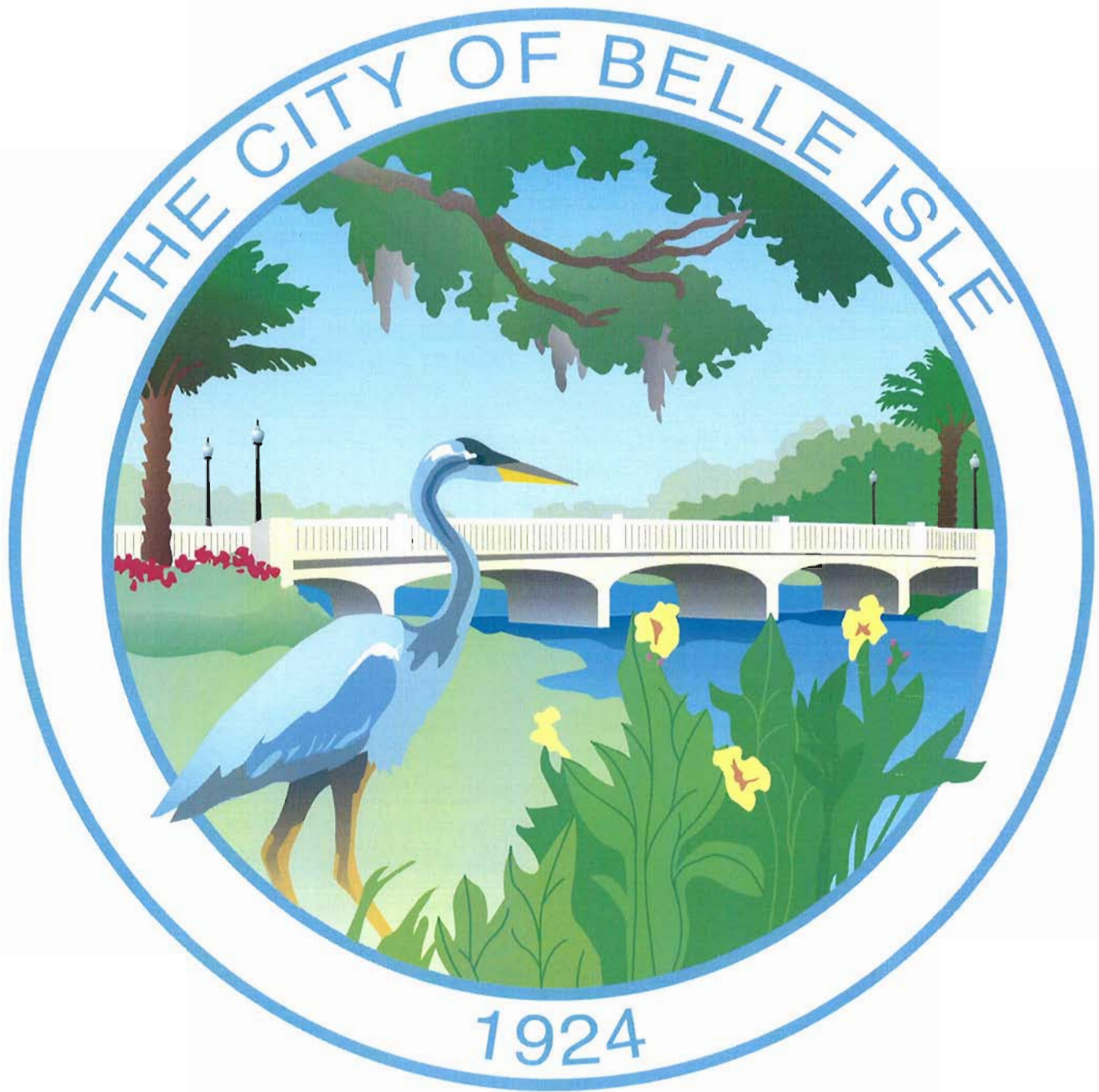


CITY OF BELLE ISLE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2010

Prepared by: Finance Department



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INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- List of Principal Officials
- Organizational Chart
- Certificate of Achievement

CITY OF BELLE ISLE, FLORIDA

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CITY OF BELLE ISLE, FLORIDA

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CITY OF BELLE ISLE, FLORIDA

1600 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX 240-2222

February 1, 2011

Honorable Mayor, Members of the City Commission
and Citizens of the *City of Belle Isle, Florida*

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the *City of Belle Isle, Florida* for the fiscal year ended September 30, 2010.

This report consists of management's representations concerning the finances of the *City of Belle Isle, Florida*. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the *City of Belle Isle* has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the *City of Belle Isle*'s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the *City of Belle Isle*'s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The *City of Belle Isle*'s financial statements have been audited by McDirmit Davis & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the *City of Belle Isle* for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the *City of Belle Isle*'s financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require 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 designed to complement MD&A and should be read in conjunction with it. The *City of Belle Isle*'s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The *City of Belle Isle*, incorporated in 1924, is located in Central Florida. The *City of Belle Isle* is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing commission.

The *City of Belle Isle* has operated under a mayor-commissioner form of government since 1924. However, in November 2003, a charter referendum was passed that changed the City to a commission/manager form of government, with an appointed City Manager, seven elected City Commissioners and a separately elected Mayor. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, clerk and attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Commission is elected on a non-partisan basis. Commission members serve three-year staggered terms and the mayor is elected to serve a three-year term.

The *City of Belle Isle* provides a full range of services, including general government, police, fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities.

The annual budget serves as the foundation for the *City of Belle Isle's* financial planning and control. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the *City of Belle Isle's* fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager can make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for all funds.

City Highlights

The *City of Belle Isle* is a residential community located in the heart of Central Florida and surrounding beautiful Lake Conway. The City was formed by area residents in 1924 to protect Lake Conway and the beautiful, natural environment of the area. The City has grown to an area of 5.12 square miles in area with an estimated population of 6,553 residents based on the U.S. Census Bureau.

The goal of the City is to be Central Florida's premier community where residents and business can thrive in a healthy environment centered on Lake Conway with the support of a responsive city government.

The mission of the City is to preserve the quality of life and community identity and to provide needed services to our residents through careful and meaningful growth management and sound fiscal control.

Planned growth for the City includes those areas contiguous to the current city boundaries including the area south of the City and along the North shoreline of Lake Conway. Conservative fiscal management and growth has resulted in the *City of Belle Isle* becoming one of Orange County's most desirable communities.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the *City of Belle Isle* operates.

Local Economy - The *City of Belle Isle* currently enjoys a more favorable economic environment and local indicators point to continued stability. In addition to its close proximity to many tourist attractions and the Orlando International Airport, Belle Isle is conveniently located near other major employers such as Lockheed Martin and the Medical City. These factors, and Lake Conway, draw visitors and permanent residents.

As a result of the desirability of lakefront living, the *City of Belle Isle* is experiencing an influx of newer residents with substantial financial resources. Primarily a residential area, the property values and resale values of existing homes is ever increasing.

Long-Term Financial Planning - Stormwater retention and drainage improvements continue to be among the City's highest priorities with a substantial portion of the five year Capital Improvements Program being designated towards improvements in those areas.

Parks beautification and barrier free accessibility is also being implemented through the City's community beautification program for enhancements to parks and open space within the City.

Relevant Financial Policies - Along with the annual budget, the City provides a comprehensive five- year projection. This plan details estimated personnel operating and capital costs for continuing operations and expansion plans for all City functions.

Major Initiatives – Despite the challenges related to the economy, we have continued to work on various drainage improvement projects during 2010. In addition we made improvements to the new police station.

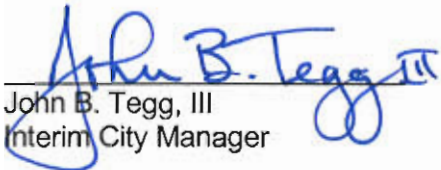
Awards and Acknowledgements

The Government of Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Belle Isle* for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the tenth consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement's Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the *City of Belle Isle's* finances.

Respectfully submitted,


John B. Tegg, III
Interim City Manager


Lucia "Lucy" Ramos
Finance Director

CITY OF BELLE ISLE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2010

ELECTED OFFICIALS

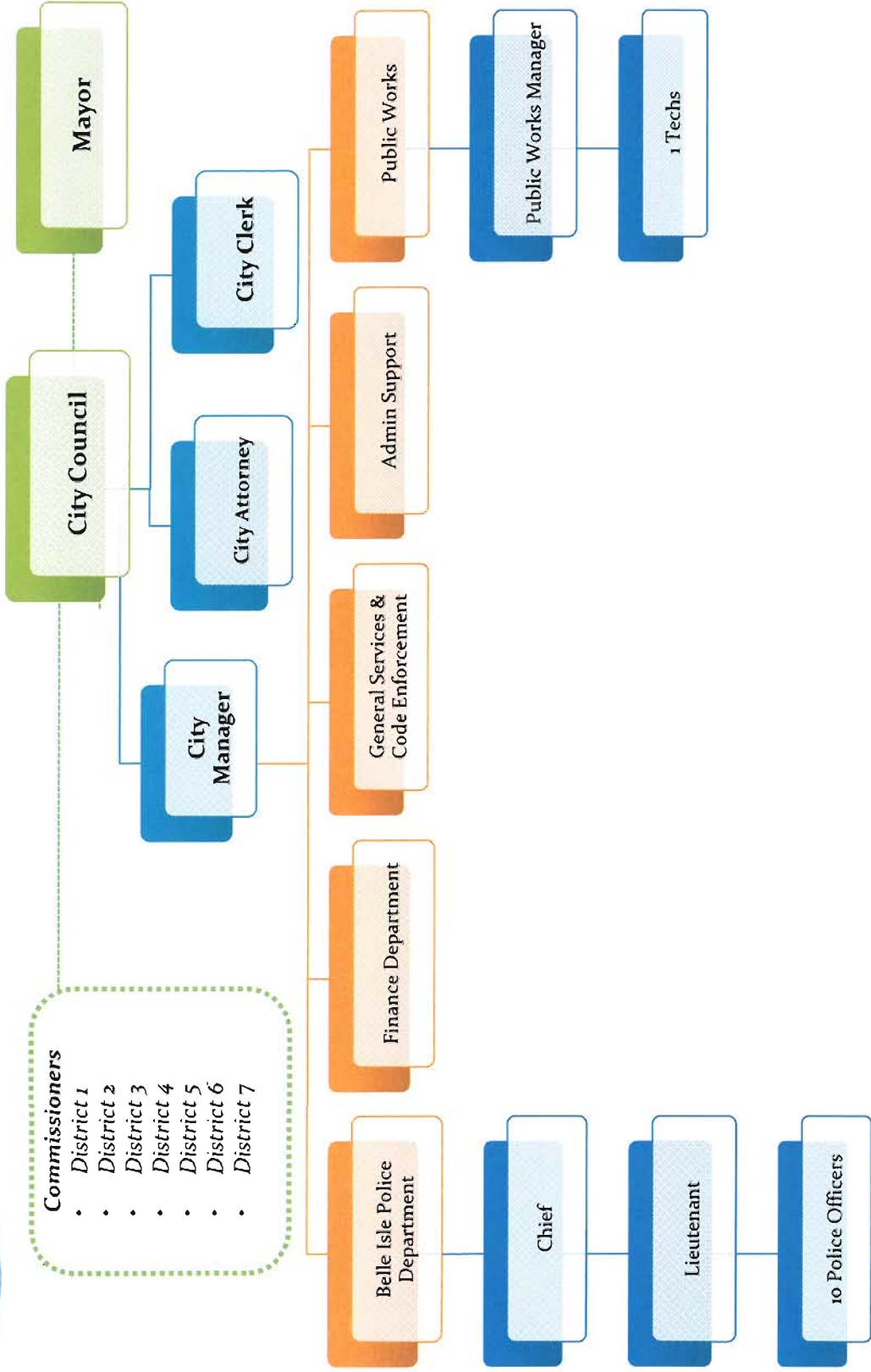
Mayor	Honorable Bill Brooks
District #1 City Commissioner	Sam Butler, III
District #2 City Commissioner	Keith Severns
District #3 City Commissioner	Charles Scott
District #4 City Commissioner	Laurence I. Ady
District #5 City Commissioner	Harvey Readey
District #6 City Commissioner	Lydia Pisano
District #7 City Commissioner	Eric Spaulding

CITY OFFICIALS

Interim City Manager	John B. Tegg, III
City Attorney	John F. Bennett
City Clerk	Miriam Santiago
Finance Director	Lucia "Lucy" Ramos



City of Belle Isle Organizational Chart 2011



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belle Isle
Florida

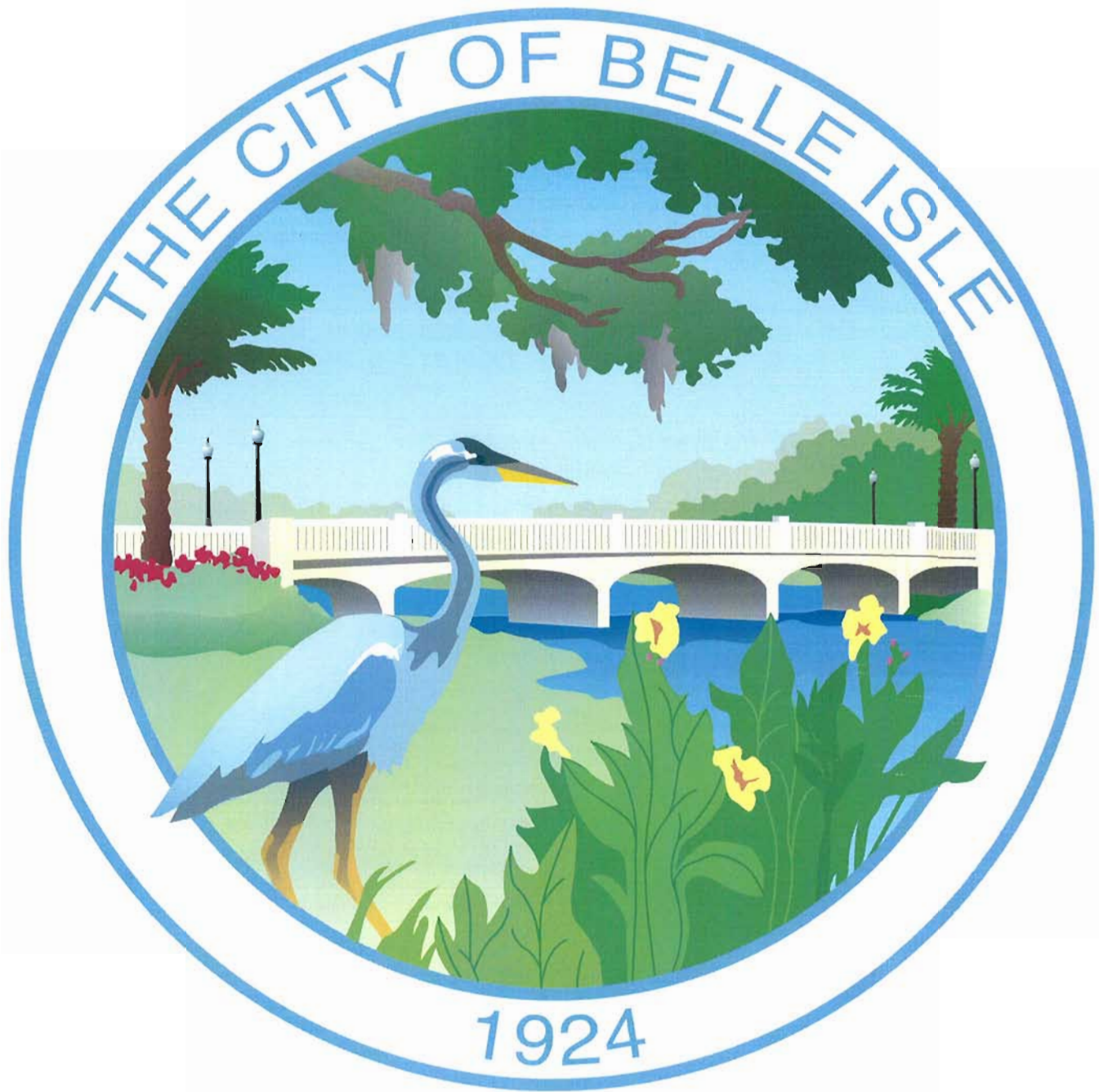
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

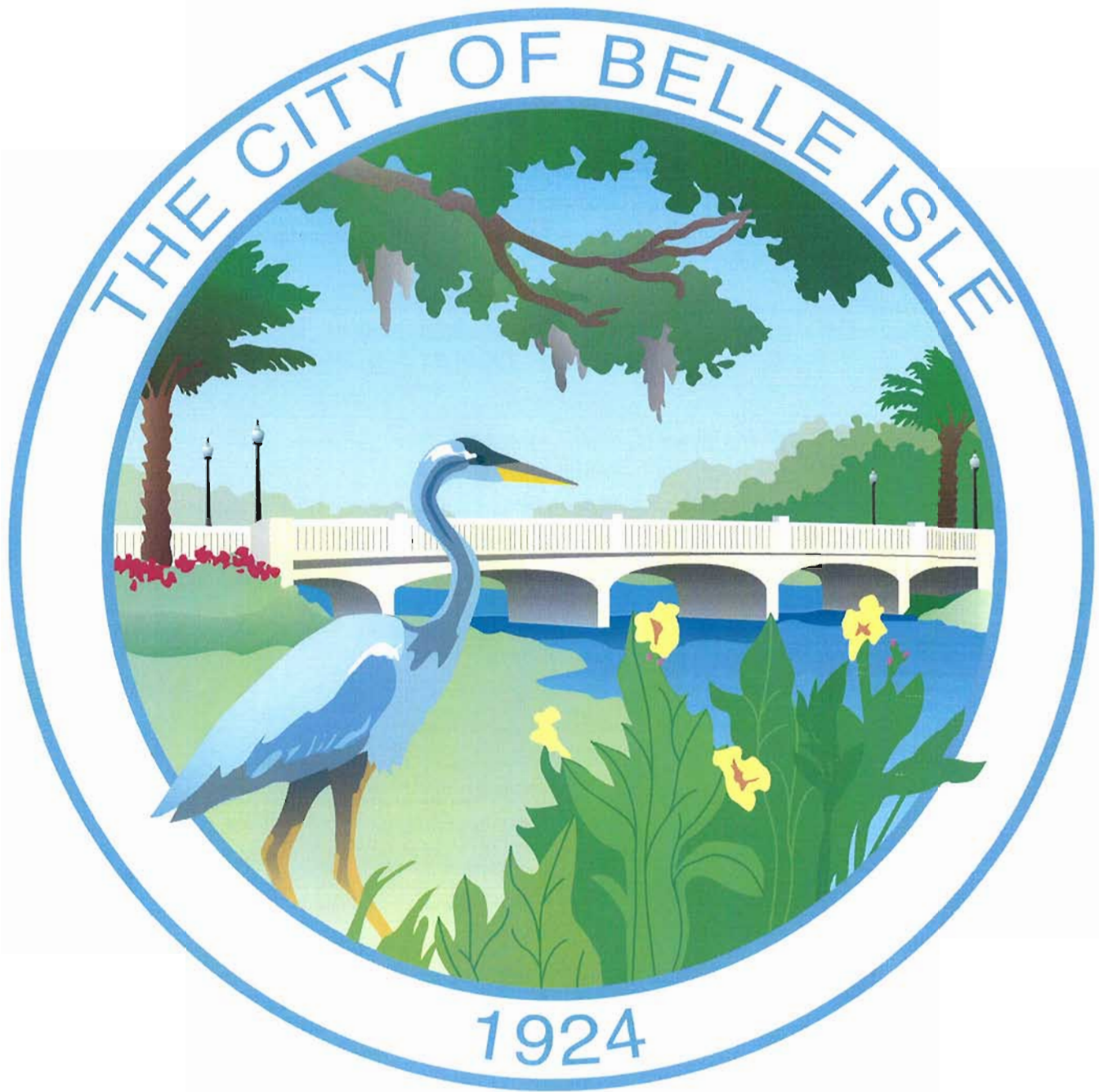


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FINANCIAL SECTION

This section contains the following subsections:

- . Independent Auditor's Report
- . Management's Discussion and Analysis
- . Basic Financial Statements



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Belle Isle, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the *City of Belle Isle, Florida*, as of September 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the general fund, the transportation impact special revenue fund, the stormwater special revenue fund, and the law enforcement education special revenue fund for the 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 a report dated February 1, 2011 on our consideration of the *City of Belle Isle, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and internal control over financial reporting and compliance and the result 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 should be read in conjunction with this report in considering the results of our audit.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE: 407-843-5406 • FAX: 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the *City of Belle Isle's* basic financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McDirmit Davis & Company, LLC

McDIRMIT DAVIS & COMPANY, LLC

February 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Belle Isle, Florida* we offer readers of the *City of Belle Isle's* financial statements this narrative overview and analysis of the financial activities of the *City of Belle Isle* for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the *City of Belle Isle* exceeded its liabilities at the close of the most recent fiscal year by \$6,857,551 (net assets). Of this amount, \$1,024,696 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$78,584.
- As of the close of the current fiscal year, the *City of Belle Isle's* governmental funds reported combined ending fund balances of \$1,040,141, a decrease of \$282,519 in comparison with the prior year. One Hundred percent (100%) of this total amount, \$1,040,141, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$785,854, or 18% of total general fund expenditures.
- The *City of Belle Isle's* total debt decreased by \$258,601 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *City of Belle Isle's* (the City) basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the *City of Belle Isle's* finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Since the *City of Belle Isle* has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. The governmental activities of the *City of Belle Isle* include general government, public safety and physical environment.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *City of Belle Isle*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *City of Belle Isle* has four governmental funds - the General Fund and three special revenue funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *City of Belle Isle* adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the general fund and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-17 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Government-Wide Financial Analysis

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the *City of Belle Isle*, assets exceeded liabilities by \$6,857,551 at the close of the most recent fiscal year.

**City of Belle Isle
Statement of Net Assets**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 1,261,675	\$ 1,645,340
Capital assets	8,067,066	8,117,740
Total assets	<u>9,328,741</u>	<u>9,763,080</u>
Long-term liabilities outstanding	2,278,658	2,537,259
Other liabilities	192,532	289,686
Total liabilities	<u>2,471,190</u>	<u>2,826,945</u>
Net assets:		
Invested in capital assets, net of related debt	5,832,855	5,645,520
Unrestricted	1,024,696	1,290,615
Total net assets	<u>\$ 6,857,551</u>	<u>\$ 6,936,135</u>

Eighty-five percent (85%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$1,024,696) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the *City of Belle Isle* is able to report positive balances in all categories of net assets.

The City's net assets decreased by \$78,584 during the current fiscal year, as shown below.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

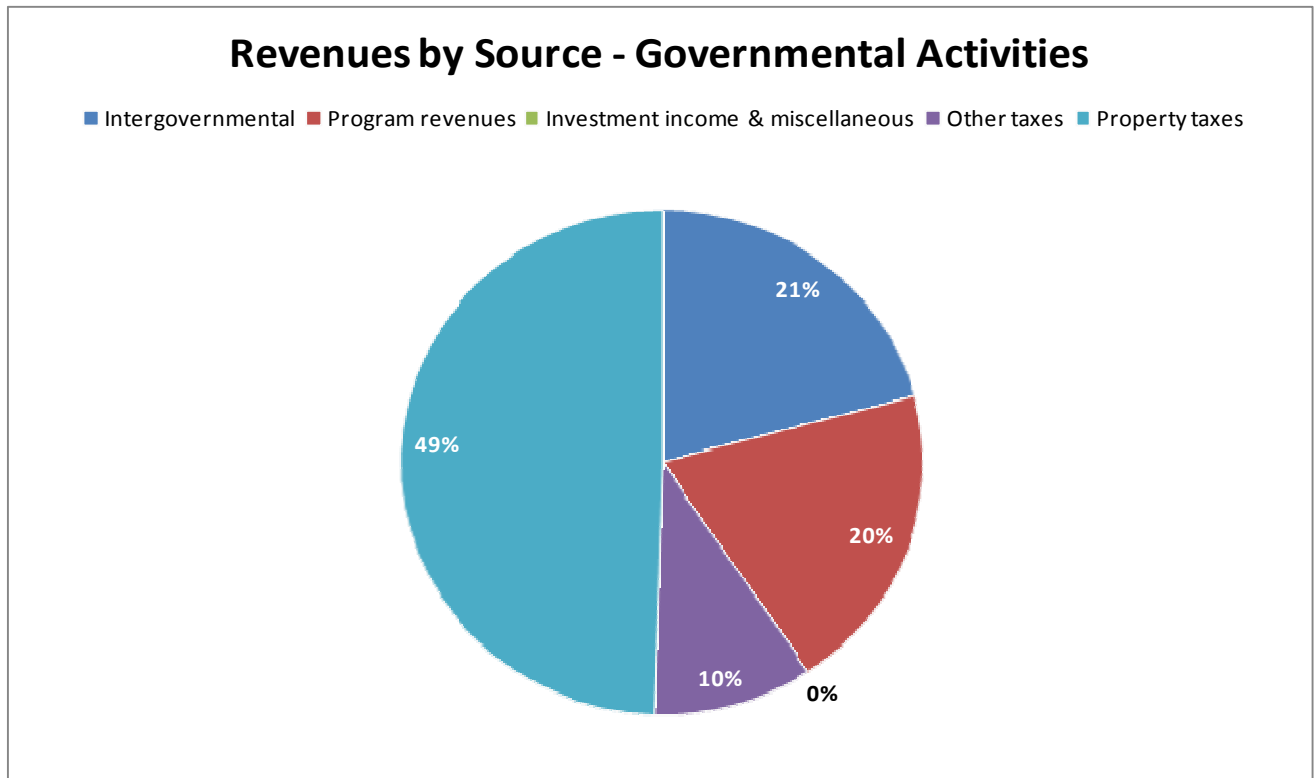
Statement of Activities

Governmental activities decreased the *City of Belle Isle's* net assets by \$(78,584). Key elements of this decrease are as follows:

City of Belle Isle		Governmental Activities	
<u>Changes in Net Assets</u>		<u>2010</u>	<u>2009</u>
Revenues:			
Program revenues:			
Charges for services	\$ 645,973	\$ 262,498	
Operating grants and contributions	194,615	194,172	
Capital grants and contributions	36,485	22,500	
	<u>877,073</u>	<u>479,170</u>	
General revenues:			
Property taxes	2,152,842	2,122,775	
Franchise and utility taxes	439,093	435,928	
Intergovernmental	921,752	921,409	
Investment income and miscellaneous	17,450	22,381	
	<u>3,531,137</u>	<u>3,502,493</u>	
Total revenues	<u>4,408,210</u>	<u>3,981,663</u>	
Expenses:			
General government	1,037,331	992,184	
Public safety	2,108,568	1,983,858	
Physical environment	1,246,280	1,317,831	
Interest on long-term debt	94,615	97,978	
Total expenses	<u>4,486,794</u>	<u>4,391,851</u>	
Increase (Decrease) in Net Assets	(78,584)	(410,188)	
Net Assets- Beginning	<u>6,936,135</u>	<u>7,346,323</u>	
Net Assets- Ending	<u>\$ 6,857,551</u>	<u>\$ 6,936,135</u>	

Charges for services increased by \$383,475, due to new solid waste assessment during 2010. Expenses for public safety increased by \$124,710 due to City's police department growth during 2010. Expenses for physical environment decreased by \$71,551 due to City delaying expenditures on roads and streets.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED



Financial Analysis of the Government's Funds

As noted earlier, the *City of Belle Isle* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the *City of Belle Isle's* financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the largest fund of the *City of Belle Isle, Florida*. At September 30, 2010, the unreserved fund balance of the general fund was \$785,854. The fund balance of the general fund decreased by \$157,845 since the City Commission budgeted to use some of fund balance to pay for various projects.

The Stormwater Special Revenue Fund has a total fund balance of \$193,607. The net decrease in fund balance during the current year in this fund was \$152,435 since the City Commission budgeted to use some of bond proceeds from prior year on Stormwater projects.

General Fund Budgetary Highlights

During the fiscal 2010 year, actual revenues were more than budgeted revenues in the General Fund by approximately \$12,000; however, actual expenditures were less than budgeted by approximately \$590,000 due to the City delaying improvements for resurfacing, curbing, and drainage projects. There was no amendment between original and final budget.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Capital Asset and Debt Administration

Capital Assets - The *City of Belle Isle*'s investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$8,067,066 (net of accumulated depreciation), as detailed below. The total decrease in the City's investment in capital assets for the current fiscal year was 1%. The greatest increase was in infrastructure due to completed projects transferred from construction in progress at year end.

**City of Belle Isle
Capital Assets
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 235,823	\$ 235,823
Buildings	734,266	750,181
Improvements other than buildings	580,974	631,956
Equipment and machinery	387,137	381,867
Intangibles	846	1,208
Infrastructure	5,525,426	5,281,131
Construction in progress	602,594	835,574
Total	<u>\$ 8,067,066</u>	<u>\$ 8,117,740</u>

Additional information on the *City of Belle Isle*'s capital assets can be found in Note 7 of this report.

Long-Term Debt - At the end of the current fiscal year, the *City of Belle Isle* had total debt outstanding of \$2,208,896. This debt includes leases on the acquisition of equipment and bonds payable to the Florida Municipal Loan Council. Additional information on long-term debt can be found in Note 10 of this report.

**City of Belle Isle
Long-Term Debt**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Capital lease payable	\$ 163,896	\$ 172,220
Bonds payable	2,045,000	2,300,000
	<u>\$ 2,208,896</u>	<u>\$ 2,472,220</u>

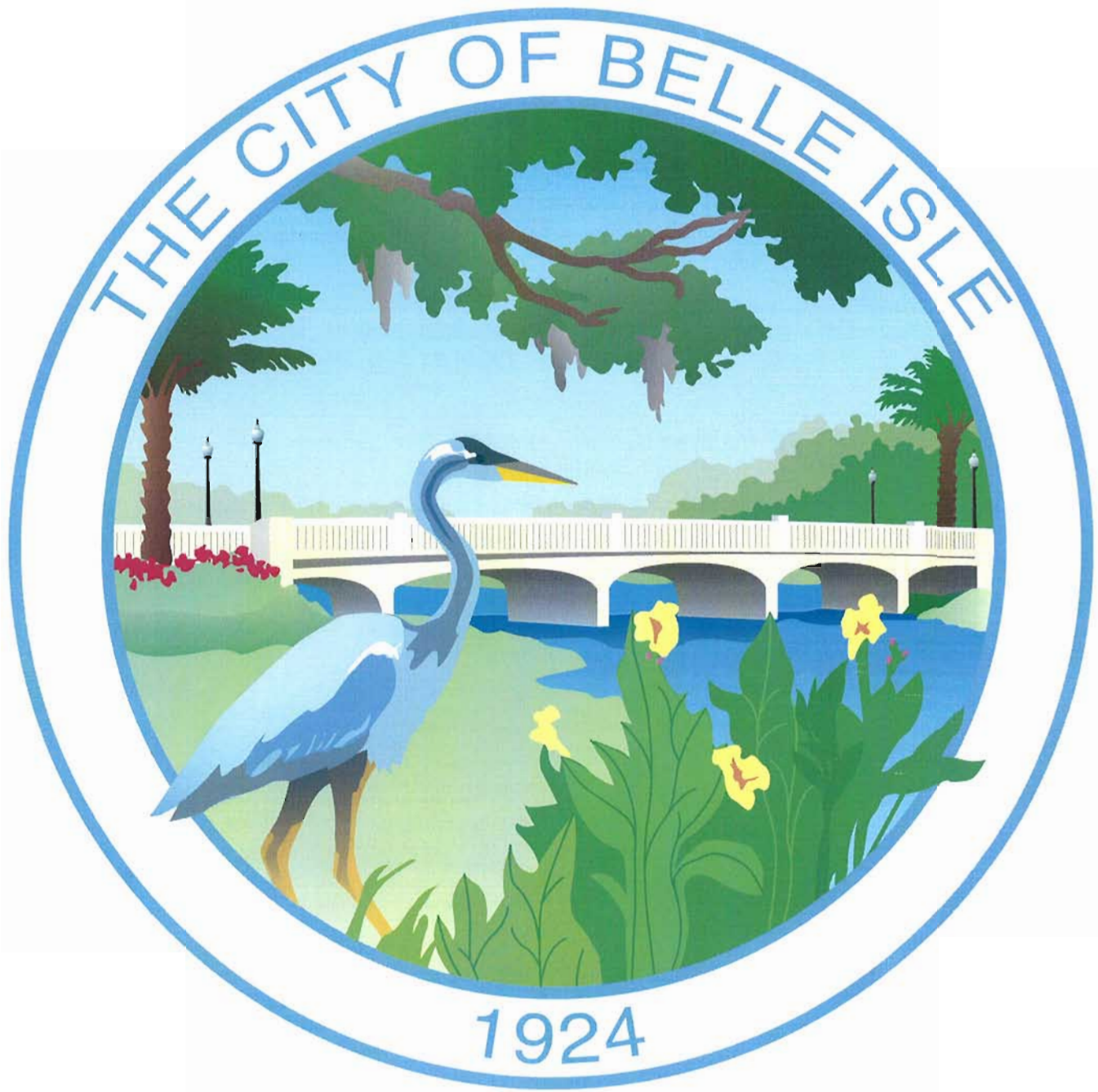
Next Year’s Budget and Rates

During the current fiscal year, the unreserved fund balance in the general fund decreased to \$785,854. Management plans to appropriate only a small amount of this for spending in 2011.

Requests for Information

This financial report is designed to provide a general overview of the *City of Belle Isle*'s finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, *City of Belle Isle*, 1600 Nela Avenue, Belle Isle, FL 32859.

BASIC FINANCIAL STATEMENTS



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CITY OF BELLE ISLE, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2010

	Governmental Activities
Assets:	
Cash	\$ 1,017,971
Investments	22,712
Accounts receivable	46,165
Due from other governments	134,402
Bond issuance costs	40,425
Capital assets:	
Not being depreciated	838,417
Being depreciated, net	7,228,649
Total assets	<u>9,328,741</u>
Liabilities:	
Accounts payable	159,265
Accrued liabilities	8,764
Accrued interest payable	11,423
Deposits	13,080
Noncurrent liabilities:	
Due within one year	318,772
Due in more than one year	1,959,886
Total liabilities	<u>2,471,190</u>
Net Assets:	
Invested in capital assets, net of related debt	5,832,855
Unrestricted	1,024,696
Total net assets	<u>\$ 6,857,551</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



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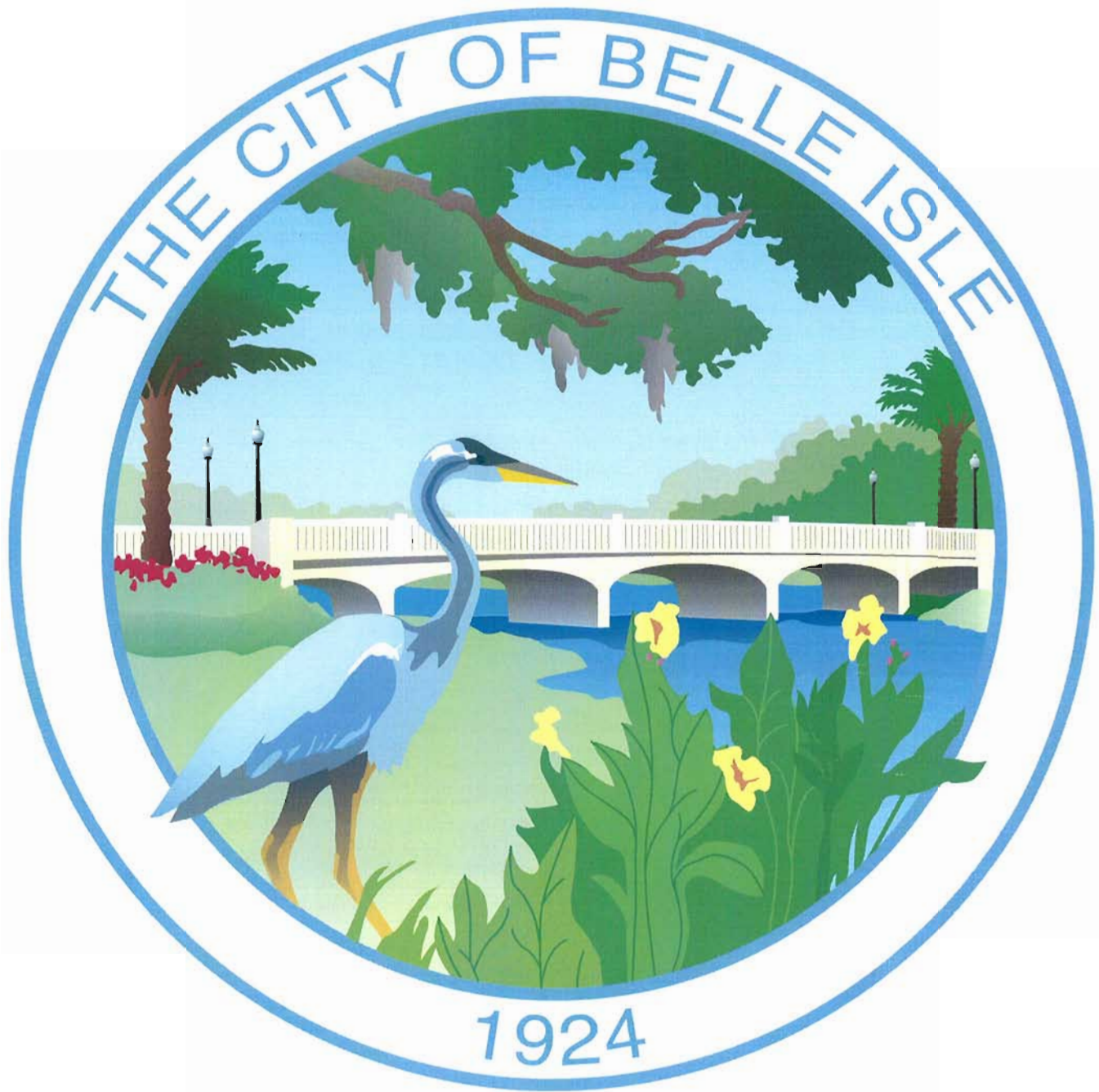
CITY OF BELLE ISLE, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Program Revenue				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Primary Government:					Governmental Activities
Governmental activities:					
General Government	\$ 1,037,331	\$ -	\$ -	\$ -	\$ (1,037,331)
Public Safety	2,108,568	19,798	-	-	(2,088,770)
Physical Environment	1,246,280	626,175	194,615	36,485	(389,005)
Interest on Long-term debt	94,615	-	-	-	(94,615)
Total governmental activities	<u>\$ 4,486,794</u>	<u>\$ 645,973</u>	<u>\$ 194,615</u>	<u>\$ 36,485</u>	<u>(3,609,721)</u>
General Revenues:					
Taxes:					
Property taxes					2,152,842
Franchise and utility taxes					439,093
Intergovernmental- unrestricted					921,752
Unrestricted investment earnings					12,487
Miscellaneous					4,963
Total general revenues					<u>3,531,137</u>
Change in net assets					(78,584)
Net assets - beginning					<u>6,936,135</u>
Net assets - ending					<u>\$ 6,857,551</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



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CITY OF BELLE ISLE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

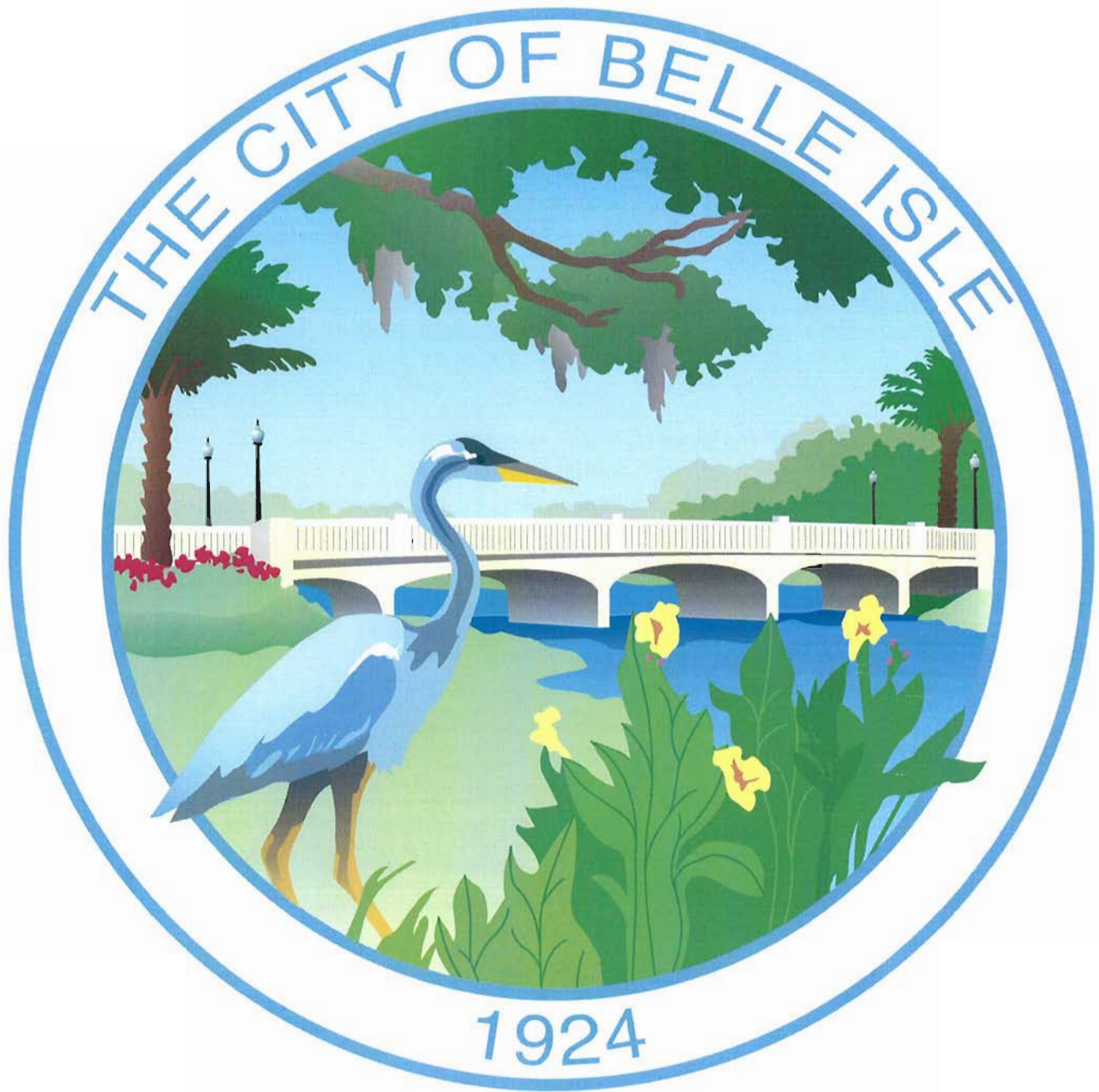
September 30, 2010

	<u>General Fund</u>	<u>Transportation Impact Fee</u>	<u>Stormwater</u>	<u>Law Enforcement Education</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 761,593	\$ 57,471	\$ 195,698	\$ 3,209	\$ 1,017,971
Investments	22,712	-	-	-	22,712
Accounts receivable	46,165	-	-	-	46,165
Due from other governments	134,402	-	-	-	134,402
Total assets	<u>\$ 964,872</u>	<u>\$ 57,471</u>	<u>\$ 195,698</u>	<u>3,209</u>	<u>\$ 1,221,250</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 157,174	\$ -	\$ 2,091	\$ -	\$ 159,265
Accrued liabilities	8,764	-	-	-	8,764
Deposits	13,080	-	-	-	13,080
Total liabilities	<u>179,018</u>	<u>-</u>	<u>2,091</u>	<u>-</u>	<u>181,109</u>
Fund Balances:					
Unreserved, reported in:					
General fund	785,854	-	-	-	785,854
Special revenue funds	-	57,471	193,607	3,209	254,287
Total fund balances	<u>785,854</u>	<u>57,471</u>	<u>193,607</u>	<u>3,209</u>	<u>1,040,141</u>
Total liabilities and fund balances	<u>\$ 964,872</u>	<u>\$ 57,471</u>	<u>\$ 195,698</u>	<u>\$ 3,209</u>	

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

Capital assets used in governmental activities are not fund resources and, therefore, are not reported in the funds	8,067,066
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,249,656)</u>
Net assets of governmental activities	<u>\$ 6,857,551</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



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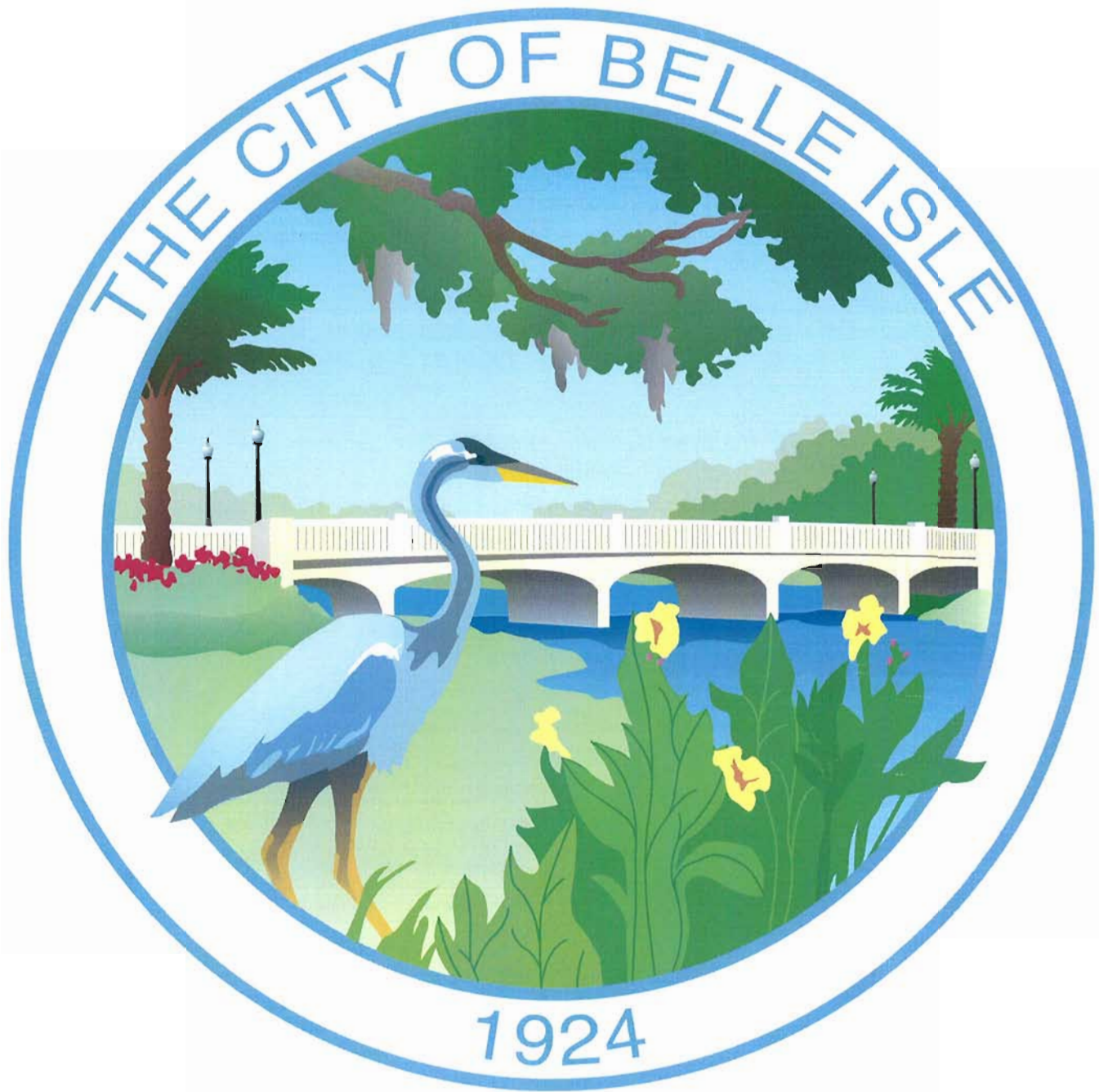
CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2010

	<u>General Fund</u>	<u>Transportation Impact Fee</u>	<u>Stormwater</u>	<u>Law Enforcement Education</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property taxes	\$ 2,152,842	\$ -	\$ -	\$ -	\$ 2,152,842
Franchise and utility	439,093	-	-	-	439,093
Licenses and permits	40,366	-	-	-	40,366
Intergovernmental	1,152,852	-	-	-	1,152,852
Charges for services	430,292	-	131,125	-	561,417
Impact fees	-	24,255	-	-	24,255
Fines and forfeitures	18,321	-	-	1,614	19,935
Investment income	9,649	946	946	946	12,487
Miscellaneous	4,963	-	-	-	4,963
Total revenues	<u>4,248,378</u>	<u>25,201</u>	<u>132,071</u>	<u>2,560</u>	<u>4,408,210</u>
Expenditures:					
Current:					
General government	1,032,000	-	-	-	1,032,000
Public safety	2,136,974	-	-	-	2,136,974
Physical environment	870,060	-	284,506	-	1,154,566
Debt Service:					
Principal	284,324	-	-	-	284,324
Interest and other charges	103,865	-	-	-	103,865
Total expenditures	<u>4,427,223</u>	<u>-</u>	<u>284,506</u>	<u>-</u>	<u>4,711,729</u>
Excess (deficiency) of revenues over expenditures	<u>(178,845)</u>	<u>25,201</u>	<u>(152,435)</u>	<u>2,560</u>	<u>(303,519)</u>
Other Financing Sources(Uses):					
Capital leases	21,000	-	-	-	21,000
Total other financing sources	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Net change in fund balances	(157,845)	25,201	(152,435)	2,560	(282,519)
Fund balances - beginning	943,699	32,270	346,042	649	1,322,660
Fund balances - ending	<u>\$ 785,854</u>	<u>\$ 57,471</u>	<u>\$ 193,607</u>	<u>\$ 3,209</u>	<u>\$ 1,040,141</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



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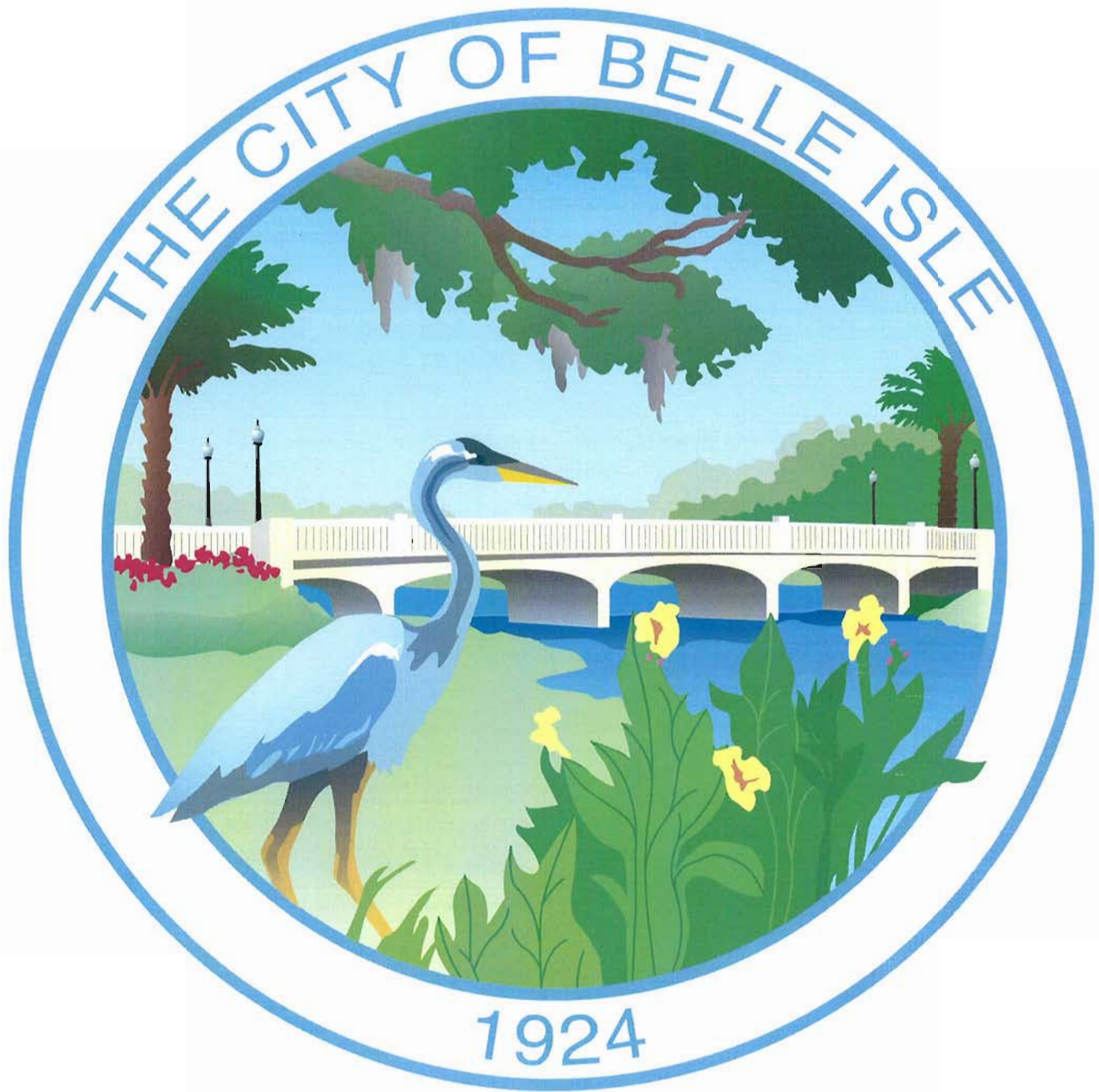
CITY OF BELLE ISLE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2010

Net change in fund balances - total governmental funds	\$ (282,519)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$392,611 exceeded depreciation \$443,285 in the current period.	(50,674)
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	263,324
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>(8,715)</u>
Change in net assets of governmental activities	<u>\$ (78,584)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



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CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
Property taxes	\$ 2,115,760	\$ 2,115,760	\$ 2,152,842	\$ 37,082
Franchise fees and utility taxes	869,303	869,303	439,093	(430,210)
Licenses and permits	10,800	10,800	40,366	29,566
Intergovernmental	1,175,160	1,175,160	1,152,852	(22,308)
Fines and forfeitures	35,800	35,800	18,321	(17,479)
Charges for services	12,200	12,200	430,292	418,092
Investment income	8,200	8,200	9,649	1,449
Miscellaneous	9,500	9,500	4,963	(4,537)
Total revenues	<u>4,236,723</u>	<u>4,236,723</u>	<u>4,248,378</u>	<u>11,655</u>
Expenditures:				
Current:				
General government:				
Legislative	44,750	44,750	31,758	12,992
Executive	7,800	7,800	6,401	1,399
Finance and administrative	540,579	540,579	531,496	9,083
Other general government	609,550	609,550	462,345	147,205
	<u>1,202,679</u>	<u>1,202,679</u>	<u>1,032,000</u>	<u>170,679</u>
Public safety:				
Law enforcement	966,045	966,045	924,050	41,995
Fire control	1,196,522	1,196,522	1,191,924	4,598
	<u>2,162,567</u>	<u>2,162,567</u>	<u>2,115,974</u>	<u>46,593</u>
Physical environment:				
Roads and streets	738,101	738,101	409,239	328,862
Solid waste disposal	502,320	502,320	460,821	41,499
	<u>1,240,421</u>	<u>1,240,421</u>	<u>870,060</u>	<u>370,361</u>
Debt service:				
Principal	293,376	293,376	284,324	9,052
Interest	99,459	99,459	103,865	(4,406)
	<u>392,835</u>	<u>392,835</u>	<u>388,189</u>	<u>4,646</u>
Total expenditures	<u>4,998,502</u>	<u>4,998,502</u>	<u>4,406,223</u>	<u>592,279</u>
Excess (deficiency) of revenues over expenditures	<u>(761,779)</u>	<u>(761,779)</u>	<u>(157,845)</u>	<u>603,934</u>
Net change in fund balance	(761,779)	(761,779)	(157,845)	603,934
Fund balance - beginning	943,699	943,699	943,699	-
Fund balance - ending	<u>\$ 181,920</u>	<u>\$ 181,920</u>	<u>\$ 785,854</u>	<u>\$ 603,934</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSPORTATION IMPACT FEE FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Impact fees	\$ 13,000	\$ 13,000	\$ 24,255	\$ 11,255
Investment income	1,200	1,200	946	(254)
Total revenues	<u>14,200</u>	<u>14,200</u>	<u>25,201</u>	<u>11,001</u>
Expenditures:				
Current:				
Physical environment:				
Roads and streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>14,200</u>	<u>14,200</u>	<u>25,201</u>	<u>11,001</u>
Net change in fund balance	14,200	14,200	25,201	11,001
Fund balance - beginning	<u>32,270</u>	<u>32,270</u>	<u>32,270</u>	<u>-</u>
Fund balance - ending	<u>\$ 46,470</u>	<u>\$ 46,470</u>	<u>\$ 57,471</u>	<u>\$ 11,001</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STORMWATER FUND

Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 135,000	\$ 135,000	\$ 131,125	\$ (3,875)
Investment income	1,200	1,200	946	(254)
Total revenues	<u>136,200</u>	<u>136,200</u>	<u>132,071</u>	<u>(4,129)</u>
Expenditures:				
Current:				
Physical environment:				
Roads and streets	<u>485,778</u>	<u>485,778</u>	<u>284,506</u>	<u>201,272</u>
Total expenditures	<u>485,778</u>	<u>485,778</u>	<u>284,506</u>	<u>201,272</u>
Excess (deficiency) of revenues over expenditures	<u>(349,578)</u>	<u>(349,578)</u>	<u>(152,435)</u>	<u>197,143</u>
Net change in fund balance	(349,578)	(349,578)	(152,435)	197,143
Fund balance - beginning	<u>346,042</u>	<u>346,042</u>	<u>346,042</u>	<u>-</u>
Fund balance - ending	<u>\$ (3,536)</u>	<u>\$ (3,536)</u>	<u>\$ 193,607</u>	<u>\$ 197,143</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

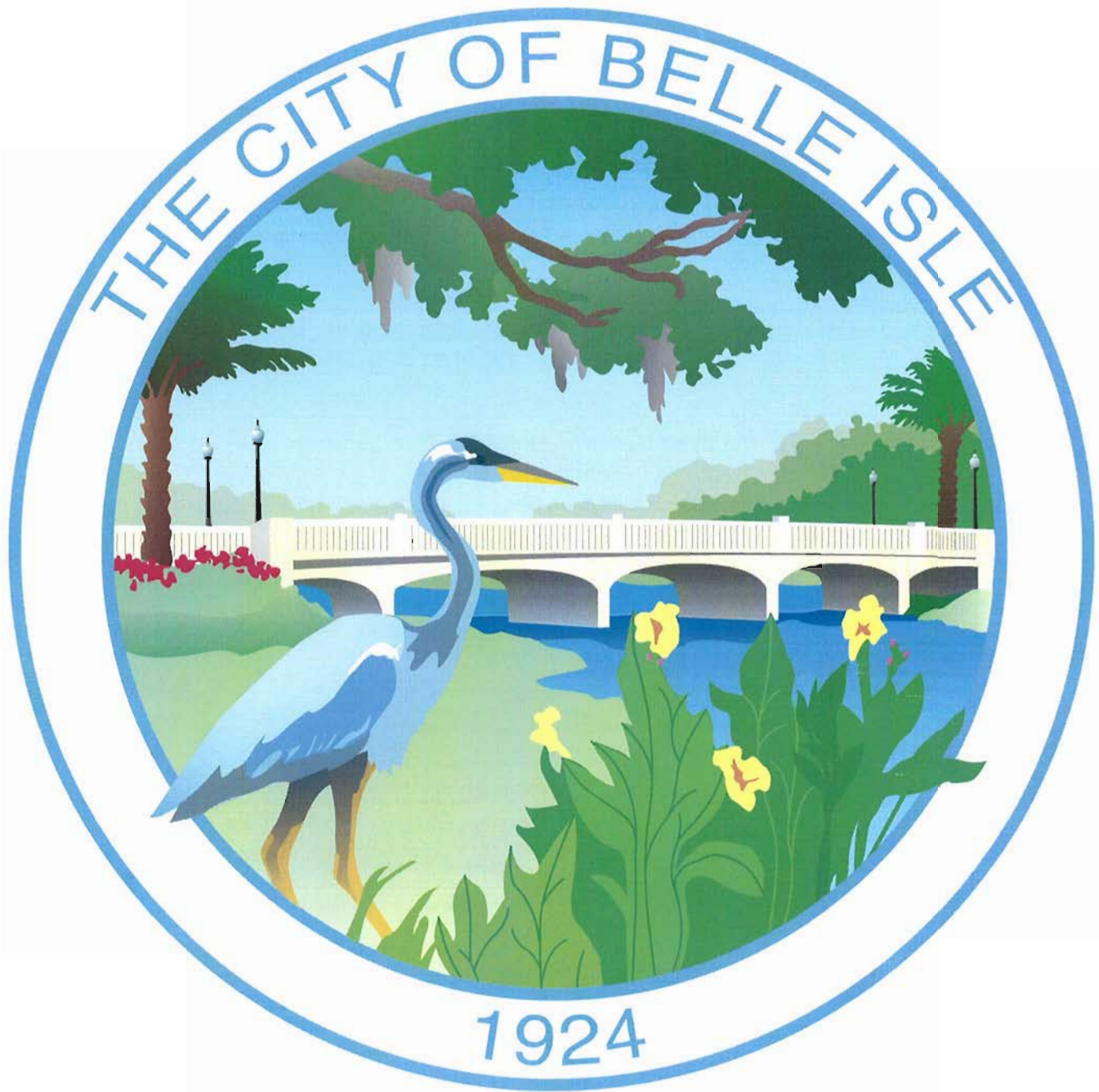
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 1,200	\$ 1,200	\$ 1,614	\$ 414
Investment income	1,200	1,200	946	(254)
Total revenues	<u>2,400</u>	<u>2,400</u>	<u>2,560</u>	<u>160</u>
Expenditures:				
Current:				
Public Safety:				
Law enforcement	-	-	-	-
Fire control	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,400</u>	<u>2,400</u>	<u>2,560</u>	<u>160</u>
Net change in fund balance	2,400	2,400	2,560	160
Fund balance - beginning	649	649	649	-
Fund balance - ending	<u>\$ 3,049</u>	<u>\$ 3,049</u>	<u>\$ 3,209</u>	<u>\$ 160</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS



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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity - The *City of Belle Isle, Florida* (the "City") was incorporated April 25, 1924 under the Laws of Florida 75-329. The City operates under a Mayor-Commissioner form of government and provides the following services as authorized by its charter: public safety (fire and supplemental law enforcement), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. There are no potential component units or related organizations of the City.

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net assets and the statements of changes on net assets) report information on all of the nonfiduciary activities of the City. Since the City has no business-type activities, only governmental activities are reported on the government-wide financial statements.

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

The City has no fiduciary funds, which would be excluded from the government-wide financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued):

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation impact fee special revenue fund is used to account for collected impact fees on new development to defray the cost of future road construction as a result of growth.

Stormwater special revenue fund is used to account for the activities of the City's stormwater drainage operation, as well as the funding and payment of related debt.

Law enforcement education special revenue fund is used to account for revenues received pursuant to Chapter 943.25, Florida Statutes. Funds must be used to educate and train law enforcement personnel.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, as well as fines. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

Deposits and Investments - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The City's investments consist of investments authorized per their investment policy adopted in accordance with section 218.415, Florida Statutes.

Receivables - Receivables consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued):

Capital assets - Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	5 - 15
Infrastructure	25 - 40
Equipment & machinery	5 - 15
Intangibles	3 - 5

Compensated Absences - Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. Employees are paid 100% of their accumulated vacation pay when they terminate for any reason. Accumulated sick leave is paid only upon retirement or termination because of disability, and is based on 25% of accumulated sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. For governmental activities, compensated absences are generally liquidated by the General Fund. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee retirements.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,249,656 difference are as follows:

Bonds payable	\$ 2,045,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(40,425)
Add: Issuance premium (to be amortized over life of debt)	25,315
Accrued interest payable	11,423
Capital lease payable	163,896
Compensated absences	44,447
	<u>\$ 2,249,656</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation includes the net effect of differences in the treatment of long-term debt and related items. The details of this \$263,324 difference are as follows:

Debt issued:	
Capital lease	\$ (21,000)
Principal repayments	284,324
	<u>\$ 263,324</u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(8,715) difference are as follows:

Compensated absences	\$ (10,956)
Accrued interest	3,017
Amortization of issuance costs	(7,009)
Amortization of premium	6,233
Net adjustment to decrease net changes in fund balances- total	<u>\$ (8,715)</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 3 - Stewardship, Compliance and Accountability:

A. Budgetary Information - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Commission meeting in August, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the City's general fund and special revenue funds.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of a resolution.
3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Commission. The legal level of budgetary control is the department level.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
5. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is not employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and are reappropriated in the ensuing year.

The general fund and special revenue funds budgets are prepared on a budgetary basis, whereby the City includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the City does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases.

For the 2010 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$4,427,223	\$ 21,000
Non budgeted capital lease transactions	<u>(21,000)</u>	<u>(21,000)</u>
Budgetary basis	<u>\$4,406,223</u>	<u>\$ -</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 3 - Stewardship, Compliance and Accountability (Continued):

B. Appropriations in Excess of Funds Available - Appropriations for the Stormwater Fund were in excess of anticipated revenue and available fund balance.

Note 4 - Cash and Investments:

Following are the components of the City's cash and investments at September 30, 2010:

Cash	\$	1,017,971
Investments		22,712
	\$	<u>1,040,683</u>

Deposits - At year-end, the carrying amount of the City's deposits was \$1,017,971 and the bank balance was \$1,151,155. All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments - The City's investment policies are governed by State Statutes and City ordinances. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories;
4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.
5. U.S. Government Agency Securities and U.S. Treasury Bills, Notes and Bonds;
6. Overnight bank sweep accounts.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 4 - Cash and Investments (Continued):

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund; therefore, the pool account balance can be used as fair value for financial reporting. Fund B is accounted for as a fluctuating NAVPOOL, not a 2a-7-like money market fund.

Investments made by the *City of Belle Isle* at September 30, 2010 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Florida PRIME	2,458	AAAm	52 days
Fund B	20,254	Not rated	7.49 years
	<u>\$ 22,712</u>		

During the year ended September 30, 2010, the City recognized unrealized gain totaling \$8,695 related to Fund B.

Credit Risk:

The City's investment policy limits credit risk by restricting authorized investments to those described above.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2010, all of the city's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2010, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 4 - Cash and Investments (Continued):

Concentration of Credit Risk:

The City's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The City's investment policy does not specifically address interest rate risk; however the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 5 - Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. The County bills and collects property taxes. Collections of the property taxes by the county and remittance of them to the City are accounted for in the general fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2010, was 3.7432 per \$1,000 which means the City has a tax margin of 6.2568 per \$1,000 and could raise up to \$3,722,649 before discount, additional a year from the present assessed valuation of \$594,976,448 before the limit is reached.

Note 6 - Receivables:

The accounts receivables and allowance for uncollectibles at September 30, 2010 were as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible</u>	<u>Net Receivables</u>
General Fund	<u>\$ 46,165</u>	<u>-</u>	<u>\$ 46,165</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 7 - Capital Assets:

Capital asset activity for the year ended September 30, 2010 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 235,823	\$ -	\$ -	\$ 235,823
Construction in progress	835,574	298,894	(531,874)	602,594
Total capital assets, not being depreciated	<u>1,071,397</u>	<u>298,894</u>	<u>(531,874)</u>	<u>838,417</u>
Capital assets, being depreciated:				
Buildings	969,716	10,022	-	979,738
Improvements	758,025	12,273	-	770,298
Equipment & machinery	989,264	71,422	(77,471)	983,215
Intangibles	9,816	-	-	9,816
Infrastructure	6,016,692	531,874	-	6,548,566
Total capital assets being depreciated	<u>8,743,513</u>	<u>625,591</u>	<u>(77,471)</u>	<u>9,291,633</u>
Less accumulated depreciation for:				
Buildings	(219,535)	(25,937)	-	(245,472)
Improvements	(126,069)	(63,255)	-	(189,324)
Equipment & machinery	(607,397)	(66,152)	77,471	(596,078)
Intangibles	(8,608)	(362)	-	(8,970)
Infrastructure	(735,561)	(287,579)	-	(1,023,140)
Total accumulated depreciation	<u>(1,697,170)</u>	<u>(443,285)</u>	<u>77,471</u>	<u>(2,062,984)</u>
Total capital assets being depreciated, net	<u>7,046,343</u>	<u>182,306</u>	<u>-</u>	<u>7,228,649</u>
Governmental activities capital assets, net	<u>\$ 8,117,740</u>	<u>\$ 481,200</u>	<u>\$ (531,874)</u>	<u>\$ 8,067,066</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 7 - Capital Assets (Continued):

The source of governmental funds capital assets is the general fund.

Depreciation expenses were charged to functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 14,183
Public safety	38,954
Physical environment	390,148
	<u>\$ 443,285</u>

Note 8 - Retirement Plans:

Employees Defined Contribution Plan - The City is the administrator of a single employer defined contribution money purchase pension plan. All full-time employees are eligible to participate in the plan after six months of service. As soon as an employee is eligible to participate in the plan, contributions made by the City are retroactive to date of hire. Under this plan, the City contributes 4% of the employees' eligible wages. The contribution rate is established by the City Commission. Employees do not participate in the plan funding. Employees are 100% vested upon completion of five years of service. No fixed benefits are paid or payable upon retirement.

During the year ended September 30, 2010, the City's total payroll was \$1,000,170 and the current year's covered payroll for retirement plan purposes was approximately \$1,000,170. The City contributed \$39,092 to the plan. Total contributed is approximately 4% of the current year's covered payroll. The City has no unfunded liability under this plan.

Deferred Compensation Plan - The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). The 457 Plan, available to all full-time employees immediately upon employment, permits them to defer a portion of their current salary until future years.

The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

In accordance with changes in federal law brought about by the Small Business Job Protection Act of 1996, eligible deferred compensation plans established and maintained by governmental employers must be amended to provide that all assets of the plan be held in trust for the exclusive benefit of plan participants and their beneficiaries. The City has executed amended plans with its third party administrators, which conform to the new provisions of the law. Accordingly, assets of these plans are no longer accounted for in the City's financial statements.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 9 - Other Postemployment Benefits:

Pursuant to Resolution 10-15, the City has elected not to make continuation of group health insurance through the City's current provider available to retirees and eligible dependents.

Note 10 - Long-Term Debt:

Long-term debt activity for the year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$ 172,220	\$ 21,000	\$ 29,324	\$ 163,896	\$ 54,327
Revenue Bonds	2,300,000	-	255,000	2,045,000	260,000
Unamortized Premium	31,548	-	6,233	25,315	-
Compensated Absences	33,491	12,673	1,717	44,447	4,445
	<u>\$ 2,537,259</u>	<u>\$ 33,673</u>	<u>\$ 292,274</u>	<u>\$ 2,278,658</u>	<u>\$ 318,772</u>

Capital Lease - The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of the minimum lease payments of the inception date. A summary of equipment acquired through capital lease is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 239,406
Less: Accumulated depreciation	(40,613)
	<u>\$ 198,793</u>

The future minimum lease obligations of the minimum lease payments at September 30, 2010 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2011	\$ 60,028
2012	55,611
2013	16,910
2014	16,910
2015	16,910
2016	16,910
Total minimum lease payments	183,279
Less: amount representing interest	(19,383)
Present value of minimum lease payments	<u>\$ 163,896</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 10 - Long-Term Debt (Continued):

Revenue Bonds - The City has entered into three loan agreements with the Florida Municipal Loan Council (FMLC), whereby the FMLC issued Revenue Bonds and made loans to several cities including Belle Isle. The purpose of these loans was to provide funds for various capital improvements. The 2002C loan is secured by pledged half-cent sales tax revenue and the 2003B loan is secured by pledged communication services tax revenue. The 2006 loan is secured by a covenant to appropriate in the annual budget the amount of non-ad valorem revenues to satisfy repayment.

Total principal and interest remaining on the Series 2002C loan as of September 30, 2010 is \$350,725. For the year ended September 30, 2010, principal and interest paid was \$117,850 and total half-cent sales tax revenue pledged for the year was \$694,066.

Total principal and interest remaining on the Series 2003B Bonds as of September 30, 2010 is \$462,635. For the year ended September 30, 2010 principal and interest paid was \$118,860 and total communication services tax revenue pledged for the year was \$276,677.

Revenue bonds outstanding at year end are as follows:

Governmental Activities	Interest Rates and Dates	Maturity	Original Amount	Balance September 30, 2010
Florida Municipal Loan Council- Series 2002C	3.6486% (5/1 & 11/1)	11/1/2012	<u>\$ 955,000</u>	\$ 330,000
Florida Municipal Loan Council- Series 2003B	3.4175% (6/1 & 12/1)	12/1/2013	<u>\$ 985,000</u>	425,000
Florida Municipal Loan Council- Series 2006	4.1973% (4/1 & 10/1)	10/1/2026	<u>\$ 1,480,000</u>	1,290,000
Total				<u>\$ 2,045,000</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2010

Note 10 - Long-Term Debt (Continued):

Annual debt service requirements to maturity are as follows:

<u>Year Ending September, 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 260,000	\$ 82,581
2012	275,000	72,416
2013	285,000	61,675
2014	175,000	51,888
2015	65,000	45,750
2016-2020	390,000	176,050
2021-2025	485,000	84,151
2026-2027	110,000	4,538
	<u>\$ 2,045,000</u>	<u>\$ 579,049</u>

Note 11 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the City to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 12 - Contingencies:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

Note 13 - Evaluation of Subsequent Events:

The City has evaluated subsequent events through February 1, 2011, the date which the financial statements were available to be issued.



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STATISTICAL SECTION

This part of the *City of Belle Isle's* comprehensive annual financial report resents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall health.

<u>Contents</u>	<u>Page</u>
Financial Trends	32
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	37
These schedules contain formation to help the reader asses the government's most significant local revenue source, the property tax.	
Debt Capacity	41
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
There are no limitations placed upon the amount of debt the <i>City of Belle Isle</i> may issue by either the City Charter or the City's Code of Ordinances or by Florida Statues.	
The <i>City of Belle Isle</i> has no general obligation bonds outstanding.	
Demographic and Economic Information	43
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	45
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF BELLE ISLE, FLORIDA

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 938,669	\$ 904,804	\$ 1,077,668	\$ 1,021,602	\$ 1,246,774	\$ 2,407,645	\$ 2,841,770	\$ 4,588,012	\$ 5,645,520	\$ 5,832,855
Restricted	50,000	50,000	-	982,228	855,024	899,538	1,099,267	778,479	-	-
Unrestricted	3,137,421	3,084,293	2,785,501	1,741,059	1,713,140	2,097,127	3,287,910	1,979,832	1,290,615	1,024,696
Total governmental activities net assets	<u>\$ 4,126,090</u>	<u>\$ 4,039,097</u>	<u>\$ 3,863,169</u>	<u>\$ 3,744,889</u>	<u>\$ 3,814,938</u>	<u>\$ 5,404,310</u>	<u>\$ 7,228,947</u>	<u>\$ 7,346,323</u>	<u>\$ 6,936,135</u>	<u>\$ 6,857,551</u>

CITY OF BELLE ISLE, FLORIDA

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses										
Governmental activities:										
General government	\$ 535,956	\$ 602,601	\$ 759,134	\$ 3,854,684	\$ 1,583,138	\$ 959,373	\$ 1,004,664	\$ 995,667	\$ 992,184	\$ 1,037,331
Public safety	1,012,536	1,102,273	1,204,188	1,263,807	1,354,690	1,509,411	1,799,649	1,979,104	1,983,858	2,108,568
Physical environment	697,531	808,376	789,966	759,429	685,656	889,384	1,004,728	1,158,691	1,317,831	1,246,280
Interest on long-term debt	-	421	33,980	58,493	61,809	56,248	98,314	106,354	97,978	94,615
Total governmental activities expense	<u>\$ 2,246,023</u>	<u>\$ 2,513,671</u>	<u>\$ 2,787,268</u>	<u>\$ 5,936,413</u>	<u>\$ 3,685,293</u>	<u>\$ 3,414,416</u>	<u>\$ 3,907,355</u>	<u>\$ 4,239,816</u>	<u>\$ 4,391,851</u>	<u>\$ 4,486,794</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	15,575	52,733	74,657	52,158	52,841	82,202	150,089	94,515	19,798
Physical environment	7,538	9,209	10,269	12,421	23,026	178,492	185,990	168,283	167,983	626,175
Operating grants and contributions ¹	-	-	-	3,128,358	349,379	348,406	252,390	210,139	194,172	194,615
Capital grants and contributions	-	-	144,453	19,795	-	945,121	1,199,787	226,727	22,500	36,485
Total governmental activities program revenues	<u>\$ 7,538</u>	<u>\$ 24,784</u>	<u>\$ 207,455</u>	<u>\$ 3,235,231</u>	<u>\$ 424,563</u>	<u>\$ 1,524,860</u>	<u>\$ 1,720,369</u>	<u>\$ 755,238</u>	<u>\$ 479,170</u>	<u>\$ 877,073</u>
Total governmental activities net expense	<u>\$ (2,238,485)</u>	<u>\$ (2,488,887)</u>	<u>\$ (2,579,813)</u>	<u>\$ (2,701,182)</u>	<u>\$ (3,260,730)</u>	<u>\$ (1,889,556)</u>	<u>\$ (2,186,986)</u>	<u>\$ (3,484,578)</u>	<u>\$ (3,912,681)</u>	<u>\$ (3,609,721)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 849,832	\$ 923,947	\$ 966,895	\$ 1,226,058	\$ 1,605,909	\$ 1,749,543	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842
Franchise and utility taxes	173,995	241,320	188,158	288,155	370,051	372,236	386,624	395,482	435,928	439,093
Intergovernmental-unrestricted	1,248,728	1,105,704	1,163,071	983,299	1,269,879	1,165,581	1,104,420	1,017,572	921,409	921,752
Investment income and Miscellaneous	257,377	130,923	85,761	85,390	84,940	191,568	431,644	86,640	22,381	17,450
Total governmental activities	<u>\$ 2,529,932</u>	<u>\$ 2,401,894</u>	<u>\$ 2,403,885</u>	<u>\$ 2,582,902</u>	<u>\$ 3,330,779</u>	<u>\$ 3,478,928</u>	<u>\$ 4,011,621</u>	<u>\$ 3,601,954</u>	<u>\$ 3,502,493</u>	<u>\$ 3,531,137</u>
Change in Net Assets										
Governmental activities	<u>\$ 291,447</u>	<u>\$ (86,993)</u>	<u>\$ (175,928)</u>	<u>\$ (118,280)</u>	<u>\$ 70,049</u>	<u>\$ 1,589,372</u>	<u>\$ 1,824,635</u>	<u>\$ 117,376</u>	<u>\$ (410,188)</u>	<u>\$ (78,584)</u>

¹ Money received from FEMA for damages caused by three hurricanes in 2004 is included in operating grants and contributions.

CITY OF BELLE ISLE, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>Property Tax</u>	<u>Franchise Fees and Utility Tax</u>	<u>Total</u>
2001	849,832	173,995	1,023,827
2002	923,947	241,320	1,165,267
2003	966,895	188,158	1,155,053
2004	1,226,058	288,155	1,514,213
2005	1,605,909	370,051	1,975,960
2006	1,749,543	372,236	2,121,779
2007	2,088,933	386,624	2,475,557
2008	2,102,260	395,482	2,497,742
2009	2,121,051	412,874	2,533,925
2010	2,152,842	439,093	2,591,935

Source Earl K. Wood - Orange County Tax Collector

CITY OF BELLE ISLE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund										
Reserved	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 871,832	\$ 899,538	\$ 382,227	\$ 385,653	\$ -	\$ -
Unreserved	3,137,421	3,084,293	3,501,218	836,522	2,477,265	2,903,480	2,134,491	1,574,689	943,699	785,854
Total General fund	<u>\$ 3,187,421</u>	<u>\$ 3,134,293</u>	<u>\$ 3,501,218</u>	<u>\$ 836,522</u>	<u>\$ 3,349,097</u>	<u>\$ 3,803,018</u>	<u>\$ 2,516,718</u>	<u>\$ 1,960,342</u>	<u>\$ 943,699</u>	<u>\$ 785,854</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 717,040	\$ 392,826	\$ -	\$ -
Unreserved, reported in:										
Special Revenue funds	-	-	-	-	-	134,721	170,834	430,538	378,961	254,287
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,721</u>	<u>\$ 887,874</u>	<u>\$ 823,364</u>	<u>\$ 378,961</u>	<u>\$ 254,287</u>

Note: Prior to 2006, the City had only one fund, the General Fund.

CITY OF BELLE ISLE, FLORIDA

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:										
Taxes:										
Property	\$ 849,832	\$ 923,947	\$ 966,895	\$ 1,226,058	\$ 1,605,909	\$ 1,749,543	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842
Franchise and utility	173,995	241,320	188,158	288,155	370,051	372,236	386,624	395,482	435,928	439,093
Licenses and permits	7,538	9,209	10,269	12,421	23,026	42,374	39,604	25,522	8,235	40,366
Intergovernmental revenues	1,248,728	1,105,704	1,253,071	1,238,791	4,391,917	2,367,395	2,556,597	1,454,438	1,138,081	1,152,852
Charges for services	-	-	-	-	-	130,266	142,096	134,016	146,988	561,417
Impact fees	-	-	-	-	-	4,455	4,290	8,745	12,760	24,255
Fines and forfeitures	22,711	15,575	52,733	74,657	52,158	52,841	82,202	150,089	94,515	19,935
Investment Income	218,675	124,591	76,032	67,725	51,470	159,258	217,601	83,174	9,396	12,487
Miscellaneous	16,030	7,669	9,729	17,665	33,470	244,025	214,043	13,233	12,985	4,963
Total revenues	<u>2,537,509</u>	<u>2,428,015</u>	<u>2,556,887</u>	<u>2,925,472</u>	<u>6,528,001</u>	<u>5,122,393</u>	<u>5,731,990</u>	<u>4,366,959</u>	<u>3,981,663</u>	<u>4,408,210</u>
Expenditures:										
General government	725,708	603,549	973,807	4,019,375	1,542,386	1,052,145	3,616,583	1,378,561	1,484,293	1,032,000
Public safety	1,012,536	1,102,273	1,204,188	1,263,807	1,354,690	1,509,411	1,799,649	1,979,104	2,189,801	2,136,974
Physical environment	743,606	882,515	936,836	1,125,337	908,484	1,698,898	1,990,489	1,260,211	1,547,861	1,154,566
Parks and recreation	-	-	-	-	-	-	-	-	-	-
Debt Service: ¹										
Principal	-	2,078	70,655	180,799	202,461	209,831	259,915	272,780	287,512	284,324
Interest	-	-	-	-	68,905	63,466	106,270	114,785	106,387	103,865
Bond issuance costs	-	-	-	-	-	-	32,818	-	-	-
Total expenditures	<u>2,481,850</u>	<u>2,590,415</u>	<u>3,185,486</u>	<u>6,589,318</u>	<u>4,076,926</u>	<u>4,533,751</u>	<u>7,805,724</u>	<u>5,005,441</u>	<u>5,615,854</u>	<u>4,711,729</u>
Excess Revenues Over Expenditures	55,659	(162,400)	(628,599)	(3,663,846)	2,451,075	588,642	(2,073,734)	(638,482)	(1,634,191)	(303,519)
Other Financing Sources:										
Capital lease	-	109,272	-	-	61,500	-	45,261	17,596	173,145	21,000
Bonds issued	-	-	955,000	985,000	-	-	1,480,000	-	-	-
Premium on bonds	-	-	40,524	14,150	-	-	15,326	-	-	-
Total other financing sources	<u>-</u>	<u>109,272</u>	<u>995,524</u>	<u>999,150</u>	<u>61,500</u>	<u>-</u>	<u>1,540,587</u>	<u>17,596</u>	<u>173,145</u>	<u>21,000</u>
Net change in fund balance	<u>\$ 55,659</u>	<u>\$ (53,128)</u>	<u>\$ 366,925</u>	<u>\$ (2,664,696)</u>	<u>\$ 2,512,575</u>	<u>\$ 588,642</u>	<u>\$ (533,147)</u>	<u>\$ (620,886)</u>	<u>\$ (1,461,046)</u>	<u>\$ (282,519)</u>
Debt service as a % of noncapital expenditures	0.00%	0.08%	2.69%	3.13%	8.76%	8.58%	11.13%	9.13%	9.19%	8.99%

¹ There was no debt service in years prior to 2002.

CITY OF BELLE ISLE, FLORIDA

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total * Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2001	304,274,080	7,209,170	311,483,250	2.8220	451,586,838	68.98%
2002	359,891,587	9,268,805	369,160,392	2.6655	483,592,148	76.34%
2003	377,489,304	8,093,638	385,582,942	2.6655	535,463,979	72.01%
2004	398,414,867	7,041,684	405,456,551	3.1655	570,614,769	71.06%
2005	425,763,108	7,299,724	433,062,832	3.6655	699,333,981	61.93%
2006	482,682,718	13,865,998	496,548,716	3.6655	908,326,364	54.67%
2007	569,227,451	15,679,104	584,906,555	3.6655	941,699,554	62.11%
2008	620,697,374	16,023,977	636,721,351	3.4068	629,330,040	99%
2009	615,305,721	17,587,224	632,892,945	3.5378	687,514,038	92%
2010	576,519,592	18,456,856	594,976,448	3.7432	618,183,229	96%

Source:
Orange County Property Appraiser

* Breakdown between residential & commercial not available

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	Direct(1)	Overlapping		Total Direct & Overlapping Rates
	City of Belle Isle	Orange County	School Board	
2001	2.8220	5.1639	8.5770	16.5629
2002	2.6655	5.1639	8.4320	16.2614
2003	2.6655	5.1639	7.8880	15.7174
2004	3.1655	5.1639	7.5400	15.8694
2005	3.6655	5.1639	7.7610	16.5904
2006	3.6655	5.1639	8.0635	16.8929
2007	3.6655	5.1639	7.1690	15.9984
2008	3.4068	4.4347	7.1500	14.9915
2009	3.5378	4.4347	7.1500	15.1225
2010	3.7432	4.4347	7.6730	15.8509

Millage Rates (\$1 per \$1,000 of taxable value)

(1) The direct rate is for operating millage. There is no debt service millage.

Source: Orange County Tax Collector

CITY OF BELLE ISLE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2010			2001		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Value	Value		Value
McCoy Condominium Investment LLC	9,403,829	1	1.58%			
Regal Boats	8,279,028	2	1.39%			
Belle Isle Commons LLC	7,043,873	3	1.18%			
Legacy Land Exchange LLC	6,614,579	4	1.11%			
Lee Leo Y TR	5,915,880	5	0.99%			
Columbia Land &n Development Corp	5,699,480	6	0.96%			
Redus Florida Conds LLC	5,000,000	7	0.84%			
SRI Balaji Hotels LLC	3,750,848	8	0.63%			
Siddhi-Vinayak, Inc.	3,490,372	9	0.59%			
Efesos Properties NV, Inc. (Winn Dixie)	2,573,443	10	0.43%			
	-			*	1	*
	-			*	2	*
	-			*	3	*
	-			*	4	*
	-			*	5	*
	-			*	6	*
	-			*	7	*
	-			*	8	*
	-			*	9	*
	-			*	10	*
	<u>\$ 57,771,332</u>		<u>9.70%</u>	<u>*</u>		<u>*</u>

Source: Orange County Property Appraiser

* Information not available

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001	879,006	849,832	96.68%	-	849,832	96.68%
2002	983,997	923,947	93.90%	-	923,947	93.90%
2003	1,027,578	966,895	94.09%	-	966,895	94.09%
2004	1,283,473	1,226,058	95.53%	-	1,226,058	95.53%
2005	1,587,392	1,576,653	99.32%	334	1,576,987	99.34%
2006	1,820,099	1,699,855	93.39%	-	1,699,855	93.39%
2007	2,146,612	2,088,933	97.31%	1,232	2,090,165	97.37%
2008	2,169,182	2,102,260	96.91%	1,576	2,103,836	96.99%
2009	2,239,049	2,119,584	94.66%	2,576	2,122,190	94.78%
2010	2,227,116	2,144,861	96.31%	-	2,144,861	96.99%

CITY OF BELLE ISLE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	Governmental Activities		Total Primary Government	Percentage of Personal Income ²	Per Capita
	Revenue Bonds ¹	Capital Leases ¹			
2001	-	-	-	-	-
2002	-	107,616	107,616	*	18
2003	955,000	87,958	1,042,958	*	171
2004	1,860,000	67,217	1,927,217	*	317
2005	1,690,000	96,256	1,786,256	*	293
2006	1,515,000	61,425	1,576,425	0.73%	259
2007	2,775,000	66,771	2,841,771	1.36%	483
2008	2,540,000	46,587	2,586,587	1.24%	440
2009	2,300,000	172,220	2,472,220	1.33%	435
2010	2,045,000	163,896	2,208,896	0.87%	337

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

1 The city had no debt prior to 2002

2 See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

* Information is not available.

CITY OF BELLE ISLE, FLORIDA

PLEDGE - REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended Sept 30,	2002C Revenue Bonds				2003B Revenue Bonds			
	Half-Cent Sales Tax	Debt Service		Coverage	Communication Service Taxes	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2002	-	-	-	-	-	-	-	-
2003	762,540	-	18,406	41.43	75,981	-	-	-
2004	794,414	80,000	35,613	6.87	169,163	-	13,266	12.75
2005	863,036	85,000	33,138	7.31	247,247	85,000	28,271	2.18
2006	875,891	85,000	30,481	7.58	247,459	90,000	26,521	2.12
2007	828,086	90,000	29,082	6.95	259,064	95,000	26,034	2.14
2008	779,290	90,000	24,546	6.80	259,206	95,000	22,262	2.21
2009	688,169	95,000	22,030	5.88	300,757	95,000	21,472	2.58
2010	694,066	100,000	17,850	5.89	276,677	100,000	18,860	2.33

Notes:

The city had no debt outstanding prior to 2003.

CITY OF BELLE ISLE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

	Population	Personal Income ¹	Per Capita Personal Income ¹	Median Age ¹	Education Level In Years of Formal Schooling ¹	Unemployment Rate ¹
2001	6,446	*	*	*	*	*
2002	6,015	*	*	*	*	*
2003	6,087	*	*	*	*	*
2004	6,087	*	*	*	*	*
2005	6,087	*	*	*	*	*
2006	6,087	214,877,187	35,301	42.7	14.5	3.00%
2007	5,881	208,328,544	35,424	43.0	14.3	4.50%
2008	5,881	208,328,544	35,424	43.0	14.3	4.50%
2009	5,678	185,295,852	32,634	44.8	14.2	6.77%
2010(2)	6,553	254,236,741	38,797	43.8	14.4	12.0%

* Data not available

¹ Metro Orlando Economic Development Commission

² U.S. Census Bureau used for 2010 information

CITY OF BELLE ISLE, FLORIDA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Regal Boats	332	1	50.92%			
Winn Dixie	16	2	2.45%			
CVS	16	3	2.45%			
Travel Lodge	14	4	2.15%			
Comfort Suites	14	5	2.15%			
Quality Inn	15	6	2.30%			
Best Western	13	7	1.99%			
Dollar General	13	8	1.99%			
Tires Plus	12	9	1.84%			
Quiznos	8	10	1.23%			
	-			*	1	*
	-			*	2	*
	-			*	3	*
	-			*	4	*
	-			*	5	*
	-			*	6	*
	-			*	7	*
	-			*	8	*
	-			*	9	*
	-			*	10	*
Total	<u>453</u>		<u>69.47%</u>	<u>*</u>		<u>*</u>

Source: Field inspection

* Data not available

CITY OF BELLE ISLE, FLORIDA

FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	5	5	5	5	4	5	5	5	5	5
Public Safety	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Public Works	3	4	4	5	5	5	5	4	3	2
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Police Department	-	-	-	-	-	-	-	-	12	12
Total	8	9	9	10	9	10	10	9	20	19

CITY OF BELLE ISLE, FLORIDA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
License/Permit Reviews	350	419	431	535	1124	645	795	501	907	575
Employees paid	46	52	56	56	55	59	70	64	99	30
Public Safety										
Parking violations	*	*	*	*	*	14	170	237	131	99
Highways & Streets										
Streets paved (miles)	21.5	21.5	23.3	23.5	23.5	23.5	23.5	24	24	22
Streets resurfaced (tons/asphalt)										
Sidewalks/bike paths built or repaired (feet)	25	25	25	25	25	25	25	7085	194	262

* Data not available

Source: City of Belle Isle Finance Dept.

CITY OF BELLE ISLE, FLORIDA

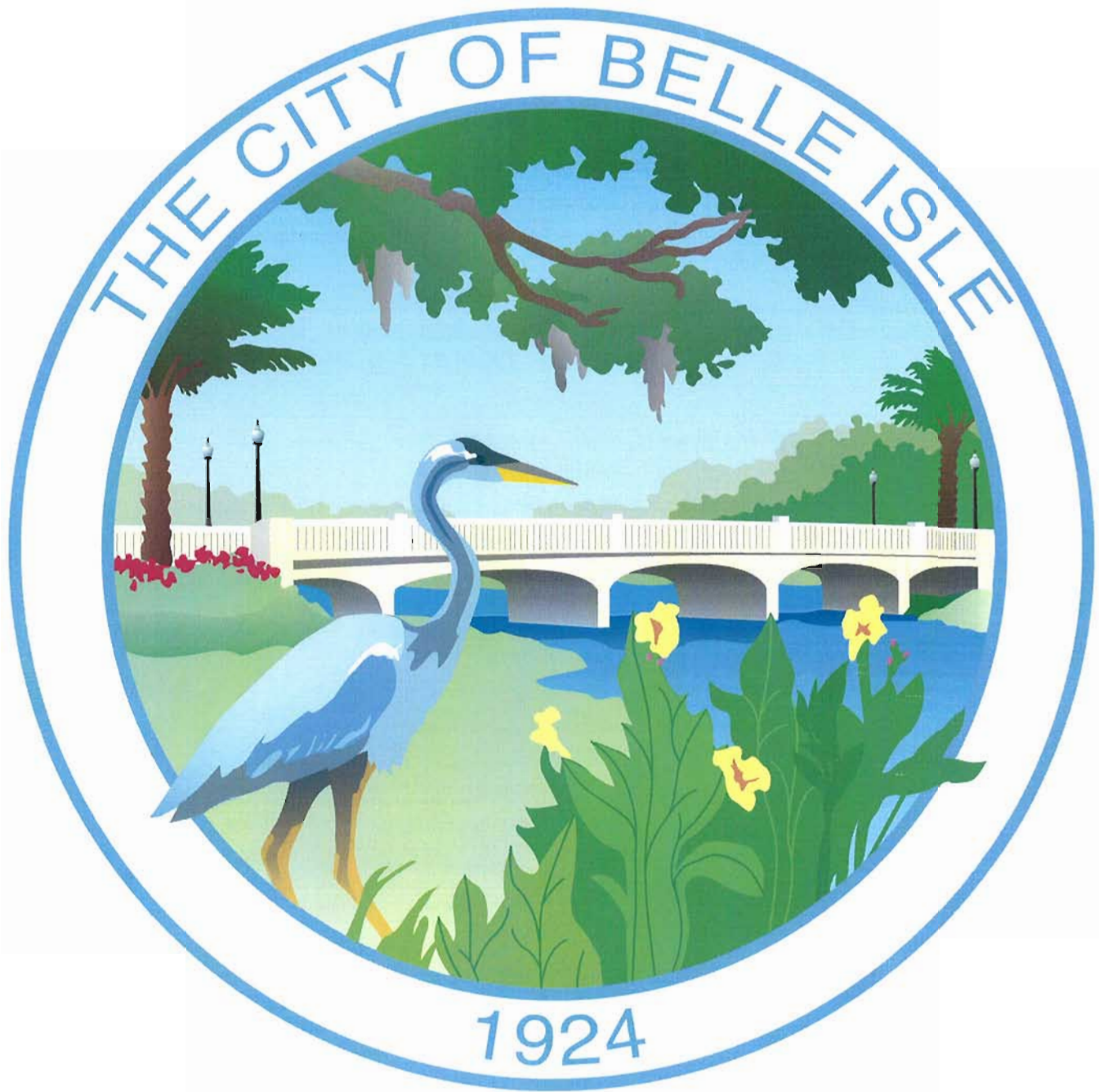
CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Highways & Streets										
Streets - paved (miles)	23.3	23.3	23.3	23.3	23.3	23.3	24	24	24	22
Streets - unpaved (miles)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Street lights	660	660	660	660	660	660	667	671	671	671
Parks and Recreation										
Parks	2	2	2	2	2	2	2	2	2	2

* Data not available

Source: City of Belle Isle Public Works Dept.



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

The Honorable Mayor and City Commissioners
City of Belle Isle, Florida

We have audited the basic financial statements of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2010, and have issued our report thereon dated February 1, 2011. 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 *City of Belle Isle, Florida's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described below that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Significant Deficiency

The *City of Belle Isle, Florida*, does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

Compliance and Other Matters

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

We noted certain matters that we reported to management of the *City of Belle Isle, Florida*, in a separate letter dated February 1, 2011. The City's response to our findings identified in our audit is included in this report. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission 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.

McDermitt Davis & Company, LLC

McDIRMIT DAVIS & COMPANY, LLC

February 1, 2011

MANAGEMENT LETTER

Honorable Mayor and City Commission
City of Belle Isle, Florida

We have audited the financial statements of the *City of Belle Isle, Florida*, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 1, 2011.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated February 1, 2011 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of management's response to recommendations is included in the preceding annual financial report is outlined in Appendix C to this report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the *City of Belle Isle, Florida* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. Recommendations to improve the City's financial management, accounting procedures and internal controls are reported in Appendix B to this report.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. This information has been disclosed in Appendix A to this report.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *City of Belle Isle, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Sections 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *City of Belle Isle, Florida* for the fiscal ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the *City of Belle Isle, Florida* and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

February 1, 2011

CITY OF BELLE ISLE, FLORIDA

**APPENDIX A - CURRENT YEAR VIOLATIONS OF LAWS,
RULES, REGULATIONS, AND CONTRACTUAL PROVISIONS**

Year Ended September 30, 2010

ML 10-1- Appropriations in Excess of Funds Available

Criteria - Appropriations budgeted in a fund may not be in excess of anticipated revenue and available fund balance.

Condition - The Stormwater Special Revenue Fund has appropriations in excess of anticipated revenue and available fund balance.

Cause - The available fund balance was less than originally budgeted and the budget was not amended within 60 days of year end as required by Florida Statutes.

Effect - A deficit fund balance could result.

Recommendation - We recommend that the budget be amended within 60 days of year end.

**APPENDIX B - CURRENT YEAR RECOMMENDATIONS TO
IMPROVE THE CITY'S FINANCIAL MANAGEMENT, ACCOUNTING
PROCEDURES AND INTERNAL CONTROLS**

Year Ended September 30, 2010

ML 10-2- Balance Trial Balance

Criteria – Financial software should provide trial balances that balance at fund level.

Condition – All prior year net income or loss is closed to one account.

Cause – The current financial software does not provide trial balance that balance at fund level.

Effect – The finance department cannot identify resources available to finance the activities, programs, or projects during the year. The City has outgrown its financial accounting software.

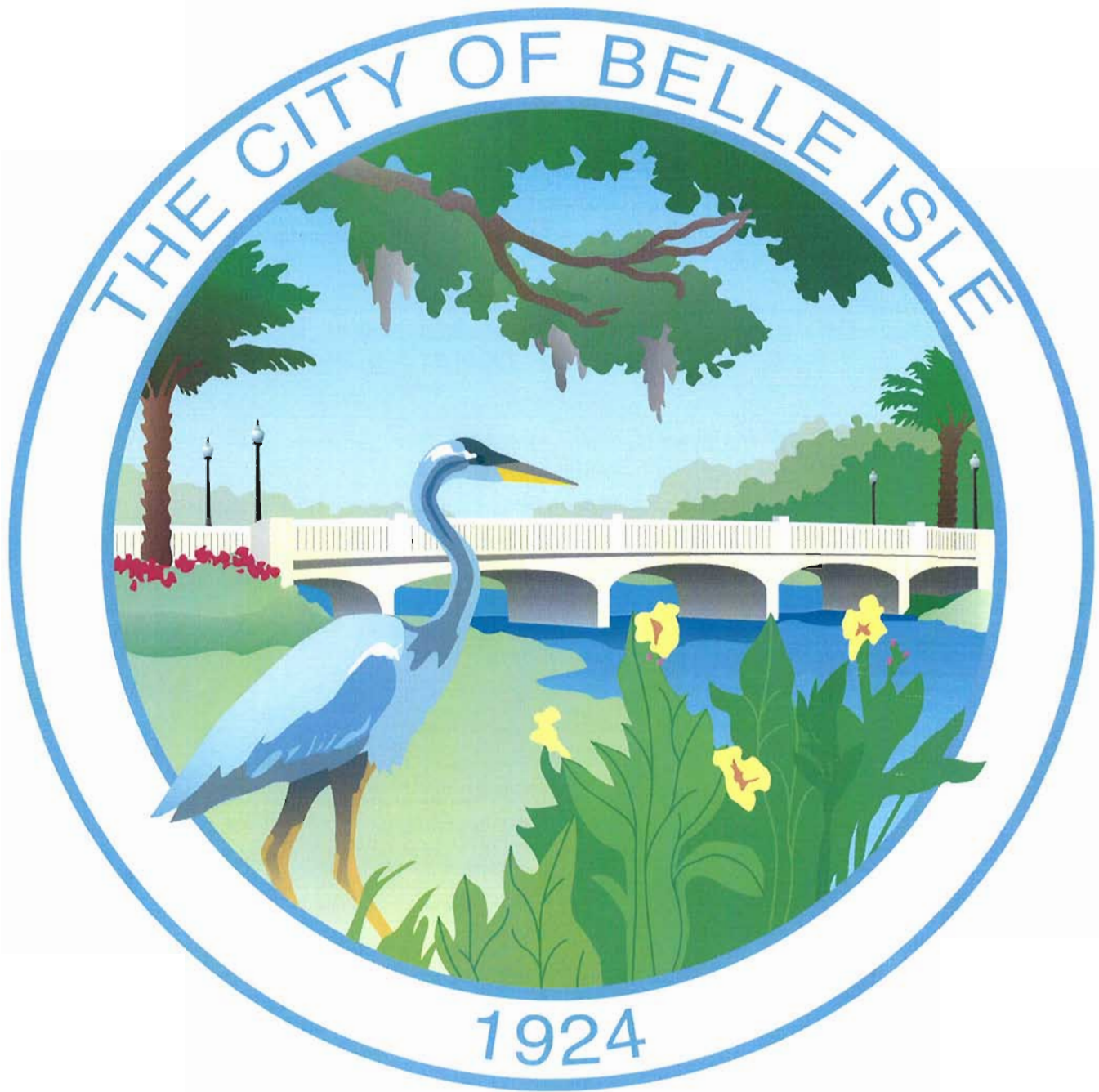
Recommendation – We recommend that the City look into purchasing software that can manage 5 or 6 funds at least.

CITY OF BELLE ISLE, FLORIDA

APPENDIX C - PRIOR YEAR RECOMMENDATIONS

Year Ended September 30, 2010

<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML09-01	Legally Adopted Budget		X



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CITY OF BELLE ISLE, FLORIDA

1600 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX 240-2222

February 15, 2011

McDermitt, Davis & Company LLC
605 E. Robinson Street, Suite 635
Orlando, FL 32801

Dear Sir or Madam,

Your management comment related to fiscal year ended September 30, 2010 was received by both the Interim City Manager and Finance Director. The comment represents an opportunity for improvement, which will be pursued in fiscal year 2011.

ML 10-1 Appropriations in Excess of Funds Available

Response: A new audit schedule will be prepared by the Finance Department and reviewed by the City Manager within 45 days of the fiscal year-end to ensure that these balances are reviewed and amended within 60 days of year end as required by Florida Statutes.

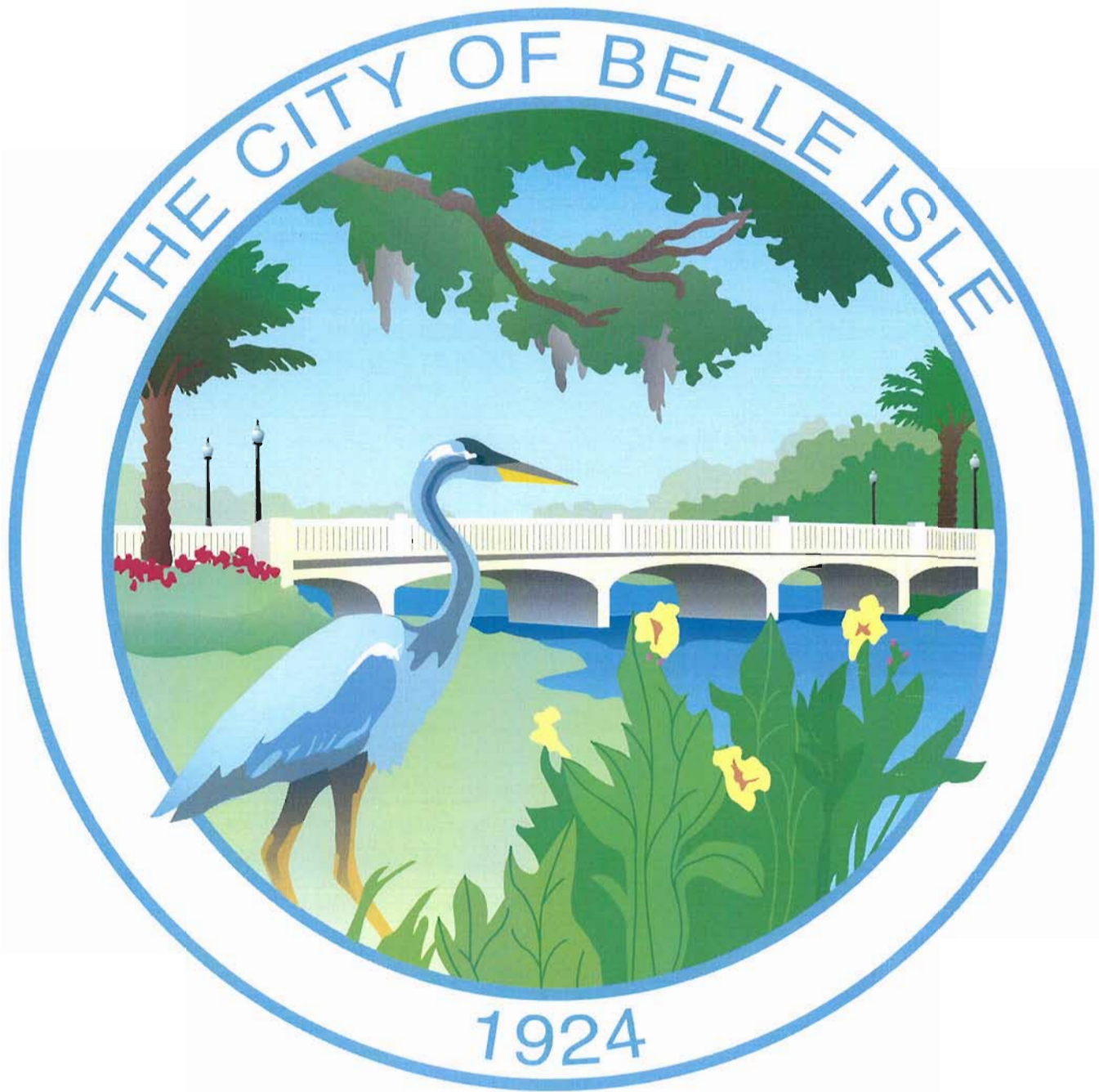
ML 10-2 Balance Trial Balance

Response: The City has outgrown its financial accounting software. The current system does not provide trial balance at fund level and the prior year net income or loss is closed to one account. The City will look into researching new software that can manage multiple funds.

Sincerely,


John B. Tegg III
Interim City Manager


Lucia "Lucy" Ramos
Finance Director



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Honorable Mayor and City Commission
City of Belle Isle, Florida, Florida

We have audited the financial statements of the governmental activities, and each major fund, of the *City of Belle Isle, Florida, Florida* for the year ended September 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 16, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the *City of Belle Isle, Florida, Florida* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the *City of Belle Isle, Florida*'s basic financial statements were:

Management's estimate of the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

Correct and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management, the City Commission 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.

Very truly yours,

McDermitt Davis & Company, LLC

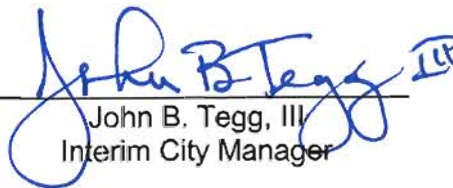
February 1, 2011



CITY OF BELLE ISLE, FLORIDA

1600 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX 240-2222

The *City of Belle Isle, Florida* has complied with Section 163.31801 of Florida Statutes regarding an accounting reporting of impact fee collections and expenditures.



John B. Tegg, III
Interim City Manager



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