



THE WOMAN'S CLUB BUILDING, LEESBURG, FLA.

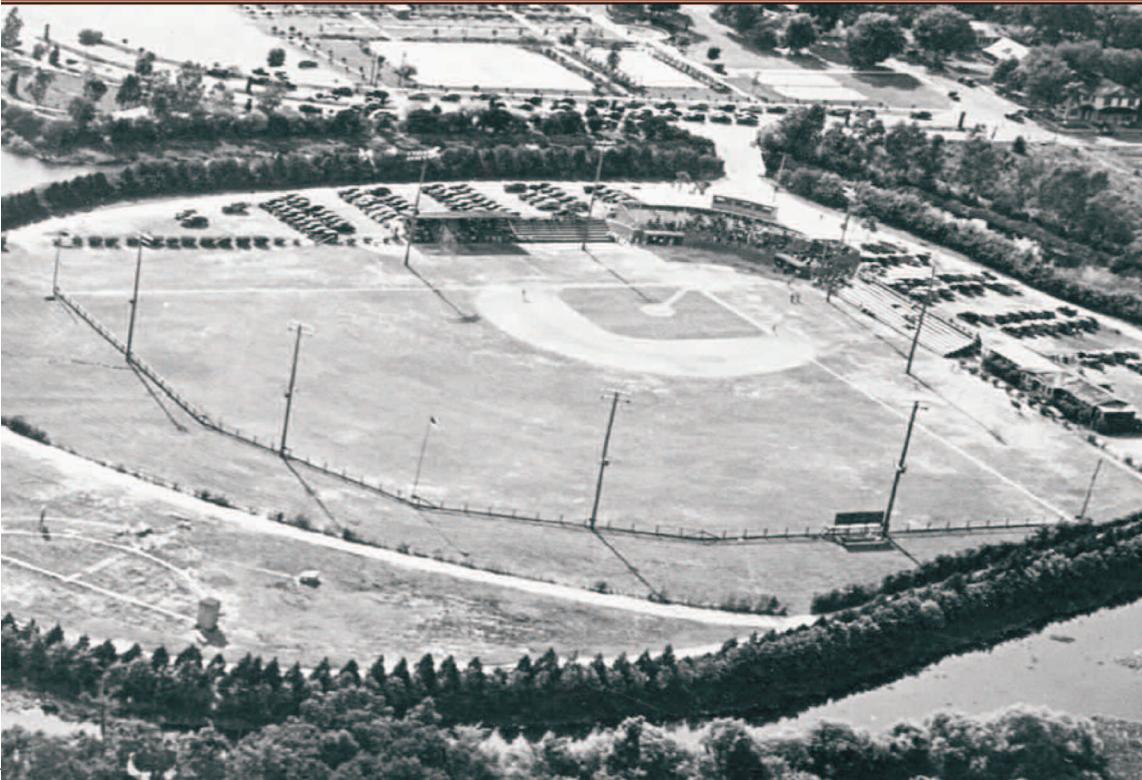


Celebrating Leesburg's  
Sesquicentennial Anniversary

# Comprehensive Annual Financial Report

## Fiscal Year Ending September 30, 2007

### City of Leesburg, Florida



**CITY OF LEESBURG, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Prepared by:**  
**Finance Department**

**CITY OF LEESBURG, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

**Introductory Section**

Transmittal Letter ..... i-ix  
Certificate of Achievement ..... x  
Organizational Chart ..... xi  
Principal City Officials ..... xii

**Financial Section**

**Independent Auditors' Report** ..... 1-2

**Management's Discussion and Analysis** ..... 3-15

**Basic Financial Statements**

Government-wide Financial Statements:  
Statement of Net Assets ..... 16  
Statement of Activities ..... 17

Fund Financial Statements:  
Balance Sheet - All Governmental Funds ..... 18  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets ..... 19  
Statement of Revenues, Expenditures, and Changes in Fund  
Balances - All Governmental Funds ..... 20  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of the Governmental Funds to the  
Statement of Activities ..... 21  
Statement of Net Assets - Proprietary Funds ..... 22--25  
Statement of Revenues, Expenses, and Changes in Fund Net  
Assets - Proprietary Funds ..... 26-27  
Statement of Cash Flows - Proprietary Funds ..... 28-31  
Statement of Fiduciary Net Assets ..... 32  
Statement of Changes in Fiduciary Net Assets ..... 33

Notes to Financial Statements ..... 34-63

**Required Supplementary Information**

Schedule of Revenues, Expenditures, and Changes in Fund  
Balance - Budget and Actual - General Fund ..... 64  
Schedules of Funding Progress ..... 65  
Schedules of Contributions from Employer and Others ..... 66-67

**CITY OF LEESBURG, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS  
(Continued)**

**Financial Section (Concluded)**

**Combining Statements and Schedules**

Supplemental Information:

Combining Balance Sheet - Nonmajor Governmental Funds .....	68-69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	70-71
Schedules of Revenues and Expenditures - Budget and Actual:	
Capital Projects Fund .....	72
Stormwater Fund .....	73
Greater Leesburg Community Redevelopment Fund .....	74
Carver Heights Community Redevelopment Fund .....	75
Highway 27/441 Community Redevelopment Fund .....	76
Police Forfeitures Fund .....	77
Discretionary Sales Tax Fund .....	78
Police Impact Fee Fund .....	79
Fire Impact Fee .....	80
Recreation Impact Fee Fund .....	81
Building Permits Fund .....	82
Debt Service Fund .....	83
Combining Balance Sheet - Internal Service Funds .....	84
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds .....	85
Combining Statement of Cash Flows - Internal Service Funds .....	86

**Statistical Section (Unaudited)**

Net Assets by Component .....	87
Changes in Net Assets .....	88-89
Fund Balances of Governmental Funds .....	90
Changes in Fund Balances of Governmental Funds .....	91
Assessed Value of Taxable Property .....	92
Direct and Overlapping Governments .....	93
Principal Property Taxpayers .....	94
Property Tax Levies and Collections .....	95
Ratios of Outstanding Debt by Type .....	96
Direct and Overlapping Governmental Activities Debtg .....	97
Legal Debt Margin Information .....	98

**CITY OF LEESBURG, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**  
*(Concluded)*

**Statistical Section (Unaudited) (Concluded)**

Pledged-Revenue Coverage:

Capital Improvement Revenue Bonds, Series 1999 .....	99
Capital Improvement Revenue Bonds, Series 2004 .....	100
Electric System Revenue Bonds, Series 2004, 2007A and 2007B .....	101-102
Utility System Revenue Bonds, Series 2004, 2007A and 2007B .....	103-104
Demographic and Economic Statistics .....	105
Principal Employers .....	106
Full-time Equivalent City Government Employees by Function .....	107
Operating Indicators by Function .....	108
Capital Asset Statistics by Function .....	109

## INTRODUCTORY SECTION

This section contains the following subsections:

- ◆ Letter of Transmittal
- ◆ Certificate of Achievement for  
Excellence in Financial Reporting
- ◆ Organizational Chart
- ◆ Principal City Officials

## MISSION STATEMENT

"Dedicated to Our Community, Committed to Service Excellence"

March 31, 2008

Honorable Mayor and  
Members of the City Commission, and  
Citizens of the City of Leesburg, Florida

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Leesburg, Florida for the fiscal year ended September 30, 2007. In addition to meeting legal requirements of the City Charter, Florida Statutes, and the *Rules of the Auditor General* of the State of Florida, the report continues the City's strong tradition of full financial disclosure.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the management of the City. This report was compiled by the Accounting Division of the Finance Department, and represents the official report of the City's financial position and operations to the citizens, City Commission, management, rating agencies and other interested parties. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain a complete understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, the City has established an internal control structure 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's financial statements in conformity with generally accepted accounting principles (GAAP). This internal control framework has been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that this financial report is complete and reliable in all material respects.

Pursuant to Florida Statutes, Chapter 11.45 and Chapter 10.550 of the *Rules of the Auditor General* of the State of Florida, an audit of the annual financial statements of the City of Leesburg has been completed by Purvis, Gray and Company, a firm of independent certified public accountants, whose opinion is included as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements 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 auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Leesburg's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP.

i



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- AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER -

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the City's separately issued Single Audit 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 Leesburg's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

Leesburg was founded and first settled in 1857 by Evander H. Lee, a native of Sumter, South Carolina. The City received its name as a result of shipping directions given by Calvin Lee, Evander's brother, during a merchandising trip to New York City in 1866. By a citizen vote of 23 to 2, the City of Leesburg was incorporated on July 12, 1875. The City was originally part of Sumter County and served as the County seat until 1882 when the Florida Legislature created Lake County. The City has been a part of Lake County since then and is the oldest and second highest populated of the fourteen incorporated municipalities in Lake County, which include Astatula, Clermont, Eustis, Fruitland Park, Groveland, Howey-in-the-Hills, Lady Lake, Mascotte, Minneola, Montverde, Mount Dora, Tavares and Umatilla.

The City of Leesburg is a political subdivision of the State of Florida. As such, it is governed by and derives its operating authority from the constitution and laws of the State of Florida. The City 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 body.

The City operates under a commission/manager form of government, with a governing body consisting of five City Commissioners, elected to staggered four-year terms. Three of the commission members must meet district residency requirements. The remaining two commissioners are elected at-large without a district residency requirement. One of the commissioners is selected by the other four as Mayor on an annual basis. The City Commission is responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances adopted by the City Commission, for overseeing day-to-day operations of the City, appointing the department heads and approving the hiring of all employees.

The City provides a traditional mix of governmental services including police and fire protection, storm water drainage, the construction and maintenance of streets and infrastructure, library, recreational activities, cultural events, planning, zoning, housing, and administrative services. In addition to general government activities, the City also provides a full range of utility services, including electric, natural gas, solid waste, communications (which includes internet and fiber optic cable services), water, reuse water and wastewater treatment.



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**Budgetary controls** - The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit requests for appropriations to the City Manager, who uses those requests as the starting point for developing a proposed budget. The City Manager is required by the City Charter to keep the City Commission fully advised as to the financial condition and needs of the City and to submit an annual budget for its consideration. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department.

The City's adopted budget policy establishes budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) at the fund level. Budgets for all governmental fund types are adopted on a basis consistent with GAAP. Department heads may make transfers of appropriations within a category from one division to another in their respective department, and transfers of appropriation between departments or categories can be approved by the City Manager. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the City Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 64 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, beginning on page 68.

**The Lakefront City** - The City of Leesburg is situated between Lake Harris and Lake Griffin and continues south on US Highway 27 to the intersection of County Road 48. The City occupies a land area of 38 square miles and has a population of 19,934. The City of Leesburg is located in north central Florida midway between the Gulf of Mexico and the Atlantic Ocean, approximately 200 miles southeast of the State Capital, Tallahassee, 80 miles northeast of Tampa, 40 miles northwest of Orlando and 70 miles southwest of Daytona Beach. The City is bisected by State Road 44, US Highway 27, and US Highway 441.

The City of Leesburg is known for its scenic beauty, relaxed lifestyle, recreational facilities, temperate climate, extensive waterways, and affordable housing. Waterfront living is a way of life with 1,400 beautiful lakes located in Lake County.

Leesburg's beautiful 110-acre Venetian Gardens Park, boasts amenities such as a public swimming pool with bath house, community building, baseball field, volleyball courts, picnic tables, park benches, Kid's Korner playground, and the Venetian Cove Marina.

Sleepy Hollow sports Complex was completed in June 2005 and includes two soccer/football fields, two youth girls' softball fields, two Babe Ruth Baseball fields and four adult softball fields. In addition, the complex also offers restroom and locker room facilities, a pavilion, and a concession stand. The City plans to construct nature walkways through the wetland area to add a passive recreation component to the complex.

Leesburg International Airport is an 850-acre general aviation airport that houses fixed wing aircraft and helicopters. The airport is experiencing significant growth in corporate jet type aircraft. Businesses on airport property employ over 470 people. The airport features two runways, three non-precision instrument approach landings, two RNAV/GPS precision approaches, tie downs, hangar facilities, flight schools, maintenance shops, an upholstery shop, with a motel and restaurants within ½ mile. The two Fixed Base Operators offer many services. The City has committed to an aggressive improvement program and has obtained grant funding for the extension of Runway 13/31 and Taxiway A as well as overlay of some existing runways. Recently, the airport obtained a Memorandum of Understanding with U.S. Customs and border Protection, Department of



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Homeland Security, which designates Leesburg International Airport as a "user fee" airport, allowing for international flights to be inspected and cleared at Leesburg. This agreement will play a key role attracting new industries to the region improving the local economy with new access to corporate and chartered flights. It is the City Commission's intention that airport development continue on a path that will allow commercial service (scheduled airline) out of the airport within the next five to seven years.

### **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 Leesburg operates.

**Local Economy** - The City of Leesburg has begun to experience an economic slowdown consistent with other areas of the country. The condition appears to be cyclical, and is not expected to have a long-term negative impact to any greater extent locally than what is happening nationally. The City and Lake County as a whole have transitioned from agricultural roots to a growth driven economy that is heavily centered in real estate, retail, personal services, and healthcare. Lake County has emerged as Greater Orlando's new suburban frontier. Today, Lake County accounts for nearly a quarter of the metro area's population growth. New residents have been attracted to its subdivisions, access to Orlando, rolling landscape, multiple lakes, and plentiful outdoor recreational opportunities. Leesburg's top private sector employer is Leesburg Regional Medical Center, boasting a labor force of 2,132. Other companies such as Lake County School Board, Lifestream Behavioral Center and Embarq account for 5% of all employment in Lake County. Employment across virtually all industry sectors has risen significantly since 1990, with the notable exception of the manufacturing sector, which has fallen slightly over the past fifteen years. The population in Lake County nearly doubled from 1980 to 2000 (210,508 persons) and is projected by the State Demographer to again double over the next 25 years and reach a population of 500,000 persons by 2030.

Retail trade, construction, health care, and local governments are the sectors with the highest employment levels in Lake County. Each of these four sectors employs at least 10,000 workers. The recent national economic downturn has had an impact locally, with unemployment in the construction trades rising steadily. The County is also trying to overcome a lack of higher-wage jobs that could improve the local economy. One factor in the County's difficulty in attracting such employers could be related to the other suburban counties in Sun Belt locations and education attainment. According to the Lake County Strategic Plan conducted by TIP Strategie, the share of adults in Lake County with a Bachelor's Degree or higher was 17 percent. Typically, information technology firms place cities and counties with 30 percent or higher on their site selection lists. Education should be a focal point for additional improvements. Lake County's December 2007 unemployment rate stands at 4.7% which is slightly higher than the state average of 4.4%. While the economy is slightly "soft" across Florida at present, Lake's and Leesburg's increasingly diversified economic base positions it well in terms of its long-range strength relative to its neighbors and history.

Leesburg presently has an aggregate commercial/retail inventory of over 5,400,000 square feet of department store, shopping center, convenience store, gas station, and restaurant space. Many of these shopping venues serve the increasing convenience and general merchandise shopping demands of Lake County residents, as well as Leesburg. Leesburg's retail shopping center inventory is largely concentrated in three geographic nodes. These include the US Highway 27/County Road 48, the US Highway 441 Lake Square Mall area, and the US Highway 27/Talley Road area.



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The City is home to the largest distributor of GE appliances to contractors in the State of Florida. The City's central business district is expected to maintain its current 92% occupancy rate with a variety of stores, specialty shops, and commercial businesses. Meanwhile, the community has experienced an increase in residential development for seniors and apartment dwellers.

The Leesburg area is positioned at the crossroads of geographic expansion as the retirement market continues to push from the north and family households sustain the dominant market segment to the south. This area has embraced both market segments, and as a result, has become one of the emerging economic submarkets in all of Central Florida. Recognizing these factors, it is projected that the Leesburg submarket will capture 17% of the total county growth by 2025 broken down into the following categories:

- Population and Housing: 7% of County Growth
- Agriculture: 7%
- Mining: 15%
- Construction: 11%
- Manufacturing: 23%
- Transportation and Commuting: 18%
- Wholesale Trade: 10%
- Retail Trade: 11%
- Finance, Insurance, etc: 14%
- Services: 25%
- Government: Wholesale Trade: 10%

**Long-term Financial Planning** - The Core Values adopted by the City Commission will drive the long-term planning process. One of the Core Values: "Fiscal Responsibility," shows the City Commission and City Manager's commitment for the proper use of fiscal resources to address current operations and community needs.

The 10-year Capital Improvement Plan adopted September 24, 2007, was developed to maximize the "pay as you go approach" while recognizing the benefit of financing. Utility improvements and replacements will be scheduled and completed based on the street paving work plan. The plan includes a detailed explanation regarding development of revenue projections and assumptions regarding capital needs.

In the past, the City typically extended services beyond the current available infrastructure based on a calculation to recoup the initial investment over a 5 to 7-year period. However, Leesburg's City Commission has taken the environmentally friendly (and financially sound) approach of requiring natural gas installation in all new subdivisions where it is financially feasible. This eliminates the up-front capital investment by the utility and expands the customer base.

Additional long-range planning for the following utilities is listed below:

- **Electric** - The department consistently evaluates the costs of outsourcing specific activities. Conversion of overhead utility lines to underground within the City along the major corridors is part of a beautification and economic impact plan. This action will avoid future safety code compliance issues associated with poles and provide other savings.
- **Gas** - The City is a member of Florida Gas Utility (FGU) which is made up of natural gas users with a common goal of acquiring gas at a reduced price, if possible. Prior to 2006, the department followed a guideline of extending service to new customers based on a seven year calculated return on initial investment, however new expansion is funded by the developer.
- **Water Reuse** - Plans to construct reuse transmission lines will position the facilities for delivery of public access reuse water to existing customers from the new reuse system plant. Grants obtained through St. Johns Water Management District are used to fund 20% of the transmission line expansion.



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- **Wastewater** - Improvements to the Canal Street Treatment plant will rehabilitate and modernize equipment and processes to allow for production of public access reuse water from this facility.
- **Communications** - The City has expanded the business by marketing fiber optic cable and internet services to residents. The City continues to extend fiber optic connections to customers providing lower internet rates and offering broadband telecommunications services.
- **Solid Waste** - The utility is attempting to replace privately owned dumpsters with City-owned dumpsters at all commercial accounts within the next three years. The department also created roll-off service and a franchise fee for all roll-off containers and compactors serviced by private haulers.
- **Information and Technology** - is an important part of the City's operations, thus long-term financial planning includes preparing to replace computers as they become obsolete. The IT department owns and leases all computer equipment, and departments are charged for equipment based on a five-year payback period.
- **Fleet Maintenance** - is responsible for all vehicle repairs and purchases. Fleet services owns all City vehicles and a lease fee, based on useful life, is charged to the appropriate department. Planning for future vehicle purchases is also the responsibility of this department.

**Cash Management Policies and Practices** - The City administers a cash management and investment program that seeks to maximize the amount of cash available to meet daily cash requirements and to obtain the highest possible yields consistent with restraints imposed by Florida Statutes. The Finance Director invests and disburses funds on behalf of the City Commission as required by law and applicable management directives. During fiscal year 1994-95, the City Commission adopted the City's first comprehensive investment policy. These policies were amended during fiscal year 1998-99 to incorporate basic internal controls over the investment function.

Cash temporarily idle during the year was invested in demand deposits, overnight repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA), government securities authorized by the investment policy, money market funds and U.S. Treasury Obligations. Funds deposited in local banks and savings and loan associations were secured by pledges of approved collateral securities by the participating institutions. To ensure the most competitive rates on investments, the cash resources of the individual funds were combined to form a pool of cash and investments. For the cash and investment pool, the average monthly investment portfolio was \$25,288,945 for fiscal year 2007, with an average yield on investments of 4.226%. The City's investment policy uses the SBA to benchmark its performance. During fiscal year 2007, the SBA yielded an average rate of 5.425%. Due to investment risk associated with Structured Investment Vehicles (SIVs), the SBA was subsequently downgraded resulting in a split fund, frozen returns and limited withdrawals for its participants. The City chose not to expose its citizens to the investment risk associated with the SBA and withdrew its funds. The securities held on September 30, 2007, will mature during the next fiscal year. Investment income includes appreciation in the fair value of investments during the current year, which may not represent trends that will continue. The City earned interest revenue of \$1,286,346 on all of its investments for the fiscal year ended September 30, 2007.

**Cash Reserve Policy** – On August 13, 2007, the City Commission adopted Ordinance 07-08 substantially changing the Fund Balance Policy to clearly define terminology used in the policy and to tailor it to the particular needs of the City with each respective Fund in order to maintain adequate reserves and provide capacity to:



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- Provide sufficient cash flow for daily financial needs
- Secure and maintain investment grade bond ratings
- Offset significant economic downturns or revenue shortfalls
- Provide funds for unforeseen expenditures related to emergencies

The reservation of cash reserves is in addition to all other reserves or designations of fund balance and is created by fund type, as follows:

- General Fund – 20% of the current fiscal year budget
- Special Revenue Funds – none
- Debt Service Fund – as required by bond covenants
- Capital Projects Fund – none
- Enterprise Funds -
  - Electric Utility – (Total Revenues – Cost of Purchased Power + Operating Transfers to the General Fund + Cost of Surcharge Transfers)/365 days X 120 days
  - Gas Utility - (Total Revenues – Cost of Purchased Gas + Operating Transfers to the General Fund + Cost of Surcharge Transfers)/365 days X 90 days
  - Water, Wastewater, Communications and Solid Waste – 25% of current fiscal year budget
  - Internal Service Funds – Greater than or equal to zero (break even)

**Risk Management** - Risk management is the process of managing the City's activities in order to minimize the potential adverse effects of certain types of losses. Various risk management techniques have been implemented to minimize accident-related losses that the City may be exposed to during the ordinary course of operations. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City.

- **Workers' Compensation** - The City maintains a self-insured risk management program for workers' compensation which accumulates resources to meet potential losses associated with this risk. Additional information can be found in Note 15 of the notes to the financial statements. The workers' compensation program is funded through City contributions in a self-insurance fund, which is managed by the City and an independent third party administrator. Employee claims up to \$500,000 per occurrence are paid from the assets of the self-insurance fund. Claims in excess of \$500,000 are paid by the City's reinsurance carrier.
- **Employee Healthcare** - The healthcare self-insurance program was established October 1, 1984, for the payment of employee health and medical claims. The program receives contributions from employees, retirees and the City. There are 3 major types of expenses paid from the health insurance fund which are medical claims, stop loss coverage and administrative fees. All medical claims are paid by the programs third party administrator for which they are paid administrative fees. The City's stop loss coverage provides that claims in excess of \$75,000 per covered individual per year are paid by the reinsurer. The aggregate stop loss reinsurance policy indemnifies the City if total claims paid during the year exceed \$4,118,549. The employee healthcare self-insurance program is managed by the City and an independent third party administrator.

The Workers' Compensation and Healthcare self-insurance programs are reviewed annually for solvency by the City's independent actuaries, as well as the State of Florida. The actuarial reports are also used by the City to determine appropriate funding levels for each program.

**Pension and Other Postemployment Benefits** - The City utilizes three pension trust funds to account for three defined benefit pension plans operated by the City: the General Employees' Pension Fund, the Municipal Police Officers' Retirement Trust Fund and the Municipal Firemen's Retirement Trust Fund. All investments are managed by outside fund managers.



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As required, an independent actuary engaged by the pension board calculates the amount of the annual contribution the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City funds the Fire and General pension plans each year in an amount equal to the percentage of covered payroll as determined by the actuary for the General Employees Pension Plan. Sworn police officers and firefighters are covered by a defined benefit plan established pursuant to Chapters 175 and 185, Florida Statutes. The fire employees make a 6.5% contribution and the police officers contribute 7.65% to their respective plans, and the State contributes funds collected from insurance premium excise taxes. Therefore, the firefighters received pension payments from one plan, while the police officers are part of two pension plans.

The City of Leesburg also provides postretirement health care benefits for retirees and their dependents. At the end of the current fiscal year, there were 84 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

In preparation for implementing the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" in fiscal 2008, the City engaged an actuarial firm to determine the estimated obligation associated with post-employment health insurance benefits as of October 1, 2007 as well as the annual required contribution (ARC) for funding this obligation. The City expects to have preliminary results from the actuary by the end of March 2008.

Additional information on the City of Leesburg's pension arrangements and post employment benefits can be found in Note 11 in the notes to the financial statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leesburg for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the seventeenth consecutive year (fiscal years ended 1990-2006) that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Leesburg also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2006-07. This was the ninth consecutive year the City received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, as a financial document, as an operations guide, and as a communications device.

The preparation of this report on a timely basis was made possible through the efficient, dedicated and professional efforts of the entire staff of the Finance Department. Donna Wright deserves special recognition for the diligence provided in the Statistical Section of this report. The significant amount of year-end closing procedures required prior to the audit could not have been accomplished without members of the department who made personal sacrifices. Other City departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year.



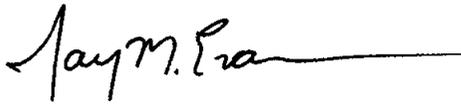
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Credit must also be given to the Mayor and Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Leesburg's finances.

We believe that this report clearly illustrates the financial position of the City of Leesburg and wish to thank you for your support and commitment to maintaining the financial integrity of the City.

Respectfully submitted,



Jay M. Evans  
City Manager



Jerry D. Boop  
Finance Director



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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leesburg  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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.

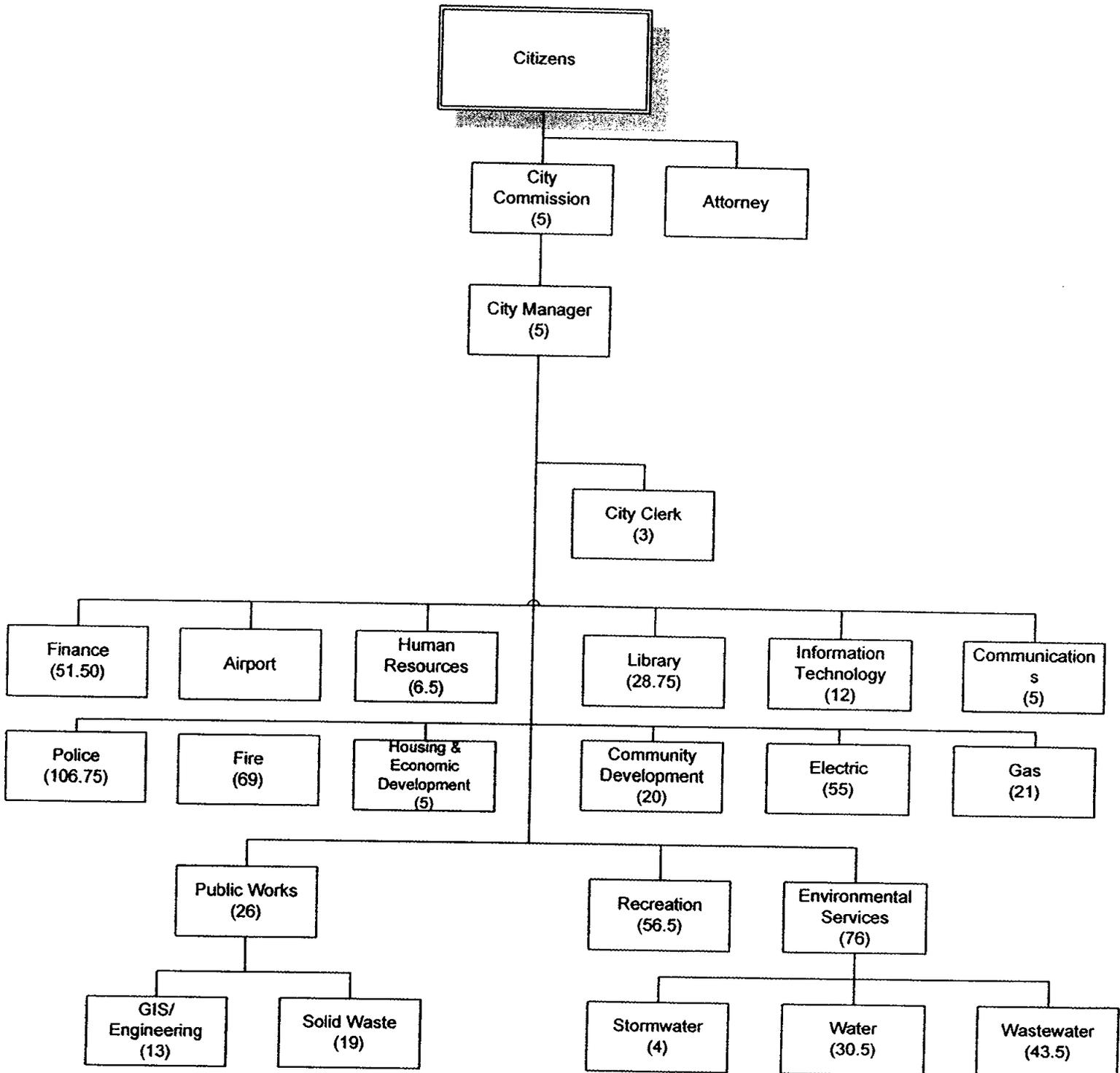


*Oliver S. Cox*

President

*Jeffrey R. Emmer*

Executive Director



**CITY OF LEESBURG, FLORIDA**  
**PRINCIPAL CITY OFFICIALS**  
**SEPTEMBER 30, 2007**

**CITY COMMISSION**

Sanna Henderson	Seat One, District One	Mayor
David Knowles	Seat Five, At-Large	Mayor, Pro-Tem
John Christian	Seat Two, District Two	Commissioner
Lewis Puckett	Seat Three, District Three	Commissioner
Bill Polk	Seat Four, At-Large	Commissioner

Jay Evans  
Interim City Manager

Fred A. Morrison  
McLin & Burnsed P.A.  
City Attorney

William Pfeilsticker  
Finance Director

Purvis Gray and Company, LLP  
City Auditors

Jerry Boop	Deputy Finance Director
Stan Carter	Management Information Systems Director
William J. Chrisman	Police Chief
Jakki Cunningham Perry	Human Resources/Safety Director
Bruce L. Ericson	Recreation and Parks Director
Paul D. Kalv	Director of Electric
Laura G. McElhanon	Community Development Director
Barbara J. Morse	Library Director
Betty M. Richardson	City Clerk
Jack G. Rogers, Jr.	Director of Gas
Dennis M. Sargent	Fire Chief
Raymond S. Sharp	Director of Public Works and Environmental Services
Edward Smyth	Assistant City Manager
Kenneth L. Thomas	Housing and Economic Development Director

## FINANCIAL SECTION

This section contains the following subsections:

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

Government-wide Financial Statements  
Fund Financial Statements  
Notes to the Financial Statements

- ◆ Required Supplementary Information

This subsection includes trend information regarding the three retirement plans and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

- ◆ Supplemental Schedules

This subsection includes schedules that present combining nonmajor fund statements and individual fund budgetary schedules.

**INDEPENDENT AUDITORS' REPORT**

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Florida (the City) as of and for the year ended September 30, 2007, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof 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 March 27, 2008, on our consideration of the City'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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the major fund budgetary comparison information and the pension fund information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

**Certified Public Accountants**

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on them.

*Purvis, Gray and Company, LLP*

March 27, 2008  
Gainesville, Florida

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

The City of Leesburg's (the City) management's discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the letter of transmittal, beginning on page i, and the financial statements beginning on page 16.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of fiscal year 2007 by \$194,600,004 (net assets). Of this amount, \$35,511,001 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$13,020,857.
- As of September 30, 2007, the City's governmental funds reported combined ending fund balances of \$9,902,482, a decrease of \$5,270,848 in comparison with the prior year. The decrease was primarily due to spending of bond proceeds and other funds on capital outlay.
- On September 30, 2007, unreserved undesignated fund balance for the general fund was \$3,278,639 or 10.5% of total general fund expenditures and transfers out.
- Governmental fund revenues increased by \$2,858,108 over the prior fiscal year. Growth in this area resulted primarily from increases in the tax category: ad valorem tax of \$1,220,914, grants associated with Airport improvements of \$741,119 and miscellaneous revenues associated with the sale of real estate of \$674,900.
- Utility operating revenues (business-type activities) had an increase of \$1,714,432 from \$88,164,223 to 89,878,655. Net income from operations before transfers was positive in all funds with the exception of the new Housing Fund.
- The City's total debt increased by \$44,170,562 or 56.6% during fiscal year 2007. This was primarily due to the issuance of \$22,975,000 in Electric System Revenue Bonds and \$23,495,000 in Utility System Revenue Bonds for acquisition and construction of improvements to the City's utility systems as well as to refund the City's Utility System Subordinated Revenue Bond Anticipation Note, Series 2006A and Series 2006B.
- Infrastructure assets and accumulated depreciation for street and sidewalk improvements prior to October 1, 1999, were added as of October 1, 2002, based on estimations from the consultant's report. Assets added to this category since that time have been entered based on actual cost.

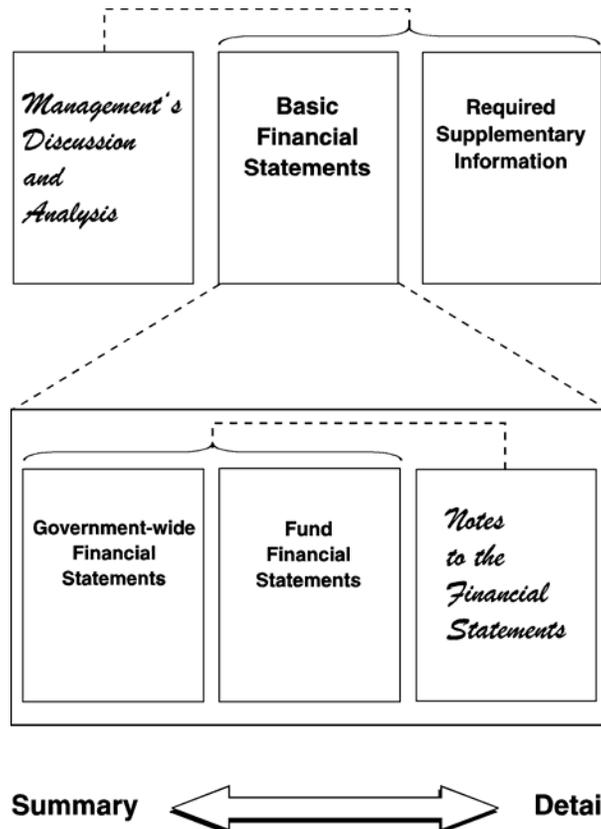
**Overview of the Financial Statements**

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain information from the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's nonmajor governmental and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The required parts of this annual report are arranged and relate to one another as shown in the following graphical representation:



**Government-wide Financial Statements** - The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City'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 fiscal year 2007. 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, stormwater, economic development, human services, airport, marina, culture and recreation. The business-type

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

activities include electric, gas, water, wastewater, communications, solid waste disposal and housing. The internal service funds, namely health insurance and workers' compensation, are recorded as governmental activities.

The City established the Greater Leesburg Community Redevelopment Agency, Carver Heights Community Redevelopment Agency and US Highway 441/27 Community Redevelopment Agency as blended component units of the City. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental activities on the government-wide financial statements.

The government-wide financial statements can be found on pages 16 and 17 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories:

**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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

In the current year, the City added eight new governmental funds to facilitate better management and tracking of special revenues. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report. The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The governmental fund financial statements can be found on pages 18 through 21 of this report.

**Proprietary Funds** - The City maintains two different types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, gas, water, reuse water, wastewater, communications (internet and fiber optic), solid waste and housing operations. Internal service funds are an accounting device used to accumulate and allocate costs

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

internally among the City's various functions. The City uses internal service funds to account for its self-insurance health and workers' compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds.

The proprietary fund financial statements can be found on pages 22 through 31 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The fiduciary funds include pension trust funds for police, fire, and general employees.

The fiduciary fund financial statements can be found on pages 32 and 33 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 63 of this report.

**Infrastructure Assets** - The City elected to early-implement the infrastructure portion related to general governmental assets acquired prior to October 1, 1999. Historically, a government's largest group of infrastructure assets, such as roads, bridges, and sidewalks have not been reported nor depreciated in governmental financial statements. The new standard requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation.

The City has elected to depreciate its infrastructure assets.

**Other Information** - In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the City's general fund, as well as historical trend information for pension trust funds. Required supplementary information can be found on pages 64 through 67 of this report.

The combining statements and budgetary comparison schedules referred to earlier in connection with nonmajor governmental and internal service funds are presented in the other supplemental information section of this report. Combining statements and individual fund schedules for the nonmajor governmental funds, as well as for the internal service funds, can be found on pages 68 through 86 of this report.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**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, assets exceeded liabilities by \$194,600,004 at the close of the fiscal year ended September 30, 2007.

At the end of fiscal year 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

**City of Leesburg's Net Assets**

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 20,896,986	\$ 25,828,903	\$ 73,858,148	\$ 34,364,911	\$ 94,755,134	\$ 60,193,814
Capital assets (net)	84,698,583	75,364,955	162,483,919	148,537,596	247,182,502	223,902,551
<b>Total assets</b>	<b>105,595,569</b>	<b>101,193,858</b>	<b>236,342,067</b>	<b>182,902,507</b>	<b>341,937,636</b>	<b>284,096,365</b>
<b>Liabilities</b>						
Current and other liabilities	6,968,211	7,636,591	12,179,625	12,535,328	19,147,836	20,171,919
Long term liabilities:	23,783,465	24,330,953	104,406,330	58,014,369	128,189,795	82,345,322
<b>Total liabilities</b>	<b>30,751,676</b>	<b>31,967,544</b>	<b>116,585,955</b>	<b>70,549,697</b>	<b>147,337,631</b>	<b>102,517,241</b>
<b>Net assets</b>						
Invested in capital assets net of related debt	61,246,416	49,495,304	93,285,567	97,725,542	\$ 154,531,983	\$ 147,220,846
Restricted	3,107,601	10,446,080	1,449,419	3,244,393	4,557,020	13,690,473
Unrestricted:	10,489,876	9,284,930	25,021,125	11,382,875	35,511,001	20,667,805
<b>Total net assets</b>	<b>\$ 74,843,893</b>	<b>\$ 69,226,314</b>	<b>\$ 119,756,111</b>	<b>\$ 112,352,810</b>	<b>\$ 194,600,004</b>	<b>\$ 181,579,124</b>

The largest portion of the City's net assets are reflected in the investment in capital assets (e.g., land, buildings, and equipment) less any related outstanding debt used to acquire those assets. Capital assets total \$247,182,502, which is 72% of all assets, which total \$341,937,636. 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 cannot be used to liquidate the debt.

A portion of the City's net assets 2.3% represents resources that are subject to external restriction on how they may be used. The change from \$13,690,473 to \$4,557,020 was primarily attributable to capital expenditures. The balance of unrestricted net assets totaling \$35,511,001 may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Statement of Activities** - The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities on page 17.

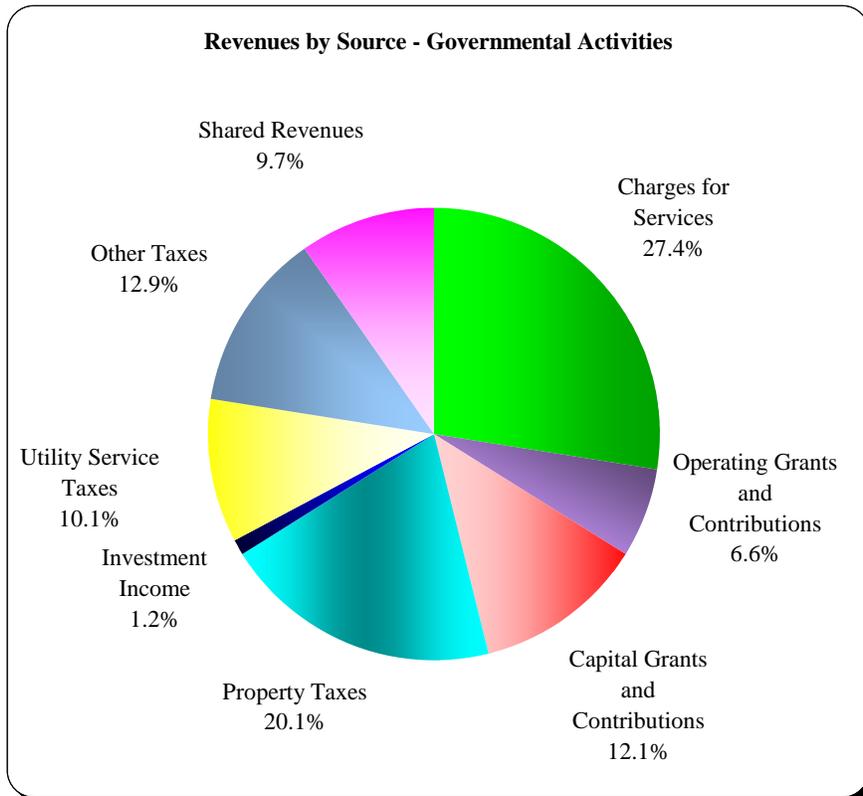
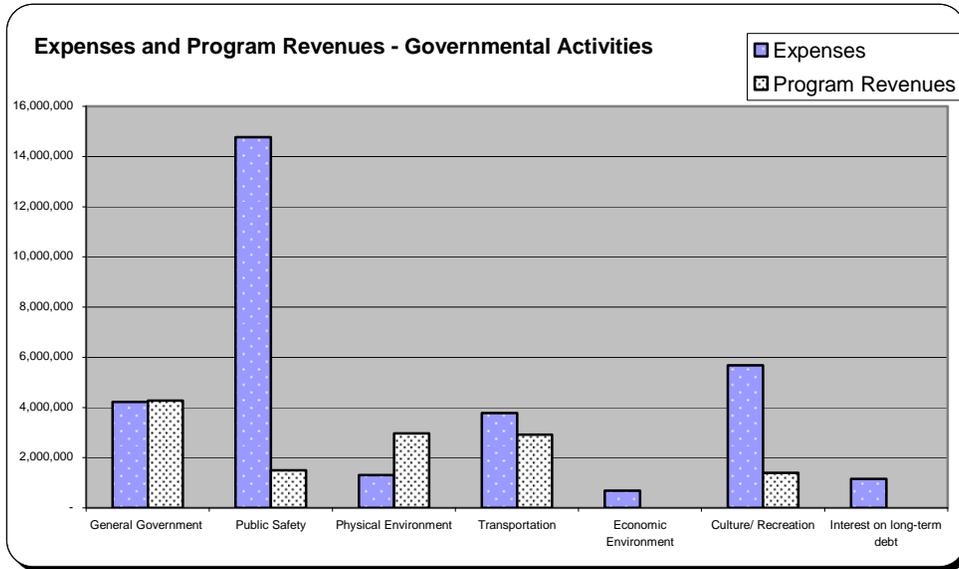
**City of Leesburg's Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,754,442	\$ 6,963,560	\$ 89,878,655	\$ 88,164,223	\$ 97,633,097	\$ 95,127,783
Operating grants and contributions	1,859,700	3,616,947	-	-	1,859,700	3,616,947
Capital grants and contributions	3,436,369	531,283	3,408,402	5,430,454	6,844,771	5,961,737
<b>General revenues:</b>						
Property taxes	5,686,325	4,465,410	-	-	5,686,325	4,465,410
Utility service taxes	2,858,214	2,770,827	-	-	2,858,214	2,770,827
Other taxes	3,643,684	3,906,212	-	-	3,643,684	3,906,212
Other	3,080,340	2,556,123	942,069	741,736	4,022,409	3,297,859
Total Revenues	<u>28,319,074</u>	<u>24,810,362</u>	<u>94,229,126</u>	<u>94,336,413</u>	<u>122,548,200</u>	<u>119,146,775</u>
<b>Expenses:</b>						
General Government	4,224,359	5,329,210	-	-	4,224,359	5,329,210
Public Safety	14,771,631	13,093,923	-	-	14,771,631	13,093,923
Physical Environment	1,300,500	898,955	-	-	1,300,500	898,955
Transportation	3,780,654	2,984,493	-	-	3,780,654	2,984,493
Economic Environment	682,791	620,672	-	-	682,791	620,672
Human Services	51,666	36,350	-	-	51,666	36,350
Culture/Recreation	5,677,875	5,397,094	-	-	5,677,875	5,397,094
Interest on long-term debt	1,148,265	1,180,340	-	-	1,148,265	1,180,340
Electric	-	-	53,857,113	54,527,802	53,857,113	54,527,802
Gas	-	-	7,193,152	9,252,854	7,193,152	9,252,854
Water	-	-	5,743,068	4,271,287	5,743,068	4,271,287
Wastewater	-	-	7,187,653	6,491,042	7,187,653	6,491,042
Solid Waste	-	-	2,906,956	2,902,126	2,906,956	2,902,126
Communications	-	-	864,566	774,033	864,566	774,033
Total expenses	<u>31,637,741</u>	<u>29,541,037</u>	<u>77,889,602</u>	<u>78,219,144</u>	<u>109,527,343</u>	<u>107,760,181</u>
Change in Net Assets Before Transfers	(3,318,667)	(4,730,675)	16,339,524	16,117,269	13,020,857	11,386,594
Transfers	8,936,226	7,537,834	(8,936,226)	(7,537,834)	-	-
Change in Net Assets	5,617,559	2,807,159	7,403,298	8,579,435	13,020,857	11,386,594
Adjustment	-	-	-	-	-	-
Net Assets - Beginning	69,226,334	66,419,175	112,352,813	103,773,378	181,579,147	170,192,553
Net Assets - Ending	<u>\$ 74,843,893</u>	<u>\$ 69,226,334</u>	<u>\$ 119,756,111</u>	<u>\$ 112,352,813</u>	<u>\$ 194,600,004</u>	<u>\$ 181,579,147</u>

**Governmental Activities** - Governmental activities increased the City's net assets by \$5,617,559, accounting for 43.1% of the total growth in the net assets of the City. The increase was primarily related to the increase in Capital Grants, Property Tax and Transfers.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

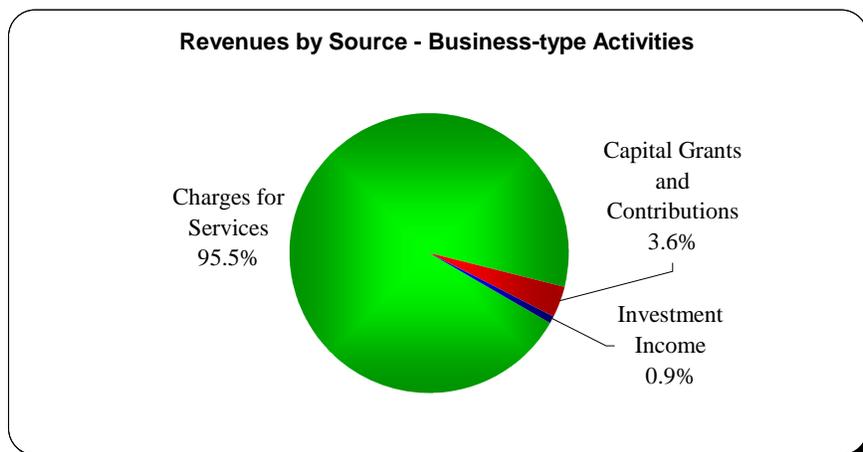
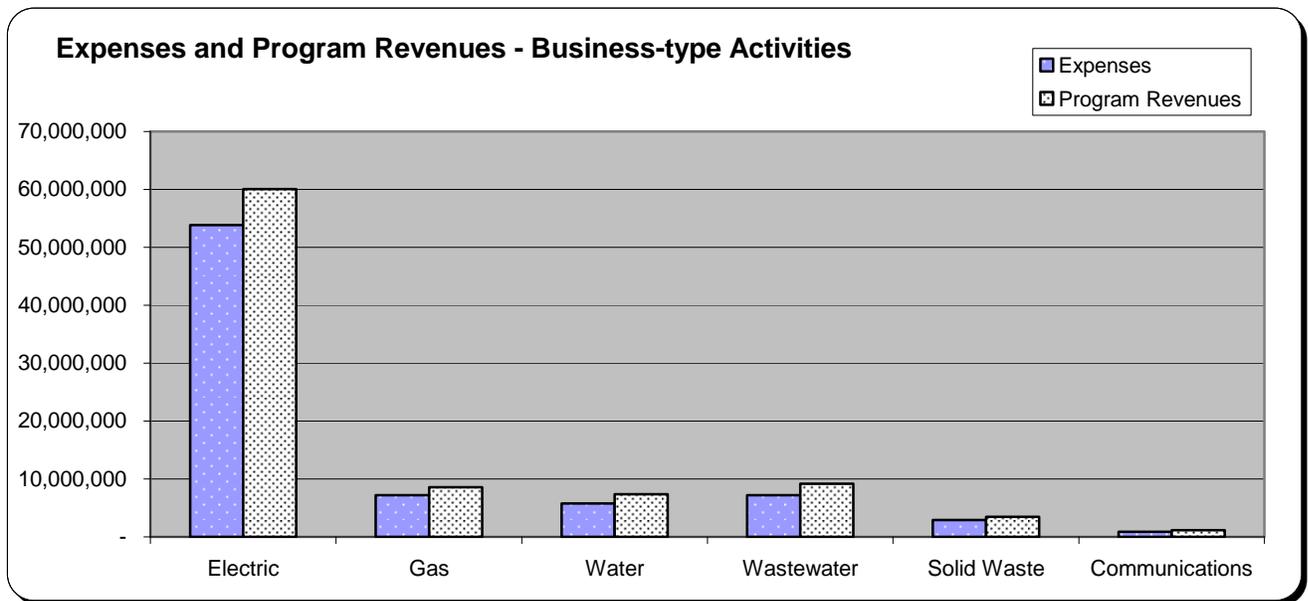
The expenses and program revenues depicted in the following graph are from the statement of activities. Please note that expenses precede revenues as governments seek to identify the needs of citizens and then raise the resources needed to meet those needs. The excess of expenditures over program revenues are then funded by the remaining general revenues of the government. The pie chart depicting revenues by source-governmental activities reflects the percentage of individual revenue sources to total revenue sources for governmental activities.



**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Business-type Activities** - Business-type activities increased the City's net assets by \$7,403,298 or 57%. This change is primarily due to Water and Wastewater activities which account for 74% of the increase.

The expenses and program revenues depicted in the following graph are from the statement of activities. Please note that expenses precede revenues in this presentation. Business-type activities differ from governmental-type activities in that charges for services revenues are designed specifically to recover the cost of providing those services, including capital costs such as depreciation or debt service. The pie chart reflecting revenues by source-business type activities presents charges for services as 95.5% of overall business-type activities.



**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal 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'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.

As of the end of fiscal year 2007, the City's governmental funds reported combined ending fund balances of \$9,902,493, a decrease of \$5,270,837 from the prior year. This is primarily related to the use of funds associated with capital projects. Unreserved fund balance of the governmental funds is \$6,352,400 which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

**General Fund** - The general fund is the primary general government operating fund of the City. At the end of fiscal year 2007, the fund balance of the general fund was \$3,864,846 of which \$3,278,639 was unreserved. This was a decrease of \$1,809,277 from the prior fiscal year balance of \$5,674,123. The change in fund balance is primarily related to the movement of several special revenue activities totaling \$1,129,824 into their own respective funds. The remaining change in fund balance of \$679,453 is due to operations.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds. Unrestricted net assets of proprietary funds at the end of the year increased by \$13,638,250 or 120%. The increase is primarily attributable to the Series 2007B Bonds issued to provide funds reimbursing for prior years capital expenditures for the City's Electric and Wastewater utilities in the amount of \$11,710,000 and \$1,070,000 respectively.

<b>Fund</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>
Electric	\$ 18,779,189	\$ 8,013,334	\$ 10,765,855
Gas	2,901,023	2,160,321	740,702
Water	6,591,634	7,258,194	(666,560)
Wastewater	(2,053,381)	(3,981,796)	1,928,415
Solid Waste	(174,632)	(535,517)	360,885
Communications	(886,598)	(1,531,661)	645,063
Housing	(136,110)	-	136,110
<b>Total</b>	<b>\$ 25,021,125</b>	<b>\$ 11,382,875</b>	<b>\$ 13,638,250</b>

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**General Fund Budgetary Highlights**

Revenue streams and related expenditures were under constant scrutiny throughout the year. A special meeting was held with department directors requesting budget cuts and spending reductions where possible. Budget reductions of \$996,403 were offset by an increase in transfers out of \$1,129,824. Transfers were increased to facilitate creation of special revenue funds and establish their respective fund balance. Staff undertook the ambitious challenge of separating the City's special revenues into separate funds in order to better understand the performance of the general fund. We met with the City's Auditors, Purvis Gray, and they concurred that recognition of special revenues within their own funds was the preferred method. The removal of these activities makes the general fund more transparent and easier to understand. The revised budget of \$29,173,475 is an increase of \$133,421 over the adopted budget of 29,040,054.

**Capital Assets and Debt Administration**

**Capital Assets** - The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2007, increased by \$23,279,951 to \$247,182,502, or 10%. The investment in capital assets includes land, buildings, improvements other than buildings, vehicles, equipment, infrastructure, and construction in progress.

A few of the major projects and the amounts expended during the current year are identified as:

**Governmental-type Activities** - The net capital asset increase of \$9,333,628 in the governmental-type activities can be attributed to the following expenditures in the current year:

Construction Work-In-Progress (CWIP) decreased \$1,243,481. Most of these projects had some portion funded by grants. The following are some of the major projects for this year:

Stormwater	\$ 268,076
Runway 13/31 Extension	1,037,170
FBO Ramp Space Phase II	101,038
Canal Street	156,377
New Library Building	2,470,069
Gymnasium	1,375,042

**Business-type Activities**

**Electric**

- Major electric lighting projects totaling \$981,820 for the current year are specifically identified as follows: Remainder of Highway 441 College St. to Mills Street with the remaining costs distributed across several other smaller electric lighting projects which include subdivisions for that year.
- Electric distribution lines totaling \$2,112,901 can be identified as follows: Highway 441 from Radio Road to Lakes Boulevard, New Sewer Plant, Sleepy Hollow and Highway 441, Carver Heights Conversion Phase 1B and several other smaller projects.
- Improvements to subdivisions totaling \$372,195.
- Transformer purchases totaling \$253,724.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Gas**

- Installation of gas mains, service lines, meters and regulators for new customers totaling \$901,283.

**Water**

- Water projects totaling \$4,461,681 included improvements to plant and storage, reuse, mains, hydrants and meters.

**Wastewater**

- Wastewater projects totaling \$3,785,270 included collecting sewers and the treatment and disposal plant.

**Communications**

- Communications projects totaling \$97,535 included customer and interdepartmental line extensions and splice case upgrades.

**City of Leesburg's Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 8,195,052	\$ 8,117,649	\$ 9,228,707	\$ 7,011,697	\$ 17,423,759	\$ 15,129,346
Buildings	29,797,410	26,254,332	11,740,726	11,055,400	41,538,136	37,309,732
Improvements Other Than Buildings	16,613,696	15,075,083	114,812,709	104,114,996	131,426,405	119,190,079
Equipment	30,526,241	26,701,335	30,983,790	22,586,243	61,510,031	49,287,578
Infrastructure	27,817,245	20,715,576	-	-	27,817,245	20,715,576
Construction in Progress	20,571,038	21,814,519	57,451,845	62,313,930	78,022,883	84,128,449
	133,520,682	118,678,494	224,217,777	207,082,266	357,738,459	325,760,760
Less: Accumulated Depreciation	(48,822,099)	(43,313,539)	(61,733,858)	(58,544,670)	(110,555,957)	(101,858,209)
Capital Assets, Net	<u>\$ 84,698,583</u>	<u>\$ 75,364,955</u>	<u>\$ 162,483,919</u>	<u>\$ 148,537,596</u>	<u>\$ 247,182,502</u>	<u>\$ 223,902,551</u>

Additional information on the City's capital assets can be found in Note 6 on pages 47 - 48 of this report.

**Long-term Debt** - At the end of fiscal year 2007, the City had total long-term debt outstanding of \$130,382,029. Of this amount, \$109,405,000 represents bonds secured solely by specified revenue sources. \$23,280,000 of the revenue bonds are applicable to governmental activities, and \$86,125,000 are for the business-type activities. Other long-term debt items include notes payable, leases payable, suit settlement, CR #3 decommissioning cost payable, landfill postclosure payable and compensated absences.

Additional information on the City's debt can be found in Note 8 on pages 49 - 54 of this report.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for Lake County at September 30, 2007, was 4.7%, which is an increase from a rate of 3.0% a year ago. This compares to the national average rate of 4.8%.
- The taxable value of commercial and residential property increased by 30% in fiscal year 2007.
- Building permit activity declined by 37% in fiscal year 2007 from 4,599 to 2,878 with an estimated construction value of \$86,858,000.
- Population increased 5.8% from the prior fiscal year to 19,934 at September 30, 2007, and the City anticipates continued steady growth over the next five years.

The fiscal year 2008 budget process was impacted by legislative pressure to lower local government spending which resulted in a decrease in the millage rate from 4.50 to 4.31 mills or 4.2%. This combined with the economic slowdown served to reduce the 2008 budget by \$2,941,710 or 10% to \$26,098,344 from the previous year of \$29,040,054. Most of the reductions were in capital spending, however the City used a zero based budgeting approach on line item expenditures and reduced general fund FTE's by 10.5 positions.

The City's Electric Utility has contracted with R.W. Beck for an Electric Cost of Service Study. Power supply received through FMPA together with the City's ownership in the St. Lucie and Crystal River nuclear power plants represents more than 77% of the Electric Department's annual operating expense. Individual billing determinants that comprise the City's total power supply cost include energy and demand billing rates for the FMPA provided portion of our power supply; energy billing rates for the St Lucie and Crystal River provided portion of our power supply; and a demand billing rate for all energy delivered to Leesburg.

In order to recommend appropriate retail electric rates to the Commission, it is important to understand the contribution to our total power supply cost that is attributable to each customer class (Residential, General Service Nondemand, and General Service Demand). Determining the proper cost allocation across customer classes is critically important in order to ensure that retail rates are developed to recover the appropriate share of our expenses from each customer class.

The City's Gas Utility has sought to reduce the infrastructure costs associated with future developments. With the exception of Arlington Ridge, all future developments are required to fund the installation of mains and services. It is anticipated that the Gas Utility will be sharing joint trench space with the Water Department to increase capacity south of town and provide a needed loop to the system. Capital maintenance is relatively low as the utility continues to install steel pipe, which increases the useful life of the asset over plastic pipe. The utility's 2007 annual report submitted to the Department of Transportation reported Leesburg's unaccounted for gas to be zero percent, the lowest in seven years. Two or three percent is not uncommon for the gas industry.

The Department of Environmental Services has completed water, wastewater, reclaimed water and stormwater master planning efforts. The stormwater master plan covers the entire stormwater service area. Among other things, it identifies projects for future years that are eligible for third party (grant) funding, generally with a 50% match. The remaining utility master plans focus on growth areas of the city. The City has completed a system-wide water hydraulic model in order to facilitate future master planning within the central city service area.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

The department has completed an impact fee study, based upon the findings and recommendations of the master planning efforts relating to plant treatment facilities and capital pump stations and transmission mains for both water and wastewater. The proposed impact fees have been restructured to account for the costs of these infrastructure improvements in the growth area and are intended to be applied to new connections within the growth area.

The department has completed a water/wastewater/reclaimed water rate study. The City Commission has accepted the results of this study and the recommended rates have been adopted.

The City's Communication Utility has expanded its base of broadband Internet users, which will result in more revenue per customer. It has also added a second upstream internet supplier to provide redundancy to the network. The utility continues to grow its Ethernet point-to-point fiber optic business, as well as its dark fiber point-to-point business. The utility evaluates each potential installation to minimize capital costs, and create a return on the installation investment in the shortest time possible.

In October 2006, Solid Waste Management Services increased rates by \$2.00 per month for residential services which generated additional revenues of \$232,428. The increase was necessary to shore up the fund's cash position and work toward elimination of the accumulated deficit. By the close of fiscal year 2007 cash increased by \$154,153 from \$206,196 to \$360,349 or 75% and the accumulated deficit of was reduced by \$360,885 from \$535,517 to \$174,632 or 67%.

**Requests for Information**

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, please contact the City's Finance Department at 501 West Meadow Street (P.O. Box 490630), Leesburg, Florida 34749-0630, or call (352) 728-9720.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 16,962,090	\$ 16,093,208	\$ 33,055,298
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents		33,878,675	33,878,675
Investments		4,272,392	4,272,392
Receivables, Net	889,903	12,610,274	13,500,177
Internal Balances	60,467	(60,467)	0
Prepaid Items	108,891		108,891
Due from Other Governments	1,344,366	1,210,364	2,554,730
Inventories	383,095	3,757,955	4,141,050
Notes Receivable - Employees	100,977		100,977
Capital Assets, Net of Accumulated Depreciation:			
Land	8,195,052	9,228,707	17,423,759
Buildings	23,518,247	8,258,712	31,776,959
Improvements Other Than Building	8,315,437	72,539,882	80,855,319
Machinery and Equipment	10,413,002	15,004,773	25,417,775
Infrastructure	13,685,807		13,685,807
Construction in Progress	20,571,038	57,451,845	78,022,883
Net Pension Obligation	1,047,197		1,047,197
Unamortized Bond Issue Costs		2,095,747	2,095,747
<b>Total Assets</b>	<b>105,595,569</b>	<b>236,342,067</b>	<b>341,937,636</b>
<b>Liabilities</b>			
Accounts Payable	1,890,125	5,475,886	7,366,011
Accrued Liabilities	865,462	1,616,240	2,481,702
Customer Advances for Construction		98,687	98,687
Accrued Interest Payable	652,471	1,431,778	2,084,249
Unearned Revenue	689,397		689,397
Claims Payable - All Current	1,357,448		1,357,448
Customer Deposits		2,878,108	2,878,108
Noncurrent Liabilities:			
Due Within One Year	1,548,054	678,927	2,226,981
Due in More Than One Year	23,748,719	104,406,330	128,155,049
<b>Total Liabilities</b>	<b>30,751,676</b>	<b>116,585,956</b>	<b>147,337,632</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	61,246,416	93,285,567	154,531,983
Restricted for:			
Public Safety	141,633		141,633
C.U.R.E. Program	2,093		2,093
Capital Projects	2,963,875	792,419	3,756,294
Gas Depository Trust		657,000	657,000
Unrestricted	10,489,876	25,021,125	35,511,001
<b>Total Net Assets</b>	<b>\$ 74,843,893</b>	<b>\$ 119,756,111</b>	<b>\$ 194,600,004</b>

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

**CITY OF LEESBURG, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 4,224,359	\$ 4,276,155			\$ 51,796		\$ 51,796
Public Safety	14,771,631	859,042	\$ 474,918	\$ 165,215	(13,272,456)		(13,272,456)
Physical Environment	1,300,500	1,250,789	1,311,498	406,598	1,668,385		1,668,385
Transportation	3,780,654	782,433		2,135,514	(862,707)		(862,707)
Economic Environment	682,791				(682,791)		(682,791)
Human Services	51,666				(51,666)		(51,666)
Culture/Recreation	5,677,875	586,023	73,284	729,042	(4,289,526)		(4,289,526)
Interest on Long-term Debt	1,148,265				(1,148,265)		(1,148,265)
<b>Total Governmental Activities</b>	<b>31,637,741</b>	<b>7,754,442</b>	<b>1,859,700</b>	<b>3,436,369</b>	<b>(18,587,230)</b>	<b>\$ 0</b>	<b>(18,587,230)</b>
<b>Business-type Activities</b>							
Electric	53,857,113	60,076,815		771,904		6,991,606	6,991,606
Gas	7,193,152	8,575,334				1,382,182	1,382,182
Water	5,743,068	7,383,047		1,624,460		3,264,439	3,264,439
Wastewater	7,187,653	9,157,128		1,012,038		2,981,513	2,981,513
Solid Waste	2,906,956	3,456,142				549,186	549,186
Communication Services	864,566	1,154,033				289,467	289,467
Housing	137,094	76,156				(60,938)	(60,938)
<b>Total Business-type Activities</b>	<b>\$ 77,889,602</b>	<b>\$ 89,878,655</b>	<b>\$ 0</b>	<b>\$ 3,408,402</b>	<b>0</b>	<b>15,397,455</b>	<b>15,397,455</b>
<b>General Revenues</b>							
Taxes:							
Property Taxes					5,686,325		5,686,325
Utility Service Taxes					2,858,214		2,858,214
Other Taxes					3,643,684		3,643,684
State-shared Revenues - Unrestricted					1,713,188		1,713,188
County-shared Revenues - Unrestricted					521,060		521,060
Investment Income					345,542	844,203	1,189,745
Miscellaneous					500,550	97,866	598,416
<b>Transfers</b>					8,936,226	(8,936,226)	0
<b>Total General Revenues, Special Items and Transfers</b>					<b>24,204,789</b>	<b>(7,994,157)</b>	<b>16,210,632</b>
<b>Change in Net Assets</b>					<b>5,617,559</b>	<b>7,403,298</b>	<b>13,020,857</b>
<b>Net Assets, Beginning of Year</b>					<b>69,226,334</b>	<b>112,352,813</b>	<b>181,579,147</b>
<b>Net Assets, End of Year</b>					<b>\$ 74,843,893</b>	<b>\$ 119,756,111</b>	<b>\$ 194,600,004</b>

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

**CITY OF LEESBURG, FLORIDA  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	<u>Major Funds</u>		<u>Other</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,124,475	\$ 3,111,941	\$ 3,557,031	\$ 10,793,447
Receivables, Net	529,659	72,594	149,803	752,056
Due from Other Funds	268,272			268,272
Due from Other Governments	463,721	669,805	210,840	1,344,366
Prepaid Items	108,891			108,891
Inventory	383,095			383,095
Notes Receivable - Employees	100,977			100,977
<b>Total Assets</b>	<u>5,979,090</u>	<u>3,854,340</u>	<u>3,917,674</u>	<u>13,751,104</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	526,480	840,457	66,550	1,433,487
Accrued Wages and Payroll Tax	863,847	1,615		865,462
Accrued Interest	82,913		569,558	652,471
Due to Other Funds			207,805	207,805
Unearned Revenue	641,004	48,393		689,397
<b>Total Liabilities</b>	<u>2,114,244</u>	<u>890,465</u>	<u>843,913</u>	<u>3,848,622</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable - Employees	100,977			100,977
Computer Maintenance	232,613			232,613
Police Education and Other Expenditures	141,633			141,633
Prepays	108,891			108,891
C.U.R.E. Program	2,093			2,093
Capital Projects		2,963,875		2,963,875
Unreserved Reported in:				
General Fund	3,278,639			3,278,639
Special Revenue Funds			3,073,761	3,073,761
<b>Total Fund Balances</b>	<u>3,864,846</u>	<u>2,963,875</u>	<u>3,073,761</u>	<u>9,902,482</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,979,090</u>	<u>\$ 3,854,340</u>	<u>\$ 3,917,674</u>	<u>\$ 13,751,104</u>

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

**CITY OF LEESBURG, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2007**

<b>Total Fund Balances of Governmental Funds</b>		\$ 9,902,482
 <b>Amounts Reported for Governmental Activities in the Statement of Assets are Different Because:</b>		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Cost of the Assets	\$ 133,520,682	
Accumulated Depreciation	<u>(48,822,099)</u>	84,698,583
 The internal service fund is used by management to charge the costs of health insurance and workers' compensation services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		4,492,404
 Net pension obligation is not an available financial resource and, therefore, is not reported as an asset in the governmental funds.		
		1,047,197
 Long-term liabilities are not due and payable in the current period and, accordingly, are not reported in the governmental funds. Long-term liabilities at year-end consist of:		
Capital Improvement Revenue Bonds	(23,280,000)	
Notes Payable	(172,167)	
Suit Settlement Accrual	(120,000)	
Compensated Absences	<u>(1,724,606)</u>	<u>(25,296,773)</u>
 <b>Total Net Assets of Governmental Activities</b>		 <b><u>\$ 74,843,893</u></b>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 10,515,257		\$ 1,672,965	\$ 12,188,222
Licenses and Permits	234,022		601,713	835,735
Intergovernmental	2,783,708	\$ 2,857,112	1,310,241	6,951,061
Charges for Services	501,759		1,250,789	1,752,548
Fines and Forfeitures	213,821		34,662	248,483
Miscellaneous:				
Interest	281,554	149,994	109,150	540,698
Other	4,952,339	323,466	29,676	5,305,481
<b>Total Revenues</b>	<u>19,482,460</u>	<u>3,330,572</u>	<u>5,009,196</u>	<u>27,822,228</u>
<b>Expenditures</b>				
Current:				
General Government	1,828,424			1,828,424
Public Safety	13,655,962		1,078,045	14,734,007
Physical Environment	472,415		439,086	911,501
Transportation	1,959,937			1,959,937
Economic Environment	305,623		349,697	655,320
Human Services	51,666			51,666
Culture and Recreation	5,278,244			5,278,244
Capital Outlay	4,812,150	9,335,393	1,023,687	15,171,230
Debt Service:				
Principal Payments	60,000		486,486	546,486
Interest and Fees			1,148,265	1,148,265
<b>(Total Expenditures)</b>	<u>(28,424,421)</u>	<u>(9,335,393)</u>	<u>(4,525,266)</u>	<u>(42,285,080)</u>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<u>(8,941,961)</u>	<u>(6,004,821)</u>	<u>483,930</u>	<u>(14,462,852)</u>
<b>Other Financing Sources (Uses)</b>				
Capital Contributions/Impact Fees			255,791	255,791
Transfers from Other Funds	10,073,394	227,328	3,346,948	13,647,670
Transfers to Other Funds	(2,940,709)		(1,770,737)	(4,711,446)
<b>Total Other Financing Sources (Uses)</b>	<u>7,132,685</u>	<u>227,328</u>	<u>1,832,002</u>	<u>9,192,015</u>
<b>Net Change in Fund Balances</b>	(1,809,276)	(5,777,493)	2,315,932	(5,270,837)
<b>Fund Balances, Beginning of Year</b>	<u>5,674,123</u>	<u>8,741,368</u>	<u>757,839</u>	<u>15,173,330</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,864,847</u>	<u>\$ 2,963,875</u>	<u>\$ 3,073,771</u>	<u>\$ 9,902,493</u>

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

**CITY OF LEESBURG, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ (5,270,837)

**Amounts Reported for Governmental Activities in the Statement  
of Activities are Different Because:**

Governmental funds report capital purchases as an expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases, less net book value of disposals exceeds depreciation expense:

Capital Purchases	\$ 15,171,230	
Fixed Asset Disposals	(30,332)	
Depreciation Expense	<u>(5,807,271)</u>	9,333,627

Donated capital assets increase net assets.

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets. This is a list of those repayments:

Principal Repayments:		
Capital Improvement Revenue Bonds	470,000	
Note Payable	59,070	
Lawsuit Settlement	<u>60,000</u>	589,070

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:

Compensated Absences		(16,192)
Changes in Net Pension Obligation		271,388

The internal service funds are used by management to charge the costs of activities that benefit the entire government. The net revenue (expense) of the internal service funds is reported with governmental activities.

710,503

**Change in Net Assets of Governmental Activities** \$ 5,617,559

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 10,264,268	\$ 1,644,557	\$ 2,241,168	\$ 1,437,457
<b>Restricted Cash and Cash Equivalents:</b>				
Debt Service Account	714,906	164,801	342,801	474,973
Customer Deposits Account	2,466,592	172,840	220,210	8,420
Landfill Escrow				
Due from Other Funds		700,000	3,500,000	
Due from Other Governments	948,860		255,813	
<b>Receivables:</b>				
Customer Accounts - Unbilled	3,973,256	374,526	408,386	593,227
Customer Accounts - Billed	5,687,386	494,765	399,835	578,439
(Allowance for Doubtful Accounts)	(532,380)	(56,515)	(59,371)	(97,191)
Miscellaneous Receivables	312,617			
Inventory	3,600,970		149,057	7,928
<b>Total Current Assets</b>	<b>27,436,475</b>	<b>3,494,974</b>	<b>7,457,899</b>	<b>3,003,253</b>
<b>Noncurrent Assets:</b>				
<b>Restricted Assets:</b>				
<b>Equity in Pooled Cash and Equivalents:</b>				
Renewal and Replacement Account			319,397	493
Impact Fees Account			196,040	276,489
Depository Trust Account		657,000		
FMPA Loan - Cash with Trustee				
BAN Proceeds			39,551	77,412
Bond Proceeds with Trustee	10,934,057	2,429,400	11,632,707	2,644,172
<b>Investments:</b>				
Crystal River Decommissioning Trust Account	4,272,392			
<b>Total Restricted Assets</b>	<b>15,206,449</b>	<b>3,086,400</b>	<b>12,187,695</b>	<b>2,998,566</b>
<b>Property, Plant and Equipment:</b>				
Land	1,759,880	95,111	268,623	7,076,393
Buildings	2,441,591	566,470	434,577	8,284,232
Improvements Other Than Buildings	57,798,126	11,522,092	19,911,934	18,480,602
Machinery and Equipment	16,406,403	1,127,365	2,440,707	10,252,527
(Accumulated Depreciation and Amortization)	(29,094,961)	(4,116,650)	(10,491,418)	(16,444,812)
Construction in Progress	10,579,537	1,678,137	18,898,958	22,242,131
<b>Total Property, Plant and Equipment</b>	<b>59,890,576</b>	<b>10,872,525</b>	<b>31,463,381</b>	<b>49,891,073</b>
<b>Other Assets:</b>				
Unamortized Bond Issue Costs	973,224	148,150	546,807	403,698
<b>Total Other Assets</b>	<b>973,224</b>	<b>148,150</b>	<b>546,807</b>	<b>403,698</b>
<b>Total Noncurrent Assets</b>	<b>76,070,249</b>	<b>14,107,075</b>	<b>44,197,883</b>	<b>53,293,337</b>
<b>Total Assets</b>	<b>\$ 103,506,724</b>	<b>\$ 17,602,049</b>	<b>\$ 51,655,782</b>	<b>\$ 56,296,590</b>

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

<b>Business-Type Activities</b>					<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Housing Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 15,587,450	\$ 360,349	\$ 145,409		\$ 16,093,208	\$ 6,168,613
1,697,481				1,697,481	
2,868,062	2,995	7,051		2,878,108	
	87,285			87,285	
4,200,000				4,200,000	
1,204,673	5,691			1,210,364	
5,349,395	216,580	55,664		5,621,639	
7,160,425	238,171	86,345	\$ 8,189	7,493,130	
(745,457)	(46,891)	(24,764)		(817,112)	
312,617				312,617	137,847
3,757,955				3,757,955	
<u>41,392,601</u>	<u>864,180</u>	<u>269,705</u>	<u>8,189</u>	<u>42,534,675</u>	<u>6,306,460</u>
319,890				319,890	
472,529				472,529	
657,000				657,000	
		9,083		9,083	
116,963				116,963	
27,640,336				27,640,336	
				0	
4,272,392				4,272,392	
<u>33,479,110</u>	<u>0</u>	<u>9,083</u>	<u>0</u>	<u>33,488,193</u>	<u>0</u>
9,200,007	28,700			9,228,707	
11,726,870	13,856			11,740,726	
107,712,754	180,030	6,919,925		114,812,709	
30,227,002	110,669	646,119		30,983,790	
(60,147,841)	(158,457)	(1,427,560)		(61,733,858)	
53,398,763		460,325	3,592,757	57,451,845	
<u>152,117,555</u>	<u>174,798</u>	<u>6,598,809</u>	<u>3,592,757</u>	<u>162,483,919</u>	<u>0</u>
2,071,879	0	0	23,868	2,095,747	0
<u>2,071,879</u>	<u>0</u>	<u>0</u>	<u>23,868</u>	<u>2,095,747</u>	<u>0</u>
187,668,544	174,798	6,607,892	3,616,625	198,067,859	0
<u>\$ 229,061,145</u>	<u>\$ 1,038,978</u>	<u>\$ 6,877,597</u>	<u>\$ 3,624,814</u>	<u>\$ 240,602,534</u>	<u>\$ 6,306,460</u>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**  
*(Concluded)*

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts and Retainage Payable	\$ 4,135,170	\$ 236,375	\$ 450,561	\$ 476,085
Accrued Expenses	1,069,873	109,729	170,300	224,068
Compensated Absences	254,043	64,880	134,118	97,786
Customer Advances for Construction	89,787			8,900
Due to Other Funds				4,200,000
	<u>5,548,873</u>	<u>410,984</u>	<u>754,979</u>	<u>5,006,839</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	2,466,592	172,840	220,210	8,420
Estimated Landfill Closure Cost Payable				
Accrued Interest Payable	545,030	105,194	328,151	365,065
Current Liabilities Payable from Restricted Assets	<u>3,011,622</u>	<u>278,034</u>	<u>548,361</u>	<u>373,485</u>
Total Current Liabilities	<u>8,560,495</u>	<u>689,018</u>	<u>1,303,340</u>	<u>5,380,324</u>
Noncurrent Liabilities:				
Capital Lease Payable				
FMPA Loan Payable				
Revenue Bonds Payable - Series 2004	16,670,000	3,855,135	8,018,997	11,110,869
Revenue Bonds Payable - Series 2007	22,975,000	2,538,510	14,544,855	6,411,635
(Unamortized Discount and Loss on Refunding)	(243,258)	(60,630)	(131,849)	(261,245)
BAN Payable - Plantation			3,632,598	4,367,402
BAN Payable - SunTrust Banks				
Compensated Absences	207,853	53,084	109,733	80,007
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	5,134,554			
Total Noncurrent Liabilities	<u>44,744,149</u>	<u>6,386,099</u>	<u>26,174,334</u>	<u>21,708,668</u>
<b>Total Liabilities</b>	<u>53,304,644</u>	<u>7,075,117</u>	<u>27,477,674</u>	<u>27,088,992</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	31,422,891	6,968,910	17,071,038	30,983,996
Restricted for:				
Capital Projects			515,437	276,982
Gas Depository Trust		657,000		
Unrestricted (Accumulated Deficit)	<u>18,779,189</u>	<u>2,901,023</u>	<u>6,591,634</u>	<u>(2,053,381)</u>
<b>Total Net Assets</b>	<u>\$ 50,202,080</u>	<u>\$10,526,933</u>	<u>\$ 24,178,109</u>	<u>\$ 29,207,597</u>

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

<b>Business-Type Activities</b>					<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Housing Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 5,298,191	\$ 146,630	\$ 11,703	\$ 19,362	\$ 5,475,886	\$ 456,638
1,573,970	29,204	13,066		1,616,240	1,357,448
550,827	40,342	12,411		603,580	
98,687				98,687	
4,200,000			60,467	4,260,467	
<u>11,721,675</u>	<u>216,176</u>	<u>37,180</u>	<u>79,829</u>	<u>12,054,860</u>	<u>1,814,086</u>
2,868,062	2,995	7,051		2,878,108	
	75,346			75,346	
1,343,440			88,338	1,431,778	
<u>4,211,502</u>	<u>78,341</u>	<u>7,051</u>	<u>88,338</u>	<u>4,385,232</u>	<u>0</u>
15,933,177	294,517	44,231	168,167	16,440,092	1,814,086
		1,111,000		1,111,000	
39,655,001				39,655,001	
46,470,000				46,470,000	
(696,982)				(696,982)	
8,000,000				8,000,000	
0			3,527,632	3,527,632	
450,677	33,007	10,154		493,838	
	711,287			711,287	
5,134,554				5,134,554	
<u>99,013,250</u>	<u>744,294</u>	<u>1,121,154</u>	<u>3,527,632</u>	<u>104,406,330</u>	<u>0</u>
114,946,427	1,038,811	1,165,385	3,695,799	120,846,422	1,814,086
86,446,835	174,798	6,598,809	65,125	93,285,567	
792,419				792,419	
657,000				657,000	
26,218,465	(174,632)	(886,598)	(136,110)	25,021,125	4,492,374
<u>\$ 114,114,719</u>	<u>\$ 166</u>	<u>\$ 5,712,211</u>	<u>\$ (70,985)</u>	<u>\$ 119,756,111</u>	<u>\$ 4,492,374</u>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 59,138,350	\$ 8,431,565	\$ 7,221,630	\$ 8,912,694
Other	938,465	143,769	161,417	244,434
<b>Total Operating Revenues</b>	<u>60,076,815</u>	<u>8,575,334</u>	<u>7,383,047</u>	<u>9,157,128</u>
<b>Operating Expenses</b>				
Power Generation and Transmission	1,916,468			
Purchased Energy	39,746,369	4,336,442		
Supply and Pumping				250,209
Treatment			1,151,825	2,052,729
Distribution and Collection	3,770,950	807,003	1,392,057	1,993,296
Customer Accounts	2,435,951	539,710	937,549	856,953
General and Administrative	3,473,143	1,185,147	1,409,493	887,501
Operating Expenses				
Depreciation and Amortization	2,514,232	324,850	852,144	1,146,965
Change in Monitoring Costs				
<b>(Total Operating Expenses)</b>	<u>(53,857,113)</u>	<u>(7,193,152)</u>	<u>(5,743,068)</u>	<u>(7,187,653)</u>
<b>Operating Income</b>	<u>6,219,702</u>	<u>1,382,182</u>	<u>1,639,979</u>	<u>1,969,475</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	472,650	104,988	182,121	71,381
Other Nonoperating Income	312,813	22,254	(4,500)	468,032
Interest Expenses	(439,919)	(27,087)	(11,087)	(8,596)
Other Nonoperating Expense	(184,647)			
<b>Total Nonoperating Revenues (Expenses)</b>	<u>160,897</u>	<u>100,155</u>	<u>166,534</u>	<u>530,817</u>
<b>Income Before Contributions and Transfers</b>	<u>6,380,599</u>	<u>1,482,337</u>	<u>1,806,513</u>	<u>2,500,292</u>
<b>Transfers and Capital Contributions</b>				
Capital Contributions/Impact Fees	771,904		1,624,460	1,012,038
Transfers from Other Funds				
Transfers to Other Funds	(6,577,122)	(851,317)	(793,324)	(663,892)
<b>Total Transfers and Capital Contributions</b>	<u>(5,805,218)</u>	<u>(851,317)</u>	<u>831,136</u>	<u>348,146</u>
<b>Change in Net Assets</b>	575,381	631,020	2,637,649	2,848,438
<b>Net Assets, Beginning of Year</b>	<u>49,626,699</u>	<u>9,895,913</u>	<u>21,540,460</u>	<u>26,359,159</u>
<b>Net Assets, End of Year</b>	<u>\$ 50,202,080</u>	<u>\$ 10,526,933</u>	<u>\$ 24,178,109</u>	<u>\$ 29,207,597</u>

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

<b>Business-Type Activities</b>					<b>Governmental</b>
<b>Total</b>				<b>Total</b>	<b>Internal</b>
<b>Combined</b>	<b>Solid</b>	<b>Communication</b>	<b>Housing</b>		<b>Service</b>
<b>Utility</b>	<b>Waste</b>	<b>Services</b>	<b>Fund</b>		<b>Funds</b>
\$ 83,704,239	\$ 3,421,109	\$ 1,150,807	\$ 76,156	\$ 88,352,311	\$ 4,602,802
1,488,085	35,033	3,226		1,526,344	
85,192,324	3,456,142	1,154,033	76,156	89,878,655	4,602,802
1,916,468				1,916,468	
44,082,811				44,082,811	
250,209				250,209	
3,204,554				3,204,554	
7,963,306				7,963,306	
4,770,163				4,770,163	
6,955,284		569,223		7,524,507	515,285
	2,959,928		137,094	3,097,022	3,771,774
4,838,191	22,374	295,343		5,155,908	
	(75,346)			(75,346)	
(73,980,986)	(2,906,956)	(864,566)	(137,094)	(77,889,602)	(4,287,059)
11,211,338	549,186	289,467	(60,938)	11,989,053	315,743
831,140	16,251	(3,641)	453	844,203	270,071
798,599	23,748	7,386		829,733	124,689
(486,689)	(102)	(49,927)	(10,502)	(547,220)	
(184,647)				(184,647)	
958,403	39,897	(46,182)	(10,049)	942,069	394,760
12,169,741	589,083	243,285	(70,987)	12,931,122	710,503
3,408,402				3,408,402	
		200,000		200,000	
(8,885,655)	(250,571)			(9,136,226)	
(5,477,253)	(250,571)	200,000	0	(5,527,824)	0
6,692,488	338,512	443,285	(70,987)	7,403,298	710,503
107,422,231	(338,346)	5,268,926	0	112,352,811	3,781,871
\$ 114,114,719	\$ 166	\$ 5,712,211	\$ (70,987)	\$ 119,756,109	\$ 4,492,374

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 58,853,451	\$ 8,450,622	\$ 7,308,083	\$ 9,292,100
Cash Paid to Suppliers for Goods and Services	(46,860,308)	(5,984,195)	(4,462,344)	(5,495,980)
Cash Paid for Insurance Claims				
Cash Paid to Employees for Services	(2,898,155)	(867,997)	(1,252,822)	(1,701,970)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>9,094,988</u>	<u>1,598,430</u>	<u>1,592,917</u>	<u>2,094,150</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Customer Deposits Received (Refunded)	61,726	18,900	25,859	(2,385)
Transfers to Other Funds	(6,577,122)	(851,317)	(793,324)	(663,892)
Transfers from Other Funds				
Issuance of/Proceeds from Interfund Loan	(51,002)	100,000	941,438	(600,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(6,566,398)</u>	<u>(732,417)</u>	<u>173,973</u>	<u>(1,266,277)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Interest Paid on Revenue Bonds and Customer Deposits	(94,702)	(3,507)	(11,087)	(8,596)
Acquisition and Construction of Capital Assets	(3,797,234)	(1,088,723)	(5,275,257)	(4,606,989)
Proceeds from Long-term Debt	22,407,697	2,477,806	14,206,529	6,291,902
Principal Paid on Capital Debt			(1,861,706)	(2,238,294)
Customer Advances for Construction	(32,217)			
Capital Contributions	229,454		2,652,752	1,015,112
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>18,712,998</u>	<u>1,385,576</u>	<u>9,711,231</u>	<u>453,135</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income	472,650	104,988	182,121	71,383
Purchase of Crystal River Decommissioning Investments	(257,809)			
Other Investing Activities	128,166	22,254	126,174	558,278
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>343,007</u>	<u>127,242</u>	<u>308,295</u>	<u>629,661</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	21,584,595	2,378,831	11,786,416	1,910,669
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,795,228</u>	<u>2,689,767</u>	<u>3,205,458</u>	<u>3,008,747</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 24,379,823</u>	<u>\$ 5,068,598</u>	<u>\$ 14,991,874</u>	<u>\$ 4,919,416</u>

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

<b>Total Combined Utility</b>	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Housing Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 83,904,256	\$ 3,392,214	\$ 1,116,575	\$ 67,967	\$ 88,481,012	\$ 4,577,018
(62,802,827)	(2,418,883)	(317,146)	(117,732)	(65,656,588)	(1,249,574)
0					(3,013,910)
(6,720,944)	(604,502)	(257,838)		(7,583,284)	
<u>14,380,485</u>	<u>368,829</u>	<u>541,591</u>	<u>(49,765)</u>	<u>15,241,140</u>	<u>313,534</u>
104,100	1,440	2,001		107,541	
(8,885,655)	(250,571)			(9,136,226)	
0		200,000		200,000	
390,436		(390,436)	60,467	60,467	
<u>(8,391,119)</u>	<u>(249,131)</u>	<u>(188,435)</u>	<u>60,467</u>	<u>(8,768,218)</u>	<u>0</u>
(117,892)	(102)	(53,568)	(10,502)	(182,064)	
(14,768,203)		(93,564)	(3,504,417)	(18,366,184)	
45,383,934			3,503,764	48,887,698	
(4,100,000)		(66,000)		(4,166,000)	
(32,217)				(32,217)	
3,897,318				3,897,318	
<u>30,262,940</u>	<u>(102)</u>	<u>(213,132)</u>	<u>(11,155)</u>	<u>30,038,551</u>	<u>0</u>
831,142	16,251		453	847,846	270,071
(257,809)				(257,809)	
834,872	23,748	7,386		866,006	124,689
<u>1,408,205</u>	<u>39,999</u>	<u>7,386</u>	<u>453</u>	<u>1,456,043</u>	<u>394,760</u>
37,660,511	159,595	147,410	0	37,967,516	708,294
11,699,200	291,034	14,133	0	12,004,367	5,460,318
<u>\$ 49,359,711</u>	<u>\$ 450,629</u>	<u>\$ 161,543</u>	<u>\$ 0</u>	<u>\$ 49,971,883</u>	<u>\$ 6,168,612</u>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**  
*(Concluded)*

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b><u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u></b>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents	\$ 10,264,268	\$ 1,644,557	\$ 2,241,168	\$ 1,437,457
Total Restricted Equity in Pooled Cash and Cash Equivalents	14,115,555	3,424,041	12,750,706	3,481,959
<b>Total Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 24,379,823</u></b>	<b><u>\$ 5,068,598</u></b>	<b><u>\$ 14,991,874</u></b>	<b><u>\$ 4,919,416</u></b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>				
Operating Income (Loss)	\$ 6,219,702	\$ 1,382,182	\$ 1,639,979	\$ 1,969,475
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in ) Operating Activities:				
Depreciation and Amortization	2,514,232	324,850	852,144	1,146,965
Decommissioning/Postclosure	326,379			
Decrease (Increase) in Assets:				
Customer Accounts (Net of Allowances)	(1,275,055)	(113,614)	(68,544)	146,889
Miscellaneous Receivables	51,863			
Inventory				7,955
Increase (Decrease) in Liabilities:				
Accounts Payable	633,862	6,964	(890,525)	(1,212,828)
Claims Payable				
Accrued Expenses	537,511	(3,627)	5,841	(10,147)
Other	86,494	1,675	54,022	45,841
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 9,094,988</u></b>	<b><u>\$ 1,598,430</u></b>	<b><u>\$ 1,592,917</u></b>	<b><u>\$ 2,094,150</u></b>

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

<b>Total Combined Utility</b>	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Housing Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 15,587,450	\$ 360,349	\$ 145,409		\$ 16,093,208	\$ 6,168,612
33,772,261	90,280	16,134		33,878,675	
<u>\$ 49,359,711</u>	<u>\$ 450,629</u>	<u>\$ 161,543</u>	<u>\$ 0</u>	<u>\$ 49,971,883</u>	<u>\$ 6,168,612</u>
\$ 11,211,338	\$ 549,186	\$ 289,467	\$ (60,938)	\$ 11,989,053	\$ 315,743
4,838,191	22,374	295,343		5,155,908	
326,379	(75,346)			251,033	
(1,310,324)	(56,321)	(37,781)	(8,189)	(1,412,615)	(25,784)
51,863	(2,268)			49,595	
7,955				7,955	
(1,462,527)	(80,077)	(15,539)	19,362	(1,538,781)	5,162
0				0	18,413
529,578	361	67		530,006	
188,032	10,920	10,034		208,986	
<u>\$ 14,380,485</u>	<u>\$ 368,829</u>	<u>\$ 541,591</u>	<u>\$ (49,765)</u>	<u>\$ 15,241,140</u>	<u>\$ 313,534</u>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Employee Retirement Funds</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 238,615
Investments, at Fair Value:	
U.S. Government Securities	12,032,339
Corporate Bonds	5,016,593
Corporate Stocks	34,967,868
Money Market	4,488,402
Total Investments	56,505,202
Accounts Receivable	222,202
Interest Receivable	170,405
<b>Total Assets</b>	<b>57,136,424</b>
<b>Liabilities</b>	
Accounts Payable	25,132
<b>Total Liabilities</b>	<b>25,132</b>
<b>Net Assets</b>	
Held in Trust for:	
Employees' Pension Benefits	\$ 57,111,292

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u><b>Employee Retirement Funds</b></u>
<b>Additions</b>	
Contributions:	
Employer	\$ 3,419,399
Employee	455,568
Total Contributions	<u>3,874,967</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	5,095,304
Interest and Dividend Income	1,804,385
Other Income	83,046
Total Investment Income	<u>6,982,735</u>
<b>Total Additions</b>	<u>10,857,702</u>
<b>Deductions</b>	
Benefit Payments	2,682,455
Refund of Contributions	42,699
Administrative Expense	478,122
<b>(Total Deductions)</b>	<u>(3,203,276)</u>
<b>Net Increase</b>	7,654,426
<b>Net Assets Reserved for Employees'</b>	
<b>Pension Benefits:</b>	
<b>Beginning of Year</b>	<u>49,456,836</u>
<b>End of Year</b>	<u><u>\$ 57,111,262</u></u>

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

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Description of Funds and Summary of Significant Accounting Policies**

The financial statements of the City of Leesburg, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below:

**Reporting Entity**

The City is a Florida municipality governed by an elected five-member City Commission. The City was established by the adoption of its Charter in the Laws of Florida, Chapter 9820, 1923. The City provides services to its citizens including fire and police protection, electric, gas, water, wastewater, solid waste, parks and recreation, streets, and other general governmental activities. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, if applicable, has included them in the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and: 1) it is able to impose its will on the organization; or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management has determined that there are two includable component units:

- The City established the Greater Leesburg, Carver Heights and Highway 27/441 Community Redevelopment Agencies as component units of the City pursuant to Section 163.512, Florida Statutes. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental fund type component units into the primary government. Separate financial statements are not issued for either of the Redevelopment Agencies.

**Government-wide and Fund Financial Statements**

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

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Government-wide and Fund Financial Statements *(Concluded)***

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. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds; fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

■ **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

■ **Fund Financial Statements**

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 within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
*(Continued)*

The City operates the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The proprietary funds are financed and operated in a manner similar to private business enterprises and extend outside the City limits in all cases except solid waste. Electric and gas utilities are served to Fruitland Park residents. The City reports the following major proprietary funds:

- The **Electric Utility Fund** accounts for the purchase and distribution of electric services.
- The **Gas Utility Fund** accounts for the purchase and distribution of gas services.
- The **Water Utility Fund** accounts for costs for collection, treatment and distribution of water services.
- The **Wastewater Utility Fund** accounts for costs to provide wastewater and sanitary sewer services.
- The **Solid Waste Fund** accounts for the collection, transportation, and disposal of solid waste.
- The **Communication Services Fund** accounts for the provision of communication services; such as, internet, fiber optic connections, and cellular tower rental.

Additionally, the City reports the following fund types:

- The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The **Internal Service Funds** account for the financing of goods and services provided by one department to other departments of the governmental unit on a cost-reimbursement basis.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
*(Concluded)*

- The **Pension Trust Funds** account for the activities of the City's general employees', firemen's and police officers' retirement systems, which accumulate resources for pension benefit payments to qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operation.

**Summary of Significant Accounting Policies**

The City conforms all significant accounting policies to GAAP applicable to governmental units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

- **Proprietary Funds**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, for business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances.

- **Transfers**

Transfers are recognized in the accounting period in which the interfund receivable and payable arise. Transfers are made from the utility funds to finance operations of the general fund, and the general fund makes transfers to the special revenue funds.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

■ **Grants Proprietary Funds**

Unrestricted grants, entitlements or shared revenues received are reported as nonoperating revenues in all proprietary funds.

■ **Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments held outside of the City's pooled cash system (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash and investments held by the pooled cash system are considered cash equivalents for the cash flow statement.

■ **Investments**

In all funds, investments are stated at fair value in accordance with GASB Statement No. 31.

■ **Receivables**

Utility operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered after the last billing date and up to September 30, is estimated and accrued at year-end.

■ **Inventories**

All inventories, including fuel held for consumption, are priced by the weighted-average cost method at the lower of cost or market. Inventory is accounted for by use of the consumption method.

■ **Amortization**

Bond issue costs and discounts are amortized over the life of the bonds using the effective interest method.

■ **Cost Reimbursements**

Certain personal services and operating expenses recorded in various funds and departments are a result of services performed and expenses/expenditures incurred for the benefit of other funds and departments. Cost reimbursements are recorded as a contra-expense in the receiving division of the fund. The funds and departments that benefit from the services and expenses/expenditures record a cost reimbursement as an increase in expenditures or expenses.

■ **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

■ **Capital Assets *(Concluded)***

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of major business-type activities is included as part of the capitalized value of the assets constructed. During 2007, \$2,499,150 of interest was capitalized.

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

Buildings	10 - 50 Years
Improvements Other than Buildings	15 - 50 Years
Utility Plant	10 - 50 Years
Vehicles and Equipment	5 - 50 Years
Infrastructure	15 - 60 Years

Expenditures for repairs and maintenance are expensed when incurred. Additions, major renewals and replacements that increase the useful lives of the assets are capitalized.

■ **Compensated Absences**

Personnel policies allow employees to accumulate a maximum of forty five days vacation leave and unlimited sick leave. Upon termination, employees are paid for their accrued vacation leave and 50% of their accrued sick leave balance up to 200 hours. Upon retirement, employees are paid for their accrued vacation and 50% of their accrued sick leave balance up to 400 hours.

In governmental and proprietary fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures (expenses) represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of the compensated absence liability that has matured are reported in the governmental fund financial statements and the general fund is typically used to liquidate this liability. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

■ **Long-term obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

■ **Encumbrances**

Encumbrances represent contractual commitments in the form of purchase orders and contracts. Such encumbrances are not recorded as current year expenditures. They will become expenditures upon vendor performance and will be charged against the ensuing year's budget. Encumbrances outstanding at year-end are deemed canceled and amounts sufficient to reestablish the commitment are included in the appropriations for the subsequent year.

■ **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for specific purposes. Designations of fund balances represent tentative management plans that are subject to change.

■ **Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Lake County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

Chapter 193, Florida Statutes, requires that all property shall be assessed at just or fair value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if it meets all of the appropriate requirements of the Florida Statutes.

All taxes are assessed, due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. Unpaid taxes become delinquent on April 1 of the subsequent year. Discounts are allowed at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies (Concluded)**

**Summary of Significant Accounting Policies (Concluded)**

■ **Property Taxes (Concluded)**

The City does not accrue its portion of the County held tax sales certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of property or by the five-year statute of limitations.

**Note 2 - Stewardship, Compliance and Accountability**

■ **Budgetary Information**

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for all governmental funds for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Commission. The budgetary data presented is in agreement with the originally adopted budget as amended by the City Commission.
- Formal budgetary integration is employed as a management control device during the year for substantially all funds. Budgets are adopted on a basis consistent with GAAP. Total budgeted appropriations within a governmental fund-type may not be exceeded legally. Appropriations lapse at the end of the year. Budget data, when presented in the basic financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

■ **Excess of Expenditures Over Appropriations**

The following fund contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2007:

- Greater Leesburg Community Redevelopment Fund

No other individual fund contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2007. However, within various programs, there may be some excesses of expenditures over appropriations at the line item level.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 3 - Deposits and Investments**

Deposits and investments as of September 30, 2007, are classified in the accompanying financial statements as follows:

<b>Statement of Net Assets</b>	
Cash and Cash Equivalents	\$ 33,055,298
Restricted:	
Cash and Cash Equivalents	33,878,675
Investments	4,272,392
<b>Statement of Fiduciary Net Assets</b>	
Cash Equivalents	238,615
Investments	<u>56,505,202</u>
<b>Total Cash and Investments</b>	<u><u>\$ 127,950,182</u></u>

Deposits and investments consist of the following:

<b>Governmental and Business-type Activities</b>	
Cash Deposits	\$ (713,833)
Investments	32,786,370
Investments with Fiscal Agent:	
Debt Service Fund	1,054,559
Capital Projects Fund Bond Proceeds	3,812,060
Utilities Bond Proceeds	27,640,336
Utilities CR3 Decommissioning Trust	4,272,392
Utilities Debt Service Account	1,697,481
Utilities Gas Deposit Account	657,000
<b>Fiduciary Net Assets</b>	
Defined Benefit Pension Plan Investments	<u>56,743,817</u>
<b>Total Cash and Investments</b>	<u><u>\$ 127,950,182</u></u>

**Investment Policies**

The City's total deposits and investments are comprised of two major components, each with its own set of legal and contract provisions as described below:

**Governmental and Business-type Activities**

**Deposits**

All of the City's deposits are maintained in banks and financial institutions which are covered by the Florida Security for Public Deposits Act (the Act), Chapter 280 of the Florida Statutes. The Act established a multiple financial institution collateral pool with the ability to assess member institutions to provide protection. Accordingly, all of the City's cash deposits are considered to be fully insured.

**Investments**

Florida Statutes, the City Charter and investment policies authorize the investment of funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, and obligations of the U.S. Government and its agencies and mutual funds. Investments may also include repurchase agreements and deposits with the State Board of Administration (SBA) pool. Revenue bond covenants also restrict the type and maturities of investments in bond-related funds.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 3 - Deposits and Investments (Continued)**

**Investments (Concluded)**

As of September 30, 2007, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Investment Maturities (In Years)</b>	
	<b>Fair Value</b>	<b>Less Than 1 Year</b>
Repurchase Agreements	\$ 26,735,000	\$ 26,735,000
State of Florida, SBA	120,745	120,745
FNMA	2,960,625	2,960,625
FHLB	2,970,000	2,970,000
<b>Total</b>	<b>\$ 32,786,370</b>	<b>\$ 32,786,370</b>

*Interest Rate Risk*—The City’s investment policy does not address interest rate risk.

*Credit Risk*—The City’s investment policy does not permit investments in commercial paper or corporate bonds. Authorized investments are outlined in Florida Statute 218.415 and are generally limited to (a) the State of Florida Local Government Surplus Funds Trust Fund; (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating; (c) interest-bearing time deposits or savings accounts in qualified public depositories, as defined in S.280.02; and (d) direct obligations of the U.S. Treasury.

*Custodial Credit Risk*—For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City’s \$26,735,000 investment in repurchase agreements are held by the investment’s counterparty, not in the name of the City. The City does not have a policy regarding custodial credit risk.

*Concentration of Credit Risk*—All of the City’s investments are guaranteed by the U.S. Government except for the investment in the State of Florida, SBA which is an external investment pool. Investments that exceed 5% of invested assets included all of those listed in the above table, excluding the State of Florida, SBA.

**Fiduciary Net Assets**

As of September 30, 2007, the **Municipal Firemen’s Retirement Plan** (Plan) had the following investments and maturities:

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 3 - Deposits and Investments (Continued)**

**Fiduciary Net Assets (Continued)**

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Money Market	\$ 898,658	\$ 898,658			
U.S. Government and Agencies	2,033,094	372,659	\$ 653,859	\$ 601,678	\$ 404,898
Mutual Funds	451,683	451,683			
Corporate Obligations	<u>948,274</u>	<u>79,383</u>	<u>451,931</u>	<u>398,175</u>	<u>18,785</u>
<b>Total</b>	<u>4,331,709</u>	<u>\$ 1,802,383</u>	<u>\$ 1,105,790</u>	<u>\$ 999,853</u>	<u>\$ 423,683</u>
Corporate Stocks	<u>5,270,817</u>				
<b>Total</b>	<u>\$ 9,602,526</u>				

*Interest Rate Risk*—The Plan does not have a policy related to limiting its exposure to fair value losses arising from rising interest rates.

*Credit Risk*—The Plan’s investment policy requires that all bonds or other evidence of indebtedness acquired be listed on one or more of the recognized national exchanges and have a rating issued by a nationally recognized statistical rating organization (NRSRO) in one of the top four classifications, except that only 25% of the bond portfolio may be invested below the three highest classifications.

*Custodial Credit Risk*—All funds are managed by investment managers. All funds are held by third party custodians and are in the name of the Plan.

*Concentration of Credit Risk*—Investments in corporate common stock and convertible bonds are limited to 60% of Plan assets. No more than 5% of Plan assets shall be invested in one company. Foreign investments are limited to 10% of Plan assets. The following investments exceed 5% of Plan assets: Goldman Sachs Money Market Account of \$1,350,342; Ishares MSCI EAFE Index Fund of \$830,030; and Ishares Russell 2000 Value Fund of \$592,361.

As of September 30, 2007, the **General Employees’ Retirement Plan** (Plan) had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Money Market	\$ 1,586,496	\$ 1,586,496			
U.S. Government and Agencies	7,110,543	1,115,610	\$ 4,346,839	\$ 1,648,094	
Corporate Obligations	2,960,630		2,582,387	378,243	
Mutual Funds	<u>2,118,985</u>	<u>2,118,985</u>			
<b>Total</b>	<u>13,776,654</u>	<u>\$ 4,821,091</u>	<u>\$ 6,929,226</u>	<u>\$ 2,026,337</u>	<u>\$ 0</u>
Corporate Stocks	<u>20,303,303</u>				
<b>Total</b>	<u>\$ 34,079,957</u>				

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 3 - Deposits and Investments (Continued)**

**Fiduciary Net Assets (Concluded)**

*Interest Rate Risk*—The Plan does not have a policy related to limiting its exposure to fair value losses arising from rising interest rates.

*Credit Risk*—The Plan’s investment policy requires that equity securities be purchased only on nationally recognized exchanges. Purchases of bonds or debt obligations are limited to one of the four highest ratings issued by a NRSRO.

*Custodial Credit Risk*—All funds are managed by investment managers. All funds are held by third party custodians and are required to be held in the name of the Plan.

*Concentration of Credit Risk*—Investments in corporate common stock and convertible bonds are limited to 60% of Plan assets and no more than 10% of Plan assets shall be invested in one company. Except for U.S. Government and agency obligations, no more than 10% of Plan assets can be invested in one issuer. Investments that exceed 5% of Plan assets are U.S. Treasury notes totaling \$4,855,727.

As of September 30, 2007, the **Municipal Police Retirement Plan** (Plan) had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Money Market	\$ 2,003,248	\$ 2,003,248			
U.S. Government and Agencies	2,913,779	101,229	\$ 259,648	\$ 447,849	\$ 2,105,053
Corporate Obligations	<u>1,082,612</u>	<u>69,748</u>	<u>334,763</u>	<u>665,134</u>	<u>12,967</u>
<b>Total</b>	5,999,639	<u>\$ 2,174,225</u>	<u>\$ 594,411</u>	<u>\$ 1,112,983</u>	<u>\$ 2,118,020</u>
Corporate Stocks	<u>6,823,080</u>				
<b>Total</b>	<u>\$12,822,719</u>				

*Interest Rate Risk*—The Plan does not have a policy related to limiting its exposure to fair value losses arising from rising interest rates.

*Credit Risk*—The Plan’s investment policy requires that equity securities be purchased only on nationally recognized exchanges. Purchases of bonds or debt obligations are limited to one of the three highest ratings issued by a Standard & Poor’s or Moody’s.

*Custodial Credit Risk*—All funds are managed by investment managers. All funds are held by third party custodians and are required to be held in the name of the Plan.

*Concentration of Credit Risk*—Investments in corporate common stock shall not exceed 70% of Plan assets. No more than 5% of the Plan’s assets may be invested in the common stock of any one company. Investments in foreign equities are limited to 10% of Plan assets. Investments in domestic fixed income obligations are limited to 45% of Plan assets. Investments exceeding 5% of Plan assets are STIP Cash Management Reserve of \$1,822,316; Ishares MSCI EAFE Index Fund of \$1,256,633; and Federal Home Loan Mortgage, Corp. of \$1,624,055.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 3 - Deposits and Investments (Concluded)**

**Credit Ratings**

Ratings for the fiduciary funds corporate obligations by Standard & Poor's follows:

	<b>Rating</b>				
	<b>Total</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>
<b><u>Retirement Plan</u></b>					
Municipal Firemen	\$ 948,274	\$ 136,531	\$ 300,976	\$ 316,924	\$ 193,843
General Employees	2,960,630	378,243	1,491,187	1,091,200	
Municipal Police	<u>1,082,612</u>		<u>114,550</u>	<u>463,473</u>	<u>504,589</u>
<b>Totals</b>	<u>\$ 4,991,516</u>	<u>\$ 514,774</u>	<u>\$ 1,906,713</u>	<u>\$ 1,871,597</u>	<u>\$ 698,432</u>

All of the City's investments in debt securities, other than the above described corporate obligations, are guaranteed by the U.S. Government. The City's investment in the State of Florida, SBA, an external investment pool, is not rated.

**Note 4 - Accounts Receivable**

Receivables as of the year-end for the City's individual major funds and nonmajor special revenue funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<b>Type of Receivable</b>	<b>General</b>	<b>Enterprise</b>	<b>Nonmajor</b>	<b>Total</b>
	<b>Fund</b>	<b>Funds</b>	<b>and Other Funds</b>	
Accrued Interest Receivable	\$ 0	\$ 0	\$ 72,594	\$ 72,594
Accounts Receivable - Billed	529,659	7,493,130	80,316	8,103,105
Accounts Receivable - Unbilled		<u>5,621,639</u>	<u>80,930</u>	<u>5,702,569</u>
Total Accounts Receivable	529,659	13,114,769	161,246	13,805,674
(Allowance for Uncollectible Accounts)		<u>(817,112)</u>	<u>(11,443)</u>	<u>(828,555)</u>
Accounts Receivable, Net	<u>529,659</u>	<u>12,297,657</u>	<u>149,803</u>	<u>12,977,119</u>
<b>Receivables, Net</b>	<u>\$ 529,659</u>	<u>\$ 12,297,657</u>	<u>\$ 222,397</u>	<u>\$ 13,049,713</u>

**Note 5 - Unearned Revenue**

Governmental funds report deferred revenue in conjunction with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The \$689,397 reported as deferred revenue in the governmental funds consists of the following:

<b>Type of Unearned Revenue</b>	<b>Amount</b>
Occupational License Revenue	\$ 168,934
Customer Deposits and Advance Property Rentals	95,302
Unearned Interest	315,928
Grant Deferred Revenue	109,143
Miscellaneous	<u>90</u>
<b>Total</b>	<u>\$ 689,397</u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 8,117,649	\$ 77,413	\$ (10)	\$ 8,195,052
Construction in Progress	<u>21,814,519</u>	<u>10,271,353</u>	<u>(11,514,834)</u>	<u>20,571,038</u>
Total Capital Assets Not Being Depreciated	<u>29,932,168</u>	<u>10,348,766</u>	<u>(11,514,844)</u>	<u>28,766,090</u>
Capital Assets Being Depreciated:				
Buildings	26,254,332	3,543,078		29,797,410
Improvements Other Than Buildings	15,075,083	1,538,613		16,613,696
Equipment	26,701,335	4,153,945	(329,039)	30,526,241
Infrastructure (Road and Streets)	<u>20,715,576</u>	<u>7,101,669</u>		<u>27,817,245</u>
Total Capital Assets Being Depreciated	<u>88,746,326</u>	<u>16,337,305</u>	<u>(329,039)</u>	<u>104,754,592</u>
Less Accumulated Depreciation for:				
Buildings	(5,526,687)	(752,476)		(6,279,163)
Improvements Other Than Buildings	(7,178,642)	(1,119,617)		(8,298,259)
Equipment	(17,591,005)	(2,854,142)	331,908	(20,113,239)
Infrastructure (Roads and Streets)	<u>(13,050,402)</u>	<u>(1,081,036)</u>		<u>(14,131,438)</u>
Total Accumulated Depreciation	<u>(43,346,736)</u>	<u>(5,807,271)</u>	<u>331,908</u>	<u>(48,822,099)</u>
Total Being Depreciated, Net	<u>45,399,590</u>	<u>10,530,034</u>	<u>2,869</u>	<u>55,932,493</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 75,331,758</u>	<u>\$ 20,878,800</u>	<u>\$ (11,511,975)</u>	<u>\$ 84,698,583</u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 7,011,697	\$ 2,232,696	\$ (15,686)	\$ 9,228,707
Construction in Progress	<u>62,313,930</u>	<u>10,850,608</u>	<u>(15,712,693)</u>	<u>57,451,845</u>
Total Capital Assets Not Being Depreciated	<u>69,325,627</u>	<u>13,083,304</u>	<u>(15,728,379)</u>	<u>66,680,552</u>
Capital Assets Being Depreciated:				
Buildings	11,055,400	685,326		11,740,726
Improvements Other Than Buildings	96,520,044	19,625,618	(1,332,953)	114,812,709
Equipment	<u>30,181,193</u>	<u>861,300</u>	<u>(58,703)</u>	<u>30,983,790</u>
Total Capital Assets Being Depreciated	<u>137,756,637</u>	<u>21,172,244</u>	<u>(1,391,656)</u>	<u>157,537,225</u>
Less Accumulated Depreciation for:				
Buildings	(3,129,936)	(353,342)	1,264	(3,482,014)
Improvements Other Than Buildings	(40,324,961)	(3,308,102)	1,360,236	(42,272,827)
Equipment	<u>(15,089,773)</u>	<u>(947,947)</u>	<u>58,703</u>	<u>(15,979,017)</u>
Total Accumulated Depreciation	<u>(58,544,670)</u>	<u>(4,609,391)</u>	<u>1,420,203</u>	<u>(61,733,858)</u>
Total Being Depreciated, Net	<u>79,211,967</u>	<u>16,562,853</u>	<u>28,547</u>	<u>95,803,367</u>
<b>Total Business-type Activities Capital Assets, Net</b>	<u>\$ 148,537,594</u>	<u>\$ 29,646,157</u>	<u>\$ (15,699,832)</u>	<u>\$ 162,483,919</u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 6 - Capital Assets (Concluded)**

**Depreciation Expense - Governmental Activities**

General Government and Administration	\$ 2,438,519
Public Safety	548,749
Physical Environment	388,999
Transportation	1,820,717
Economic Environment	27,471
Parks and Recreation	<u>582,817</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 5,807,272</u></b>

**Depreciation Expense - Business-type Activities**

Electric Utility	\$ 2,107,153
Gas Utility	312,013
Water Utility	795,671
Wastewater Utility	1,076,837
Solid Waste Utility	22,374
Communication Services	<u>295,343</u>
<b>Total Depreciation Expense - Business-type Activities</b>	<b><u>\$ 4,609,391</u></b>

**Note 7 - Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 207,805
General Fund	Housing Fund	60,467
Gas Utility	Wastewater Utility	700,000
Water Utility	Wastewater Utility	<u>3,500,000</u>
<b>Total</b>		<b><u>\$ 4,468,272</u></b>

The purpose of the above interfund balances was to provide short-term financing and to defease a bond issue.

**Interfund Transfers**

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Communications Services</u>	
<b>Transfer Out</b>					
Electric Utility	\$ 6,577,122				\$ 6,577,122
Gas Utility	851,317				851,317
Water Utility	793,324				793,324
Wastewater Utility	663,892				663,892
Solid Waste	250,571				250,571
General Fund			\$ 2,740,709	\$ 200,000	2,940,709
Nonmajor Governmental	<u>937,168</u>	<u>\$ 227,328</u>	<u>606,239</u>		<u>1,770,735</u>
<b>Total Transfers Out</b>	<b><u>\$ 10,073,394</u></b>	<b><u>\$ 227,328</u></b>	<b><u>\$ 3,346,948</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 13,847,670</u></b>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 7 - Interfund Receivables, Payables and Transfers (Concluded)**

Interfund transfers are made to finance activities in other funds.

**Note 8 - Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Revenue Bonds and Notes:					
Capital Improvement Revenue					
Bonds - 1999	\$ 6,640,000		\$ (145,000)	\$ 6,495,000	\$ 155,000
Capital Improvement Revenue					
Bonds - 2004	17,110,000		(325,000)	16,785,000	330,000
Note Payable - 1999 GLCRA	151,506		(16,486)	135,020	17,373
Note Payable - Aerostat	79,731		(42,584)	37,147	37,147
Total Revenue Bonds and Notes	<u>23,981,237</u>	<u>\$ 0</u>	<u>(529,070)</u>	<u>23,452,167</u>	<u>539,520</u>
Other Liabilities:					
Compensated Absences	1,708,414	1,419,426	(1,403,234)	1,724,606	948,534
Suit Settlement	180,000		(60,000)	120,000	60,000
Total Other Liabilities	<u>1,888,414</u>	<u>1,419,426</u>	<u>(1,463,234)</u>	<u>1,844,606</u>	<u>1,008,534</u>
<b>Total Governmental Activities</b>	<u>\$ 25,869,651</u>	<u>\$ 1,419,426</u>	<u>\$ (1,992,304)</u>	<u>\$ 25,296,773</u>	<u>\$ 1,548,054</u>
<b>Business-type Activities</b>					
Revenue Bonds and Notes Payable:					
Electric System Revenue Bonds - 2004	\$ 16,670,000			\$ 16,670,000	\$ 325,000
Utility System Revenue Bonds - 2004	22,985,000			22,985,000	445,000
Bond Anticipation Note - 2006	8,000,000			8,000,000	
Bond Anticipation Note - 2006A	4,000,000		\$ (4,000,000)	0	
Bond Anticipation Note - 2006B	100,000	\$ 800,000	(900,000)	0	
Utility System Revenue Bond - 2007A		22,425,000		22,425,000	
Utility System Revenue Bond - 2007B		1,070,000		1,070,000	
Electric System Revenue Bond - 2007A		11,265,000		11,265,000	
Electric System Revenue Bond - 2007B		11,710,000		11,710,000	
Bond Anticipation Note - 2007		3,527,632		3,527,632	
Less Deferred Refundings and Discounts	(942,946)		245,965	(696,981)	
Notes Payable FMPA Pooled	1,177,000		(66,000)	1,111,000	
Total Revenue Bonds and Notes Payable	<u>51,989,054</u>	<u>50,797,632</u>	<u>(4,720,035)</u>	<u>98,066,651</u>	<u>770,000</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	4,808,175	326,379		5,134,554	
Landfill Postclosure Payable	861,979		(75,346)	786,633	75,346
Compensated Absences	888,432	868,107	(659,121)	1,097,418	603,580
Total Other Liabilities	<u>6,558,586</u>	<u>1,194,486</u>	<u>(734,467)</u>	<u>7,018,605</u>	<u>678,926</u>
<b>Total Business-type Activities</b>	<u>\$ 58,547,640</u>	<u>\$ 51,992,118</u>	<u>\$ (5,454,502)</u>	<u>\$ 105,085,256</u>	<u>\$ 1,448,926</u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Continued)**

The following is a schedule of bonds and notes outstanding at September 30, 2007:

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Rates</u>
<b>Governmental Activities</b>				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue				
Bonds - 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 6,495,000	3.65% - 5.50%
Capital Improvement Revenue				
Bonds - 2004	Capital Improvement	17,110,000	16,785,000	2.50% - 5.25%
Note Payable	Real Estate	249,284	135,020	5.25%
Note Payable	Real Estate	<u>126,800</u>	<u>37,147</u>	5.00%
<b>Total Governmental Activities</b>		<u>\$ 24,831,084</u>	<u>\$ 23,452,167</u>	
<b>Business-type Activities</b>				
Notes Payable FMPA Pooled Loan	Fiber Optic Cable	\$ 1,300,000	\$ 1,111,000	FMPA Commercial Paper + 0.6%
Electric System Revenue Bonds - 2004	Electric Capital Projects	16,670,000	16,670,000	2.75% - 5.00%
Utility System Revenue Bonds - 2004	Gas/Water/Wastewater	22,985,000	22,985,000	2.75% - 5.00%
Bond Anticipation Note - 2006	Water/Wastewater	8,000,000	8,000,000	3.00%
Bond Anticipation Note - 2006A	Water/Wastewater	4,000,000		4.49%
Bond Anticipation Note - 2006B	Water/Wastewater	100,000		Variable
Utility System Revenue Bond - 2007A	Gas/Water/Wastewater	22,425,000	22,425,000	4.00% - 5.00%
Utility System Revenue Bond - 2007B	Wastewater	1,070,000	1,070,000	5.9%
Electric System Revenue Bond - 2007A	Electric	11,265,000	11,265,000	4.625% - 5.00%
Electric System Revenue Bond - 2007B	Electric	11,710,000	11,710,000	5.64% - 5.90%
Bond Anticipation Note - 2007	Capital Improvement	<u>3,527,632</u>	<u>3,527,632</u>	6.01%
<b>Total Business-type Activities</b>		<u>\$ 103,052,632</u>	<u>\$ 98,763,632</u>	

Debt service to maturity on the City's bonded indebtedness and notes payable are as follows:

<u>Fiscal Year</u>	<u>Bonds Payable</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 485,000	\$ 1,123,696	\$ 770,000	\$ 4,179,520
2009	500,000	1,105,816	790,000	4,156,782
2010	515,000	1,086,521	1,425,000	4,102,405
2011	535,000	1,066,611	1,485,000	4,044,047
2012	555,000	1,045,151	1,540,000	3,981,533
2013-2017	3,150,000	4,838,173	8,755,000	18,806,144
2018-2022	3,930,000	3,993,898	10,980,000	16,406,979
2023-2027	5,060,000	2,784,825	14,045,000	13,103,096
2028-2032	5,510,000	1,315,550	18,045,000	9,036,270
2033-2037	3,040,000	163,113	22,990,000	3,872,319
2038			<u>5,300,000</u>	
<b>Total</b>	<u>\$ 23,280,000</u>	<u>\$ 18,523,354</u>	<u>\$ 86,125,000</u>	<u>\$ 81,689,095</u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Continued)**

Fiscal Year	Notes Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 54,521	\$ 7,531	\$ 70,000	\$ 253,651
2009	18,307	5,740	73,000	250,731
2010	19,292	4,755	11,604,632	35,640
2011	20,329	3,718	81,000	32,400
2012	21,423	2,625	85,000	29,000
2013-2017	38,295	1,784	492,000	87,840
2018-2019			233,000	4,760
<b>Total</b>	<u>\$ 172,167</u>	<u>\$ 26,153</u>	<u>\$ 12,638,632</u>	<u>\$ 694,022</u>

**Governmental Activity Liabilities**

A summary of all governmental long-term debt as of September 30, 2007, follows:

■ **Capital Improvement Bonds, 1999**

The 1999 Capital Improvement Bonds are fully registered bonds and are collateralized by a pledge of the proceeds of the local government half-cent sales tax and the proceeds of the guaranteed entitlement portion of state revenue sharing funds. The 1999 bonds are not general obligations or indebtedness of the City within the meaning of the Constitution of the State of Florida. The bond ordinances provide for a current sinking fund and debt service reserve. The bonds are callable at various dates from 100% to 101% of face value.

■ **Capital Improvement Bonds, 2004**

The 2004 Capital Improvement Bonds are fully registered bonds and are collateralized by a pledge of the proceeds of the local government half-cent sales tax and the proceeds of the sales tax, the guaranteed entitlement portion of state revenue sharing funds, the public service tax and investment income earned on trust funds held for bond holder. The lien on sales tax and guaranteed entitlement is subordinate to the Series 1999 bonds. The 2004 bonds are not general obligations or indebtedness of the City within the meaning of the Constitution of the State of Florida. The bond ordinances provide for a current sinking fund and debt service reserve. The bonds are callable at various dates at 100% of face value.

■ **Note Payable (GLCRA)**

A fifteen-year mortgage for the purpose of the Christley property by the Greater Leesburg Community Redevelopment Fund that extends through May 2014, and will cost \$24,048 annually.

■ **Note Payable, Aerostat Inc.**

The City signed a promissory note, dated August 1, 2005, for leasehold and improvements at Leesburg Regional Airport for \$126,800. The term of the loan is three years and interest is charged on the loan at a rate of 5%. The outstanding balance of the loan as of September 30, 2007, was \$37,147.

■ **Suit Settlement Payable**

During 1998, the City settled a civil rights lawsuit in which it was a codefendant. The settlement called for the City to pay the plaintiff \$634,000, of which \$100,000 was covered by insurance. Additional terms of the settlement call for the City to fund the

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Continued)**

**Governmental Activity Liabilities (Concluded)**

■ **Suit Settlement Payable (Concluded)**

budget of a local agency \$30,000 per year for ten years until September 30, 2007. During fiscal year ended 2001, the settlement was amended to require the City to pay an additional \$30,000 for ten years to the local agency until September 30, 2010.

**Business-type Activity Liabilities**

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2007:

■ **Electric System Revenue Bonds, Series 2004**

The 2004 bonds are fully registered bonds and are collateralized by a pledge of the net electric system revenues. The bond ordinances provide for a current sinking fund, and debt service reserve account. The bonds are callable at various dates at 100% of face value.

■ **Utility System Revenue Bonds, Series 2004**

The 2004 bonds are fully registered bonds and are collateralized by a pledge of the net gas, water, and wastewater system revenues. The bond ordinances provide for a current sinking fund and debt service reserve account. The bonds are callable at various dates at 100% of face value.

■ **Bond Anticipation Note - 2006**

In July 2006, the City acquired a water and wastewater utility system from the Plantation of Leesburg Limited Partnership (the Plantation) for the purchase price of \$12,000,000 of which \$8,000,000 was financed by the Plantation. The balance of the purchase price was financed by SunTrust Bank. It is anticipated that an additional \$3,000,000 will be required for improvements to the system. Additional terms are as follows:

	<b><u>\$8,000,000 Note</u></b>
Interest Rate	3.00%
Maturity Date	October 1, 2009
Collateral	Separate Acquired Utility System

The City plans to refinance the Plantation water and wastewater notes in the near future.

■ **Utility System Revenue Bonds, Series 2007A and 2007B**

The City has issued \$22,425,000 and \$1,070,000, respectively, in Utility System Revenue Bonds, Series 2007A and Series 2007B. Both issues are fully registered. Interest paid on the Series 2007B bonds is not exempt from income tax. The Bonds are payable solely from the net revenues of the Gas System, Sewer System and Water System on parity with the City's outstanding Utility System Revenue Bonds, Series 2004. The Series 2007 bonds are subject to early redemption prior to maturity. The bond resolutions provides for a sinking fund and debt service reserve account to facilitate payment of principal and interest.

■ **Electric System Revenue Bonds, Series 2007A and 2007B**

The City has issued \$11,265,000 and \$11,710,000, respectively in Electric System Revenue Bonds, Series 2007A and Series 2007B. Both issues are fully registered. Interest paid on the Series 2007B bonds is not exempt from income tax. The bonds are

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Continued)**

**Business-type Activity Liabilities (Continued)**

■ **Electric System Revenue Bonds, Series 2007A and 2007B (Concluded)**

payable solely from the net revenues of the Electric System on parity with the City's outstanding Electric System Revenue Bonds, Series 2004. The Series 2007 bonds are subject to early redemption prior to maturity. The bond resolutions provides for a sinking fund and debt service reserve account to facilitate payment of principal and interest.

■ **Bond Anticipation Note - 2007**

In October 2006, the City issued a \$3,527,632 bond anticipation note to acquire and renovate Kristen Apartments. Financing was provided by SunTrust Bank of Central Florida. The City agrees to repay the note from the proceeds of the sale of bonds from the revenues pledged to repay the note. This note is secured by a subordinate lien on the Public Service Tax, the Local Government Half-cent Sales Tax and Guaranteed Entitlement. The bonds are due on October 1, 2009.

■ **Note Payable, Florida Municipal Power Agency (FMPA) Pooled Loan Program**

FMPA is the grantor for the loan and acts as agent for the Initial Pooled Loan Project. The loan provides for acquisition, construction, improvement, and repair of various infrastructure improvements located in the City. Among those improvements is construction of a fiber optic system specifically for the Lake County School Board. The term of the loan is fifteen years, and interest charged on the loan is based on FMPA's commercial paper rate plus 0.6%. The outstanding balance on September 30, 2007, was \$1,111,000.

■ **Estimated Landfill Closure and Postclosure Care Costs**

The City closed its present landfill site on September 1, 1995, at a total cost of \$3,326,000. The cost of the closure was financed by user fees over the useful life of the landfill. As required by state law, the City is now performing postclosure monitoring activities.

<b>Balance, September 30, 2006</b>	\$	861,979
Adjustment of Estimate		42,225
Total Annual Costs Paid		(117,571)
<b>Balance, September 30, 2007</b>		786,633
(Current Maturities)		(75,346)
<b>Total Long-term Portion</b>		\$ 711,287

In 1994, the City implemented GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. This statement requires accounting recognition be given to all estimated closure and postclosure care costs during the operating life of the landfill.

The \$786,633 liability recorded represents the estimated costs of postclosure care for fourteen years after closure as required by state and federal laws and regulations. This amount was calculated by the City's consulting engineer. The actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to deposit adequate funds into an escrow account before year-end to meet postclosure care costs for the following year. During the year ended September 30,

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Concluded)**

**Business-type Activity Liabilities (Concluded)**

■ **Estimated Landfill Closure and Postclosure Care Costs (Concluded)**

1992, the City established an escrow subaccount within the City's pooled cash system for this purpose. The following is a schedule of the transactions in this account during fiscal year 2006:

<u>Transaction Date</u>	<u>Amount</u>
Balance, September 30, 2006	\$ 83,283
Investment Income	4,002
<b>Balance, September 30, 2007</b>	<b><u>\$ 87,285</u></b>

The above schedule was prepared in accordance with the requirements of Rule 62, 701.630 of the Florida Administrative Code.

■ **Crystal River III Nuclear Decommission Costs Payable**

The City is responsible for its share of the future costs to decommission the Crystal River III Nuclear Generating Unit. The City is accruing this cost over the expected useful life of the plant.

■ **Crystal River III Decommissioning Trust Fund**

Federal law requires that an external trust fund be created to accumulate amounts to pay for the future plant decommissioning. The City contributes to a common trust fund, maintained by FMPA, for all its members that own a portion of the Crystal River III Nuclear Generating Unit. As of September 30, 2007, the City has a balance in the trust fund of \$4,272,392.

■ **Defeased Debt**

Defeased debt of the City that remains publicly traded is as follows:

Utility System Refunding Revenue Bonds, Series 1999 A/B	<u>\$ 24,745,000</u>
---------------------------------------------------------	----------------------

**Note 9 - Operating Leases**

The City is lessor on various leases of facilities located at the Leesburg Regional Airport and other leases for property owned by the City. Estimated amounts for leased assets are: cost \$3,203,700, accumulated depreciation \$800,925 and depreciation expense \$106,790. The following is a schedule of minimum future lease income on noncancelable operating leases:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 206,531
2009	308,966
2010	368,674
2011	368,674
2012	368,674
2013 - 2017	1,988,776
2018 - 2022	1,872,910
2023 - 2027	965,764
2028 - 2032	16,598
<b>Total Minimum Lease Payments</b>	<b><u>\$ 6,465,567</u></b>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 10 - Electric Power Agreements**

**Crystal River Unit No. 3 Participation Agreement**

The City is a participant in an agreement with Progress Energy Florida. Under terms of the agreement, the City acquired a 0.8244% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

Progress Energy Florida has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Progress Energy Florida, and participants share in the operating and maintenance expenses of such facilities.

The participation agreement provides for reversion of the ownership interest of the unit to Florida Power Corporation upon retirement from service. The book value of the investment included in utility plant in service on September 30, 2007, was \$26,239 (cost of \$7,594,950 less accumulated depreciation of \$7,568,711).

**FMPA**

The City is a member of FMPA. FMPA was created pursuant to Chapter 163, Parts I and II (The Interlocal Act and The Joint Power Act) to, among other things, provide a means for the Florida municipal corporations to cooperate with each other to provide for their present and projected energy needs. The City has limited oversight authority over the operation of FMPA. This oversight is manifested in the appointment of one member to the 28-member Board of Directors of FMPA. Furthermore, the City, by agreement, has no equity interest in any of the assets owned by FMPA. The City participates in the following FMPA projects:

■ **St. Lucie No. 2 Power Purchase Agreement**

The City, through FMPA, has negotiated an agreement with Florida Power and Light Corporation guaranteeing the City the right to purchase up to 2.326 megawatts of generating capacity from the St. Lucie No. 2 nuclear generating plant. This plant became operational in 1984. The cost of this agreement has been capitalized and is being amortized over the plant's expected useful life.

■ **All-Requirement Power Supply Agreement**

The City has an agreement with FMPA whereby the City purchases its electric power from FMPA on an all-requirement basis. The agreement will remain in effect until October 1, 2020, with two optional successive ten-year renewal periods. Power rates charged to the City by FMPA are subject to a majority vote of the Board of Directors of FMPA.

**Note 11 - Defined Benefit Pension Plans**

**Plan Descriptions and Contribution Information** - The City maintains three separate single-employer pension plans, one for police officers, one for firemen, and a general employees' retirement plan that covers substantially all other full-time City employees. These plans are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial studies. The City Commission has the authority to establish and amend the benefit provisions of the Plans. Administrative costs are financed through contributions and investment earnings. Stand-alone financial reports are not issued.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 11 - Defined Benefit Pension Plans (Continued)**

**Basis of Accounting** - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are recorded with the custodian. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Methods Used to Value Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

All three plans provide retirement, disability, and death benefits to Plan members and their beneficiaries as described below:

■ **General Employees Retirement Plan (GERP)**

The Plan is a 100% employer contributory defined benefit plan and covers all full time employees except firemen. Participants who have completed five years of credited service are fully vested in the Plan and become fully vested after ten years of credited service.

Normal retirement benefits are paid to participants who have reached age sixty-five. Benefits are payable at the rate of 2.0% of average final monthly compensation multiplied by the number of years of credited service up to a maximum of forty-five years. The Plan also provides for early retirement, late retirement, and disability retirement, and death benefits at rates defined in the plan document.

The City is required to contribute at an actuarially determined rate. Plan members are not allowed to contribute. Contribution requirements are established by City Code Section 17.121. City Code Section 17.121 may be amended by the City Commission.

The City accrues and contributes an amount, as determined by an actuary, to fund the annual, normal cost and prior service cost amortized over forty years. The City's contribution was established at 12% of the covered payroll for fiscal year 2006-2007.

■ **Municipal Police Retirement Plan (MPRP)**

The Plan covers sworn police officers (other police department employees are covered in the GERP). Employees contribute 7.65% of their annual compensation, including overtime and educational incentive pay. The State of Florida collects and remits a 1% excise tax on gross premiums from casualty insurance policies covering property within the corporate limits to the fund pursuant to the provisions of Chapter 185, Florida Statutes.

Participants who have completed ten years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing ten years of credited service are entitled to the return of their employee contributions without interest. Normal retirement benefits are payable to participants who have reached the earlier of age fifty with twenty-five years of credited service, or age fifty-five with ten years of credited service. Such benefits are payable at a rate of 2% of the average monthly compensation for the four highest years of service multiplied by the number of years of credited service. The Plan also provides for early retirement, disability retirement, and death benefits at rates defined in the plan document.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 11 - Defined Benefit Pension Plans (Continued)**

**Methods Used to Value Investments (Concluded)**

■ **Municipal Police Retirement Plan (MPRP) (Concluded)**

Per City Code Section 17.91, the City Commission may amend established contribution requirements.

■ **Municipal Firemen's Retirement Plan (MFRP)**

The Plan covers firefighters who have completed one year of employment. Firemen contribute 6.5% of their annual compensation to the Plan. The State of Florida collects and remits a 1% excise tax on gross premiums from fire insurance covering property within the corporate limits to the fund pursuant to the provisions of Chapter 175, Florida Statutes.

Participants who have completed ten years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing ten years of credited service are entitled to the return of their employee contributions plus interest at the rate of 5% compounded annually. Normal retirement benefits are payable to participants who have reached the earlier of age fifty-two with twenty-five years of credited service, or age fifty-five with ten years of credited service. Such benefits are payable at a rate of 3% of the average monthly compensation multiplied by the number of years of credited service. The Plan also provides for early retirement, deferred retirement, disability retirement, and death benefits at rates defined in the plan document.

Pursuant to the plan document, the City accrues and contributes an additional amount, determined by an actuary, to fund the annual normal cost and prior service cost amortized over forty years. The City's contribution is limited to the rate of covered payroll contributed to the GERP, which was established at 12% of the covered payroll for fiscal year 2006-2007.

Membership of each plan consisted of the following:

<b>Date of Actuarial Valuation:</b>	<b>10/01/06</b>	<b>10/01/06</b>	<b>10/01/06</b>
	<b>GERP</b>	<b>MPRP</b>	<b>MFRP</b>
Retirees and Beneficiaries Receiving Benefits	152	23	16
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	135	2	1
Active Plan Members	452	69	48
<b>Total</b>	<u>739</u>	<u>94</u>	<u>65</u>

**Annual Pension Costs and Net Pension Obligation**

The City's annual pension cost and net pension obligation to GERP, MPRP and MFRP for the current year were as follows:

	<b>GERP</b>	<b>MPRP</b>	<b>MFRP</b>
Annual Required Contribution (ARC)	\$ 2,183,267	\$ 634,389	\$ 847,988
Interest on Net Pension Obligation (NPO)	(61,636)	3,077	(3,506)
Annual Pension Cost	2,121,631	637,466	844,482
Contributions Made	(2,088,648)	(829,010)	(957,309)
Increase/Decrease in NPO	32,983	(191,544)	(112,827)
Net Pension Obligation, Beginning of Year	(770,451)	38,462	(43,820)
<b>Net Pension Obligation, End of Year</b>	<u>\$ (737,468)</u>	<u>\$ (153,082)</u>	<u>\$ (156,647)</u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 11 - Defined Benefit Pension Plan (Continued)**

**Annual Pension Costs and Net Pension Obligation (Concluded)**

There was no adjustment to the ARC during the year.

**Other Pension Plan Information**

The annual required contribution, actuarial cost method and actuarial assumptions are described in the required supplementary information. The actuarial value of assets was determined using market value for all plans.

The excess of the actuarial value of assets over the actuarial accrued liabilities is being amortized using the levels described in the required supplementary information.

**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>GERP</u></b>			
09/30/05	\$ 1,461,550	95%	\$ (587,716)
09/30/06	1,717,954	111%	(770,451)
09/30/07	2,121,631	98%	(737,468)
<b><u>MPRP</u></b>			
09/30/05	\$ 571,474	109%	\$ (100,051)
09/30/06	573,877	76%	38,462
09/30/07	637,466	130%	(153,082)
<b><u>MFRP</u></b>			
09/30/05	\$ 642,474	68%	\$ (241,769)
09/30/06	746,654	73%	(43,820)
09/30/07	844,482	113%	(156,647)

Below is a summarized schedule of the general, the police and the fire pension plan assets and the information as of the latest actuarial valuation follows:

	<u>GERP</u>	<u>MPRP</u>	<u>MFRP</u>
<b>Valuation Date</b>	October 1, 2006	October 1, 2006	October 1, 2006
<b>Actual Cost Method</b>	Frozen Entry Age	Frozen Entry Age	Aggregate Actuarial Cost
<b>Amortization Method</b>	Level Dollar	Level Dollar, Closed	N/A
<b>Remaining Amortization</b>			
<b>Period</b>	28 Years	28 Years	N/A
<b>Asset Valuation Method</b>	Market Value	Market Value	Market Value
<b>Actuarial Assumptions:</b>			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.20%	6.50%
COLA	None	None	None

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 11 - Defined Benefit Pension Plan (Concluded)**

**SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2007**

	<b>Municipal Police Retirement Plan</b>	<b>Municipal Firemen's Retirement Plan</b>	<b>General Employees' Retirement Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 60,277	\$ 0	\$ 178,338	\$ 238,615
Investments, at Fair Value:				
U.S. Government Securities	2,888,702	2,033,094	7,110,543	12,032,339
Corporate Bonds	1,107,689	948,274	2,960,630	5,016,593
Corporate Stocks	6,823,080	5,722,500	22,422,288	34,967,868
Money Market	2,003,248	898,658	1,586,496	4,488,402
Total Investments	<u>12,822,719</u>	<u>9,602,526</u>	<u>34,079,957</u>	<u>56,505,202</u>
Accounts Receivable	415	179,781	42,006	222,202
Interest Receivable	40,207	50,846	79,352	170,405
<b>Total Assets</b>	<u><u>12,923,618</u></u>	<u><u>9,833,153</u></u>	<u><u>34,379,653</u></u>	<u><u>57,136,424</u></u>
<b>Liabilities</b>				
Accounts Payable	25,132			25,132
<b>Total Liabilities</b>	<u>25,132</u>	<u>0</u>	<u>0</u>	<u>25,132</u>
<b>Net Assets Reserved for Employees' Pension Benefits</b>	<u><u>\$ 12,898,486</u></u>	<u><u>\$ 9,833,153</u></u>	<u><u>\$ 34,379,653</u></u>	<u><u>\$ 57,111,292</u></u>

**SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2007**

<b>Additions</b>				
Contributions:				
Employer	\$ 548,755	\$ 781,996	\$ 2,088,648	\$ 3,419,399
Employee	280,255	175,313		455,568
Total Contributions	<u>829,010</u>	<u>957,309</u>	<u>2,088,648</u>	<u>3,874,967</u>
Investment Income:				
Net Appreciation in Fair Value of Investments	1,104,117	776,887	3,214,300	5,095,304
Interest and Dividend Income	387,348	307,897	1,109,140	1,804,385
Other Income	10,472	69,885	2,689	83,046
Total Investment Income	<u>1,501,937</u>	<u>1,154,669</u>	<u>4,326,129</u>	<u>6,982,735</u>
<b>Total Additions</b>	<u>2,330,947</u>	<u>2,111,978</u>	<u>6,414,777</u>	<u>10,857,702</u>
<b>Deductions</b>				
Benefit Payments	594,122	447,677	1,640,656	2,682,455
Refund of Contributions	42,669			42,669
Administrative Expense	120,518	96,071	261,533	478,122
<b>(Total Deductions)</b>	<u>(757,309)</u>	<u>(543,748)</u>	<u>(1,902,189)</u>	<u>(3,203,246)</u>
<b>Net Increase</b>	<u>1,573,638</u>	<u>1,568,230</u>	<u>4,512,588</u>	<u>7,654,456</u>
<b>Net Assets Reserved for Employees' Pension Benefits:</b>				
Beginning of Year	11,324,848	8,264,923	29,867,065	49,456,836
End of Year	<u><u>\$ 12,898,486</u></u>	<u><u>\$ 9,833,153</u></u>	<u><u>\$ 34,379,653</u></u>	<u><u>\$ 57,111,292</u></u>

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 12 - Self-Insurance Fund**

**Employee Health Insurance Fund**

The City maintains a self-insurance program for the payment of employee health and medical claims. The program provides for the payment of City and employee contributions into a self-insurance fund, which is managed by the City and its administrative agent. Employee claims up to \$75,000 per person are paid from the assets of the self-insurance fund; claims in excess of \$75,000, up to a maximum of \$925,000 per employee, per year, are paid from a reinsurance policy purchased by the City. The aggregate stop loss reinsurance policy indemnifies the City if total claims paid during the year exceed the aggregate attachment point.

**Workers' Compensation Insurance Fund**

The City maintains a self-insurance program for the payment of employee workers' compensation claims. The program provides for City contributions into a self-insurance fund which is managed by the City and its administrative agent. Employee claims up to \$500,000 per occurrence are paid from the assets of the self-insurance fund with amounts in excess of \$500,000 per occurrence being paid from a reinsurance policy purchased by the City.

Changes in claims liabilities, all of which are estimated to be currently due, for the last two years follow:

	<u>Balance October 1, 2006</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2007</u>
Employee Health Insurance Fund	\$ 523,769	\$ 2,692,969	\$ (2,781,891)	\$ 434,847
Workers' Compensation Insurance Fund	<u>815,266</u>	<u>339,354</u>	<u>(232,019)</u>	<u>922,601</u>
<b>Total</b>	<u>\$ 1,339,035</u>	<u>\$ 3,032,323</u>	<u>\$ (3,013,910)</u>	<u>\$ 1,357,448</u>

	<u>Balance October 1, 2005</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2006</u>
Employee Health Insurance Fund	\$ 527,327	\$ 2,841,435	\$ (2,844,993)	\$ 523,769
Workers' Compensation Insurance Fund	<u>920,695</u>	<u>129,148</u>	<u>(234,577)</u>	<u>815,266</u>
<b>Total</b>	<u>\$ 1,448,022</u>	<u>\$ 2,970,583</u>	<u>\$ (3,079,570)</u>	<u>\$ 1,339,035</u>

Claims liabilities are calculated based on an actuarial valuation.

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 13 - Deferred Compensation Fund**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

In October 1997, the GASB issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement allows the employer to not report the assets and liabilities in their financial statements if the employer has met the new criteria of the Internal Revenue Code Section 457 and does not retain fiduciary accountability for the plan assets.

Accordingly, the City has implemented GASB Statement No. 32, and no longer includes the assets and liabilities of the deferred compensation fund in its financial statements. There is no effect on the City's overall fund balance or retained earnings, as the plan was an agency fund in which plan assets equals liabilities.

It is the opinion of the City that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**Note 14 - Contingencies and Commitments**

The City participates in a number of state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs as of and including the year ended September 30, 2007, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

The City is defending several claims and judgments arising from the normal course of business. The City expects to prevail in these matters; however, the final outcomes have not yet been determined.

**Note 15 - 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; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- General and Automobile Liability
- Commercial Property Damage
- Contractors' Equipment
- Crime

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 15 - Risk Management (Concluded)**

The City is self-insured for workers' compensation and employee health as explained in note 13. Amounts of settlements, if any, have not exceeded insurance coverage for each of the past three years.

**Note 16 - Postemployment Benefits**

In addition to the pension benefits described in note 12, the City provides postretirement health care benefits, in accordance with City ordinance, to all employees who retire from the City. Employees retiring between the age of fifty and fifty-eight may remain in the City's plan and pay all premium costs. Employees retiring on or after attaining age fifty-eight with at least fifteen years of service remain in the plan with all employee premiums paid by the City. Retirees reaching the age of sixty-five with less than fifteen years of service pay 60% of the premiums for a Medicare supplement. In all cases, the retiree is responsible to pay dependent care premiums.

Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision of estimated claims incurred, but not reported. During the year, expenses of \$770,513 were recognized for postretirement health care, which were offset by \$208,862 of premiums paid by retirees and \$312,595 of premiums paid by the City for the benefit of retirees. Currently, there are eighty-nine retirees that the City continues to pay health insurance premiums for and eighteen who are responsible for all or one-half of their premiums as discussed above.

**Note 17 - Construction Commitments**

As of September 30, 2007 the City had the following commitments related to significant unfinished construction projects:

	<b>Expended as of September 30, 2007</b>	<b>Remaining Commitment</b>
Runway 13/31 Extension	\$ 1,037,170	\$ 5,265,640
Taxiway and Runway Lights	0	500,000
Overlay Runway 3/21	0	225,000
Fixed Base Operator Ramp Space Phase II	101,038	914,427
Lake Pointe Circle	476	33,524
City Hall Renovations	0	50,000
Community Development Parking Lot	6,475	53,525
Highway 441 Streetscape II	21,716	1,580,243
Highway 441 Mast Arms	11,860	226,192
Canal Street	156,377	130,517
Magnolia Street Improvements	40,137	145,143
Purchase Lake Harris Condo Property	0	32,670
Gymnasium Access Road	18,200	105,642
New Library Building	2,470,069	301,133
Canal Street Trail	43,237	67,221

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Concluded)*

**Note 17 - Construction Commitments (Concluded)**

	<b>Expended as of September 30, 2007</b>	<b>Remaining Commitment</b>
	<u>\$</u>	<u>\$</u>
Fountain Lake Trail	300	219,700
Venetian Gardens Master Plan	0	100,000
Performing Arts of Lake and Sumter	0	500,000
Turnpike/470 Interchange Landscaping	0	200,000
Herlong Park Dock Renovations	0	15,000
Mote-Morris Roof Replacement	0	60,000
Highway 441 Landscaping	4,320	125,680
Community Recreation Center	24,535	9,327
Gymnasium	1,375,542	1,512,153
Stormwater Drainage Improvements	268,076	1,561,158
Electric Utility:		
Transformers	253,724	546,276
Distribution Lines	1,573,550	5,419,297
Sectionalizing Devices	120	241,180
Miscellaneous Subdivisions	372,195	1,377,805
Reconductoring	43,455	2,840,025
Substation	37,880	655,045
Gas Utility:		
Mains	224,309	2,576,691
Regulators	44,321	57,173
Water Utility:		
Meters	19,087	308,113
Mains/Hydrants	317,607	3,832,393
Plant and Storage	1,744,077	4,443,192
Reuse Water Utility		
New Plant	2,346,892	3,237,310
Mains	34,018	6,385,982
Wastewater Utility		
Collecting Sewers	478,124	4,412,527
Treatment and Disposal Plant	3,307,146	3,571,628
Communication Utility		
Line Installation and Extensions	89,010	224,740
Miscellaneous Equipment	7,680	58,520
<b>Totals</b>	<u>\$ 16,472,723</u>	<u>\$ 54,121,792</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

The following supplemental schedules present trend information regarding the retirement plans for the City's general employees, municipal police and municipal firemen, and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 12,488,345	\$ 11,228,676	\$ 10,515,257	\$ (713,419)
Licenses and Permits	1,356,030	228,731	234,022	5,291
Intergovernmental	2,051,313	3,218,898	2,783,708	(435,190)
Charges for Services	336,861	390,593	501,759	111,166
Fines and Forfeitures	384,145	384,145	213,821	(170,324)
Miscellaneous:				
Interest	207,479	207,479	281,554	74,075
Other	5,837,427	4,864,711	4,952,339	87,628
<b>Total Revenues</b>	<u>22,661,600</u>	<u>20,523,233</u>	<u>19,482,460</u>	<u>(1,040,773)</u>
<b>Expenditures</b>				
Current:				
General Government	3,441,562	2,307,837	1,828,424	479,413
Public Safety	13,904,556	13,363,018	13,655,962	(292,944)
Physical Environment	337,466	627,343	472,415	154,928
Transportation	2,268,154	1,959,143	1,959,937	(794)
Economic Environment	508,582	268,484	305,623	(37,139)
Human Services	56,749	56,749	51,666	5,083
Culture and Recreation	5,736,026	5,654,172	5,278,244	375,928
Capital Outlay	5,218,470	5,218,537	4,812,150	406,387
Debt Service:				
Principal Payments	60,000	60,000	60,000	0
<b>(Total Expenditures)</b>	<u>(31,531,565)</u>	<u>(29,515,283)</u>	<u>(28,424,421)</u>	<u>1,090,862</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(8,869,965)</u>	<u>(8,992,050)</u>	<u>(8,941,961)</u>	<u>50,089</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	9,268,303	10,792,421	10,073,394	(719,027)
Transfers to Other Funds	(780,492)	(2,930,195)	(2,940,709)	10,514
<b>Total Other Financing Sources (Uses)</b>	<u>8,487,811</u>	<u>7,862,226</u>	<u>7,132,685</u>	<u>(708,513)</u>
<b>Net Change in Fund Balances</b>	(382,154)	(1,129,824)	(1,809,276)	(658,424)
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>5,674,123</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ (382,154)</u>	<u>\$ (1,129,824)</u>	<u>\$ 3,864,847</u>	<u>\$ (658,424)</u>

**CITY OF LEESBURG, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS**

**General Employees' Retirement Plan**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded)		Annual Covered Payroll	UAAL as Percent of Payroll
			Accrued Liability (UAAL)	Funded Ratio		
10/1/2006	\$ 31,368,026	\$ 33,016,791	\$ 1,648,765	95.01%	\$17,153,906	9.61%
10/1/2005	28,343,644	26,892,348	(1,451,296)	105.40%	15,645,117	-9.28%
10/1/2004	26,217,389	24,105,690	(2,111,699)	108.76%	12,599,144	-16.76%
10/1/2003	25,703,014	23,744,901	(1,958,113)	108.25%	11,842,737	-16.53%
10/1/2002	25,285,323	23,048,129	(2,237,194)	109.71%	11,009,129	-20.32%
10/1/2001	24,823,681	22,587,237	(2,236,444)	109.90%	9,556,403	-23.40%
10/1/2000	23,865,971	24,190,400	324,429	98.66%	9,140,453	3.55%
10/1/1999	23,415,083	24,013,600	598,517	97.51%	8,856,516	6.76%
10/1/1998	21,206,286	21,561,900	355,614	98.35%	9,044,523	3.93%

**Municipal Police Retirement Plan**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded)		Annual Covered Payroll	UAAL as Percent of Payroll
			Accrued Liability (UAAL)	Funded Ratio		
10/1/2006	\$ 11,635,558	\$ 11,828,037	\$ 192,480	98.37%	\$ 3,316,192	5.80%
10/1/2005	10,613,513	10,817,156	203,643	98.12%	2,929,992	6.95%
10/1/2004	10,074,080	10,270,878	196,798	98.08%	2,899,724	6.79%
10/1/2003	9,924,188	9,884,047	(40,141)	100.41%	2,813,551	-1.43%
10/1/2002	9,758,130	9,789,401	31,271	99.68%	2,566,611	1.22%
10/1/2001	9,521,215	9,452,836	(68,379)	100.72%	2,211,172	-3.09%
10/1/2000	9,117,437	10,187,231	1,069,794	89.50%	2,140,554	49.98%
10/1/1999	8,028,330	9,027,398	999,068	88.93%	2,037,074	49.04%
10/1/1998	7,239,889	7,843,707	603,818	92.30%	2,012,767	30.00%

**Municipal Firemen's Retirement Plan**

Not required due to use of the aggregate actuarial cost method.

**CITY OF LEESBURG, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS**

Year Ended 9/30	General Employees' Retirement Plan (GERP)		Municipal Police Retirement Plan (MPRP)		Municipal Firemen's Retirement Plan (MFRP)	
	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 1,745,388	108.9%	\$ 357,152	98.0%	\$ 769,306	68%
2005	1,498,661	93.0%	582,575	107.0%	675,527	65%
2004	1,200,568	96.9%	254,744	94.7%	451,265	78%
2003	1,017,781	70.7%	111,757	100.0%	342,160	91%
2002	717,664	96.4%	87,345	100.0%	342,711	105%
2001	591,947	107.5%	0	100.0%	208,798	122%
2000	496,700	92.0%	0	100.0%	208,798	128%
1999	539,300	107.9%	0	100.0%	163,325	156%

**Notes to Required Supplementary Information**

**Retirement Plans**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<b>GERP</b>	<b>MPRP</b>	<b>MFRP</b>
<b>Valuation Date</b>	October 1, 2006	October 1, 2006	October 1, 2006
<b>Actuarial Cost Method</b>	Frozen Entry Age	Frozen Entry Age	Aggregate Actuarial Cost
<b>Amortization Method</b>	Level Dollar	Level Dollar, Closed	N/A
<b>Remaining Amortization Period</b>	28 Years	28 Years	N/A
<b>Asset Valuation Method</b>	Market Value	Market Value	Market Value
<b>Actuarial Assumptions:</b>			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.20%	6.50%
COLA	None	None	None

The actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

**CITY OF LEESBURG, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS**  
*(Concluded)*

**Notes to Required Supplementary Information (Concluded)**

**Retirement Plan (Concluded)**

■ **Budgetary Information**

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for all governmental funds for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Commission. The budgetary data presented is in agreement with the originally adopted budget as amended by the City Commission.
- Formal budgetary integration is employed as a management control device during the year for substantially all funds. Budgets are adopted on a basis consistent with GAAP. Total budgeted appropriations within a governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Budget data, when presented in the basic financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

## **SUPPLEMENTAL INFORMATION**

The following supplemental schedules present combining nonmajor fund statements and individual fund budgetary schedules.

**CITY OF LEESBURG, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Special Revenue Funds</u>				
	<u>Stormwater Fund</u>	<u>Greater Leesburg Community Redevelopment Fund</u>	<u>Carver Heights Community Redevelopment Fund</u>	<u>Highway 27/441 Community Redevelopment Fund</u>	<u>Police Forfeitures Fund</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 386,251	\$ 30	\$ 278,210	\$ 665,419	\$ 89,569
Receivables, Net	149,803				
Due from Other Governments	56,407				
<b>Total Assets</b>	<u>592,461</u>	<u>30</u>	<u>278,210</u>	<u>665,419</u>	<u>89,569</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	39,917	30	30	30	1,622
Accrued Interest					
Due to Other Funds					
<b>Total Liabilities</b>	<u>39,917</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>1,622</u>
<b>Fund Balances</b>					
Reserved for:					
Debt Service					
Capital Outlay					
Unreserved	552,544		278,180	665,389	87,947
<b>Total Fund Balances</b>	<u>552,544</u>	<u>0</u>	<u>278,180</u>	<u>665,389</u>	<u>87,947</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 592,461</u>	<u>\$ 30</u>	<u>\$ 278,210</u>	<u>\$ 665,419</u>	<u>\$ 89,569</u>

<b>Discretionary Sales Tax Fund</b>	<b>Police Impact Fee Fund</b>	<b>Fire Impact Fee Fund</b>	<b>Recreation Impact Fee Fund</b>	<b>Building Permits Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
\$ 427,497	\$ 289,633		\$ 311,299	\$ 54,564	\$ 1,054,559	\$ 3,557,031
154,433						149,803
<u>581,930</u>	<u>289,633</u>	<u>\$ 0</u>	<u>311,299</u>	<u>54,564</u>	<u>1,054,559</u>	<u>3,917,674</u>
				24,921		66,550
		207,805			569,558	569,558
<u>0</u>	<u>0</u>	<u>207,805</u>	<u>0</u>	<u>24,921</u>	<u>569,558</u>	<u>207,805</u>
					485,001	485,001
581,930	289,633	(207,805)	311,299			975,057
				29,643		1,613,703
<u>581,930</u>	<u>289,633</u>	<u>(207,805)</u>	<u>311,299</u>	<u>29,643</u>	<u>485,001</u>	<u>3,073,761</u>
<u>\$ 581,930</u>	<u>\$ 289,633</u>	<u>\$ 0</u>	<u>\$ 311,299</u>	<u>\$ 54,564</u>	<u>\$ 1,054,559</u>	<u>\$ 3,917,674</u>

**CITY OF LEESBURG, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Special Revenue Funds</u>				
	<u>Stormwater Fund</u>	<u>Greater Leesburg Community Redevelopment Fund</u>	<u>Carver Heights Community Redevelopment Fund</u>	<u>Highway 27/441 Community Redevelopment Fund</u>	<u>Police Forfeitures Fund</u>
<b>Revenues</b>					
Taxes					
Licenses and Permits					
Intergovernmental	\$ 452,169	\$ 328,678	\$ 122,786	\$ 406,608	
Charges for Services	1,250,789				
Fines and Forfeitures					\$ 34,662
Miscellaneous:					
Interest	18,713	13,972	11,002	24,970	5,488
Other					
<b>Total Revenues</b>	<u>1,721,671</u>	<u>342,650</u>	<u>133,788</u>	<u>431,578</u>	<u>40,150</u>
<b>Expenditures</b>					
Current:					
Public Safety					47,405
Physical Environment	439,086				
Economic Environment		284,081	19,175	46,441	
Capital Outlay	938,942				4,785
Debt Service:					
Principal		16,486			
Interest		7,561			
<b>(Total Expenditures)</b>	<u>(1,378,028)</u>	<u>(308,128)</u>	<u>(19,175)</u>	<u>(46,441)</u>	<u>(52,190)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>343,643</u>	<u>34,522</u>	<u>114,613</u>	<u>385,137</u>	<u>(12,040)</u>
<b>Other Financing Sources (Uses)</b>					
Capital Contributions/Impact Fees					
Transfers from Other Funds		226,539	84,629	280,252	99,987
Transfers to Other Funds		(261,061)			
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(34,522)</u>	<u>84,629</u>	<u>280,252</u>	<u>99,987</u>
<b>Net Change in Fund Balance</b>	343,643	0	199,242	665,389	87,947
<b>Fund Balances, Beginning of Year</b>	<u>208,901</u>	<u>0</u>	<u>78,938</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 552,544</u>	<u>\$ 0</u>	<u>\$ 278,180</u>	<u>\$ 665,389</u>	<u>\$ 87,947</u>

<b>Discretionary Sales Tax Fund</b>	<b>Police Impact Fee Fund</b>	<b>Fire Impact Fee Fund</b>	<b>Recreation Impact Fee Fund</b>	<b>Building Permits Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
\$ 1,672,965				\$ 601,713		\$ 1,672,965 601,713 1,310,241 1,250,789 34,662
11,165	\$ 6,166	\$ 3,757	\$ 6,817	7,100		109,150
<u>1,684,130</u>	<u>6,166</u>	<u>3,757</u>	<u>6,817</u>	<u>29,676</u> <u>638,489</u>	<u>\$ 0</u>	<u>29,676</u> <u>5,009,196</u>
				1,030,640		1,078,045 439,086 349,697
				79,970		1,023,697
					470,000	486,486
					1,140,704	1,148,265
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,110,610)</u>	<u>(1,610,704)</u>	<u>(4,525,276)</u>
<u>1,684,130</u>	<u>6,166</u>	<u>3,757</u>	<u>6,817</u>	<u>(472,121)</u>	<u>(1,610,704)</u>	<u>483,920</u>
	97,625	67,590	90,576			255,791
	185,842	106,255	235,975	501,764	1,625,705	3,346,948
(1,102,200)		(385,407)	(22,069)			(1,770,737)
<u>(1,102,200)</u>	<u>283,467</u>	<u>(211,562)</u>	<u>304,482</u>	<u>501,764</u>	<u>1,625,705</u>	<u>1,832,002</u>
581,930	289,633	(207,805)	311,299	29,643	15,001	2,315,922
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>470,000</u>	<u>757,839</u>
<u>\$ 581,930</u>	<u>\$ 289,633</u>	<u>\$ (207,805)</u>	<u>\$ 311,299</u>	<u>\$ 29,643</u>	<u>\$ 485,001</u>	<u>\$ 3,073,761</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Actual Amounts</b>	<b>Final Budget</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Intergovernmental	\$ 2,857,112	\$ 12,637,426	\$ (9,780,314)
Miscellaneous:			
Interest	149,994		149,994
Other	323,466	411,615	(88,149)
<b>Total Revenues</b>	3,330,572	13,049,041	(9,718,469)
<b>Expenditures</b>			
Capital Outlays:			
Physical Environment	1,892,902	2,478,340	585,438
Transportation	3,325,859	13,422,207	10,096,348
Culture and Recreation	4,116,632	7,380,607	3,263,975
<b>(Total Expenditures)</b>	(9,335,393)	(23,281,154)	13,945,761
<b>(Deficiency) of Revenues (Under)</b>			
<b>Expenditures</b>	(6,004,821)	(10,232,113)	4,227,292
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	227,328		227,328
Bond Proceeds		8,150,053	(8,150,053)
<b>Total Other Financing Sources (Uses)</b>	227,328	8,150,053	(7,922,725)
<b>Net Change in Fund Balances</b>	(5,777,493)	(2,082,060)	(3,695,433)
<b>Fund Balance, Beginning of Year</b>	8,741,368	0	(8,741,368)
<b>Fund Balance, End of Year</b>	\$ 2,963,875	\$ (2,082,060)	\$ (12,436,801)

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**STORMWATER FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 452,169	\$ 1,344,499	\$ (892,330)
Charges for Services:			
Utility Fees	1,250,789	1,200,001	50,788
Miscellaneous:			
Interest	18,713	22,000	(3,287)
<b>Total Revenues</b>	<u>1,721,671</u>	<u>2,566,500</u>	<u>(844,829)</u>
<b>Expenditures</b>			
Current Operating:			
Physical Environment:			
Personal Services	146,268	162,535	16,267
Operating Expenditures	292,818	433,096	140,278
Capital Outlay	938,942	2,757,342	1,818,400
<b>(Total Expenditures)</b>	<u>(1,378,028)</u>	<u>(3,352,973)</u>	<u>1,974,945</u>
<b>Excess of Revenues Over Expenditures</b>	<u>343,643</u>	<u>(786,473)</u>	<u>1,130,116</u>
<b>Other Financing Sources</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	343,643	(786,473)	1,130,116
<b>Fund Balance, Beginning of Year</b>	<u>208,901</u>	<u>0</u>	<u>(208,901)</u>
<b>Fund Balance, End of Year</b>	<u>\$ 552,544</u>	<u>\$ (786,473)</u>	<u>\$ 1,339,017</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GREATER LEESBURG COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 328,678	\$ 335,490	\$ (6,812)
Interest	13,972	6,000	7,972
<b>Total Revenues</b>	<u>342,650</u>	<u>341,490</u>	<u>1,160</u>
<b>Expenditures</b>			
Economic Environment:			
Operating Expenditures	284,081	282,878	(1,203)
Debt Service	24,047	24,048	1
<b>(Total Expenditures)</b>	<u>(308,128)</u>	<u>(306,926)</u>	<u>(1,202)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>34,522</u>	<u>34,564</u>	<u>(42)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	226,539	224,066	2,473
Transfers to Other Funds	(261,061)	(258,630)	(2,431)
<b>Total Other Financing (Uses)</b>	<u>(34,522)</u>	<u>(34,564)</u>	<u>42</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**CARVER HEIGHTS COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 122,786	\$ 125,745	\$ (2,959)
Interest	11,002	2,000	9,002
<b>Total Revenues</b>	<u>133,788</u>	<u>127,745</u>	<u>6,043</u>
<b>Expenditures</b>			
Economic Environment:			
Operating Expenditures	19,175	211,727	192,552
<b>(Total Expenditures)</b>	<u>(19,175)</u>	<u>(211,727)</u>	<u>192,552</u>
<b>Excess of Revenues Over Expenditures</b>	<u>114,613</u>	<u>(83,982)</u>	<u>198,595</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	84,629	83,982	647
<b>Total Other Financing Sources (Uses)</b>	<u>84,629</u>	<u>83,982</u>	<u>647</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	199,242	0	199,242
<b>Fund Balance, Beginning of Year</b>	<u>78,938</u>	<u>0</u>	<u>(78,938)</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 278,180</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 278,180</u></u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**HIGHWAY 27/441 COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 406,608	\$ 375,543	\$ 31,065
Interest	24,970	0	24,970
<b>Total Revenues</b>	<u>431,578</u>	<u>375,543</u>	<u>56,035</u>
<b>Expenditures</b>			
Economic Environment:			
Operating Expenditures	46,441	647,987	601,546
<b>(Total Expenditures)</b>	<u>(46,441)</u>	<u>(647,987)</u>	<u>601,546</u>
<b>Excess of Revenues Over Expenditures</b>	<u>385,137</u>	<u>(272,444)</u>	<u>657,581</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	280,252	272,444	7,808
<b>Total Other Financing Sources (Uses)</b>	<u>280,252</u>	<u>272,444</u>	<u>7,808</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	665,389	0	665,389
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 665,389</u>	<u>\$ 0</u>	<u>\$ 665,389</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**POLICE FORFEITURES FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Fines and Forfeitures	\$ 29,877		\$ 29,877
Miscellaneous:			
Interest	5,488		5,488
<b>Total Revenues</b>	<u>35,365</u>	<u>\$ 0</u>	<u>35,365</u>
<b>Expenditures</b>			
Current:			
Public Safety:			
Operating Expenditures	47,405	99,987	52,582
<b>(Total Expenditures)</b>	<u>(47,405)</u>	<u>(99,987)</u>	<u>52,582</u>
<b>(Deficiency) of Revenues (Under)</b>			
<b>Expenditures</b>	<u>(12,040)</u>	<u>(99,987)</u>	<u>87,947</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	99,987	99,987	0
<b>Total Other Financing Sources (Uses)</b>	<u>99,987</u>	<u>99,987</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	87,947	0	87,947
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 87,947</u>	<u>\$ 0</u>	<u>\$ 87,947</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DISCRETIONARY SALES TAX FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 1,672,965	\$ 1,865,905	\$ (192,940)
Interest	11,165		11,165
<b>Total Revenues</b>	<u>1,684,130</u>	<u>1,865,905</u>	<u>(181,775)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to Other Funds	(1,102,200)	(1,865,905)	(763,705)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,102,200)</u>	<u>(1,865,905)</u>	<u>(763,705)</u>
<b>Net Change in Fund Balances</b>	581,930	0	581,930
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 581,930</u>	<u>\$ 0</u>	<u>\$ 581,930</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**POLICE IMPACT FEE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Miscellaneous:			
Interest	\$ 6,166		\$ 6,166
<b>Total Revenues</b>	<u>6,166</u>	<u>\$ 0</u>	<u>6,166</u>
<b>Expenditures</b>			
Capital Outlay	0	185,842	185,842
<b>(Total Expenditures)</b>	<u>0</u>	<u>(185,842)</u>	<u>185,842</u>
<b>Excess of Revenues Over Expenditures</b>	<u>6,166</u>	<u>(185,842)</u>	<u>192,008</u>
<b>Other Financing Sources (Uses)</b>			
Capital Contributions/Impact Fees	97,625	277,123	(179,498)
Transfers from Other Funds	185,842	185,842	0
Transfers to Other Funds	0	(277,123)	277,123
<b>Total Other Financing Sources (Uses)</b>	<u>283,467</u>	<u>185,842</u>	<u>97,625</u>
<b>Net Change in Fund Balances</b>	289,633	0	289,633
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 289,633</u>	<u>\$ 0</u>	<u>\$ 289,633</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**FIRE IMPACT FEE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Miscellaneous:			
Interest	\$ 3,757		\$ 3,757
<b>Total Revenues</b>	<u>3,757</u>	<u>\$ 0</u>	<u>3,757</u>
<b>Expenditures</b>			
Capital Outlay		106,255	106,255
<b>(Total Expenditures)</b>	<u>0</u>	<u>(106,255)</u>	<u>106,255</u>
<b>Excess of Revenues Over Expenditures</b>	<u>3,757</u>	<u>(106,255)</u>	<u>110,012</u>
<b>Other Financing Sources (Uses)</b>			
Capital Contributions/Impact Fees	67,590	258,449	(190,859)
Transfers from Other Funds	106,255	106,255	0
Transfers to Other Funds	(385,407)	(258,449)	(126,958)
<b>Total Other Financing Sources (Uses)</b>	<u>(211,562)</u>	<u>106,255</u>	<u>(317,817)</u>
<b>Net Change in Fund Balances</b>	(207,805)	0	(207,805)
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ (207,805)</u>	<u>\$ 0</u>	<u>\$ (207,805)</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**RECREATION IMPACT FEE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Miscellaneous:			
Interest	\$ 6,817		\$ 6,817
<b>Total Revenues</b>	<u>6,817</u>	<u>\$ 0</u>	<u>6,817</u>
<b>Expenditures</b>			
Capital Outlay		235,975	235,975
<b>(Total Expenditures)</b>	<u>0</u>	<u>(235,975)</u>	<u>235,975</u>
<b>Excess of Revenues Over Expenditures</b>	<u>6,817</u>	<u>(235,975)</u>	<u>242,792</u>
<b>Other Financing Sources (Uses)</b>			
Capital Contributions/Impact Fees	90,576	437,144	(346,568)
Transfers from Other Funds	235,975	235,975	0
Transfers to Other Funds	(22,069)	(437,144)	415,075
<b>Total Other Financing Sources (Uses)</b>	<u>304,482</u>	<u>235,975</u>	<u>68,507</u>
<b>Net Change in Fund Balances</b>	311,299	0	311,299
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 311,299</u>	<u>\$ 0</u>	<u>\$ 311,299</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**BUILDING PERMITS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Licenses and Permits	\$ 601,713	\$ 1,127,299	\$ (525,586)
Miscellaneous:			
Interest	7,100		7,100
Other	29,676		29,676
<b>Total Revenues</b>	<u>638,489</u>	<u>1,127,299</u>	<u>(488,810)</u>
<b>Expenditures</b>			
Current:			
Public Safety:			
Personal Services	704,138	719,749	15,611
Operating Expenditures	326,502	208,959	(117,543)
Capital Outlay	79,970	700,356	620,386
<b>(Total Expenditures)</b>	<u>(1,110,610)</u>	<u>(1,629,064)</u>	<u>518,454</u>
<b>(Deficiency) of Revenues (Under)</b>			
<b>Expenditures</b>	<u>(472,121)</u>	<u>(501,765)</u>	<u>29,644</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	501,764	501,765	(1)
<b>Total Other Financing Sources (Uses)</b>	<u>501,764</u>	<u>501,765</u>	<u>(1)</u>
<b>Net Change in Fund Balances</b>	29,643	0	29,643
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 29,643</u>	<u>\$ 0</u>	<u>\$ 29,643</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 0	\$ 0	\$ 0
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>			
Debt Service:			
Principal	470,000	475,000	5,000
Interest	1,140,704	1,151,115	10,411
<b>(Total Expenditures)</b>	<u>(1,610,704)</u>	<u>(1,626,115)</u>	<u>15,411</u>
<b>(Deficiency) of Revenues (Under)</b>			
<b>Expenditures</b>	<u>(1,610,704)</u>	<u>(1,626,115)</u>	<u>15,411</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	1,625,705	1,626,115	(410)
<b>Total Other Financing Sources (Uses)</b>	<u>1,625,705</u>	<u>1,626,115</u>	<u>(410)</u>
<b>Excess of Revenues and Other Financing</b>			
<b>Sources Over Expenditures and Other</b>			
<b>Financing Uses</b>	15,001		15,001
<b>Fund Balance, Beginning of Year</b>	<u>470,000</u>		<u>(470,000)</u>
<b>Fund Balance, End of Year</b>	<u>\$ 485,001</u>	<u>\$ 0</u>	<u>\$ 485,001</u>

**CITY OF LEESBURG, FLORIDA  
COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2007**

	<b>General Employees' Health Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
	<hr/>	<hr/>	<hr/>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash			
Equivalents	\$ 3,554,563	\$ 2,614,050	\$ 6,168,613
Miscellaneous Receivables	105,445	32,402	137,847
Total Current Assets	<hr/> 3,660,008	<hr/> 2,646,452	<hr/> 6,306,460
<b>Total Assets</b>	<hr/> 3,660,008	<hr/> 2,646,452	<hr/> 6,306,460
 <b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	448,415	8,223	456,638
Claims Payable	434,847	922,601	1,357,448
Total Current Liabilities	<hr/> 883,262	<hr/> 930,824	<hr/> 1,814,086
<b>Total Liabilities</b>	<hr/> 883,262	<hr/> 930,824	<hr/> 1,814,086
 <b>Net Assets</b>			
Unrestricted	<hr/> 2,776,746	<hr/> 1,715,628	<hr/> 4,492,374
<b>Total Net Assets</b>	<hr/> <hr/> \$ 2,776,746	<hr/> <hr/> \$ 1,715,628	<hr/> <hr/> \$ 4,492,374

**CITY OF LEESBURG, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>General Employees' Health Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 4,010,734	\$ 592,068	\$ 4,602,802
<b>Total Operating Revenues</b>	<u>4,010,734</u>	<u>592,068</u>	<u>4,602,802</u>
<b>Operating Expenses</b>			
Claims Expense	2,692,969	339,354	3,032,323
Administrative Expenses	477,285	38,000	515,285
Insurance Premiums	623,869	115,582	739,451
<b>(Total Operating Expenses)</b>	<u>(3,794,123)</u>	<u>(492,936)</u>	<u>(4,287,059)</u>
<b>Operating Income</b>	<u>216,611</u>	<u>99,132</u>	<u>315,743</u>
<b>Nonoperating Revenues</b>			
Investment Income	156,356	113,715	270,071
Other Nonoperating Income	101,395	23,294	124,689
<b>Total Nonoperating Revenues</b>	<u>257,751</u>	<u>137,009</u>	<u>394,760</u>
<b>Income Before Operating Transfers</b>	<u>474,362</u>	<u>236,141</u>	<u>710,503</u>
<b>Net Operating Transfers to Other Funds</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	474,362	236,141	710,503
<b>Total Net Assets, Beginning of Year</b>	<u>2,302,384</u>	<u>1,479,487</u>	<u>3,781,871</u>
<b>Total Net Assets, End of Year</b>	<u><u>\$ 2,776,746</u></u>	<u><u>\$ 1,715,628</u></u>	<u><u>\$ 4,492,374</u></u>

**CITY OF LEESBURG, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>General Employees' Health Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Employees	\$ 3,996,141	\$ 580,877	\$ 4,577,018
Cash Paid to Suppliers for Goods and Services	(1,091,194)	(158,380)	(1,249,574)
Cash Paid for Insurance Claims	(2,781,891)	(232,019)	(3,013,910)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>123,056</u>	<u>190,478</u>	<u>313,534</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income	156,356	113,715	270,071
Other Nonoperating	101,395	23,294	124,689
<b>Net Cash Flows from Investing Activities</b>	<u>257,751</u>	<u>137,009</u>	<u>394,760</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	380,807	327,487	708,294
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,173,756</u>	<u>2,286,562</u>	<u>5,460,318</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,554,563</u></u>	<u><u>\$ 2,614,049</u></u>	<u><u>\$ 6,168,612</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:</u></b>			
Operating Income (Loss)	\$ 216,611	\$ 99,132	\$ 315,743
Adjustment to Reconcile Operating Income to Cash Flows Provided by (Used in) Operating Activities:			
Decrease (Increase) in Miscellaneous Receivables	(14,593)	(11,191)	(25,784)
Increase (Decrease) in Accounts Payable	9,960	(4,798)	5,162
Increase (Decrease) in Claims Payable	(88,922)	107,335	18,413
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$ 123,056</u></u>	<u><u>\$ 190,478</u></u>	<u><u>\$ 313,534</u></u>

## **STATISTICAL SECTION**

*(Unaudited)*

Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present non-accounting date. These schedules reflect social and economic data and financial trends of the City of Leesburg, Florida, and are designed to give the reader insights into the financial position of the City of Leesburg not readily apparent from the financial statements.

Statistical data are presented to provide greater detail information than reported in the preceding general purpose financial statements. This information in many cases has been spread throughout the report and is brought together here for greater clarity. Statistical data are not necessary for fair presentation in conformity with generally accepted accounting principles.

The schedule entitled "Computation of Legal Debt Margin," which is recommended for inclusion in the Comprehensive Annual Financial report by the Government Finance Officers Association of the United States and Canada, is not included within this report inasmuch as no legal debt margin has been established for the City of Leesburg pursuant to the Constitution of the State of Florida, Florida Statutes, City ordinances or other laws applicable to the City of Leesburg. The City has had no general obligation debt outstanding during the past ten years.

**CITY OF LEESBURG, FLORIDA  
STATISTICAL SECTION**

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

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Net Assets by Component	87
Changes in Net Assets	88-89
Fund Balances of Governmental Funds	90
Changes in Fund Balances of Governmental Funds	91
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Assessed Value of Taxable Property	92
Direct and Overlapping Governments	93
Principal Property Taxpayers	94
Property Tax Levies and Collections	95
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type	96
Direct and Overlapping Governmental Activities Debt	97
Legal Debt Margin Information	98
Pledged Revenue Coverage	99-100
Electric System Revenue Bonds	101-102
Utility System Revenue Bonds	103-104
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Demographic and Economic Statistics	105
Principal Employers	106
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
Full-time Equivalent City Government Employees by Function	107
Operating Indicators by Function/Program	108
Capital Asset Statistics by Function/Program	109

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 for fiscal year 1998/99; schedules presenting government-wide information include information beginning in that year.

**City of Leesburg, Florida**  
**Net Assets by Component**  
**Last Four Years**  
**(unaudited accrual basis of accounting)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Deb	\$ 30,676,755	\$ 37,321,834	\$ 49,495,304	\$ 61,246,416
Restricted	17,203,324	17,657,048	10,446,080	3,107,601
Unrestricted	9,977,806	11,440,273	9,284,930	10,489,876
<b>Total Governmental Activities Net Asset:</b>	<u>\$ 57,857,885</u>	<u>\$ 66,419,155</u>	<u>\$ 69,226,314</u>	<u>\$ 74,843,893</u>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Deb	\$ 64,637,677	\$ 76,296,976	\$ 97,725,542	\$ 93,285,567
Restricted	35,369,218	23,322,485	3,244,393	1,449,419
Unrestricted	1,746,245	4,153,914	11,382,875	25,021,125
<b>Total Business-type Activities Net Asset:</b>	<u>\$ 101,753,140</u>	<u>\$ 103,773,375</u>	<u>\$ 112,352,810</u>	<u>\$ 119,756,111</u>
<b>Primary Government</b>				
Invested in Capital Assets, Net of Related Deb	\$ 95,314,432	\$ 106,973,631	\$ 147,220,846	\$ 154,531,983
Restricted	52,572,542	40,979,533	13,690,473	4,557,020
Unrestricted	11,724,051	22,239,366	20,667,805	35,511,001
<b>Total Primary Government Net Assets</b>	<u>\$ 159,611,025</u>	<u>\$ 170,192,530</u>	<u>\$ 181,579,124</u>	<u>\$ 194,600,004</u>

**City of Leesburg, Florida**  
**Changes in Net Assets**  
**Last Four Years**  
**(unaudited accrual basis of accounting)**

<b>Expenses</b>	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental Activities:</b>				
General Government	\$ 1,079,476	\$ 4,614,037	\$ 5,329,210	\$ 4,224,359
Public Safety	10,293,509	11,410,642	13,093,923	14,771,631
Physical Environment	675,409	862,018	898,955	1,300,500
Transportation	2,313,918	2,603,092	2,984,493	3,780,654
Economic Environment	1,545,359	571,765	620,672	682,791
Human Services	82,899	53,288	36,350	51,666
Culture and Recreation	4,424,409	4,968,600	5,397,094	5,677,875
Interest on Long-term Debt	627,346	1,170,569	1,180,340	1,148,265
<b>Total Governmental Activities Expenses</b>	<b>\$ 21,042,325</b>	<b>\$ 26,254,011</b>	<b>\$ 29,541,037</b>	<b>\$ 31,637,741</b>
<b>Business-type Activities:</b>				
Electric	\$ 41,185,843	\$ 45,311,308	\$ 54,527,802	\$ 53,857,113
Gas	7,566,229	7,875,054	9,252,854	7,193,152
Water	3,876,184	3,898,107	4,271,287	5,743,068
Wastewater	5,606,459	5,973,024	6,491,042	7,187,653
Solid Waste	3,440,650	3,284,484	2,902,126	2,906,956
Communication Services	540,922	819,244	727,336	864,566
Interest on Long-term Debt	1,305,138	32,701	46,697	137,094
<b>Total Business-type Activities Expenses</b>	<b>63,521,425</b>	<b>67,193,922</b>	<b>78,219,144</b>	<b>77,889,602</b>
<b>Total Primary Government Expenses</b>	<b>\$ 84,563,750</b>	<b>\$ 93,447,933</b>	<b>\$ 107,760,181</b>	<b>\$ 109,527,343</b>
 <b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services:</b>				
General Government	\$ 220,943	\$ 3,044,485	\$ 3,371,932	\$ 4,276,155
Public Safety	1,141,507	1,224,873	1,500,316	859,042
Physical Environment	0	702,768	969,353	1,250,789
Transportation	515,453	593,200	605,382	782,433
Economic Environment	736,092	0	0	0
Culture and Recreation	432,850	483,677	516,577	586,023
Operating Grants and Contributions	1,863,441	454,762	3,616,947	1,859,700
Capital Grants and Contributions	1,505,260	3,729,099	531,283	3,436,369
<b>Total Governmental Activities Program Revenues</b>	<b>6,415,546</b>	<b>10,232,864</b>	<b>11,111,790</b>	<b>13,050,511</b>

**City of Leesburg, Florida**  
**Changes in Net Assets**  
**Last Four Years**  
**(unaudited accrual basis of accounting)**  
**(Concluded)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Program Revenues</b>				
Business-type Activities				
Charges for Services:				
Electric	\$ 45,347,288	\$ 49,715,695	\$ 60,196,916	\$ 60,076,815
Gas	7,581,846	8,605,078	10,323,662	8,575,334
Water	4,444,273	4,401,492	5,565,429	7,383,047
Wastewater	5,835,638	7,079,097	7,908,315	9,157,128
Solid Waste	2,925,758	2,990,505	3,142,621	3,456,142
Communication Service:	525,314	860,768	1,027,280	1,154,033
Housing	0	0	0	76,156
Operating Grants and Contribution	625,862	0	0	0
Capital Grants and Contribution	2,326,135	6,107,611	5,430,454	3,408,402
Total Business-type Activities Program Revenue	<u>69,612,114</u>	<u>79,760,246</u>	<u>93,594,677</u>	<u>93,287,057</u>
Total Primary Government Program Revenue	<u>\$ 76,027,660</u>	<u>\$ 89,993,110</u>	<u>\$ 104,706,467</u>	<u>\$ 106,337,568</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (14,626,779)	\$ (16,021,147)	\$ (18,429,247)	\$ (18,587,230)
Business-type Activities:	6,090,689	12,566,324	15,375,533	15,397,455
Total Primary Government Net Expenses	<u>\$ (8,536,090)</u>	<u>\$ (3,454,823)</u>	<u>\$ (3,053,714)</u>	<u>\$ (3,189,775)</u>
<b>General Revenues and Other Changes in Net Assets:</b>				
Governmental Activities				
Taxes				
Property Taxes	\$ 3,534,345	\$ 3,871,712	\$ 4,465,410	\$ 5,686,325
Utility Services Tax	2,601,302	2,955,112	2,770,827	2,858,214
Other Taxes	3,166,977	3,584,329	3,906,212	3,643,684
State-shared Revenues	1,298,657	1,670,268	1,778,692	1,713,188
County-shared Revenue:	0	175,992	201,023	521,060
Investment Income	214,666	613,132	730,163	345,542
Miscellaneous	1,133,608	167,286	(153,755)	500,550
Transfers from (to) Other Funds	7,496,300	11,544,586	7,537,834	8,936,226
Total Governmental Activities	<u>19,445,855</u>	<u>24,582,417</u>	<u>21,236,406</u>	<u>24,204,789</u>
Business-type Activities				
Investment Income	788,042	391,921	578,497	844,203
Miscellaneous	375,494	606,572	163,239	97,866
Transfers from (to) Other Funds	(7,496,300)	(11,544,586)	(7,537,834)	(8,936,226)
Total Business-type Activities	<u>(6,332,764)</u>	<u>(10,546,093)</u>	<u>(6,796,098)</u>	<u>(7,994,157)</u>
Total Primary Government	<u>\$ 13,113,091</u>	<u>\$ 14,036,324</u>	<u>\$ 14,440,308</u>	<u>\$ 16,210,632</u>
<b>Change in Net Assets</b>				
Governmental Activities	\$ 4,819,076	\$ 8,561,270	\$ 2,807,159	\$ 5,617,559
Business-type Activities:	(242,075)	2,020,231	8,579,435	7,403,298
Adjustment	1,167,276	0	0	0
Total Primary Government	<u>\$ 5,744,277</u>	<u>\$ 10,581,501</u>	<u>\$ 11,386,594</u>	<u>\$ 13,020,857</u>

**City of Leesburg, Florida**  
**Fund Balances of Governmental Funds**  
**Last Four Fiscal Years**  
**(unaudited modified accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Func				
Reserved	\$ 290,728	\$ 773,874	\$ 1,569,642	\$ 586,207
Unreserved	6,573,937	6,249,790	4,104,481	3,278,639
Total General Func	<u>\$ 6,864,665</u>	<u>\$ 7,023,664</u>	<u>\$ 5,674,123</u>	<u>\$ 3,864,846</u>
All Other Governmental Fund				
Reserved	\$ 17,118,320	\$ 17,058,067	\$ 9,211,368	\$ 2,963,875
Unreserved, Reported in				
Stormwater Fund	826,948	713,531	208,901	0
Redevelopment Func	0	0	78,938	0
Special Revenue Fund:	0	0	0	3,073,761
Total all Other Governmental Fund	<u>\$ 17,945,268</u>	<u>\$ 17,771,598</u>	<u>\$ 9,499,207</u>	<u>\$ 6,037,636</u>

Note: The decrease in reserved fund balance of all other government funds in 2007 was due to spending bond proceeds for capital projects.

**City of Leesburg, Florida**  
**Changes in Fund Balances of Governmental Funds**  
**Last Four Fiscal Years**  
**(unaudited modified accrual basis of accounting)**

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 9,493,603	\$ 9,947,626	\$ 10,430,225	\$ 12,188,222
Licenses and Permits	781,503	1,039,497	1,287,389	835,735
Intergovernmental	4,238,060	5,617,919	6,262,243	6,951,061
Charges for Services	929,067	982,851	1,363,599	1,752,548
Fines and Penalties	365,409	339,962	383,075	248,483
Interest	214,666	613,131	730,162	540,698
Miscellaneous	1,442,820	5,464,202	4,507,427	5,305,481
Total Revenues	<u>17,465,128</u>	<u>24,005,188</u>	<u>24,964,120</u>	<u>27,822,228</u>
Expenditures				
General Government	1,045,098	2,393,514	3,192,720	1,828,424
Public Safety	10,298,327	11,641,923	12,802,000	14,734,007
Physical Environment	522,312	735,736	945,226	911,501
Transportation	998,659	1,144,742	1,532,023	1,959,937
Economic Environment	1,531,072	544,294	588,368	655,320
Human Services	45,518	53,288	36,861	51,666
Culture and Recreation	4,077,320	4,525,265	4,976,305	5,278,244
Capital Outlay	5,416,617	9,855,458	16,700,042	15,171,230
Debt Service:				
Principal Payments	204,088	239,846	170,000	546,486
Interest and Fees	627,346	1,170,569	1,180,340	1,148,265
Total Expenditures	<u>24,766,357</u>	<u>32,304,635</u>	<u>42,123,885</u>	<u>42,285,080</u>
Excess of Revenues (Under) Over Expenditures	<u>(7,301,229)</u>	<u>(8,299,447)</u>	<u>(17,159,765)</u>	<u>(14,462,852)</u>
Other Financing Sources (Uses)				
Capital Contributions/Impact Fees	0	0	0	255,791
Transfers in	8,286,608	8,756,309	7,903,521	13,647,670
Transfers out	(790,308)	(471,532)	(365,687)	(4,711,446)
Bonds Proceeds	17,154,981	0	0	0
Total Other Financing Sources (Uses)	<u>24,651,281</u>	<u>8,284,777</u>	<u>7,537,834</u>	<u>9,192,015</u>
Net Change in Fund Balance:	<u>\$ 17,350,052</u>	<u>\$ (14,670)</u>	<u>\$ (9,621,931)</u>	<u>\$ (5,270,837)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.3%	6.3%	5.3%	6.3%

**City of Leesburg, Florida**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year <sup>2</sup>	Real Property	Personal Property	Centrally Assessed Property	Less:		Net Taxable Assessed Value	Total Direct Tax Rate
				Real	Personal		
1998	\$ 594,277,180	\$ 253,305,184	\$ 418,085	\$181,972,591	\$100,742,292	\$ 565,285,566	4.50
1999	610,711,999	213,573,762	417,391	184,938,530	49,239,968	590,524,654	4.50
2000	644,575,304	239,027,959	321,959	200,427,103	84,022,857	599,475,262	4.50
2001	689,086,977	232,285,508	332,879	204,538,253	75,293,428	641,873,683	4.50
2002	715,445,919	231,355,431	369,119	206,877,608	71,494,826	668,798,035	4.50
2003	754,313,985	243,968,265	328,106	219,112,625	94,724,286	684,773,445	4.50
2004	875,334,295	225,356,519	336,057	230,212,863	52,179,737	818,634,271	4.50
2005	953,323,403	272,462,933	349,621	251,575,429	83,290,269	891,270,259	4.50
2006	1,084,329,142	324,381,497	408,548	266,752,420	126,674,899	1,015,691,868	4.50
2007	1,425,384,915	337,206,689	519,776	321,177,532	124,925,272	1,317,008,576	4.50

**Notes:** (1) Except for the Save Our Homes cap noted below, Florida State Law requires all property to be assessed at current fair market value.

The Save Our Homes cap, provides that property qualifying for, and receiving, homestead exemption is assessed at the lower of the annual percentage change in the Consumer Price Index or 3% of the previous year's assessment.

(2) As of December 31st of each year listed.

New legislation was passed in Summer 2007 that caps millage rates, except with special approval, at a level allowing tax revenue to grow no more than the related proportion to per capita income and new construction.

Source: Lake County Property Appraiser Recapitulation of Taxes as extended on the Fiscal Tax Years Tax Roll for Leesburg (DR 403).

Note: Centrally assessed property consists of railroad and telegraph system which are assessed by the State of Florida.

**City of Leesburg, Florida**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Rate Per \$1,000 of Assessed Value)**

<b>Fiscal Year</b>	<b>City</b>	<b>School District</b>	<b>Lake County</b>	<b>Ambulance District</b>	<b>Northwest Hospital District</b>	<b>Water Conservation Authority</b>	<b>Water Management District</b>	<b>Total</b>
1998	4.500	9.100	4.733	0.158	1.000	0.384	0.482	20.357
1999	4.500	9.190	4.733	0.268	1.000	0.384	0.482	20.557
2000	4.500	8.742	4.733	0.316	1.000	0.500	0.482	20.273
2001	4.500	8.495	5.117	0.550	1.000	0.500	0.472	20.634
2002	4.500	8.202	5.117	0.529	1.000	0.500	0.462	20.310
2003	4.500	8.395	5.917	0.529	1.000	0.482	0.462	21.285
2004	4.500	8.440	5.917	0.529	1.000	0.408	0.462	21.256
2005	4.500	7.990	5.817	0.529	1.000	0.383	0.462	20.681
2006	4.500	7.981	5.797	0.529	1.000	0.337	0.462	20.606
2007	4.500	7.648	5.947	0.529	1.000	0.253	0.462	20.339

Source: Lake County Property Appraiser

**City of Leesburg, Florida  
Principal Property Taxpayers  
For the Current Calendar Year and Nine Years Ago**

Taxpayer	2007			1998		
	2006 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	1997 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Cutrale Citrus Juices, USA, Inc	\$ 48,021,451	1	3.65%	\$ 52,932,856	1	9.36%
First Berkshire Business Trus	40,529,533	2	3.08%			
Sprint	38,296,185	3	2.91%	36,590,117	2	6.47%
SDG Macerich Properties LP	26,732,240	4	2.03%			
Lake Port Properties	23,229,488	5	1.76%	33,407,365	3	5.91%
Arlington Ridge LLC	14,203,167	6	1.08%			
Lowe's Home Centers, Inc	10,213,545	7	0.780%			
Wal-Mart Stores Inc #01-0800	8,448,332	8	0.640%	6,190,028	5	1.10%
Shoppes of Lake Village,LTD	8,051,854	9	0.610%			
Colonial Bank	7,768,047	10	0.590%			
Huntington Bank:				8,664,261	4	1.53%
Walling Enterprise:				3,585,130	6	0.63%
Leesburg Marketplace, Inc.				3,543,938	7	0.63%
SunTrust Bank, N.A				3,210,501	8	0.57%
Horne Properties				3,112,524	9	0.55%
Smith Kline Beechum Laboratorie:				3,059,376	10	0.54%
Total	<u>\$ 136,942,858</u>		<u>10.40%</u>	<u>\$ 154,296,096</u>		

Source: Lake County Property Appraiser

Note: Taxable Values (Florida Statutes Section 193.011 ) are as of January 1, 1997 and 2006, and represent total property values including real property, personal property and centrally assessed property.

**City of Leesburg, Florida  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended Sept 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collections for the Fiscal Year of the Levy</b>		<b>Collections for Previous Years of Levy</b>	<b>Total Collections To-Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1998	\$ 2,543,785	\$ 2,328,419	91.53%	\$ 68,795	\$ 2,397,214	94.24%
1999	2,657,361	2,426,663	91.32%	232,817	2,659,480	100.08%
2000	2,697,639	2,605,488	96.58%	7,935	2,613,423	96.88%
2001	2,888,432	2,772,878	96.00%	16,364	2,789,242	96.57%
2002	3,009,591	2,791,790	92.76%	42,742	2,834,532	94.18%
2003	3,081,481	2,958,618	96.01%	36,530	2,995,148	97.20%
2004	3,683,854	3,505,122	95.15%	29,223	3,534,345	95.94%
2005	4,010,716	3,849,333	95.98%	22,379	3,871,712	96.53%
2006	4,570,613	4,413,454	96.56%	51,957	4,465,411	97.70%
2007	5,859,148	5,655,750	96.53%	31,044	5,686,794	97.06%

Source: Lake County Property Appraiser

**City of Leesburg, Florida**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
	Capital Improvement Bonds	Notes Payable	Utility System Revenue Bonds	Notes Payable			
1998	\$ 7,105,000	\$ 0	\$ 18,708,681	\$ 1,155,000	\$ 26,968,681	7.38%	\$ 23,346
1999	7,345,000	245,607	29,930,912	795,000	38,316,519	10.34%	23,714
2000	7,345,000	234,182	26,544,487	0	34,123,669	8.69%	24,607
2001	7,290,000	222,142	26,129,529	0	33,641,671	8.35%	25,140
2002	7,170,000	209,455	26,199,171	0	33,578,626	8.05%	25,901
2003	7,045,000	196,085	25,763,392	6,077,000	39,081,477	8.85%	27,106
2004	24,025,000	181,997	38,502,435	1,300,000	64,009,432	13.28%	28,893
2005	23,890,000	167,151	38,607,756	1,240,000	63,904,907	12.01%	30,456
2006	23,750,000	231,237	39,655,000	13,277,000	76,913,237	12.83%	31,812
2007	23,280,000	172,166	86,125,001	12,683,632	122,260,799	18.44%	33,266

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
Totals do not include amortization of deferrals and discount:

(1) See Demographic and Economic Statistics for personal income and population data.

(2) The actual per capita personal income for the City is not known. The County's per capi figures are multiplied by the City's population to determine the total personal income for the City. The BEBR table showed per capita income in 1997 dollars. An inflation calculator obtained from [www.westegg.com/inflation](http://www.westegg.com/inflation) was used to inflate the 1997 dollars to the current year's dollar.

**City of Leesburg, Florida**  
**Direct and Overlapping Governmental Activities Debt**

<u>Taxing District</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Other Debt Lake County Board of County Commissioners	\$3,830,000	6.96%	\$ 266,568
School Board of Lake County	52,212,496	6.96%	<u>3,633,990</u>
Subtotal - Overlapping Debt			3,900,558
City Direct Debt			<u>23,452,166</u>
Total Direct and Overlapping Debt			<u><u>\$ 27,352,724</u></u>

Notes: The City has no general obligation debt. Utility revenue bonds are excluded

Sources: Lake County Board of County Commissioners  
Lake County School Board

**City of Leesburg, Florida**  
**Legal Debt Margin Information**

The City of Leesburg has no general obligation debt outstanding as of September 30, 2007

There is no legal debt margin established for the City of Leesburg pursuant to the Florida Statutes, city ordinance or other laws applicable to the City of Leesburg

**City of Leesburg, Florida  
Pledged Revenue Coverage  
Capital Improvement Revenue Bonds  
Series 1999  
Last Ten Fiscal Years**

Fiscal Year Ending Sept. 30	Gross Sales Tax Revenues	Guaranteed Portion-State Revenue Sharing	Miscellaneous Revenues	Total Pledged Revenues	Series 1999		Total Senior Lien Bonds Debt Service	Required	Net Available Revenues After 1999 Bonds
					Senior Lien Bonds Debt Service	Interest		Coverage 1.25X Actual	
1999	\$ 687,104	\$ 309,234	\$ 32,759	\$ 1,029,097	\$ 0	\$ 161,368	\$ 161,368	6.38	\$ 867,729
2000	728,963	309,234	7,979	1,046,176	0	385,813	385,813	2.71	660,364
2001	737,543	309,234	7,547	1,054,324	55,000	383,805	438,805	2.40	615,519
2002	797,754	309,234	4,011	1,110,999	120,000	379,005	499,005	2.23	611,994
2003	822,027	309,234	2,324	1,133,585	125,000	373,880	498,880	2.27	634,705
2004	919,290	309,234	4,781	1,233,305	130,000	368,420	498,420	2.47	734,885
2005	997,079	309,234	2,821	1,309,134	135,000	362,615	497,615	2.63	811,519
2006	1,093,773	309,234	(88)	1,402,919	140,000	356,315	496,315	2.83	906,604
2007	1,001,858	309,234	0	1,311,092	145,000	349,645	494,645	2.65	816,447

Notes: Gross Sales Tax Revenues are defined pursuant to Resolution 5725 adopted August 12, 1999, as the proceeds of the local governmental half-cent sales tax as described in Title XIV, Chapter 218, Part VI Florida Statutes.

Guaranteed Portion-State Revenue Sharing (Guaranteed Entitlement) is the portion of state revenue sharing funds available to the City that are assigned, pledged, or set aside as a trust for the payment of principal or interest on the bonds pursuant to Title XIV, Chapter 218, Part II, Florida Statutes.

Miscellaneous Revenues include interest earnings and other miscellaneous revenues in the debt service fund.

Upon issuance of the City's 2004 bonds, the City covenanted in Resolution 7162 "...that it will not issue or incur additional obligations under and pursuant to the Senior Improvement Resolution..."

**City of Leesburg, Florida**  
**Capital Improvement Revenue Bonds**  
**Pledged Revenue Coverage**  
**Series 2004**  
**Last Four Fiscal Years**

Fiscal Year Ending Sept. 30	Net Available Revenues After 1999 Bonds	Public Service Tax	Net Available Pledged Revenues	Series 2004 Junior Lien Bonds Debt Service		Total Junior Lien Bonds Debt Service	Required Debt Service Coverage 1.30X
				Principal	Interest		Actual
1999	\$ 867,729						
2000	660,364						
2001	615,519						
2002	611,994						
2003	634,705						
2004	734,885	\$ 2,601,301	\$3,261,665	\$ 0	\$126,286	\$ 126,286	25.83
2005	811,519	2,955,112	3,570,631	0	797,595	797,595	4.48
2006	906,604	2,770,827	3,382,821	0	797,595	797,595	4.24
2007	816,447	2,858,214	3,492,919	325,000	789,470	1,114,470	3.13

Notes: In Resolution 7162 adopted July 12, 2004, the City authorized the issuance of the Capital Improvement Revenue Bonds, Series 2004. The lien of the Series 2004 Bonds on the Sales Tax and Guaranteed Entitlement is subordinate to the lien thereon of the City's outstanding Refunding and Capital Improvement Revenue Bonds, Series 1999.

In addition, Public Service Tax revenues were pledged to cover the Series 2004 Bonds. Therefore, the first column on this page shows the net available revenue from the prior page. The second column shows the revenues derived from the Public Service Tax.

Upon issuance of the City's 2004 bonds, the City covenanted in Resolution 7162 "...that it will not issue or incur additional obligations under and pursuant to the Senior Improvement Resolution..."

**City of Leesburg, Florida**  
**Electric System Revenue Bonds**  
**Series 2004, 2007A and 2007B**  
**Last Four Fiscal Years**

Fiscal Year Ending Sept. 30	Gross Revenues	Less Operation and Maintenance Expenses	Total Pledged Revenues Available for Debt Service	Electric System Revenue Bonds Series Payable on a Parity as Senior Lien Bonds						
				Series 2004 Debt Service		Series 2007A Debt Service		Series 2007B Debt Service		
				Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$ 46,078,668	\$ 38,455,991	\$ 7,622,677	\$ 0	see note <sup>1</sup>					
2005	50,303,504	42,428,223	7,875,281	0	see note <sup>1</sup>					
2006	60,688,045	52,210,890	8,477,155	0	see note <sup>1</sup>					
2007	60,862,278	51,342,881	9,519,397	0	\$ 779,813	\$ 0	see note <sup>2</sup>	\$ 0	0	see note <sup>2</sup>

Notes: **Definitions**

Gross Revenues are defined pursuant to Resolution 7141 adopted June 14, 2004, as all income and earnings derived by the City from the ownership, operation, leasing, or use of the system, and investment income excluding capital expansion and system improvement grants.

Operation and Maintenance Expenses are defined as the cost of operation and maintenance as current expenses, paid or accrued, less depreciation and amortization expense.

Pledged Revenues and Net Revenues are defined as gross revenues less operation and maintenance expenses.

**Series 2004**

<sup>1</sup>First three years of payments for these bonds are interest only. Payments began on October 1, 2004, and are due semiannually April 1 and October 1 thereafter. The annualized interest payments for fiscal years 2004, 2005 and 2006 were \$166,793, \$779,813 and \$779,813, respectively, and were paid 100% from the Capitalized Interest fund of \$1,726,418.

**Series 2007A & 2007B**

In Resolution 7964 adopted July 23, 2007, the City amended Resolution 7141 for the purpose of authorizing the issuance of the Electric System Revenue Bonds, Series 2007A and Taxable Electric System Revenue Bonds, Series 2007B ("Series 2007 Bonds") on a parity with the City's outstanding Electric System Revenue Bonds, Series 2004.

<sup>2</sup>First payment due on October 1, 2007, for these bonds is interest only and will be paid 100% from the Capitalized Interest fund of \$1,341,602. 2007A - \$67,889 2007B - \$87,236 Total interest due - \$155,125

**FMPA Pooled Loan**

In Resolution 7175 adopted August 9, 2004, the City authorized Florida Municipal Power Agency (FMPA) as agent for the initial pooled loan project of \$1,300,000 for construction and implementation of approximately 42 miles of fiber optic to the communication infrastructure in various locations throughout Leesburg, Florida and Lake County, Florida. All of the obligations of the City under the Loan Agreement are hereby designated as "Subordinate Debt" for all purposes under the Bond Resolution.

<sup>3</sup>Regarding Electric System, the Communications Enterprise Fund is paying the debt service. Evidence of loan payment can be seen on the Statement of Cash Flows from Capital and Related Financing Activities as Interest Paid on Revenue Bonds and Customer Deposits and Principal paid on Capital Debt for Communication Services.

Total Senior Lien Bonds Debt Service	Required Debt Service Coverage 1.25X Actual	Net Available Revenues After Senior LienBonds	Junior Lien Bonds		Total Junior Lien Bonds Debt Service	Transfer from Communications Fund	Net Junior Lien Debt	Net Remaining Revenue after Senior and Junior Lien Bonds	Required Debt Service Coverage 1.25X Actual
			FMPA Loan Debt Service <sup>3</sup>						
			Principal	Interest					
see note <sup>1</sup>	NA <sup>1</sup>	\$ 7,622,677						\$ 7,622,677	NA <sup>1</sup>
see note <sup>1</sup>	NA <sup>1</sup>	7,875,281	\$ 0	\$ 32,554	\$ 32,554	\$ 32,554	NA <sup>3</sup>	7,875,281	NA <sup>1,3</sup>
see note <sup>1</sup>	NA <sup>1</sup>	8,477,155	60,000	46,469	106,469	106,469	NA <sup>3</sup>	8,477,155	NA <sup>1,3</sup>
\$ 779,813	12.21	8,739,584	63,000	49,640	112,640	112,640	NA <sup>3</sup>	8,739,584	NA <sup>1,2,3</sup>

**City of Leesburg, Florida  
Pledged Revenue Coverage  
Utility System Revenue Bonds  
Series 2004, 2007A and 2007B  
Last Four Fiscal Years**

Fiscal Year Ending Sept. 30	Gross Revenues	Less Operation and Maintenance Expenses	Total Net Revenues Available for Debt Service	Series 2004 Debt Service		Series 2007A Debt Service		Series 2007B Debt Service	
				Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 18,357,691	\$ 14,912,625	\$ 3,445,066		see note <sup>1</sup>				
2005	20,390,719	15,811,099	4,579,620		see note <sup>1</sup>				
2006	24,260,195	18,265,045	5,995,150		see note <sup>1</sup>				
2007	25,959,785	17,799,914	8,159,871	\$ 0	\$ 1,075,151	\$ 0	see note <sup>2</sup>	\$ 0	see note <sup>2</sup>

Notes: **Definitions**

Gross Revenues are defined pursuant to Resolution 7143 adopted June 14, 2004, as all income and earnings derived by the City from the ownership, operation, leasing, or use of the system, and investment income, excluding capital expansion and system improvement grants.

Operation and Maintenance expenses are defined as the cost of operation and maintenance as current expenses, paid or accrued, less depreciation and amortization expense.

Net Revenues and Pledged Revenues are defined as gross revenues less operation and maintenance expenses plus capacity charges.

**Series 2004**

<sup>1</sup>First three years of payments for these bonds are interest only. Payments began on October 2004 and are due semiannually each April 1 and October 1 thereafter. The annualized interest payments for fiscal year 2004, 2005 and 2006 were \$229,963, \$1,075,151 and \$1,075,151, respectively, and were paid 100% from the Capitalized Interest fund of \$2,380,265.

**Series 2007A & 2007B**

In Resolution 7965 adopted July 23, 2007, the City amended Resolution 7143 for the purpose of authorizing the issuance of the Utility System Revenue Bonds Series 2007A and Taxable Utility System Revenue Bonds, Series 2007B (Series 2007 Bonds) on a parity with the City's outstanding Utility System Revenue Bonds, Series 2004.

<sup>2</sup>First payment due on October 1, 2007, for these bonds is interest only and will be paid 100% from the Capitalized Interest fund of \$675,038. 2007A - \$66,384 2007B - \$4,034 Total interest due - \$140,834.

<u>Total Debt Service</u>	<u>Required Debt Service Coverage 1.15X Actual</u>	<u>Plus Capacity Charges</u>	<u>Total Pledged Revenues Available for Debt Service</u>	<u>Required Debt Service Coverage 1.25X Actual</u>
see note <sup>1</sup>	NA <sup>1</sup>	\$ 2,030,174	\$ 5,475,240	NA <sup>1</sup>
see note <sup>1</sup>	NA <sup>1</sup>	3,780,700	8,360,320	NA <sup>1</sup>
see note <sup>1</sup>	NA <sup>1</sup>	4,292,064	10,287,214	NA <sup>1</sup>
\$ 1,075,151	7.59	2,636,498	10,796,369	10.04

**City of Leesburg, Florida  
Demographic and Economic Statistics  
Last Ten Calendar Years**

Year	Population <sup>1</sup>	Personal Income (thousands of dollars) <sup>1,2</sup>	Per Capita Personal Income <sup>2</sup>	Median Age <sup>1</sup>	Unemployment Rate <sup>3</sup>		
					Lake County	Florida	United States
1998	15,658	365,552	23,346	47.4	3.2%	4.3%	4.5%
1999	15,624	370,508	23,714	47.0	2.5%	3.9%	4.2%
2000	15,956	392,629	24,607	45.1	2.5%	3.6%	4.0%
2001	16,033	403,070	25,140	45.7	3.4%	3.4%	4.8%
2002	16,104	417,110	25,901	46.5	4.7%	5.5%	5.4%
2003	16,290	441,557	27,106	45.9	4.8%	5.2%	6.1%
2004	16,679	481,906	28,893	46.0	4.2%	4.9%	5.1%
2005	17,467	531,975	30,456	45.1	3.6%	3.8%	5.1%
2006	18,842	599,402	31,812	42.4	3.0%	3.3%	4.3%
2007	19,934	663,124	33,266	46.4	4.7%	4.4%	4.8%

Sources: <sup>1</sup>Florida Bureau of Economic and Business Research (BEBR )

<sup>2</sup>The actual per capita personal income for the City is not known. The County's per capi figures are multiplied by the City's population to determine the total personal income for the City. The BEBR table showed per capita income in 1997 dollars. An inflation calculator obtained from [www.westegg.com/inflator](http://www.westegg.com/inflator) was used to inflate the 1997 dollars to the current year's dollars.

<sup>3</sup>State of Florida , Department of Labor and Employment Security, Bureau of Labor Market Information ( <http://fred/labormarketinfo.com>).

**City of Leesburg, Florida  
Principal Employers  
Current Year and Seven Years Ago**

<b>Employer</b>	<b>2007</b>			<b>2000</b>		
	<b>Employees</b>	<b>City Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>City Rank</b>	<b>Percentage of Total County Employment</b>
Leesburg Regional Medical Center	2,132	1	1.68%	1,300	1	1.39%
Lake Sumter Community College	739	2	0.58%	260	9	0.20%
Lake County School Board	708	3	0.56%	524	4	0.41%
Lifestream Behavioral Center	614	4	0.48%	400	7	0.31%
City of Leesburg	575	5	0.45%	424	6	0.33%
Embarq Florida Inc	479	6	0.38%	650	2	0.51%
Publix	411	7	0.32%			
Lake Port Properties	400	8	0.31%	430	5	0.34%
Wal-Mart Stores, Inc	399	9	0.31%			
Lake-Sumter EMS	278	10	0.22%			
Florida Crushed Stone				600	3	0.47%
Home Depot, Inc.				262	8	0.21%
Cutrale Citrus Juices, USA, Inc				245	10	0.19%
<b>Total</b>	<b>6,735</b>		<b>5.29%</b>	<b>3,988</b>		<b>3.51%</b>
Lake County Labor Force	127,214			93,300		

Source: Labor Force data obtained from 2000 and 2007 Florida Labor Market Statistics, [www.fred.labormarketinfo.com](http://www.fred.labormarketinfo.com)

**City of Leesburg, Florida**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>General Government</b>										
Legislative	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Executive	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
Finance	39.00	39.00	39.00	41.00	41.00	43.00	44.00	43.00	47.00	51.50
Human Resources	4.60	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	6.50
MIS	6.00	7.00	7.00	8.00	8.00	10.00	11.00	14.00	12.00	12.00
<b>Police</b>										
Officers	54.75	58.75	61.10	62.10	62.10	66.25	72.25	73.25	77.25	76.75
Civilians	20.75	20.75	20.75	24.75	24.75	25.75	25.75	25.75	26.00	30.00
<b>Fire</b>										
Firefighters and Officers	36.00	36.00	36.00	36.00	36.00	37.00	43.00	49.00	56.00	68.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Public Works</b>										
GIS / Engineering	6.00	9.00	8.00	7.00	7.00	7.34	8.34	8.50	12.00	13.00
Other	20.50	21.25	23.75	27.50	20.50	16.00	18.00	20.50	25.00	26.00
<b>Community Development</b>										
Housing & Economic Development	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	5.00
Library	22.12	22.30	22.30	22.30	22.30	23.00	23.00	23.80	28.25	28.75
Recreation	39.75	40.25	38.75	39.75	39.75	43.75	43.65	45.65	51.00	56.50
Airport							1.00	1.00	1.00	1.00
Stormwater	6.00	6.00	6.00	6.50	6.50	5.50	4.00	4.00	4.00	4.00
Subtotal for Governmental Funds	<u>280.47</u>	<u>290.55</u>	<u>292.90</u>	<u>307.90</u>	<u>300.90</u>	<u>311.25</u>	<u>326.65</u>	<u>345.45</u>	<u>380.50</u>	<u>413.00</u>
<b>Electric</b>	53.00	52.00	53.00	55.00	55.00	53.50	47.50	49.50	49.50	55.00
<b>Gas</b>	12.17	12.67	12.92	16.00	16.00	16.50	17.50	22.50	22.50	21.00
<b>Water</b>	18.66	17.66	18.41	22.50	22.50	23.59	27.00	28.50	30.50	30.50
<b>Wastewater</b>	28.17	25.67	31.67	37.50	37.50	38.91	37.00	38.00	41.50	43.50
<b>Communication</b>							2.00	3.00	5.00	5.00
<b>Solid Waste</b>	16.50	16.50	17.00	19.00	19.00	19.00	19.00	18.00	18.00	19.00
Subtotal for Business-type Funds	<u>128.50</u>	<u>124.50</u>	<u>133.00</u>	<u>150.00</u>	<u>150.00</u>	<u>151.50</u>	<u>150.00</u>	<u>159.50</u>	<u>167.00</u>	<u>174.00</u>
<b>Total</b>	<u>408.97</u>	<u>415.05</u>	<u>425.90</u>	<u>457.90</u>	<u>450.90</u>	<u>462.75</u>	<u>476.65</u>	<u>504.95</u>	<u>547.50</u>	<u>587.00</u>

Source: City Annual Budget

**City of Leesburg, Florida**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Police</b>										
Responses to calls for service	N/A	38,637	40,283	41,000	39,560	41,534	44,060	54,659	52,061	50,893
Part I crimes	N/A	2,613	1,482	1,500	1,363	1,236	1,365	1,563	1,532	1,429
Traffic crashes & citations	N/A	8,314	8,898	9,070	6,890	8,130	7,491	10,844	8,356	6,553
<b>Fire</b>										
Emergency responses	N/A	3,329	4,300	4,900	5,182	4,669	4,230	4,440	4,693	5,264
Inspections	1,048	403	404	810	1,822	1,805	1,900	1,351	1,278	1,392
Pre-fire plans	N/A	N/A	N/A	N/A	311	254	164	578	455	468
<b>Solid Waste</b>										
Residential tons taken to incinerator	5,537	5,162	5,000	5,200	5,672	6,000	6,108	1,832	7,730	8,167
Residential tons of recyclables	653	1,305	1,500	812	416	400	486	101	406	402
Hand commercial collected	N/A	907	1,031	1,149	1,126	608	786	164	763	784
Commercial dumpster collected	N/A	7,601	8,485	8,762	9,541	7,693	9,840	2,865	11,729	11,293
Commercial tons of recyclables	N/A	146	175	200	160	99	123	N/A	N/A	N/A
<b>Fleet Maintenance</b>										
Vehicles owned by the City	N/A	N/A	N/A	N/A	610	644	625	673	655	696
Percent maintained by Fleet	N/A	N/A	N/A	N/A	53%	90%	100%	100%	100%	100%
Preventive maintenance completed	N/A	N/A	N/A	N/A	302	640	710	550	656	675
<b>Community Development</b>										
Building permits issued within the City	292	344	1,537	430	311	406	2,122	3,666	4,599	2,878
Construction value of permits (thousands)	N/A	N/A	41,483	39,185	43,973	23,483	42,477	135,535	162,042	86,858
<b>Culture and Recreation</b>										
Youth programs	95	95	93	97	72	83	85	54	144	131
Number of bookings at rental facilities	N/A	628	650	582	539	501	608	829	760	6,935
Total service hours	N/A	1,884	1,950	2,000	1,469	1,645	1,298	N/A	2,786	22,101
Participants using the pool	N/A	10,750	10,750	10,700	7,029	8,082	11,360	10,137	16,525	23,633
Library service hours	N/A	3,360	3,360	3,360	3,350	3,390	3,292	3,346	3,482	3,270
Circulation - adult	254,159	224,756	201,838	201,706	216,761	224,067	250,516	258,695	252,150	265,918
Circulation - juvenile	23,902	43,424	40,879	33,286	32,840	31,222	34,416	59,367	68,984	77,636
Internet use	N/A	16,593	20,071	21,636	15,929	34,146	33,198	34,985	44,264	65,210
<b>Electric</b>										
Number of residential customers	14,750	14,930	15,125	15,336	15,551	15,801	16,425	17,013	17,439	17,841
Average daily consumption (KWH)	35.30	34.60	34.73	35.37	34.00	36.67	33.70	35.23	36.14	33.86
<b>Gas</b>										
Number of residential customers	7,536	7,690	7,838	8,047	8,186	8,421	8,845	9,130	9,607	10,116
Average daily consumption (therms)	0.75	0.60	0.67	0.77	0.60	0.73	0.67	0.63	0.58	0.53
<b>Water</b>										
Number of residential customers	8,385	8,645	8,901	9,163	9,372	9,633	10,056	10,491	14,504	15,426
Average daily consumption (gallons)	339.91	365.99	372.60	332.83	310.33	284.38	311.65	293.68	286.18	322.30
<b>Wastewater</b>										
Number of residential customers	N/A	N/A	N/A	N/A	9,357	9,609	10,185	10,618	14,051	15,515
Average daily sewage treatment (gallons)	N/A	N/A	N/A	N/A	177.34	196.30	210.97	232.13	207.89	318.44

Sources: Various city departments

Note: N/A - Information is not available.

In 2007, the Recreation Department began to use new computer software called RecTrac. This software has allowed for more precise and detailed tracking across all rental facilities managed by the department

**City of Leesburg, Florida**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Public Safety</b>										
Police stations	2	2	2	2	2	1	1	1	1	1
Fire stations	2	2	2	2	2	3	3	3	4	4
<b>Solid Waste</b>										
Collection trucks	13	15	17	20	24	22	24	23	21	23
Annexation Acres	158.96	496.19	193.30	3,720.96	126.22	1,025.04	125.49	1,005.12	1,704.21	2,374.07
Corporate Limits:										
Acres	13,321	13,817	14,010	17,731	17,857	18,883	19,008	20,013	21,717	24,371
Square miles	20.81	21.59	21.89	27.71	27.90	29.50	29.70	31.26	33.78	38
<b>Streets</b>										
Paved (miles)	80.4	80.7	80.7	80.9	80.9	84.1	84.1	79.0	79.0	79
Unpaved (miles)	3.2	3.2	3.2	3.2	3.2	3.2	3.2	1.7	1.7	1.7
<b>Culture and Recreation</b>										
Rental facilities	3	3	3	3	3	3	3	6	6	224
Museum	N/A	N/A	N/A	1	1	1	1	1	1	1
Parks facilities managed	10	10	10	10	10	22	22	50	50	22
Parks acreage	226	226	226	226	226	280	280	290	290	300
Library facilities	1	1	1	1	1	1	1	1	1	1
Volumes in collection	120,329	124,325	129,535	174,607	170,427	114,492	133,604	139,394	140,990	132,914
<b>Electric</b>										
Primary electric lines within the city (miles)	365	358	358	365	371	376	382	389	392	392
Overhead conductor replaced (feet)	N/A	N/A	N/A	N/A	38,769	35,000	12,769	20,825	N/A	1,000
Underground primary conductor replaced (feet)	N/A	N/A	N/A	N/A	22,000	33,000	270	16,450	37,500	3,000
<b>Gas</b>										
Gas mains	195	200	205	205	211	218	226	227	236	237
Gate stations	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	338	215	332	332	332	325	325	255	295	350
Maximum capacity (millions of gallons)	N/A	N/A	3.5	7.5	7.9	9.1	9.1	9.1	28.0	28
Deep wells	N/A	N/A	14	15	15	15	17	17	20	21
<b>Wastewater</b>										
Sewers force mains (miles)	100	100	101	103	103	103	103	61	63	77
Sewers gravity lines (miles)	65	65	70	70	70	70	116	130	133	165
Lift stations	N/A	N/A	97	100	100	102	110	114	124	146
Disposal plants	1	1	2	2	2	2	2	2	2	2
Maximum capacity (millions of gallons per day)	3,000	3,000	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
<b>Communication</b>										
Fiber optics cable (miles)	N/A	N/A	N/A	38	50	70	140	158	166	169

Sources: Various city departments

Note: N/A - Information is not available

In 2005, the City's Geographical Information Systems Department (GIS) completed the electronic mapping of the City's utility systems. The results enabled the City to accurately present its capital assets. Prior to completion of this project, the information was estimatec

In 2007, the Recreation Department began to use new computer software called RecTrac. This software has allowed for more precise and detailed tracking across all rental facilities managed by the department.

## **OTHER REPORTS SECTION**

**SINGLE AUDIT REPORTS  
AND  
MANAGEMENT LETTER**

**CITY OF LEESBURG, FLORIDA**

**SEPTEMBER 30, 2007**

**SINGLE AUDIT REPORTS  
AND  
MANAGEMENT LETTER  
CITY OF LEESBURG, FLORIDA  
SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

Schedule of Expenditures of Federal Awards .....	1-2
Schedule of Expenditures of State Financial Assistance .....	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4-5
Report on Compliance with Requirements Applicable to Each Major Federal Award Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Department of Financial Services, <i>State Projects Compliance Supplement</i> .....	6-7
Schedule of Findings and Questioned Costs - Federal Awards Programs and State Financial Assistance Projects .....	8-9
Corrective Action Plan in Accordance with OMB Circular A-133.....	10
Management Letter .....	11-12
Management Letter Comments .....	13
Management's Response .....	14

**CITY OF LEESBURG, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Passed Through Florida Department of Agriculture and Consumer Services:				
Urban and Community Forest		10.664	\$ 45,250	\$ 37,370
Direct:				
City Hall Annex (Business Incubator)		10.769	565,000	406,597
<b>Total U.S. Department of Agriculture</b>			<u>610,250</u>	<u>443,967</u>
<b>U.S. Department of Housing and Urban Development</b>				
Passed Through Florida Department of Community Affairs:				
Neighborhood Revitalization	05-DB-2Q-06-45-02-N40	14.228	750,000	407,919
<b>Total U.S. Department of Housing and Urban Development</b>			<u>750,000</u>	<u>407,919</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership				
		16.607	0	2,327
Byrne Grant - JAG	2006-DJ-BX-0518	16.738	17,514	17,514
<b>Total U.S. Department of Justice</b>			<u>17,514</u>	<u>19,841</u>
<b>U.S. Department of Labor</b>				
Passed Through Workforce Central Florida:				
WIA Adult Program		17.258	40,203	24,619
<b>Total U.S. Department of Labor</b>			<u>40,203</u>	<u>24,619</u>
<b>U.S. Department of Transportation</b>				
Extend Runway 13/31- Phase One Design	3-12-0042-014-2006	20.106	675,435	495,380
Extend Runway 13/31- Phase One Land Mitigation	3-12-0042-016-2007	20.106	467,918	435,537
<b>Total U.S. Department of Transportation</b>			<u>1,143,353</u>	<u>930,917</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**  
*(Concluded)*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through Florida Department of Community Affairs:				
Hurricane Jeanne Project		97.036	\$ 1,257	\$ 1,257
Passed Through Florida Department of Financial Services:				
Technical Rescue Resource Grant	FM235	97.067	10,831	2,058
SAFER Fire Grant	EMW-2005-FF-01331	97.083	1,200,000	416,829
Direct:				
CEDAP Program		97.096	8,500	8,500
<b>Total U.S. Department of Homeland Security</b>			1,220,588	428,644
<b>Total Expenditures of Federal Awards</b>			\$ 3,781,908	\$ 2,255,907

**Note to the Schedule of Expenditures of Federal Awards**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Program or Award Amount</u>	<u>State Expenditures</u>
<b>Florida Department of Environmental Protection</b>				
Passed Through St. Johns River Water Management District:				
Alternative Water Supply	SJ38213	37.066	\$ 2,660,000	\$ 341,906
Lake Griffin Stormwater	SK465AA	37.039	44,250	44,250
<b>Total Florida Department of Environmental Protection</b>			<u>2,704,250</u>	<u>386,156</u>
<b>Florida Department of State</b>				
Public Library Construction	06-PLC-07	45.020	500,000	150,000
<b>Total Florida Department of State</b>			<u>500,000</u>	<u>150,000</u>
<b>Florida Department of Transportation</b>				
Air Traffic Control Tower	247556-1-94-01	55.004	1,040,000	53,742
Airport Corporate Hangars	408182-1-94-01	55.004	325,000	297,384
FBO Parking Ramp Extension #1	409778-1-94-01	55.004	80,000	80,000
Overcoat GA Ramp Area	409437-1-94-01	55.004	160,000	119,781
<b>Total Florida Department of Transportation</b>			<u>1,605,000</u>	<u>550,907</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 4,809,250</u>	<u>\$ 1,087,063</u>

**Note to the Schedule of Expenditures of State Financial Assistance**

**Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General, Local Governmental Entity Audits*.

**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***

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2008. 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's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 01-07 to be a significant deficiency in internal control over financial reporting.

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Honorable City Commission  
City of Leesburg  
Leesburg, Florida

**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*  
(*Concluded*)**

**Internal Control Over Financial Reporting (*Concluded*)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated March 27, 2008.

The City's response to the findings identified in our audit are described in the accompanying Management's Response. 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 the City Commissioners, management, the Florida Auditor General, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

March 27, 2008  
Gainesville, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL AWARD PROGRAM AND STATE FINANCIAL  
ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE FLORIDA DEPARTMENT  
OF FINANCIAL SERVICES, STATE PROJECTS COMPLIANCE SUPPLEMENT**

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

**Compliance**

We have audited the compliance of the City of Leesburg, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program and state project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 691-5, *Rules of the Florida Department of Financial Services* and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or the state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

**Internal Control Over Compliance**

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

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Honorable City Commission  
City of Leesburg  
Leesburg, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL AWARD PROGRAM AND STATE FINANCIAL  
ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE FLORIDA DEPARTMENT  
OF FINANCIAL SERVICES, STATE PROJECTS COMPLIANCE SUPPLEMENT  
(Concluded)**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

**Schedules of Expenditures of Federal Awards and State Financial Assistance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2007, and have issued our report thereon dated March 27, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Purvis, Gray and Company, LLP*

March 27, 2008  
Gainesville, Florida

**CITY OF LEESBURG, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL  
AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**

**1. Summary of Audit Results**

**I. Type of Audit Report Issued on Basic Financial Statements**

Unqualified Opinion

**II. Significant Deficiencies and/or Material Weaknesses in Internal Control**

Audit disclosed a significant deficiency in internal control which was a material weakness in internal control.

**III. Noncompliance Material to Auditee Basic Financial Statements**

Audit disclosed no material instances of noncompliance.

**IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over the Major Programs**

None Reported

**V. Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Programs**

Unqualified Opinion

**VI. Audit Findings Relative to Major Federal Award Programs and State Financial Assistance Projects**

None

**VII. Program/Project Tested as Major Program/Project**

**■ Federal Programs**

U.S. Department of Agriculture:

City Hall Annex (Business Incubator) (10.769)

U.S. Department of Housing and Urban Development:

Community Development Block Grant (14.228)

U.S. Department of Homeland Security:

SAFER Fire Grant (97.083)

**■ State Projects**

Florida Department of Transportation:

Aviation Development Grants (55.004)

**VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$300,000 for major federal award programs and state financial assistance projects.

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
*(Concluded)*

1. **Summary of Audit Results (Concluded)**

IX. **Auditee Qualification as Low-risk Auditee**

The auditee does not qualify as a low-risk auditee pursuant to OMB Circular A-133.

2. **Findings Related to the Basic Financial Statements Required to be Reported Under GAGAS**

**Finding**  
**Number**

**Finding**

01-07 **Construction Work in Progress**

**Condition and Criteria**

During our audits for the years ended September 30, 2006 and 2005, we noted that account balances classified as utility fund construction work in progress and completed construction not classified, could not be satisfactorily tested because no summary reports could be provided that identified cost incurred by individual work order or project. During this year's audit we have been provided with the aforementioned information, however, we noted that the inventory of work orders by individual fund does not agree with the general ledger balances in the applicable funds and that significant differences exist in several of the utility funds.

**Effects**

Not reconciling the inventory of incomplete work orders to the control totals in the individual utility funds could allow errors in the amount recorded as construction work in progress to go undetected.

**Cause of Condition**

The City has not established control activities related to reconciling the inventory of incomplete work orders to the general ledger control accounts.

**Recommendation**

We recommend that policies and procedures be established that provide for the reconciliation of incomplete work orders to the applicable control accounts.

**CITY OF LEESBURG, FLORIDA  
CORRECTIVE ACTION PLAN IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**1. Corrective Action Planned for Current Year Audit Findings**

**Finding  
Number**

**Finding**

**01-07 Construction Work in Progress**

**Response**

It is noted that this condition was reported for the years ended September 30, 2006 and 2005. We concur that information is difficult to aggregate from Sungard Public Sector Systems in a format that easily compliments the audit process. However, we believe this is possible and will work on a solution prior to the interim audit. The Finance Department has worked hard to resolve prior findings and will work with Sungard and the City of Leesburg Information Technology staff to resolve. We understand that Purvis Gray and Company, LLP needs certain records to facilitate their field testing and the accounting staff looks forward to providing the requirements of the auditors.

**MANAGEMENT LETTER**

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

We have audited the financial statements of the City of Leesburg, Florida, (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated March 27, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and on compliance and other matters, report on compliance with requirements applicable to each major federal award program and state financial assistance project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 27, 2008, 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 or schedule of findings and questioned costs, this letter is required to include the following information:

- The *Rules of the Auditor General* [Section 10.554(1)(i)1.] requires that we determine whether or not corrective actions have been taken to address significant findings made in the preceding annual financial report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.
- The *Rules of the Auditor General* [Section 10.554(1)(i)2.], requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- The *Rules of the Auditor General* [Section 10.554(1)(i)3.] requires that we address in the management letter any findings and recommendations to improve the City's financial management, accounting procedures and internal controls. In connection with our audit, we did not have any such recommendations.
- The *Rules of the Auditor General* [Section 10.554(1)(i)4.] 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.

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Honorable City Commission  
City of Leesburg  
Leesburg, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

- The *Rules of the Auditor General* [Section 10.554(1)(i)5.] requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (a) 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; (b) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (c) control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditors. Please see accompanying management letter comments.
- The *Rules of the Auditor General* [Section 10.554(1)(i)6.] 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 the management letter, unless disclosed in the notes to the financial statements. Please see note 1 of the accompanying basic financial statements.
- The *Rules of the Auditor General* [Section 10.554(1)(i)7.(a)], requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- The *Rules of the Auditor General* [Section 10.554(1)(i)7.(b)], requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.
- The *Rules of the Auditor General* [Section 10.554(1)(i)7.(c) and 10.556(7)], 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 and use of the City Commission, management, the Florida Auditor General, and federal and state awarding agencies and pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Purvis, Gray and Company, LLP*

March 27, 2008  
Gainesville, Florida

**MANAGEMENT LETTER COMMENTS**

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

During the course of our audit, the following item came to our attention. This item involves primarily administrative matters which, if improved, will result in more efficient and effective operations.

**Cash Reserve Policy**

During our audit, we noted that the City of Leesburg, Florida (the City) was not in compliance with its cash reserve policy for the general fund as of September 30, 2007. The City's policy requires that a cash reserve balance equal to 20% of the current year's budget be maintained. The cash balance of \$4,124,475 in the general fund was approximately 1.7 million dollars short of this requirement. We recommend that the required balance be restored in accordance with City policy.

*Purvis, Gray and Company, LLP*

March 27, 2008  
Gainesville, Florida

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## MANAGEMENT'S RESPONSE

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

### Current Year Recommendations

#### Cash Reserve Policy

#### City of Leesburg (the City) Response

We concur with the comment and we calculate the cash reserve and corresponding shortfall as follows:

Original Budget	\$ 29,040,054
Reserve Percentage	<u>20%</u>
Required Reserve	5,808,011
Cash on Hand	<u>4,124,475</u>
Deficiency	<u>\$ 1,683,536</u>

Components of the deficiency are as follows:

Creation of Special Revenue Funds	\$ 1,129,824
Operations (Primarily Police and Fire Pension Shortfalls)	<u>553,712</u>
Deficiency	<u>\$ 1,683,536</u>

Management knew the deficiency would develop due to the reclassification of special revenue activities into separate funds. (Please see page 12 of Management's Discussion and Analysis, General Fund Budgetary Highlights for additional information). With this understanding, management advised the Commission and sought to restore the general fund cash reserves. Restoration began with a zero based budgeting approach to the fiscal year 2008 budget which reduced the prior year general fund budget of \$29,040,054 by \$2,941,710 to \$26,098,344 or 10.1%. In addition, the City Commission is seeking to use excess funds from the sale of real property valued at \$4,125,000 to eliminate the deficiency.