>3,263,801</u>
<b>Net Property, Plant and Equipment</b>	<u>114,111,920</u>	<u>115,031,750</u>	<u>115,385,893</u>	<u>112,961,324</u>	<u>112,687,740</u>	<u>106,122,140</u>	<u>103,465,236</u>	<u>108,846,101</u>	<u>107,936,972</u>	<u>108,064,535</u>
<b>Other Property and Investments</b>										
Net Non-Utility Plant	-	3,009,773	3,009,773	3,009,773	3,009,773	3,009,773	3,009,773	3,009,773	3,009,773	-
Cash, Cash Equivalents and Investments, Deposits - Restricted	<u>14,709,156</u>	<u>22,781,837</u>	<u>20,950,945</u>	<u>22,871,985</u>	<u>26,319,959</u>	<u>32,111,868</u>	<u>34,431,163</u>	<u>29,394,183</u>	<u>27,405,608</u>	<u>25,709,055</u>
<b>Net Other Property and Investments</b>	<u>14,709,156</u>	<u>25,791,610</u>	<u>23,960,718</u>	<u>25,881,758</u>	<u>29,329,732</u>	<u>35,121,641</u>	<u>37,440,936</u>	<u>32,403,956</u>	<u>30,415,381</u>	<u>25,709,055</u>
<b>Current Assets</b>										
Cash and Investments	6,657,203	5,950,771	5,897,131	6,094,567	1,764,083	2,297,708	3,650,143	499,288	461,415	434,908
Accounts Receivable, net	5,729,570	5,252,346	4,317,862	4,514,931	6,723,727	5,890,221	5,573,281	6,529,459	5,113,076	4,551,951
Plant Material and Operating Supplies Inventory	2,454,805	2,659,814	2,496,248	3,408,455	3,282,355	2,938,287	2,470,040	1,846,655	2,341,763	2,981,284
Other Current Assets	<u>10,203,625</u>	<u>1,483,817</u>	<u>1,159,438</u>	<u>809,915</u>	<u>355,942</u>	<u>545,171</u>	<u>529,614</u>	<u>565,305</u>	<u>551,016</u>	<u>579,822</u>
<b>Total Current Assets</b>	<u>25,045,203</u>	<u>15,346,748</u>	<u>13,870,679</u>	<u>14,827,868</u>	<u>12,126,107</u>	<u>11,671,387</u>	<u>12,223,078</u>	<u>9,440,707</u>	<u>8,467,270</u>	<u>8,547,965</u>
<b>Non Current Assets</b>										
Investments	-	44,075	554,913	1,035,667	4,506,094	3,929,257	2,300,242	2,489,749	2,619,118	3,090,518
Long Term Lease Receivable	7,768,864									
Deferred Charges	<u>909,254</u>	<u>1,013,762</u>	<u>1,118,270</u>	<u>1,272,778</u>	<u>1,481,546</u>	<u>1,796,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Assets</b>	<u>8,678,118</u>	<u>1,057,837</u>	<u>1,673,183</u>	<u>2,258,445</u>	<u>5,987,640</u>	<u>5,725,381</u>	<u>2,300,242</u>	<u>2,489,749</u>	<u>2,619,118</u>	<u>3,090,518</u>
<b>Total Assets</b>	<u>\$ 162,544,397</u>	<u>\$ 157,227,945</u>	<u>\$ 154,840,473</u>	<u>\$ 155,929,395</u>	<u>\$ 160,131,219</u>	<u>\$ 158,640,549</u>	<u>\$ 155,429,492</u>	<u>\$ 153,180,513</u>	<u>\$ 149,438,741</u>	<u>\$ 145,412,073</u>

(Continued)

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**CONDENSED BALANCE SHEETS (CONTINUED)**

**FISCAL YEARS 2005 - 1996**

	<b>2005</b>	<b>2004</b>	<b>Restated 2003</b>	<b>Restated 2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>NET ASSETS AND LIABILITIES</b>										
Net Assets	\$ 67,118,720	\$ 61,510,733	\$ 55,981,338	\$ 54,182,862	\$ 50,802,999	\$ 42,600,583	\$ 36,964,043	\$ 32,818,799	\$ 26,490,190	\$ 20,788,715
Long Term Debt(1)	82,176,919	84,464,037	88,236,539	91,868,868	99,618,688	105,946,532	108,132,817	110,437,551	112,656,762	114,238,755
<b>Current Liabilities</b>										
Accounts Payable	6,948,432	5,433,906	5,175,697	4,682,804	4,185,952	4,553,755	4,682,778	3,970,146	4,716,486	4,462,050
Accrued Expenses	2,133,812	1,697,905	1,457,832	1,081,098	1,190,933	1,066,370	1,028,575	1,310,498	1,127,300	1,138,957
Customer Deposits	4,084,228	4,012,967	3,924,232	4,001,563	4,058,346	4,390,789	4,401,941	4,312,816	4,217,713	4,040,561
Due to Other Governments	-	-	-	-	-	-	-	-	-	-
Deferred Compensation	-	-	-	-	-	-	-	-	-	633,640
<b>Total Current Liabilities</b>	<u>13,166,472</u>	<u>11,144,778</u>	<u>10,557,761</u>	<u>9,765,465</u>	<u>9,435,231</u>	<u>10,010,914</u>	<u>10,113,294</u>	<u>9,593,460</u>	<u>10,061,499</u>	<u>10,275,208</u>
<b>Non-Current Liabilities</b>	<u>82,286</u>	<u>108,397</u>	<u>64,835</u>	<u>112,201</u>	<u>274,301</u>	<u>82,520</u>	<u>219,338</u>	<u>330,703</u>	<u>230,290</u>	<u>109,395</u>
<b>Total Liabilities</b>	<u>95,425,677</u>	<u>95,717,212</u>	<u>98,859,135</u>	<u>101,746,533</u>	<u>109,328,220</u>	<u>116,039,966</u>	<u>118,465,449</u>	<u>120,361,714</u>	<u>122,948,551</u>	<u>124,623,358</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 162,544,397</u>	<u>\$ 157,227,945</u>	<u>\$ 154,840,473</u>	<u>\$ 155,929,395</u>	<u>\$ 160,131,219</u>	<u>\$ 158,640,549</u>	<u>\$ 155,429,492</u>	<u>\$ 153,180,513</u>	<u>\$ 149,438,741</u>	<u>\$ 145,412,073</u>

(1) Includes revenue bonds, capital lease obligations, other debt and accrued interest including the current portion.

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

FISCAL YEARS 2005 - 1996

	2005	2004	Restated 2003	Restated 2002	2001	2000	1999	1998	1997	1996
<b>Electric Operating Revenue</b>	\$ 83,478,736	\$ 81,339,437	\$ 72,994,080	\$ 66,657,513	\$ 69,988,022	\$ 59,444,821	\$ 61,200,322	\$ 63,547,464	\$ 60,837,474	\$ 54,944,251
<b>Operating Expenses</b>										
Production - Steam	-	-	-	-	-	-	-	166,385	1,388,706	1,386,683
Production - Diesel	1,074,167	887,371	916,557	779,761	816,946	681,671	841,671	1,036,565	1,727,963	2,043,022
Purchased Power	49,287,046	44,523,179	41,311,655	34,230,472	36,585,038	29,133,085	26,253,614	30,324,745	28,430,580	26,163,717
Transmission	3,646,679	3,298,491	3,711,111	3,485,983	3,589,637	3,673,226	3,575,771	2,326,865	664,908	263,685
Distribution	3,017,736	3,250,018	2,832,211	3,075,612	3,143,081	3,167,390	3,295,190	3,252,971	2,672,478	2,105,483
Customer Accounts, Collection and Services	1,280,590	1,085,522	1,015,116	985,698	1,033,617	1,035,576	1,062,064	1,015,357	990,636	932,196
Administrative and General	11,540,112	10,004,675	8,757,455	8,460,644	5,977,699	5,601,023	5,881,170	5,928,275	5,777,256	5,866,009
Depreciation	6,391,999	6,441,587	6,367,595	6,500,687	5,680,618	5,488,771	5,783,556	5,402,133	5,237,831	5,286,752
Taxes Other Than Income Tax	2,127,074	2,021,223	1,855,303	1,677,934	1,758,542	1,492,942	1,588,173	1,567,968	1,519,541	1,400,296
<b>Total Operating Expenses</b>	<u>78,365,403</u>	<u>71,512,066</u>	<u>66,767,003</u>	<u>59,196,791</u>	<u>58,585,178</u>	<u>50,273,684</u>	<u>48,281,209</u>	<u>51,021,264</u>	<u>48,409,899</u>	<u>45,447,843</u>
<b>Operating Income</b>	<u>5,113,333</u>	<u>9,827,371</u>	<u>6,227,077</u>	<u>7,460,722</u>	<u>11,402,844</u>	<u>9,171,137</u>	<u>12,919,113</u>	<u>12,526,200</u>	<u>12,427,575</u>	<u>9,496,408</u>
Interest and Other Income	1,486,514	1,040,145	995,705	1,929,387	3,134,405	4,377,937	10,635,180	3,025,204	1,424,181	1,638,186
Debt and Other Expense	(5,365,941)	(5,419,537)	(5,570,895)	(6,137,569)	(6,519,892)	(7,865,678)	(8,062,052)	(8,150,741)	(8,361,667)	(8,758,686)
Capital Contributions	119,347	81,417	146,587	127,323	185,059	287,541	621,384	160,911	211,386	373,482
<b>Extraordinary Items</b>										
Hurricane Grant Revenue	1,900,702	-	-	-	-	-	-	-	-	-
Hurricane Expense	(2,214,686)	-	-	-	-	(334,397)	(11,968,381)	(1,232,965)	-	-
Sale of Steam Plant	4,568,719	-	-	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	<u>\$ 5,607,988</u>	<u>\$ 5,529,396</u>	<u>\$ 1,798,474</u>	<u>\$ 3,379,863</u>	<u>\$ 8,202,416</u>	<u>\$ 5,636,540</u>	<u>\$ 4,145,244</u>	<u>\$ 6,328,609</u>	<u>\$ 5,701,475</u>	<u>\$ 2,749,390</u>

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**SCHEDULES OF DEBT SERVICE COVERAGE**

**FISCAL YEARS 2005 - 1996**

<b>Fiscal Year</b>	<b>Total Available Revenues (Note 1)</b>	<b>Total Operating Expenses (Note 2)</b>	<b>Net Revenues Available for Coverage</b>	<b>Annual Debt Service (Note 3)</b>	<b>Debt Service Coverage Ratio</b>
<b>2005</b>	\$85,200,522	\$72,085,736	\$13,114,786	\$8,509,645	1.54
<b>2004</b>	\$82,378,563	\$65,099,824	\$17,278,739	\$8,508,395	2.03
<b>2003</b>	\$73,372,638	\$60,430,945	\$12,941,693	\$8,508,320	1.48
<b>2002</b>	\$70,864,567	\$52,770,804	\$16,779,391	\$8,493,242	1.98
<b>2001</b>	\$70,919,517	\$53,184,073	\$17,735,444	\$9,293,376	1.91
<b>2000</b>	\$69,703,590	\$45,037,826	\$24,665,764	\$9,730,135	2.53
<b>1999</b>	\$62,940,467	\$42,696,000	\$20,244,467	\$9,726,777	2.08
<b>1998</b>	\$65,019,951	\$46,266,447	\$18,753,504	\$9,726,960	1.93
<b>1997</b>	\$60,736,775	\$43,368,464	\$17,368,311	\$9,719,540	1.79
<b>1996</b>	\$55,337,974	\$40,352,338	\$14,985,636	\$9,881,419	1.52

Note 1 - Total Available Revenues includes total Operating Revenues, interest income (less amounts earned on Construction Fund), charges for new service, miscellaneous non-operating revenues, transfers from (to) Rate Stabilization Fund, Less transfers to Capital Improvement Fund and interest earnings on Bond Amortization Account.

Note 2 - Total Operating Expenses include interest paid to customers for customer deposits held and excludes depreciaton and amortization expense.

Note 3 - Current Debt Service on Outstanding Bonds includes total interest expense less capital lease interest expense and long-term expense accrues for all Capital Appreciation Bonds Outstanding plus forward supply contract purchases.

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**CONSUMPTION AND ACTIVE SERVICE STATISTICS**

**FISCAL YEARS 2005 - 1996**

	RESIDENTIAL	SMALL COMMERCIAL	LARGE COMMERCIAL	MILITARY	STREET LIGHTING	GOVT REC LIGHTING	PRIVATE AREA LIGHTING	TOTAL
<b>CONSUMPTION (IN MEGAWATT HOUR)</b>								
2005	331,832	71,315	241,257	75,332	2,655	210	1,377	723,978
2004	334,245	72,216	248,560	75,597	2,651	188	1,377	734,834
2003	338,949	70,547	245,764	76,739	2,653	191	1,378	736,221
2002	315,536	71,192	235,734	76,917	2,655	189	1,410	703,633
2001	300,008	70,111	222,168	73,989	2,955	189	1,443	670,863
2000	293,506	64,741	218,415	75,165	3,200	190	1,443	656,660
1999	282,311	59,868	210,065	72,941	3,202	168	1,443	629,998
1998	281,543	59,708	211,510	73,902	3,317	183	1,443	631,606
1997	270,406	59,143	206,104	74,605	3,176	207	1,312	614,953
1996	256,452	53,672	195,265	78,470	3,484	226	1,387	588,956
<b>ACTIVE SERVICE (NUMBER OF CUSTOMERS)</b>								
2005	24,081	3,003	708	1	5	4	1,743	29,545
2004	23,813	2,981	687	1	5	4	1,743	29,234
2003	23,703	2,883	682	1	5	4	1,743	29,021
2002	23,471	2,847	683	1	5	4	1,743	28,754
2001	23,268	2,885	636	1	4	4	1,743	28,541
2000	23,154	2,855	655	1	4	4	1,545	28,218
1999	22,590	2,724	671	1	4	4	1,536	27,530
1998	22,334	2,659	659	1	4	4	1,536	27,197
1997	21,910	2,604	645	1	4	4	1,499	26,667
1996	21,532	2,486	646	1	4	4	1,541	26,214
<b>ANNUAL CONSUMPTION PER ACTIVE SERVICE ( IN KILOWATT HOURS)</b>								
2005	13,780	23,748	340,758	75,332,000	531,000	52,500	790	24,504
2004	14,036	24,225	361,805	75,597,000	530,200	47,000	790	25,136
2003	14,300	24,470	360,358	76,739,000	530,600	47,750	791	25,369
2002	13,444	25,006	345,145	76,917,000	531,000	47,150	809	24,471
2001	12,894	24,302	349,321	73,989,000	738,750	47,155	832	23,513
2000	12,676	22,676	333,458	75,165,000	800,000	47,475	934	23,271
1999	12,497	21,978	313,063	72,941,000	800,500	42,000	939	22,884
1998	12,606	22,455	320,956	73,902,000	829,250	45,750	939	23,223
1997	12,341	22,712	319,541	74,605,000	794,000	51,750	875	23,060
1996	11,910	21,590	302,268	78,470,000	871,000	56,535	900	22,467

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**FISCAL YEARS 2005 - 1996**

<u>Fiscal Year</u>	<u>Key West Population<sup>(1)</sup></u>	<u>Monroe County Per Capita Income<sup>(2)</sup></u>	<u>Monroe County Median Age<sup>(1)</sup></u>	<u>Monroe County Unemployment Rate<sup>(2)</sup></u>
2005	27,000	\$35,612	(3)	3.0%
2004	25,811	\$35,423	(3)	2.3%
2003	25,811	\$35,423	43	3.1%
2002	25,853	\$33,549	43	2.6%
2001	25,735	\$38,309	43	2.6%
2000	25,478	\$37,421	40	2.0%
1999	27,698	\$34,456	40	2.0%
1998	27,522	\$28,959	37	2.2%
1997	27,305	\$22,421	34	2.4%
1996	27,009	\$15,547	34	2.7%

<sup>(1)</sup> Key West Chamber of Commerce

<sup>(2)</sup> US Department of Labor Bureau of Labor Statistics

<sup>(3)</sup> Data not available

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF PROPERTY, CASUALTY AND OTHER INSURANCE**  
**SEPTEMBER 30, 2005**

Company	Type of Coverage	Limits	Period	Premium
Florida League of Cities	Workers' Compensation	WC - Statutory EL - \$1million Deductible - \$ 0	10/1/04 - 09/30/05	\$ 200,717
National Casualty Ins. Co.	Comprehensive General Liability (CGL)	Limits - \$ 1,000,000 Deductible - \$ 0	10/1/04 -09/30/05	45,287
Scottsdale	Excess Liability	Limits - \$ 10,000,000 Deductible - Scheduled Underlying Policies	10/1/04 - 09/30/05	86,812
National Casualty Ins. Co.	Automobile/Comprehensive	Limits - \$ 1,000,000 Deductible - Liability - None Physical Damage - \$5,000	10/1/04 - 09/30/05	42,134
Hartford Fire Ins. Co.	Crime	Limits - \$ 250,000 Empl Dishonesty \$ 250,000 Theft \$ 250,000 Robbery \$ 50,000 Forgery Deductible - \$ 2,500 Empl Dishonesty \$ 2,500 Theft \$ 1,000 Forgery \$ 2,500 Robbery Limits - \$ 500,000 Deductible - None	10/1/04 - 09/30/05	1,332
National Union Fire Ins.	Public Officials Errors and Omissions	Limits - \$2,000,000 Deductible - \$25,000	10/1/04 - 09/30/05	86,653
Liberty Surplus & Hartford Steam Boiler & RSUI Indemnity	Property Insurance to include CTs Boiler & Machinery to include CTs Windstorm Flood	Limits - \$ 100,000,000 Deductible - \$ 100,000 except \$250,000 for Generator Units Limits - \$ 100,000,000 Deductible - \$100,000 except \$250,000 for Generator Units Limits - \$100,000,000 Deductible - 5% of value with minimum of \$1,000,000 for Named Storms and \$100,000 for Unnamed Storms Limits - \$ 25,000,000 Deductible - \$1,000,000	03/29/05 - 03/29/06	997,602
Fidelity National	Primary Flood	Per location schedule Deductible - \$ 5,000	06/14/05 - 06/14/06	103,346
AIG	Florida Pollution Liability Mandatory Requirement	Limits - \$3,000,000 per incident \$6,000,000 annual aggregate Deductible - \$100,000	08/12/05 - 08/11/07	16,404
National Union	Fiduciary Liability	Limits -\$2,000,000 per loss Deductible - \$15,000	10/1/04 - 09/30/05	9,941
				<u>\$ 1,590,228</u>

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**  
**TEN HIGHEST CONSUMPTION LOCATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Ranking	Customer Account	Demand KW	Energy kWh	Dollars
1	U.S. Navy	14,634.3	75,332,040	\$ 7,618,597
2	Monroe County Detention Center	1,176.0	7,280,702	\$ 727,422
3	City of Key West	1,312.5	5,801,250	\$ 605,618
4	Wyndham Casa Marina Hotel	912.0	5,349,600	\$ 581,395
5	Key West HMA Inc.	840.0	5,341,500	\$ 579,651
6	Winn Dixie Stores, Inc.	558.0	3,823,800	\$ 441,254
7	Pier House Joint Venture (Hotel)	672.0	3,710,700	\$ 399,664
8	Florida Keys Community College	875.0	3,493,000	\$ 367,075
9	Heartland Hotel Corporation	545.6	3,450,400	\$ 375,198
10	KW FL Hotel LTD Partnership	508.0	3,171,600	\$ 337,033

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**EMPLOYEE INFORMATION**

**FISCAL YEARS 2005 - 1996**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>General Manager's Department</b>	18	17	17	16	11	11	11	10	10	9
<b>Engineering &amp; Control</b>	19	19	19	20	20	20	20	24	24	24
<b>Customer Services</b>	32	30	31	33	32	31	30	30	30	30
<b>Finance</b>	10	15	13	13	21	21	22	22	21	22
<b>Transmission &amp; Distribution</b>	34	35	38	42	39	39	38	38	39	35
<b>General Plant</b>	0	8	9	9	11	14	12	12	16	12
<b>Generation</b>	<u>39</u>	<u>22</u>	<u>21</u>	<u>18</u>	<u>20</u>	<u>18</u>	<u>24</u>	<u>26</u>	<u>24</u>	<u>32</u>
<b>Total</b>	<u>152</u>	<u>146</u>	<u>148</u>	<u>151</u>	<u>154</u>	<u>154</u>	<u>157</u>	<u>162</u>	<u>164</u>	<u>164</u>

**Notes:**

The numbers above do not include five (5) Utility Board Members

Commencing 2002, actual employee head count is used.

Information Technology moved from the Finance Department to the General Manager's Department. The Warehouse, Purchasing & Contract Administration Departments were moved from the Transmission & Distribution Department to the Generation Department. There were four additional apprentice line persons hired in the Transmission & Distribution Department.

The approved budgets were used for years 2001 - 1997. For 1996, actual employee head count was used.

## UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

### GENERATION AND CAPACITY STATISTICS

#### FISCAL YEARS 2005 - 1996

Description	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Gross Generation in MW:</b>										
Steam	0	0	0	0	0	0	0	0	0	0
Diesel and Combustion Turbine	26,067	20,836	29,708	26,229	19,656	26,632	14,580	5,899	18,863	16,802
Less: Station Auxiliaries	<u>3,463</u>	<u>3,322</u>	<u>3,310</u>	<u>3,232</u>	<u>3,063</u>	<u>3,085</u>	<u>3,221</u>	<u>1,682</u>	<u>3,525</u>	<u>3,908</u>
Net Generation	22,604	17,464	26,398	22,997	16,593	23,547	11,309	4,212	15,288	12,894
Sales To Other Distributors								(18,058)	(9,445)	(262)
Net Delivered Purchased Power and Stanton Generation	<u>758,532</u>	<u>763,299</u>	<u>767,542</u>	<u>734,541</u>	<u>704,034</u>	<u>683,454</u>	<u>681,454</u>	<u>695,282</u>	<u>663,561</u>	<u>621,222</u>
Net Energy for Load	781,141	781,263	793,940	757,538	720,627	707,001	692,763	717,557	688,294	634,383
Less: Losses	<u>(56,480)</u>	<u>(46,428)</u>	<u>(57,219)</u>	<u>(53,905)</u>	<u>(49,263)</u>	<u>(50,340)</u>	<u>(62,265)</u>	<u>(85,952)</u>	<u>(73,294)</u>	<u>(45,422)</u>
Retail Energy Sales	<u>724,661</u>	<u>734,835</u>	<u>736,221</u>	<u>703,633</u>	<u>670,864</u>	<u>656,661</u>	<u>629,998</u>	<u>631,605</u>	<u>615,000</u>	<u>588,956</u>
Losses	7.2%	5.9%	7.3%	7.1%	6.9%	7.1%	9.1%	12.0%	10.6%	7.2%
Generation Capacity (kW) - Name Plate Rating (1)	87,100	87,100	87,100	87,100	87,100	87,100	87,100	87,100	87,100	87,100
KEYS 60 Minute Net Peak Demand	145,500	139,700	138,900	133,800	129,900	131,300	125,400	127,000	119,700	109,900
Percentage of On Island Resources for Net Peak Demand (2)	59.9%	62.3%	62.7%	65.1%	67.1%	66.3%	69.5%	68.6%	72.8%	79.3%
Load Factor	61.3%	63.8%	65.3%	64.6%	63.3%	61.5%	63.1%	64.5%	65.6%	65.9%
<b>Delivered Purchased Power and Stanton Resources (kW):</b>										
FP&L Long - Term Power	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
FMPA Tri-City Project (Stanton 1)	12,367	12,289	12,289	12,289	11,633	11,633	12,289	12,289	12,434	12,434
FMPA Stanton 2 Project	9,708	9,862	9,862	9,862	9,243	9,243	9,862	9,862	9,885	9,885
Other Short Term Firm	0	0	0	0	0	0	0	0	<u>15,000</u>	<u>15,000</u>
Total Purchased	<u>67,075</u>	<u>67,151</u>	<u>67,151</u>	<u>67,151</u>	<u>65,876</u>	<u>65,876</u>	<u>67,151</u>	<u>67,151</u>	<u>82,319</u>	<u>82,319</u>
Total Generating and Purchased Capability	<u>154,175</u>	<u>154,251</u>	<u>154,251</u>	<u>154,251</u>	<u>152,976</u>	<u>152,976</u>	<u>154,251</u>	<u>154,251</u>	<u>169,419</u>	<u>169,419</u>
Net Reserve Margin Including Purchased Power (3)	6.0%	10.4%	11.1%	15.3%	17.8%	16.5%	23.0%	21.5%	41.5%	54.2%

(1) KEYS has a "Capacity and Energy Sales Agreement" with the Florida Keys Electric Cooperative (FKEC) to provide a minimum capacity and energy in the event that the transmission line is interrupted. The minimum is based upon a formula in the contract.

(2) The Utility Board has revised the On Island Generation Capacity to meet its annual peak demand from 70% to 60%.

(3) Net Reserve Margin represents the amount of capacity in excess of KEYS peak demand, as a percentage of system peak demand. Commencing 2002, this calculation utilizes The Net 60 Minute Peak.

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**SCHEDULE OF GENERATING CAPACITY (MW)**

**FISCAL YEARS 2005 - 1996**

<u>Generating Units</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	<u>M e g a w a t t ' s ( M W )</u>									
Name Plate										
Combustion Turbine #1	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Combustion Turbine #2	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6
Combustion Turbine #3	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
Medium Speed Diesels #1	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Medium Speed Diesels #2	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Stock Island Peaking High Speed Diesel #1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Stock Island Peaking High Speed Diesel #2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Stock Island Peaking High Speed Diesel #3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cudjoe Key Peaking High Speed Diesel #1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cudjoe Key Peaking High Speed Diesel #1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Big Pine Key Peaking High Speed Diesel #1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Total Name Plate</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>	<b>87.1</b>
Islanded										
Combustion Turbine #1	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6
Combustion Turbine #2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Combustion Turbine #3	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Medium Speed Diesels #1	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Medium Speed Diesels #2	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Stock Island Peaking High Speed Diesel #1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Stock Island Peaking High Speed Diesel #2	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Stock Island Peaking High Speed Diesel #3	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Cudjoe Key Peaking High Speed Diesel #1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Cudjoe Key Peaking High Speed Diesel #1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Big Pine Key Peaking High Speed Diesel #1	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<b>Total Islanded</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>
Synchronized										
Ralph Garcia Steam Plant (1)										
Combustion Turbine #1	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Combustion Turbine #2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Combustion Turbine #3	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Medium Speed Diesels #1	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Medium Speed Diesels #2	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Stock Island Peaking High Speed Diesel #1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Stock Island Peaking High Speed Diesel #2	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Stock Island Peaking High Speed Diesel #3	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Cudjoe Key Peaking High Speed Diesel #1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Cudjoe Key Peaking High Speed Diesel #1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Big Pine Key Peaking High Speed Diesel #1	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<b>Total Synchronized</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>	<b>82.0</b>

Nameplate - Capacity provided by the manufacturer.

Islanded - Capacity when not connected to the mainland through the T-Line; used when calculating On-Island Generation Capacity.

Synchronized - Realistic capacity due to limiting factors associated with the units.

**UTILITY BOARD OF THE CITY OF KEY WEST**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<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	06-DN-@G-11-54-02-521	\$ 785,593
Disaster Relief Funding Agreement	97.036	06-KT-B&-11-54-00-529	396,104
Disaster Relief Funding Agreement	97.036	06-RT-&W-11-54-02-507	447,472
<b>Total Federal Awards</b>			<u><u>\$ 1,629,169</u></u>

**UTILITY BOARD OF THE CITY OF KEY WEST**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**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.



# OROPEZA & PARKS

Certified Public Accountants

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Key West, Florida 33040  
305.294.1049 / 305.294.1040  
Fax: 305.294.3951

Scott G. Oropeza, C.P.A., P.A.  
John G. Parks, Jr., C.P.A., P.A.

## REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM

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, 2005. 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, OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred or state financial assistance project 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, 2005.

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 the requirements of laws, regulations, contracts, and grants applicable to federal programs and state assistance projects. 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 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 consideration 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 non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in a relation to a major federal program or state financial assistance project 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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Director's, management, specific legislative or regulatory bodies, Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

  
OROPEZA & PARKS  
CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2006

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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>\$1,629,169</u>
	Total	<u>\$1,629,169</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, 2004**

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, 2005**

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-DN-@G-11-54-02-521  
06-KT-B&-11-54-00-529  
06-RT-&W-11-54-02-507

The Utility Board of the City of Key West, Florida respectfully submits the following Corrective Action Plan for the year ended September 30, 2005.

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, 2005

The findings from the September 30, 2005 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